

**20
22**
Integrated
Report and
Financial
Statements



Partnerships for growth

Tomorrow starts now

Partnerships for growth

Tomorrow starts now





Vision, Mission and Values



Purpose (Mission)

Sanlam Kenya Plc is committed to help create a world worth living in and enable people to live the best possible life within it.



Vision

To be the leader in client-centric wealth creation, management and protection.



Core Values

- Care
- Collaboration
- Integrity
- Innovation

We are determined and resolute

For over 100 years, we have been doing business with readiness, resolve and deep-rooted conviction. We are committed, resolute, determined and purposeful in what we do.



We are solid and sensible

We take pride in our solid nature - we choose functional over fancy and we don't do window dressing. When it comes to our customers, the sensible thing is the right thing.



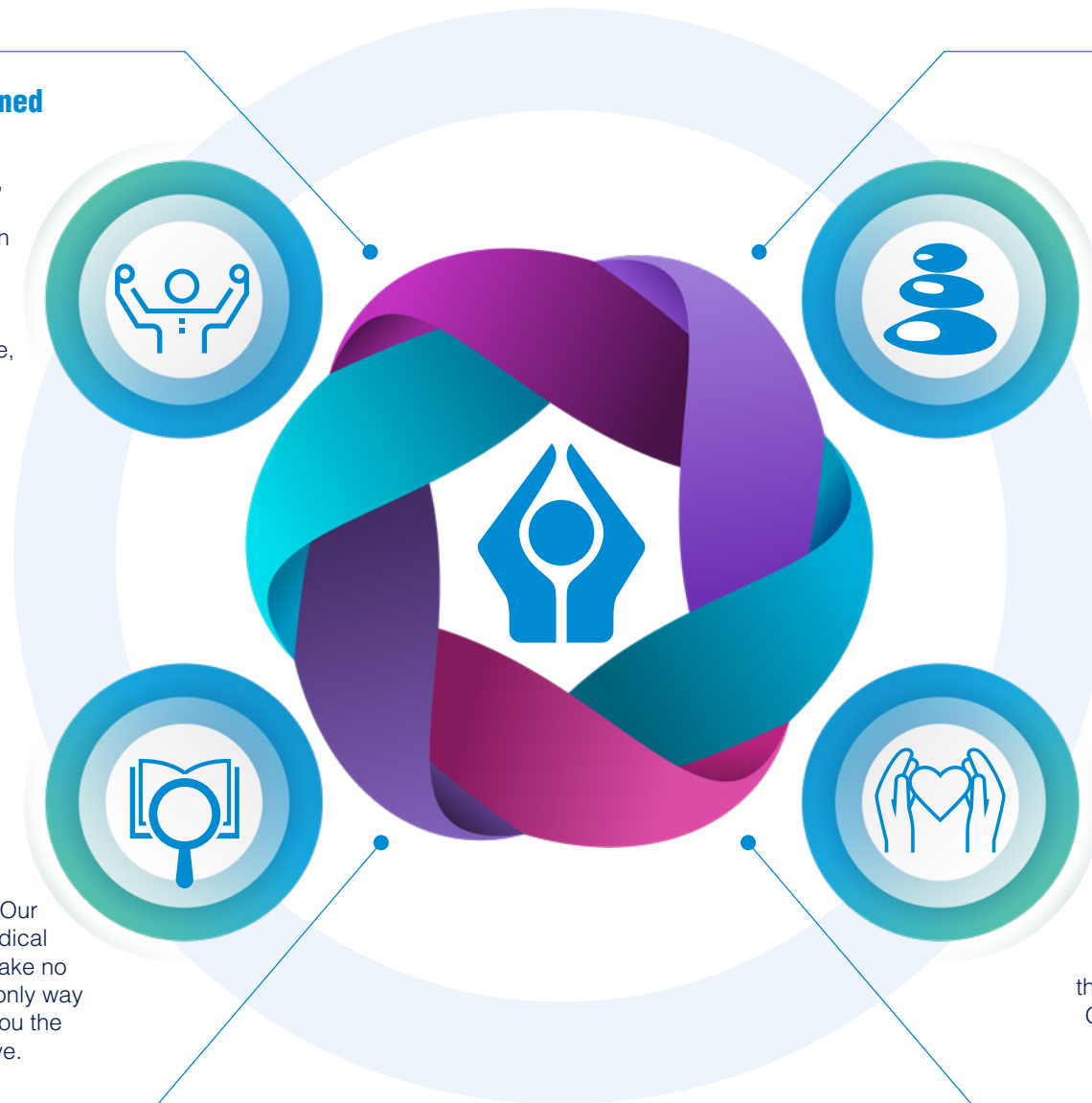
We do it very, very well

We do what we do exceptionally well. Our approach is methodical and thorough, we take no shortcuts. It is the only way we know to show you the respect you deserve.



We do it for good

We desire to make a real and positive difference - to create lasting value that enables people live their best possible lives. Our work is never done and we do it for good.





About Us

To our investors and stakeholders

Sanlam Kenya Plc is a diversified financial services group listed on the Nairobi Securities Exchange that provides a comprehensive suite of financial solutions tailored to meet the distinctive Kenyan market needs.

Through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, Sanlam Kenya is well positioned to meet unique client needs in the General and Life Insurance space.

Founded on a rich heritage and good corporate citizenship, Sanlam Kenya currently features a branch network of 10 client experience centres across Kenya's major towns. The firm enjoys an estimated market share of 6% in the life insurance industry in Kenya, insuring over 1,500,000 lives under individual life and group life.

The group enjoys a market share of about 2% in the Kenyan general insurance industry, serving over 16,000 policyholders under Personal Lines and more than 1,200 under Commercial Lines.

Through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, Sanlam Kenya is well positioned to meet unique client needs in the General and Life Insurance space.

Globally, Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 44 countries. Our vision is to be the leader in client-centric wealth creation, management and protection, to be a leading player in Pan-African financial services while carving a niche in wealth and investment management in specific developed markets.

Sanlam operates through a number of subsidiaries, associated companies and joint ventures. Sanlam Life is the largest operating subsidiary and the holding company of most of Sanlam's operations in emerging markets.

Sanlam has a decentralised management structure and conducts operations through five business clusters: Sanlam Personal Finance, Sanlam Emerging Markets, Sanlam Investment Group, Santam and Sanlam Corporate.

The Group provides comprehensive and tailored financial solutions to individual and institutional clients across all market segments. Sanlam's areas of expertise include insurance (life and general), financial planning, retirement, investments and wealth.

The Group also has stakes in operations based in Namibia, Botswana, Swaziland, Zimbabwe, Mozambique, Mauritius, Malawi, Zambia, Tanzania, Rwanda, Uganda, Kenya, Nigeria, Morocco, Angola, Algeria, Tunisia, Ghana, Niger, Mali, Senegal, Guinea, Burkina Faso, Côte d'Ivoire, Togo, Benin, Cameroon, Gabon, Republic of the Congo, Madagascar, Lebanon, Saudi Arabia, India, Malaysia and the United Kingdom and has interests in the USA, Australia, Burundi, Lesotho and the Philippines.



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Founded on a rich heritage and good corporate citizenship, Sanlam Kenya currently features a branch network of 10 client experience centres across Kenya's major towns.



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Globally, Sanlam is one of the 50 largest internationally active insurance groups in the world with a presence in 44 countries.



6%

The firm enjoys an estimated market share of 6% in the life insurance industry in Kenya, insuring over 1,500,000 lives under individual life and group life.



Company information

Principal place of business

Sanlam Tower, Waiyaki Way, Westlands
P.O. Box 44041 - 00100
Nairobi

Registered office

LR No. 209/927
Uhuru Highway, building Sanlam House
P.O. Box 10493 - 00100
Nairobi

Principal Bankers

Kenya Commercial Bank Limited
Kencom House
P.O. Box 48400 - 00100
Nairobi

Absa Bank Kenya
Barclays Plaza
P.O. Box 46661 - 00100
Nairobi

Standard Chartered Bank Kenya Limited
Kenyatta Avenue
P.O. Box 30001 - 00100
Nairobi

Co-operative Bank of Kenya Limited
Ukulima Branch
P.O. Box 74956 - 00200
Nairobi

Family Bank Limited
Kenyatta Avenue Branch
P.O. Box 74145 - 00200
Nairobi

National Bank of Kenya Limited
Kenyatta Avenue
P.O. Box 30645 - 00100
Nairobi

Company secretary

Emma Wachira
Sanlam Tower
Waiyaki Way
Westlands
P.O. Box 44041 - 00100
Nairobi

Independent auditor

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

Legal advisers

Kaplan & Stratton Advocates
Williamson House, 4th Ngong Avenue
Nairobi

Muriu Mungai Advocates
MMC Arches
Spring Valley Crescent
Nairobi

Simba & Simba Advocates
6th Floor, Finance House
Loita Street
Nairobi

Ayugi & Njonjo Advocates
4th Floor, Capital Hill Square, Upper Hill
Nairobi

Waruhiu & Company Advocates
12th Floor, International House
Mama Ngina Street



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Sanlam at a Glance



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Understanding how our business creates shared value

The cornerstone of our purpose, to build a world of Wealthsmiths™, is our ability to create shared value for our material stakeholders. This way, we strengthen their financial resilience and prosperity.

This contributes to a mutually beneficial value ecosystem for individuals, organisations and society.



Creating a world worth living in means that organisations have the benefit of:

- Opportunities to generate fee income for our sales agents as distribution partners for Sanlam products and services
- Facilitating sustainable economic growth through Sanlam's sound investment of client funds under management
- Technical partnerships with regulators to enable economic, social and regulatory resilience and prosperity



Creating a world worth living in means that society has the benefit of:

- Economic empowerment and choice
- Stability and liquidity in the financial sector through Sanlam's investment of client funds under management
- Trust in the financial sector as a result of technical partnerships
- Collaboration and trust between stakeholders in support of inclusive economic growth



Creating a world worth living in means that individuals have the benefit of:

- Wealth creation, management and protection through sound advice, fair treatment and a range of financial solutions that meet individual needs and expectations
- Employment opportunities and fair remuneration that leads to career development and financial security
- Growth in shareholder value for all our shareholders

We're in the business of helping people make the most of their money while delivering on sustainable and enduring value for our stakeholders.

We believe diversification is key to our success because only when we embrace our differences and draw on our collective strengths, can we transform people's lives in a meaningful way. What drives us is we do it for good. What unites us is our job is never done. This is what makes us Wealthsmiths™.



Our Stakeholder Network



Sanlam's strategic intent is to create sustainable value for all stakeholders. While we operate in an extended universe of stakeholders, we identify and select material stakeholders on the basis of their impact on Sanlam's business and the successful execution of our strategy. Sanlam's ability to create mutually beneficial financial resilience and prosperity is reflected in RoGEV, our primary performance target for measuring shareholder value creation.

Governance of stakeholder relationships

The Sanlam Board and executive management are responsible for managing Sanlam in a sustainable and stakeholder-inclusive manner. This includes overseeing the strategic risks that relate to the interface between Sanlam and its stakeholders, and balancing the needs, interests and expectations of all material stakeholders in the best interests of Sanlam over time. Read more about governance responsibilities to stakeholders in the online Governance Report.

Stakeholder relations

Sanlam's stakeholder strategy guides engagement with material stakeholders. An approved stakeholder communication policy is in place. Stakeholder engagement is continuous and depends on the needs of the various stakeholders and business clusters.

Each business cluster manages stakeholder engagement according to the specific focus in their operations. The clusters report to the Sanlam stakeholder hub on a quarterly basis on all stakeholder engagement activities and concerns raised.

The stakeholder hub is a centralised stakeholder database that serves as an issue log. The information in the stakeholder hub is collated and reported to the Social, Ethics and Sustainability (SES) committee on a quarterly basis. Group Market Development in the Group Office provides a support function for managing stakeholder relationships through face-to-face and client-centric engagement. This includes established relationships with multiple tertiary institutions in South Africa, trade unions, government departments, private sector institutions and affinity groups such as churches. Group Market Development further facilitates cross-selling and collaboration between clusters to execute on market opportunities.

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Stakeholder group

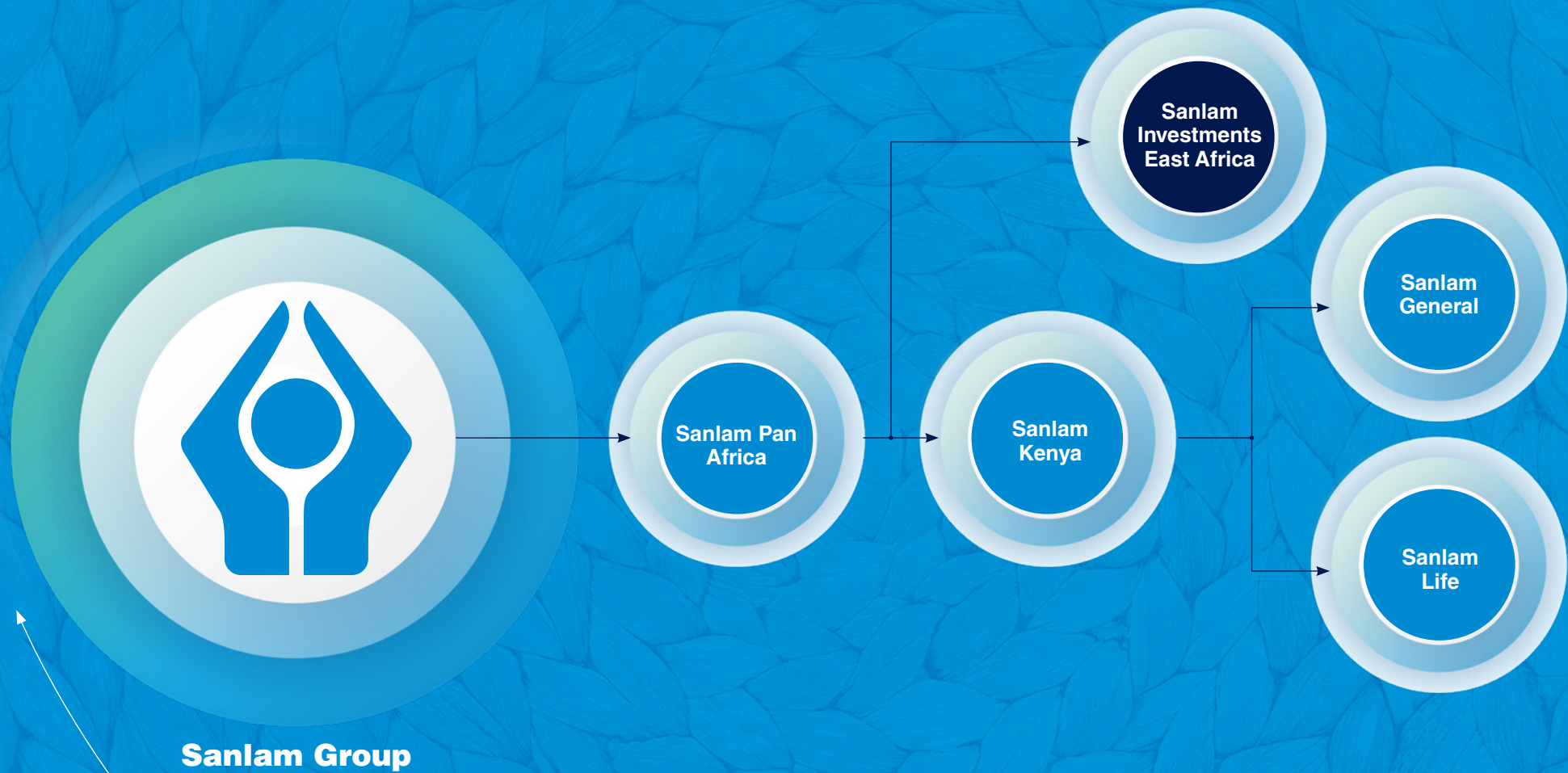
The basis of our relationship



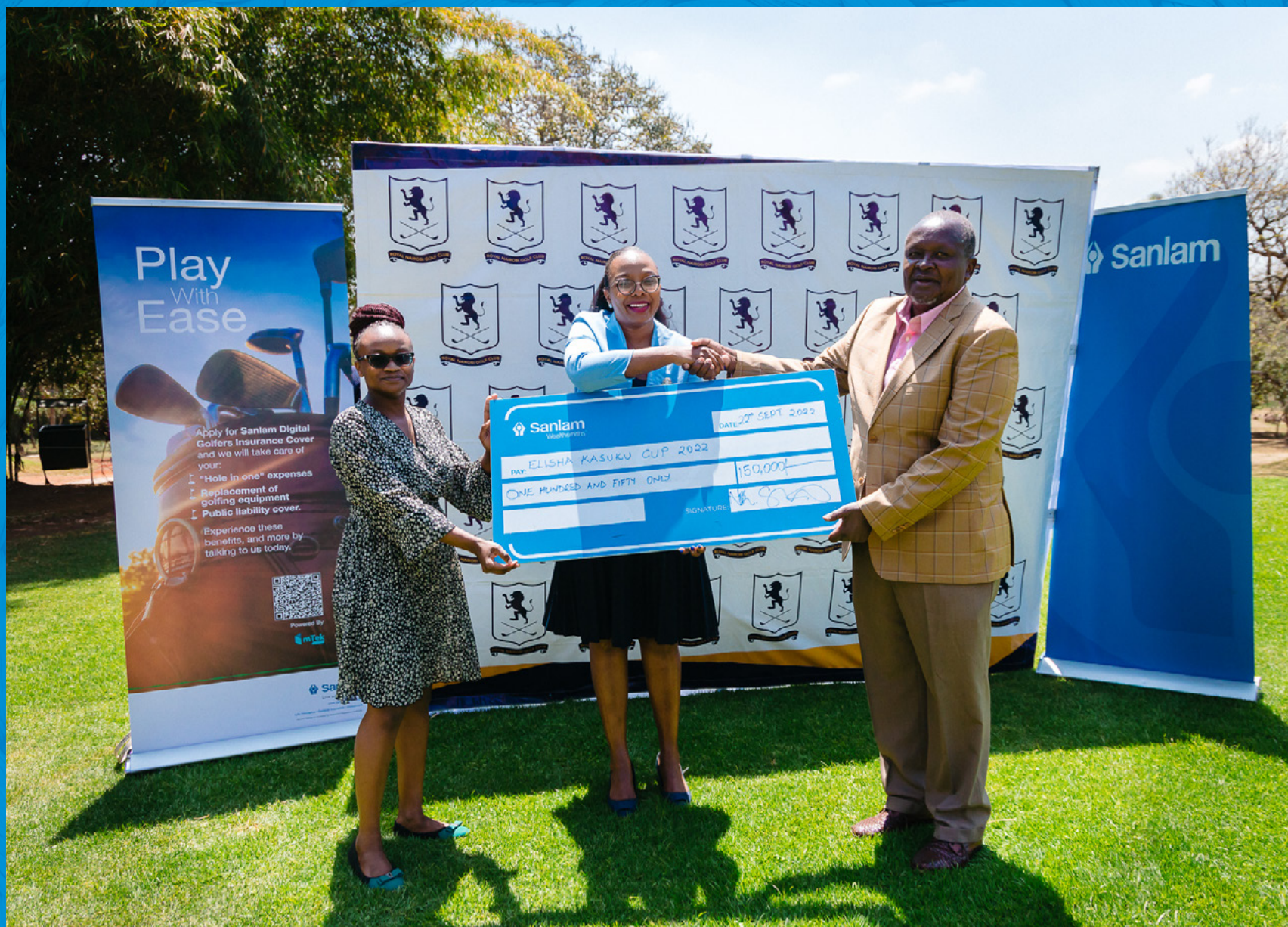
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Sanlam Group Plc's structure



Flashback



Sanlam Kenya sponsored the Kasuku Cup Tournament at Nairobi Royal Golf Club with Jacqueline Karasha, Chief Sales Officer, Sanlam Life (centre) presenting the sponsorship cheque to Elisha Kasuku.

Flashback



Dr Nyamemba Patrick Tumbo, Group CEO Sanlam Kenya PLC (left) handing over the Lady Winner Prize to Pamela Lwande at Karen Country Club during the Annual Sanlam Golf Sponsorship.

Flashback



Dr JPN Simba, Chairman, Sanlam Kenya PLC (right) with his four-ball team at Limuru Country Club during the Annual Sanlam golf tournament.

Flashback



Sanlam Kenya staff spend a day with the children and caregivers at Huruma Children's Home, Kibiko Ngong as part of Sanlam's Corporate Social Initiatives.

Five-year Group review

	2022	2021	2020	2019	2018
	KShs.m	KShs.m	KShs.m	KShs.m	KShs.m
Statement of profit or loss:					
Profit/ (loss) before tax and share of profit of associate	328	(414)	(529)	550	(2,130)
Profit/(loss) after tax attributed to shareholders	(54)	(542)	(628)	114	(2,017)
Insurance business:					
Gross earned premium	10,193	12,042	8,697	6,991	6,346
Net premium income	8,211	9,235	6,852	5,647	5,372
Net benefits and claims	7,325	8,616	5,732	4,836	5,124
Statement of financial position:					
Total equity	542	596	1,107	1,735	1,587
Long term policy liabilities (Note 24(b))	25,595	24,111	20,894	19,605	20,042
General policy liabilities (Note 24(a))	2,697	2,147	1,373	947	1,222
Share capital	720	720	720	720	720
Total assets	37,139	34,684	31,039	29,032	29,102
Key indicators:					
	KShs.	KShs.	KShs.	KShs.	KShs.
Basic earnings/(loss) per share	(0.08)	(2.79)	(3.55)	0.79	(14.01)
Market capitalisation at year end (KShs. m)	1,380	1,663	1,865	2,478	3,168
Group share prices at the NSE:					
Annual High	15	14	22	26	28
Annual Low	7.56	9	20	16	20
Share price at year end	9.58	11.55	12.95	17.2	22





Total Assets

KShs. 37.1 billion

from KShs. 34.6 billion



Gross Premiums

KShs. 10 billion

from KShs. 12 billion



Profit Before Tax

KShs. 328 million

from KShs. -414 million



Our leadership



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Board of Directors - Sanlam Kenya Plc



Dr. John P N Simba (78) (Chairman)



Dr. Patrick Tumbo (59)



Julius Nyakia Magabe (49)



Cornelius Foord (65)



Dr Grace Mirigo Mwai (43)



Rose Agutu (60)



Rohan Patel (47)



Freda Britz (56)



Nelius Bezuidenhout (40)



Dr Tobias Doyer (50)

➤ Find Profiles of
the Directors on
pages 68 - 69

Senior Management



Dr. Patrick Tumbo
Sanlam Kenya Group CEO

George Kuria
CEO Sanlam General

Kevin Mworia
Principal Officer Sanlam Life

Simon Ngura
Head of IT and Innovation



Emma Wachira
Group Company Secretary/
Chief Legal Officer

Donato Laboke
Head of Marketing and Channel
Development - East Africa

Pauline Gitau
Group Head Internal Audit



We believe in taking mindful actions and behaviours, embracing a global worldview to recognise the connection between the planet and humanity; thereby, through our personal and organisational choices, effect positive environmental and social change.



Dr. John Simba, OGW, MBS, EGH (Group Chairman)

Chairman's statement

Fellow shareholders,

On behalf of the Board of Directors, it gives me pleasure to present to you various reports and the financial statements for the year ended 31st December 2022.

2022 overview

For many people around the world, 2022 was a challenging year not only because of the pressures brought about by the war between Russia and Ukraine and other global conflicts but increases in the cost of energy combined to result in increases in the cost of living.

Kenya has not been spared the effects of the global commodity price shocks but has been resilient and continued to recover from the Covid-19 pandemic. The long drought, the failed rainy season and the increased cost of living forced a relook at the projected growth rate. The Kenya National Bureau of Statistics reported that the real Gross Domestic Product decelerated from 7.6 per cent in 2021 to 4.8 per cent in 2022.

Kenya also went through a transition following successful and peaceful general elections. President Dr. William Samoei Ruto took over from Uhuru Kenyatta, whose second and last term came to an end. While we had expected the cyclical slow down in growth that comes with elections in Kenya, this was not the case, with the commodity price shocks having a bigger effect on the economy than the elections. The new administration has introduced a raft of measures to help shore up the economy and work towards a recovery.

Operations

As the country negotiates the troubles brought about by the global and local issues, Sanlam continued to play its role in supporting the growth of the economy. There was improved performance in the short-term business and boosted our focus on building a resilient business going forward. This was despite the overall reduction in premiums. The Life Insurance Business made an operating profit of KShs.890 million in 2022 compared to KShs.932 million in 2021. This together with the improved General Insurance Business resulted in the Group recording a profit before tax of KShs. 328 million and loss after tax KShs.54 million in 2022 compared to the KShs.542 million loss in 2021. We are confident about the future of the business, and projections indicate that the Group, through its subsidiaries, is expected to continue posting positive operating profits and Value of New business in the future.

Sustainability

At Sanlam, our purpose is to help create a world worth living in while enabling people to live the best possible life. Our clients live with confidence knowing their investments with us will grow to meet their expected future financial needs. They have confidence that we will protect their investment by investing in initiatives that contribute to changing people's lives, making a positive impact, and helping communities become more resilient to the challenges of poverty, education, unemployment, and climate change. This is the promise we continue to deliver on.

We believe in taking mindful actions and behaviors, embracing a global worldview to recognize the connection between the planet and humanity; thereby, through our personal and organizational choices, effect positive environmental and social change. Our strategy in delivering this is to develop and leverage partnerships to enhance positive societal impact in the areas of financial inclusion, financial literacy, entrepreneurship, poverty alleviation, environmental stewardship, as well as climate change mitigation and adaptation.

With the increase in global penetration of mobile telecommunication technologies, we are committed to deliver trusted insurance and investment products to millions of people previously without access to such products. These technologies provide a platform to make communities active participants in initiatives that drive positive social impact and environmental stewardship. Sanlam will continue to leverage traditional and new technological platforms to embed financial inclusion to ensure our clients live with financial confidence.

I am pleased to see Sanlam start telling its story on sustainability and to see the increased interest of all our stakeholders on issues concerning sustainability. One of the focus areas going forward will be to increase our stakeholder engagements and

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communication of our progress on sustainability initiatives. We will also put a lot of effort into developing concrete ESG targets and further integrate sustainability into our business operations. We desire to make a real and positive difference, to create lasting value that enables people to live their best lives. Our work is never done, and we do it all for good.

Regulatory changes

The Insurance Regulatory Authority issued guidance that insurance intermediaries who procure life and investment-related insurance services should register with the Financial Reporting Centre. This followed changes to the Proceeds of Crime and Anti-Money Laundering Act.

The regulator also issued a circular announcing the requirement for every agent to have an appointment letter from insurers authorizing them to transact any business that attracts a commission of more than KShs 50,000.

Future outlook

Although we have faced some headwinds in our operations, more particularly the short-term business, nonetheless I remain confident about our future, bolstered by the strategies we have implemented to turn around the loss-making entities through sustainable business growth, effective controls, strategic expense management and effective investment strategies. Following on its performance, Sanlam Life Insurance is projected to pay dividends to Sanlam Kenya Plc, which is expected to enable the entity to fund its financial obligations for the next year. At the same time, I anticipate that Sanlam General Insurance Limited will return to profitability.

Conclusion

In conclusion, let me express my appreciation to my colleagues on the Board of Directors, the management, and staff for continuing to maintain laser focus on the strategy and working hard to bring the company back to profits. Global events with domestic implications are likely to delay the pace and duration of our economic recovery. We shall ensure that we are ready and prepared to take advantage of opportunities once the storms have dissipated.



Dr John PN Simba
Chairman



We are confident about the future of the business, and projections indicate that the Group, through its subsidiaries, is expected to continue posting positive operating profits and Value of New business in the future.



Tunaamini katika kujali katika hatua tunazozichukua na tabia pia, na kukumbatia mtazamo wa kiulimwengu unaotambua uhusiano kati ya dunia na binadamu na matendo yake. Hivyo basi, kupitia maamuzi yetu ya kibinafsi na ya shirika, hutekeleza mabadiliko ya kufaa mazingira na jamii.



Dkt John Simba, OGW, MBS, EGH (Mwenyekiti)

Taarifa ya Mwenyekiti

Wenyehisa wenzangu,

Kwa niaba ya Bodi ya Wakurugenzi, nina furaha kuu kuwasilisha kwenu ripoti na taarifa mbalimbali za kifedha kwa mwaka uliomalizika 31 Desemba 2022.

2022 kwa ufupi

Kwa watu wengi kote duniani, 2022 ulikuwa mwaka wa changamoto sio tu kwa sababu ya shinikizo zilizotokana na vita kati ya Urusi na Ukraine na mizozo mingine duniani, lakini pia ongezeko la bei ya mafuta. Mambo haya yalichangia kupanda kwa gharama ya maisha.

Kenya iliathiriwa pia na kupanda kwa bei za bidhaa duniani lakini imekuwa na ukamavu na iliendelea kujikwamua kutoka kwa athari za janga la Covid-19. Ukame wa muda mrefu, uhaba wa mvua, na kupanda kwa gharama ya maisha vililazimisha kushushwa kwa makadirio ya ukuaji wa uchumi. Idara ya Taifa ya Takwimu Kenya (KNBS) iliripoti kuwa Pato Ghafi la Taifa lilipunguza ukuaji kutoka kwa asilimia 7.6 mwaka 2021 hadi asilimia 4.8 mwaka 2022.

Kenya pia ilipitia kipindi cha mpito baada ya uchaguzi mkuu wa amani. Rais Dkt. William Samoei Ruto alichukua hatamu za uongozi kutoka kwa Uhuru Kenyatta, aliyemaliza muhula wake wa pili na wa mwisho. Ingawa tulikuwa tumetarajia kupungua kasi kwa ukuaji ambako hutokea wakati wa uchaguzi Kenya, hili halikutokea. Misukosuko kwenye bei za bidhaa lilikuwa na athari zaidi kwa uchumi kuliko uchaguzi. Utawala mpya umeanzisha hatua mbalimbali za kusaidia kuilinda na kuimarisha tena uchumi.

Shughuli

Taifa linapopambana na changamoto hizi zilizoletwa na masuala haya ya kimataifa na ndani ya nchi, Sanlam iliendelea kutekeleza mchango wake wa kusaidia ukuaji wa uchumi. Biashara ya kipindi kifupi iliimarika na kutia nguvu juhudi zetu za kujenga biashara kakamavu tukiendelea kusonga mbele. Hii ilitokea licha ya kushuka kwa malipo ya bima. Biashara ya Bima ya Maisha ilipata faida ya kutokana na uendeshaji shughuli kabla ya kutozwa ushuru ya KShs.890 milioni mwaka 2022 ukilinganisha na KShs.932 milioni mwaka 2021. Hii, pamoja na kuimarika kwa Biashara ya Bima ya Kawaida vilichangia kulisaidia Kundi kuandikisha faida ya KShs. 328 milioni kabla ya kutozwa ushuru na hasara ya baada ya kutozwa ushuru ya KShs.54 milioni mwaka 2022 ukilinganisha na hasara ya KShs.542 milioni mwaka 2021. Tuna matumaini kuhusu siku za usoni za biashara hii, na makadirio yanaonyesha kwamba Kundi, kupitia kampuni zake tanzu, linatarajia kuendelea kupata faida kutokana na uendeshaji shughuli na pia kuimarika katika Thamani ya Biashara Mpya.

Uendeleu

Katika Sanlam, lengo letu ni kujenga ulimwengu bora wa kuishi huku tukiwawezesha watu kuishi maisha bora zaidi. Wateja wetu huishi kwa amani wakijua kuwa uwekezaji wao utakua na kuwawezesha kutimiza mahitaji yao ya kifedha ya siku sijazo. Wana imani kwamba tutatunza uwekezaji wao kwa kuwekeza katika mipango na mikakati inayochangia kubadilisha maisha ya watu, kuwa na matunda mazuri kwenye jamii, na kusaidia jamii kuwa na ukamavu na nguvu za kupambana na changamoto za umaskini, elimu, ukosefu wa kazi, na mabadiliko ya tabia nchi. Hii ndiyo ahadi ambayo tutaendelea kuitimiza.

Tunaamini katika kujali katika hatua tunazozichukua na tabia pia, na kukumbatia mtazamo wa kiulimwengu unaotambua uhusiano kati ya dunia na binadamu na matendo yake. Hivyo basi, kupitia maamuzi yetu ya kibinafsi na ya shirika, hutekeleza mabadiliko ya kufaa mazingira na jamii. Mkakati wetu katika kutimiza hili umekuwa ni kuandaa na kutumia vyema ushirika unaohimiza mchango mwema wa jamii katika kushirikishwa kwa wote kifedha, ujasiriamali, kumaliza umaskini, uhifadhi wa mazingira, pamoja na hatua za kupunguza mabadiliko ya tabia nchi na kusaidia jamii kukabiliana na athari zake.

Kwa kuzingatia ongezeko la matumizi ya simu za mkononi duniani, tumejitolea kutoa huduma za bima na uwekezaji za kuaminika kwa mamilioni ya watu ambao awali hawangeweza kupata huduma hizi. Teknolojia hizi zinatoa jukwaa la kuzifanya jamii kuwa washiriki kamili katika mikakati inayoleta manufaa kwa jamii na mazingira. Sanlam itaendelea kutumia majukwaa ya kitamaduni na teknolojia mpya kufikisha huduma za kifedha kwa watu na kuhakikisha wateja wetu wanaishi wakiwa na imani na amani kifedha.

Nina furaha kuona Sanlam ikianza kusimulia hadithi yake kuhusu uendeleu na kuona pia ongezeko la hamu ya wadau wetu kuhusu masuala ya uendeleu. Moja ya mambo ya kuangazia zaidi tunaposonga mbele itakuwa ni kuongeza ushiriki wa wadau wetu na mawasiliano zaidi kuhusu hatua tunazozipiga katika mikakati yetu ya uendeleu.

Katika Sanlam, lengo letu ni kujenga ulimwengu bora wa kuishi huku tukiwawezesha watu kuishi maisha bora zaidi. Wateja wetu huishi kwa amani wakijua kuwa uwekezaji wao utakua na kuwawezesha kutimiza mahitaji yao ya kifedha ya siku sijazo.

Tutatia juhudi zaidi katika kutayarisha na kuweka malengo ya Mazingira, Jamii na Utawala (ESG) na kufungamanisha zaidi uendeleu katika biashara yetu. Nia yetu ni kuwa na mchango halisi na wa faida na kujenga thamani ya muda mrefu itakayowawezesha watu kuishi maisha bora zaidi. Kazi yetu kamwe haiishi, na huwa twaifanya kwa manufaa ya jamii.

Mabadiliko katika sheria

Mamlaka ya Usimamizi wa Bima ilitoa maelekezo kwamba asasi za bima zinazotoa bima ya maisha na huduma nyingine za bima zinazohusiana na uwekezaji zinafaa kujiandikisha katika Kituo cha Ripoti za Kifedha. Hii ni baada ya mabadiliko kufanywa kwenye Sheria ya Mapato ya Uhalifu na Kukabiliana na Utakatishaji wa Fedha.

Mamlaka hiyo pia ilitoa mwongozo na kutangaza hitaji la kila wakala kuwa na barua ya uteuzi kutoka kwa kampuni ya bima kuwaruhusu kutekeleza shughuli za kibiashara zilizo na malipo ya faida kwa mwuzaji ya zaidi ya KShs.50,000.

Matazamio ya siku zijazo

- Ingawa tulikumbana na changamoto katika shughuli zetu, hasa katika biashara ya kipindi kifupi, bado tuna matumaini kuhusu siku za usoni. Tunatiwa moyo na mikakati ambayo tunaitekeleza kuimarisha tena biashara zinazopata hasara kwa sasa kupitia mikakati ya ukuaji endelevu wa biashara, udhibiti wa fedha, usimamizi wa busara wa matumizi, na mikakati ya uwekezaji bora. Kwa kuendelea mtindo wa matokeo yake ya sasa, Sanlam Life Insurance inatarajiwa kuweza kulipa mgawo wa faida kwa Sanlam Kenya Plc. Hii inatarajiwa kuiwezesha kampuni hiyo kutimiza mahitaji yake ya kifedha kwa mwaka unaofuata. Wakati uo huo, natazamia kwamba Sanlam General Insurance Limited itarejelea kupata faida.

Hitimisho

Nikihitimisha, ningependa kutoa shukrani zangu kwa wenzangu katika Bodi ya Wakurugenzi, wasimamizi, na wafanyakazi kwa kuendelea na umakini wao katika kutekeleza mkakati wetu na kutia bidii kuirejesha kampuni yetu katika njia ya kupata faida. Matukio ya kimataifa yenye madhara ndani ya nchi huenda yakapunguza kasi na kuchelewesha muda wa uchumi kujikwamua. Tutahakikisha kuwa tuko tayari kutumia vyema fursa zitakazokuwepo mawimbi haya na misukosuko itakapopita.



Dkt John PN Simba
Mwenyekiti



Tuna matumaini kuhusu siku za usoni za biashara hii, na makadirio yanaonyesha kwamba Kundi, kupitia kampuni zake tanzu, linatarajia kuendelea kupata faida kutokana na uendeshaji shughuli na pia kuimarika katika Thamani ya Biashara Mpya.

The disruption of traditional models and the advancements of the Digital Age gives us confidence that we are on the path back to profitability. In terms of numbers, we are happy that the projections indicate that the business will continue positive operating profits and the Value of New Business shows that the business is currently underwriting business profitably.



Patrick Tumbo (Group CEO)



GCEO's statement

2022 overview

The journey towards recovery that started after the slowdown of the pandemic in 2021 ran into headwinds in the year under review as major world economies tightened their monetary policies and the war between Ukraine and Russia resulted in supply chain disruptions. Growth has also been stifled by the increase in energy prices and the subsequent effect on the cost of living, which has become a major talking point worldwide. The overall effect was a reduction in growth rates from 6 per cent in 2021 to 3.4 per cent in 2022. In Kenya, the official statistics body reported that Real Gross Domestic Product increased by 4.8 per cent compared to 7.6 per cent in 2021. Kenya is among countries in the Emerging Markets and Developing Economies that bore the brunt of strengthening the US dollar against most currencies and the continued effect of the continued Covid-19 pandemic in China.

While the agriculture, forestry and fishing sectors contracted by 1.6 per cent, attributed to prolonged drought, growth was supported by the financial and insurance sectors, information and communication, and transport and storage. Still, agriculture remains the dominant sector.

Overall, the insurance sub-sector in Kenya has been on a growth trajectory, with the Kenya National Bureau of Statistics (KNBS) reporting growth of 15.8 per cent in 2022 compared to 26.9 per cent in 2021. There was also a growth in net premiums. The Financial Stability Report by the financial sector regulators reported growth of the insurance asset base by 10 per cent the previous year. On the other hand, claims incurred under the general insurance business increased overall by 11.2 per cent, according to the Economic Survey published by the KNBS.

Performance

In the period under review, the Group reported an after-tax loss of KSh54 million, compared to a loss of KSh542 million in 2021. The negative retained earnings as at 31 December 2022 was KSh2.062 billion, compared to KSh1.761 billion in 2021, while consolidated negative cash flows from operating activities stood at KSh124 million.

We have in place several mitigation measures to address the underperformance and the management is confident that the Group is on a trajectory of sustainable growth.

The directors have implemented strategies to turn around loss-making Sanlam General and Sanlam Kenya Plc through sustainable business growth, effective controls, strategic expense management and effective investment strategies.

Sanlam Emerging Markets, the intermediate parent company, advanced a loan of KSh1,085 billion to Sanlam General Insurance Limited to bridge the capital shortfall on 5 May 2022. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if Sanlam General Insurance fails to repay any principal or any interest outstanding when due under the agreement, Sanlam Emerging Markets (Pty) Limited may elect to issue a notice to Sanlam General Insurance Limited of their intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.

Sanlam Life Insurance Limited, a subsidiary of Sanlam Kenya Plc whose performance has demonstrated a strong going concern in the year under review, is projected to pay dividends to its shareholder, Sanlam Kenya Plc, to enable the entity to fund its financial obligations for 2023.

KShs 144 million

Sanlam General Insurance Limited is projected to return to profitability by 2023, projecting an after-tax profit of KShs 144 million, which affirms the entity's ability to continue as a going concern.

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Sanlam Kenya Plc's credit facility of KSh3 billion is sufficiently collateralised by a corporate guarantee issued by Sanlam Emerging Markets and continues to be serviced without any default.

Sanlam Kenya Plc has restructured the loan facility, temporarily resolving the liquidity challenge as the Group is not expected to service the interest payments of the debt facility for an additional two years until the facility is due in February 2025. Shareholder capital raise is required to retire the KSh4 billion debt issued by Stanbic Bank well ahead of the February 2025 repayment date.

Operating Environment

As reported, there was a slowdown in economic growth due to the prolonged drought and the cumulative effects of the increase in energy prices and the subsequent effect on the cost of living for most Kenyans. With disposable incomes reduced and discretionary spending affected, the uptake of insurance remained suppressed.

2023 Focus

The disruption of traditional models and the advancements of the Digital Age gives us confidence that we are on the path back to profitability. In terms of numbers, we are happy that the projections indicate that the business will continue positive operating profits and the Value of New Business shows that the business is currently underwriting business profitably.

Our strategic thrust is anchored on strategic partnering and channels, innovation, strategic expense management, and culture and control environment. The management effort is focused on delivering on the strategic thrust and the right enablers are in place.

I thank you.



Patrick Tumbo
Group Chief Executive Officer



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Kuvurugika kwa mipangilio ya zamani na maendeleo katika Enzi ya Dijitali vinatupatia imani kwamba tupo kwenye njia sahihi ya kurejelea utengenezaji faida. Kuhusu matokeo, tuna furaha kwamba makadirio yanaashiria kwamba biashara itaendelea kupata faida katika uendeshaji shughuli, na pia kipimo cha Thamani ya Biashara Mpya kinaonyesha biashara hii kwa sasa inatoa bima kwa njia ya faida.



Patrick Tumbo (Group CEO)



Taarifa ya GCEO

2022 kwa ufupi

Safari ya kuimarika tena iliyoanza baada ya kudorora kwa uchumi mwaka 2021 iliingia kwenye matatizo katika mwaka tunaouangazia. Mataifa makubwa duniani kiuchumi yalikaza sera zao za kifedha, navyo vita vya Ukraine na Urusi vikatatiza biashara nyingi na usambazaji wa bidhaa. Ukuaji umeathiriwa pia na kupanda kwa bei ya mafuta. Hili lilichangia kupanda kwa gharama ya maisha, suala ambalo limekuwa gumzo kote duniani. Haya yote yalisababisha kushuka kwa viwango vya ukuaji kutoka asilimia 6 mwaka 2021 hadi asilimia 3.4 mwaka 2022. Nchini Kenya, idara ya takwimu ilitangaza kuwa Pato Ghafi la Taifa liliongezeka kwa asilimia 4.8 ukilinganisha na 7.6 mwaka 2021. Kenya ni miongoni mwa mataifa katika kundi la mataifa yenye masoko yanayoibuka na ya uchumi unaoendelea ambayo yameathiriwa na kuimarika kwa Dola ya Marekani dhidi ya sarafu nyingi na athari za kuendelea kwa janga la Covid-19 nchini China.

Sekta za kilimo, misitu na uvuvi zilidorora kwa asilimia 1.6, kutokana na ukame wa muda mrefu. Lakini ukuaji ulishuhudiwa katika sekta za kifedha na bima, habari na mawasiliano, na uchukuzi na uhifadhi wa mizigo. Hata hivyo, sekta ya kilimo imebaki kuwa ndiyo kubwa zaidi.

Kwa jumla, sekta ndogo ya bima Kenya imekuwa katika safari ya ukuaji, ambapo Idara ya Taifa ya Takwimu Kenya (KNBS) iliripoti ukuaji wa asilimia 15.8 mwaka 2022 ukilinganisha na asilimia 26.9 mwaka 2021. Kulikuwa pia na ukuaji katika malipo ya bima. Ripoti ya Uthabiti wa Kifedha iliyoandaliwa na mamlaka inayosimamia sekta hii iliripoti ukuaji wa malipo kwa kampuni za bima wa asilimia 10 ukilinganisha na mwaka uliotangulia. Madai ya malipo, katika biashara ya bima ya kawaida, nayo yaliongezeka kwa asilimia 11.2, kwa mujibu wa ripoti ya Utafiti wa Kiuchumi inayochapishwa na KNBS.

Matokeo

Katika mwaka tunaouangazia, Kundi liliripoti hasara ya baada ya kutozwa ushuru ya KSh54 milioni, ukilinganisha na hasara ya KSh542 milioni mwaka 2021. Mapato yaliyohifadhiwa na kampuni kufikia 31 Desemba 2022 yalikuwa hasi kwa kiasi cha KSh2.062 bilioni, ukilinganisha na KSh1.761 bilioni mwaka 2021, nao mtiririko wa fedha kutoka kwa shughuli za kibiashara ulikuwa hasi na ulifikia KSh124 milioni.

Tumeweka mikakati kadha ya kuangazia matokeo haya duni na wasimamizi wana imani kuwa Kundi limo kwenye mwelekeo wa ukuaji endelevu.

Wakurugenzi wametekeleza mikakati ya kuziimarisha tena Sanlam General na Sanlam Kenya Plc kupitia mikakati ya ukuaji endelevu wa kibiashara, udhibiti wa fedha, usimamizi wa matumizi ya fedha na uwekezaji bora wa fedha.

Sanlam Emerging Markets, kampuni mama ya kati, ilikopesha Sanlam General Insurance Limited KSh1,085 bilioni ili kujaza upungufu kwenye mtaji mnamo 5 Mei 2022. Makubaliano ya mkopo kati ya Sanlam General Insurance Limited (mkopeshwaji) na Sanlam Emerging Markets (Pty) Limited (mkopeshaji) yameeleza kuwa iwapo Sanlam General Insurance itakosa kulipa kiasi chochote cha awali au riba wakati unaohitajika kwa mujibu wa makubaliano hayo, basi Sanlam Emerging Markets (Pty) Limited inaweza kuamua kutoa notisi kwa Sanlam General Insurance Limited kuhusu nia yake ya kutaka malipo ya kiasi chote au sehemu ya kiasi cha awali cha mkopo kilichosalia kulipwa pamoja na riba kwa njia ya kukabidhiwa hisa za kawaida za mkopeshwaji. Hii itakuwa kwa masharti ambayo yatakuwa yameelezwa kwenye notisi hiyo kutoka kwa mkopeshwaji.

Sanlam Life Insurance Limited, kampuni tanzu ya Sanlam Kenya Plc ambayo matokeo yake yameashiria uthabiti mkubwa katika mwaka tunaouangazia, inatarajiwa kulipa mgawo wa faida kwa mwenyehisa wake, Sanlam Kenya Plc, kuiwezesha kufadhili mahitaji yake ya kifedha ya mwaka 2023.

KShs 144 million

Sanlam General Insurance Limited inatarajiwa kurejelea kuandikisha faida mwaka 2023, ambapo inabashiriwa kuandikisha faida ya KShs 144 milioni baada ya kutozwa ushuru. Hii ni ishara zaidi ya uwezo wa kampuni hii kuendelea kuwa imara.

Sanlam Life Insurance Limited, kampuni tanzu ya Sanlam Kenya Plc ambayo matokeo yake yameashiria uthabiti mkubwa katika mwaka tunaouangazia, inatarajiwa kulipa mgawo wa faida kwa mwenyehisa wake, Sanlam Kenya Plc, kuiwezesha kufadhili mahitaji yake ya kifedha ya mwaka 2023.

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Mkopo wa Sanlam Kenya Plc wa KSh3 bilioni una dhamana ya kutosha iliyotolewa na Sanlam Emerging Markets na uimeendelea kulipwa bila kukosa.

Sanlam Kenya Plc imefanyia mkopo huo mabadiliko, na kwa hivyo kutatua kwa muda tatizo la ukosefu wa fedha lililokuwepo. Kundi halitarajiwi kuanza kufanya malipo ya riba kwenye mkopo huo kwa kipindi kingine cha miaka miwili hadi Februari 2025. Kuongezwa kwa mtaji kunahitajika kuondoa mkopo KSh4 bilioni uliotolewa na Stanbic Bank mapema kabla ya tarehe hiyo ya Februari 2025 ya kuanza kulipa mkopo huo mwingine.

Mazingira ya Uendeshaji Shughuli

Kama ilivyoelezwa, ukuaji wa uchumi ulidorora kutokana na ukame wa muda mrefu na athari za kupanda kwa bei ya mafuta na kupanda kwa gharama ya maisha kwa Wakenya wengi.

Kiasi cha mapato ya kutumiwa na watu kilipungua na matumizi ya hiari yaliathirika, hivyo kiwango cha watu kujiwekea bima kiliendelea kuwa cha chini.

Kuangazia 2023

Kuvurugika kwa mipangilio ya zamani na maendeleo katika Enzi ya Dijitali vinatupatia imani kwamba tupo kwenye njia sahihi ya kurejelea utengenezaji faida. Kuhusu matokeo, tuna furaha kwamba makadirio yanaashiria kwamba biashara itaendelea kupata faida katika uendeshaji shughuli, na pia kipimo cha Thamani ya Biashara Mpya kinaonyesha biashara hii kwa sasa inatoa bima kwa njia ya faida.

Msukumo wetu wa matumaini una msingi wake katika ushirikiano wa kimkakati na njia za uuzaji, ubunifu na uvumbuzi, usimamizi wa busara wa matumizi na mazingira bora ya udhibiti wa shughuli.

Shuhudi za usimamizi zimeangazia kufanikisha msukumo huo na kuhakikisha viwezeshi vifaavyo vipo.

Asanteni.



Patrick Tumbo
Group Chief Executive Officer



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**Our Approach to
Sustainability**



Partnerships for growth

Tomorrow starts now





Our Contribution to Sustainable Development

Sanlam is in the business of helping people make the most of their money while delivering on sustainable and enduring value for our stakeholders. We believe diversification is key to our success because it is only when we embrace our differences and draw on our collective strengths, that we transform people's lives in a meaningful way. What drives us is we do it for good. What unites us is our job is never done.

Our vision for Financial Inclusion

Sanlam's focus on innovation and financial inclusion efforts supports the creation of new inclusive products and enhanced distribution opportunities, that not only increase our reach but is inclusive of diverse clients. It is important for financial inclusion to be supported by relevant and continuous consumer financial education and consumer protection at all levels of the financial inclusion pyramid.

Sanlam's Flexi Hela has been a powerful tool in the Company's efforts of financial inclusion. Its digital and flexible savings solution allows our customers to save and make changes to their policy, such as adjust their savings contribution and amend benefits covered on the policy, at any time.



Our vision for Education

Sanlam believes that empowering a child with education will positively shape their future and support business and economic continuity and that an educated population would have a reduced dependence on public assistance programmes. Sanlam is therefore committed to create awareness concerning various insurance policies and products, through its education insurance under Sanlam Foundation to empower young communities.

In 2022, Sanlam partnered with World Vision in collaboration with the Ministry of Education to have a safe learning environment for school children and ensure continuity in learning for children who have no classrooms especially during heavy rains. Through this partnership, Sanlam is in the process of building classrooms in Kieni and Mwingi areas in Kenya. Additionally, Sanlam is building a dormitory for girls' schools in Kitui to protect them from sexual predators and prevent early marriages.



Ensuring a Just Transition

Sanlam understands its pivotal positioning as an insurer, to support and spearhead the just transition to a low carbon economy, drive mitigation and adaption actions to climate change, and manage the unavoidable long-term effects of a warming planet. We have a wealth of historical data, a deep understanding of the social and economic complexes involved in greening the economy, and ability to manage complex long-term risks. As underwriters, we provide de-risking solutions to investors, thereby facilitating the flow of capital to mitigation projects.

Water Use Management

We recognise that we have a significant responsibility towards environmental sustainability as a means of protecting natural capital. We are therefore committed to minimise our impact on the environment through deliberate management of our water use.

At Sanlam, we realised that while bottled water solutions have been the conventional way of providing drinking water in workplaces, they come with various administrative, safety and environmental challenges. In 2022, we installed



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the Aquavita solution that guarantees a consistent supply of safe drinking water, through its purification units that connect to potable water systems, purifying and dispensing it at specified locations while simultaneously, eliminating the need for reserve single use, plastic bottled water.

The drinking water solution has enabled Sanlam to eliminate plastic in the form of single use drinking water bottles and to align our operations to the Sustainable Development Goals number 13 (action towards climate change) and number 14 (protection of marine life). Additionally, the simplification of the access to drinking water in the workplace has provided opportunities for cost savings. In 2022, the cost of drinking water was cut by 14% compared to the previous year due to use of the bottle-less water solution.

Energy Management

At Sanlam, energy management is much more than a social and environmental responsibility, it's also a commercial and business asset. This is because energy efficiency makes good business sense. In the true spirit of an insurance company looking out for future eventualities, we chose to commit to protect the environment and reduce our energy use in the design and construction of our head office building at Sanlam Tower. The building was built with energy efficiencies in mind, with lots of natural lighting, thus reducing the need for electricity use during the day. This has enabled Sanlam to regulate its energy use in a way that add value financially and environmentally.



49%

Sanlam has an average of 49% gender representation at all levels and a 48% balance in ethnic representation. Women are well represented in the leadership positions.

The Board, supported by the Human Resource Committee annually reviews the Company's policy on promoting diversity and inclusion at Board level.

Diversity and Inclusion

Sanlam regards inclusion, empowerment, and diversity as a business imperative to meaningful growth and sustainability of the business. The Board ensures that its composition is representative of the Company's profile and promotes, among others, regional and gender diversity. By having diversity of thought and experience, the Board motivates and supports the different perspectives and points of view expressed by individual Board members. This allows for more profound and constructive debates, with the ultimate objective to benefit Sanlam's key stakeholders.

The Board, supported by the Human Resource Committee annually reviews the Company's policy on promoting diversity and inclusion at Board level. The policy aligns with the requirements outlined in the NSE Listings Requirements.

Sanlam recognises the benefits of a diverse skills base across the Company and is supportive of initiatives that promote diversity at all levels and the Board supports diversity and inclusion. Sanlam has an average of 49% gender representation at all levels and a 48% balance in ethnic representation. Women are well represented in the leadership positions.



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Our Commitments at a Glance

Our Commitment to Environmental Stewardship

We recognize that environmental issues are fundamental to a responsible business strategy. We are therefore committed to adopting sustainable business practices for the benefit of society and to secure the future of the planet.

As a business specialising in risk management, and climate change being one of the greatest risks facing our world today, we have embarked on an ambitious journey to reduce our energy consumption through maximisation of natural lighting at the Sanlam Tower and improved efficiencies in our water management through adoption of solutions that reduce use of plastic bottled water.

We further commit to use our actuarial skill sets to influence and help equip the wider financial services industry accelerate a just and sustainable transition to a low carbon economy. We further commit to develop and implement our Company's plan to support a just transition and reduce our carbon footprint within our operations and value chain.

Our Commitment to Society

Sanlam is committed to enhancing access to its insurance products and increased financial inclusion through digital and physical channels. We are cognisant of the critical role that Small and Medium Enterprises (SMEs) play in economic growth and have continuously increased our product offerings to small businesses through our Flexi Hela, Flexi Annuity, Flexi Pension and Credit Assurance products. In bringing our purpose to life, we contribute to inclusive positive economic and social outcomes as an employer, a business operator, a financial institution and as a corporate citizen.

Our social agenda is founded on our aim to enhance financial inclusion and help millions achieve their ambitions and live their best possible life.

Our Commitment to Good Corporate Governance

The Sanlam Board is committed and accountable to ensuring that the company is, and is seen to be, a



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responsible corporate citizen by considering the financial aspects of the business as well as the impact the business operations have on the environment, the economy, and the society within which it operates.

We view good governance as essential to creating and preserving value for our shareholders and other stakeholders. This includes a sound approach to corporate governance that complies with all applicable laws, rules, regulations, and policies as well as unwavering adherence to our values.

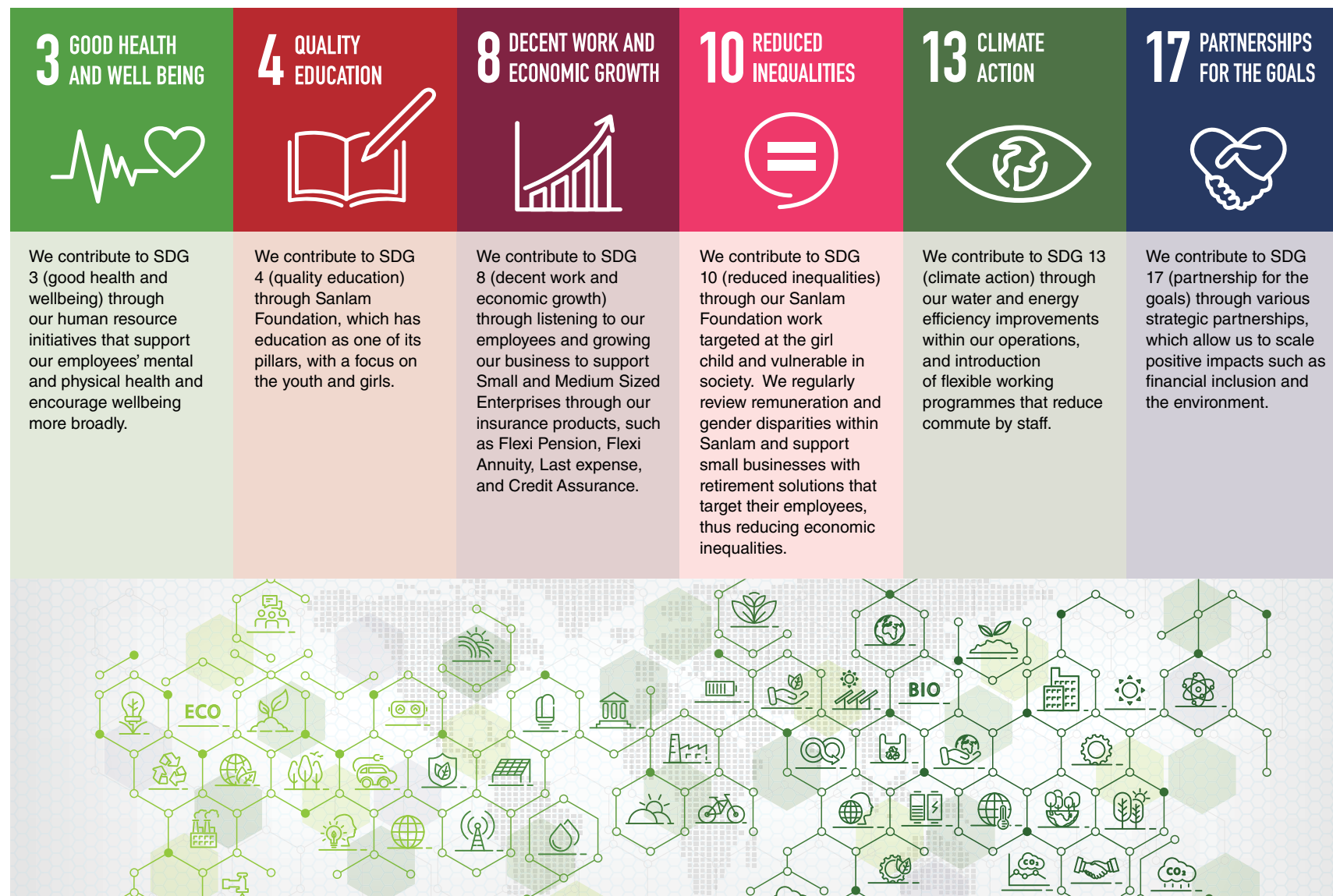
We strongly believe in compliance and ethical code of conduct. Our underlying corporate objective is therefore to always be an ethical partner as we pursue business and relationships with our stakeholders.



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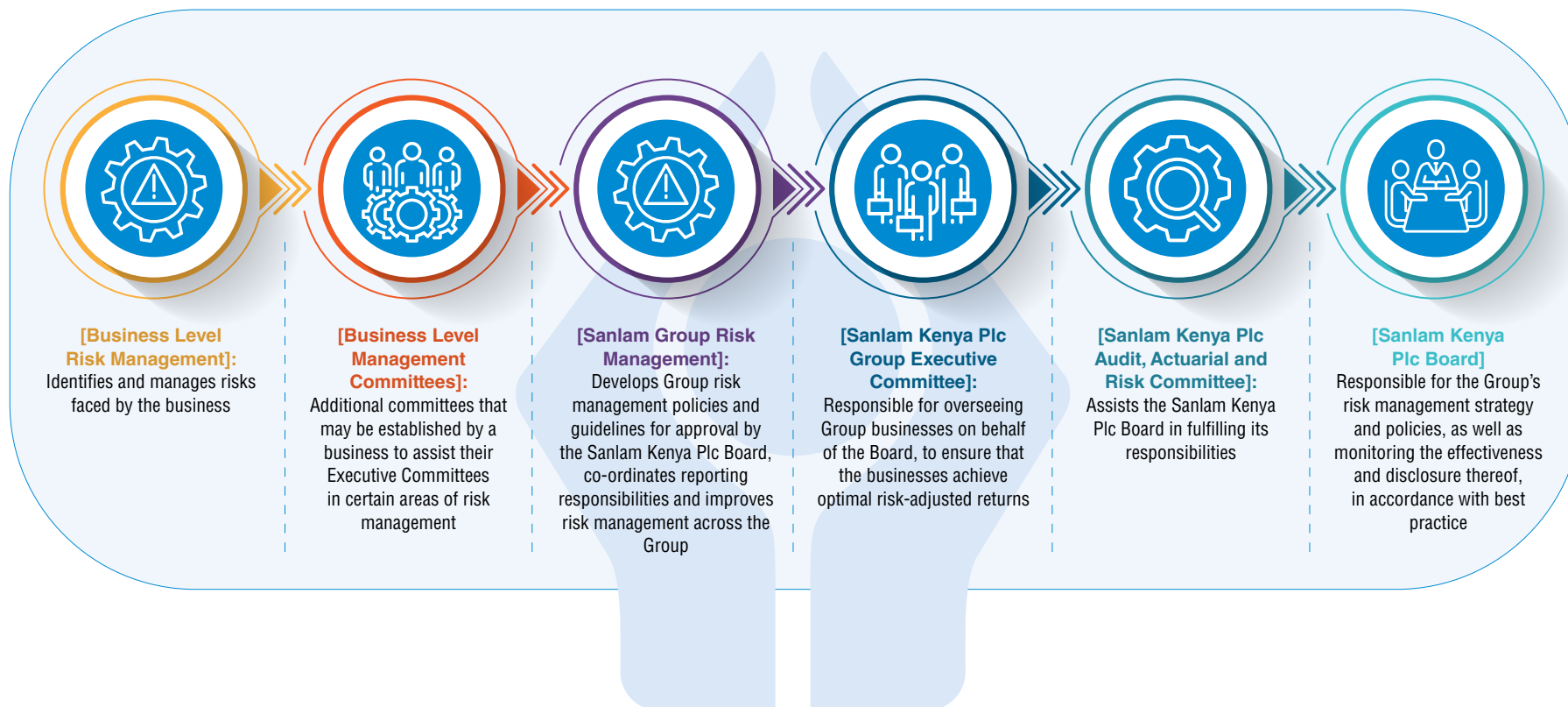
Alignment with Sustainable Development Goals (SDGs)

Sanlam believes that the UN Sustainable Development Goals (SDGs) provide a framework for both the private and public sector to work together for a better future for all. As a leading insurer and employer, we are cognizant of our ability to impact SDGs highlighted below more closely:



Sustainability Governance at Sanlam

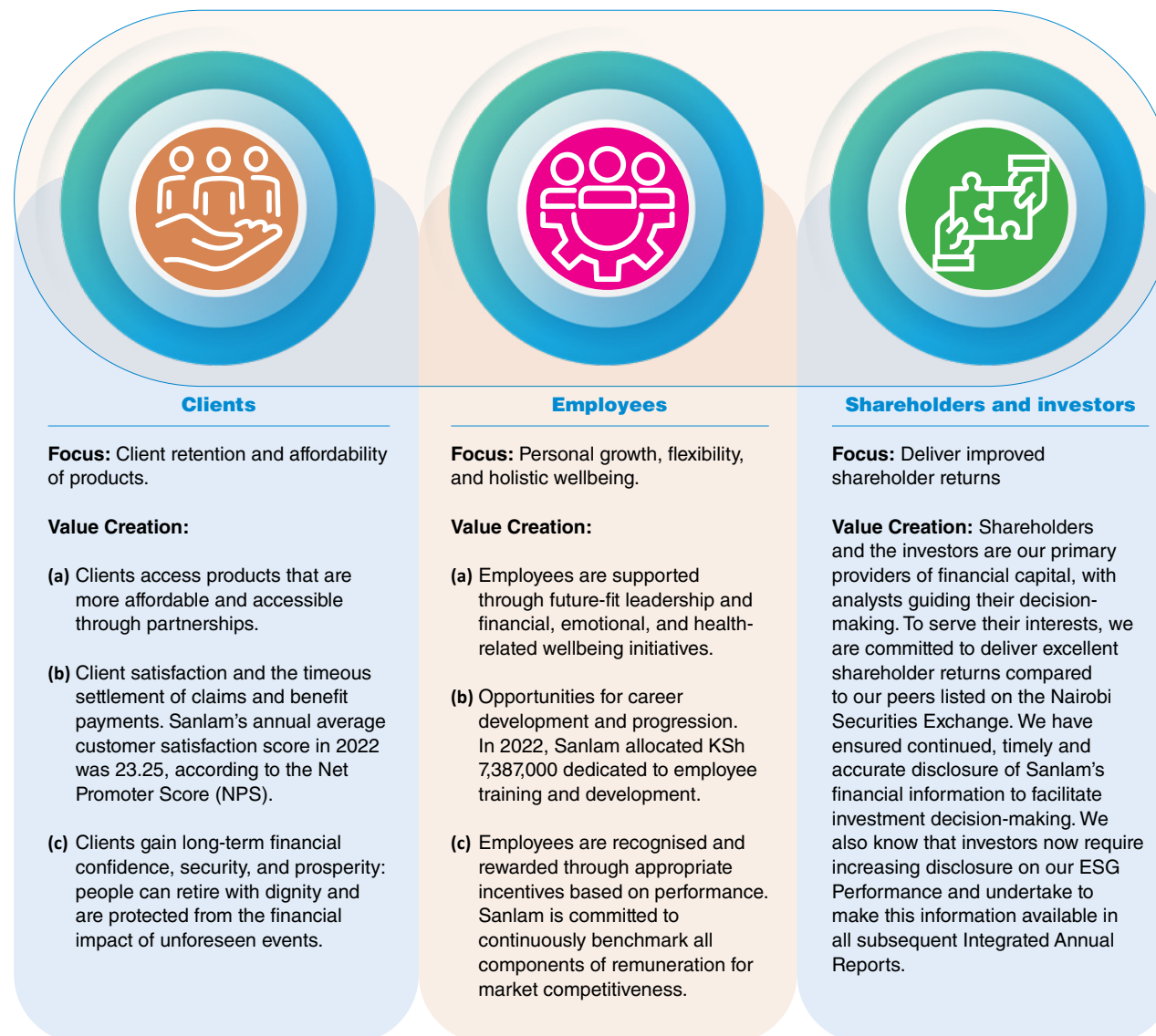
The Sanlam Board is accountable for ensuring that the Company is, and is seen to be, a responsible corporate citizen by considering the financial aspects of the business as well as the impact the business operations have on the environment, the economy, and the society within which it operates.

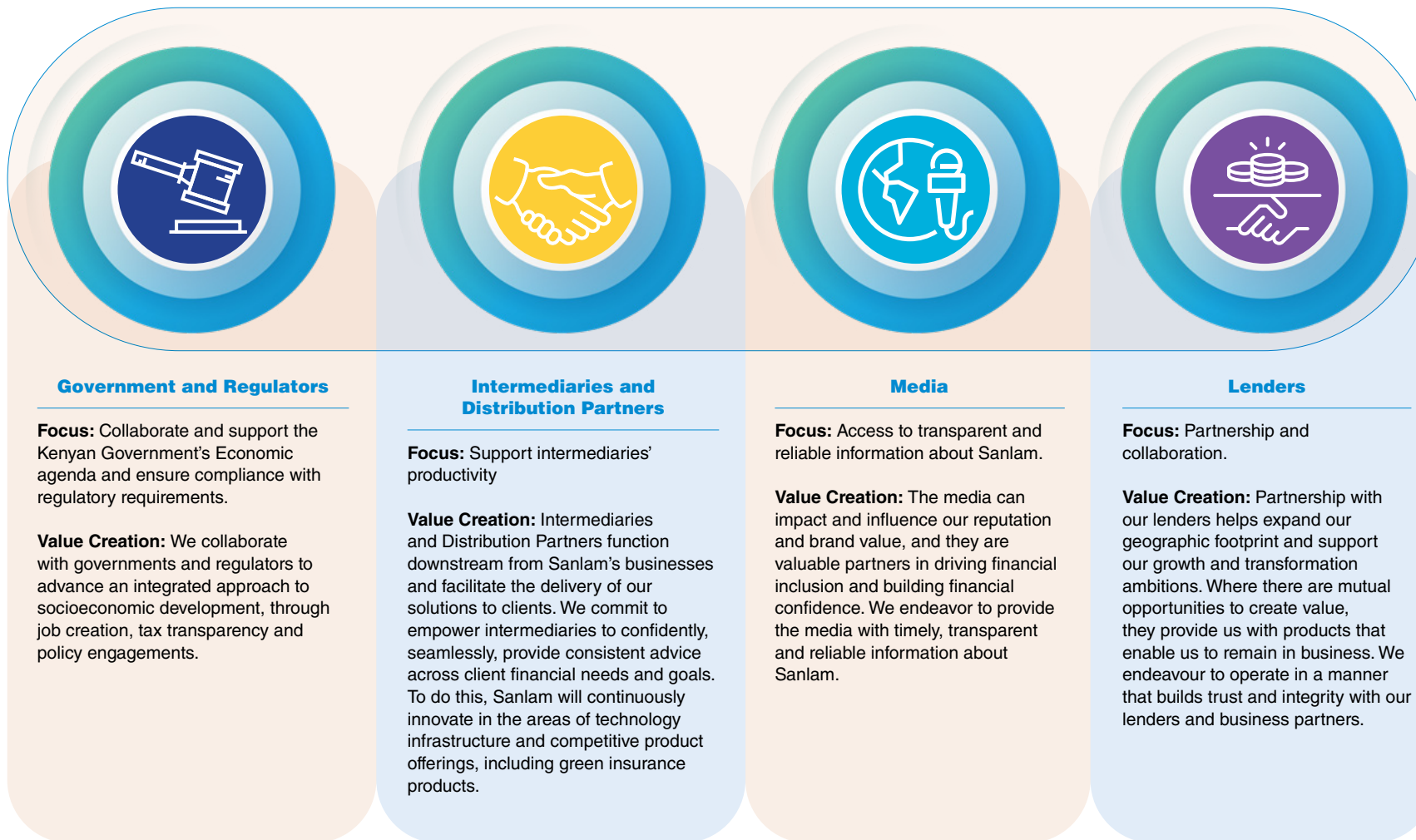


Going forward, Sanlam's Board has committed to strengthen its oversight over ESG risks and opportunities through enhancing the mandate of the Audit, Actuarial and Risk Committee of the Board and incorporating ESG implementation as part of management key performance indicators.

Value Creation to Stakeholders

We operate in an extended universe of stakeholders that includes the following groups:





We encourage active engagement and appreciate feedback from our stakeholders. Let us know how we can expand our sustainability contribution to meet your needs. Send your queries, comments, and feedback to customerservice@sanlam.co.ke





ESG at the Heart of Risk Management

Sanlam's risk management and governance structure provides a holistic and integrated view of strategic and operational risks – including those associated with ESG factors. Through the Audit, Actuarial and Risk Committee, the company ensures that the systems and controls, procedures, and policies of the Company as well as risk management activities are properly established, monitored, and reported on. The Audit, Actuarial and Risk Committee is also responsible for monitoring and providing effective supervision of the management's financial reporting process to ensure accurate and timely financial reporting.

To manage ESG risks from the value chain, Sanlam requires all its suppliers to provide a statement of commitment to among others, payment to their employees of minimum wage, compliance with labour and human rights laws and Anti- Money Laundering laws.

The Company has committed to expand the Terms of Reference for the Audit, Actuarial and Risk Committee in 2023 to cover innovative risk management that will allow the company control future outcomes of ESG issues as much as possible by acting proactively and enable the company to contribute to environmental, social, and economic sustainability while creating shared value.

Our top Strategic and ESG risks in 2022.

Risk	Sanlam's Response	
	Risk Mitigation	Potential Opportunities
Strategic Risk 	<ul style="list-style-type: none"> Reviewing business strategies to accommodate the difficult economic climate. Ongoing balance sheet management Direct engagement of stakeholders to stay abreast macro-economic development. Increase financial education and client engagement. 	<ul style="list-style-type: none"> Investing in technology to unlock operational efficiencies. Optimise distribution channels. Product innovation.
Regulatory and Compliance Risk 	<ul style="list-style-type: none"> Proactively engage the regulators to anticipate legislative changes. Continuous re-evaluation of our business models in the changing regulatory environment. 	<ul style="list-style-type: none"> Proactive improvement of internal controls. Support transition to low carbon economy. Support research on best practice.
Reputational Risk 	<ul style="list-style-type: none"> Continuously review and standardise policies, and procedures. Engage and understand stakeholder expectations. Continuously improve our response and contingency plans. 	<ul style="list-style-type: none"> Attract and retain clients. Increased stakeholder engagement.
Operational Risk 	<ul style="list-style-type: none"> Continuously review risk controls and increase employee awareness. Ensure Group governance and response to risks is prioritised. Ongoing assessment of Sanlam's critical systems and employee engagement. 	<ul style="list-style-type: none"> Increase employee and customer training on internal controls and risks. Continuously improve oversight of emerging risks to business.



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Integrating Sustainability into Our Insurance Business

To tap into the predictive power of ESG in the insurance business, Sanlam acknowledges that ability to identify, understand and manage ESG risks can only be achieved through integration of a strategic approach where all activities in the insurance value chain, including interactions with stakeholders, are done in a responsible and forward-looking way. To do so, Sanlam has identified the need to build a culture of sustainability and innovation as well as inclusion of sustainable insurance products as critical in its journey of sustainable insurance.

Our Culture, Values and Employee Engagement

Our people are central to our ESG brand performance and drive our social impact initiatives. We continue to embed a value-centric culture to build high-performing teams. We want our employees to be driven by our shared purpose of creating a world worth living in while enabling them to live the best possible life with confidence. This way, we believe that together, we shall ably contribute to the attainment and the realisation of sustainable development.

Our Corporate Values



Employment policies

We have several policies at Sanlam that guide how we engage with our employees. These are available on our website. For reference, some are listed below.

(a) Health and safety policy

Sanlam is committed to promoting a positive mental and physical wellbeing of our employees. We provide a safe working condition in line with our occupation health and safety policy.

At Sanlam, we take the wellbeing and mental health of our employees seriously. As a result, we provide mental health support talks every quarter, we have a dedicated help line for mental health support and provide medical

insurance that covers mental health issues. Additionally, we have created recreational and break out areas for our staff at the corner of our building and a sick bay.

(b) Diversity, equity and inclusion policy

Guided by this policy, Sanlam factors in diversity and inclusion criteria into its succession planning and recruitment.

(c) Remote Work Policy

In 2020, Sanlam implemented a work from home programme in the flexible working programme. This not only helps to reduce carbon emission due to less commute by our employees, but it also contributes to employee wellness and promotes a healthy work environment.

(d) Workplace Anti-Harassment Policy

This policy was introduced to prevent and address all forms of unfair discrimination and conduct in the workplace, including sexual harassment and bullying.

Training and Advancement

At Sanlam, we have committed to lifelong learning, and support our employees throughout their career journeys with ongoing training and advancement opportunities. Some of the continuous trainings offered to employees of Sanlam include:

- (a) Risk training
- (b) Data Privacy and Protection
- (c) Anti- Money Laundering
- (d) Code of Conduct and Ethics



Data Privacy and Information Security

At Sanlam, we know that data privacy protects our customers. Protecting data and sensitive information is important to maintain trust in the Sanlam brand.

Sanlam has an elaborate information and data privacy programme to safeguard our data. We are a licensed Data Controller and Processor by the Insurance Regulatory Authority, and are compliant with the Data Protection Act, 2019.

An ESG Approach to Insurance

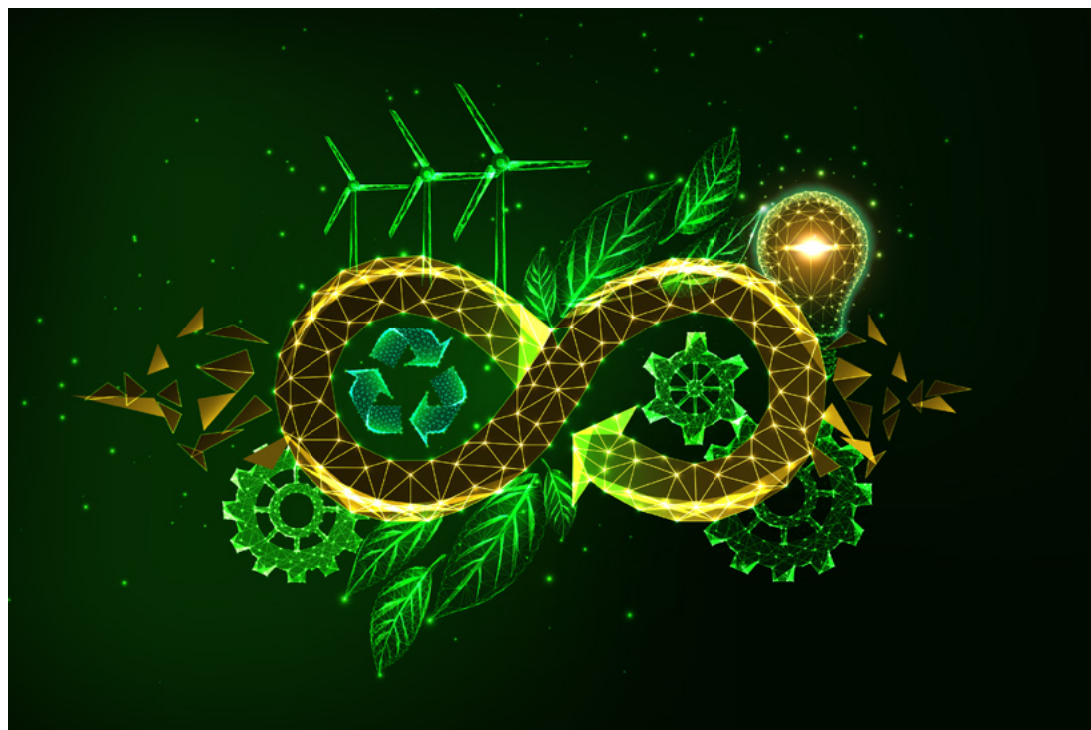
As a leader in the insurance and financial services industry, Sanlam helps protect people, assets and businesses against risk and makes a positive contribution to society. Our ambition is to build a sustainable and resilient business by constantly reviewing emerging ESG risks and opportunities and become a responsible company in our own right and thereby a leading force in helping other organisations address their ESG risks.

Adjusting our underwriting actions

Progressively, Sanlam is using ESG scores to support its risk modelling to determine its clients' exposure to long-term environmental, social, and governance risks. The ESG score can indicate the probability of a client experiencing future losses from harmful events, thereby assisting our underwriters to price our premiums more accurately, make effort to de-risk certain areas and understand risk trends and expected transition in the future.

Product innovation

Sanlam is committed to unlocking long-term business value with ESG in the long run. This will be achieved through a re-think of our product offering and introduction of sustainable insurance products, bridge insurance access and coverage gaps by educating customers, creating affordable products, and leveraging on technology and partnerships to more effectively distribute our products to reach more customers.



Our Commitment to the Future

To ensure Sanlam's long-term success, we will consistently seek to create sustainable value for our shareholders, customers, employees, and the communities we serve. We will continue to incorporate sustainability into all aspects of our business model, including operational efficiency and strategic direction. This will position us for sustainable market growth by creating maintainable, long-term value for both our shareholders and our wider stakeholders.

We also commit to continuously benchmark our ESG progress with local and international standards, principles and recommendations including the United Nations Principles for Sustainable Insurance, Task Force for Financial Disclosures (TCFD) recommendations, Global Reporting Initiative (GRI) and the Nairobi Securities Exchange ESG Guidelines, to serve as our reference

in addressing environmental, social and governance risks and opportunities and enable us to play our part in enabling a healthy, safe, resilient and sustainable society.

We will continue to incorporate sustainability into all aspects of our business model, including operational efficiency and strategic direction. This will position us for sustainable market growth by creating maintainable, long-term value for both our shareholders and our wider stakeholders.



Our ambition is to build a sustainable and resilient business by constantly reviewing emerging ESG risks and opportunities and become a responsible company in our own right and thereby a leading force in helping other organisations address their ESG risks.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 77th Annual General Meeting of the Company will be held via electronic communication on Wednesday 7th June 2023 at 10:00 a.m. to conduct the business detailed below:

AGENDA

1. To table the proxies and note the presence of a Quorum.
2. To read the Notice convening the meeting.
3. To confirm the minutes of the previous Annual General Meeting held on 27th June 2022.
4. To consider, and if approved, adopt the Balance Sheet and Accounts for the year ended 31st December 2022 together with the reports of the Chairman, the Group Chief Executive, the Directors, the Auditor and the Statutory Actuary.
5. To note that the Directors do not recommend the payment of Dividend for the financial year ended 31st December 2022.
6. To elect Directors:
 - 6.1 Ms Freda Britz retires by rotation in accordance with the Company's Articles of Association and offers herself for re-election.
 - 6.2 Mr Cornelius Foord retires by rotation in accordance with the Company's Articles of Association and he offers himself for re-election.
 - 6.3 Mr Rohan Patel retires by rotation in accordance with the Company's Articles of Association and he offers himself for re-election.
7. In accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Audit, Actuarial, Risk and Compliance Committee be elected to continue serving as members of the Committee:
 - a) Freda Britz (Chair Person)
 - b) Nelius Bezuidenhout
 - c) Cornie Foord
 - d) Rose Agutu
 - e) Dr Tobias Doyer
 - f) To approve the Directors' remuneration.
8. To note that the auditors, KPMG Kenya will continue in office in accordance with Section 721(2) of the Companies Act No. 17 of 2015 until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration.
9. To transact any other business with the permission of the Chair for which 48 hours notice had been given to the Group Company Secretary at the registered office of the Company.

By Order of the Board



Emma Wachira
Group Company Secretary

Date: 3rd May 2023



NOTICE OF THE ANNUAL GENERAL MEETING

Note:

1. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:

- i. Dialling *483*487# for all networks and follow the various prompts regarding the registration process; or
- ii. Sending an email request to be registered to sanlamagm@image.co.ke; or
- iii. Shareholders with email addresses will receive a registration link via email through which they can use to register.

In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance, shareholders (whether in Kenya or outside) should dial the following helpline number: (+254) 709 170 000 from 8:00 a.m. to 5:00 p.m. from Monday to Friday.

In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: +254 709 170 000 from 9:00 a.m. to 4:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

2. Registration for the AGM opens on 15th May 2023 at 9:00 a.m and will close on 5th June 2023 at 10:00 a.m. Shareholders will not be able to register after 5th June 2023 at 10:00 a.m.
3. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website <https://www.sanlam.com/kenya> (i) a copy of this Notice and the proxy form; (ii) the Company's audited financial statements for the year ended 2022.

The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

4. A shareholder entitled to attend and vote at the meeting and who is unable to attend electronically is still entitled to appoint a proxy to attend and vote on his behalf. A proxy need not be a shareholder of the Company. To be valid, a proxy form, which is available from the Company's head office or the Share Registrar's offices, must be completed and signed by the shareholder or the duly authorised attorney of the shareholder and must be either emailed to sanlamagm@image.co.ke or lodged at the offices of the Company's Share Registrar's Image Registrars, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, Kenya, so as to arrive not later than 10:00 a.m. on 5th June 2023. A proxy form is attached to this Notice [and is available on the Company's website via this link: <https://www.sanlam.com/kenya>]. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street.

5. Any person appointed as a proxy should submit his/her mobile telephone number to the Image Registrars no later than 5th June 2023 at 10:00 a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 6th June 2023 at 10:00a.m. to allow time to address any issues.

6. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:

- a. sending their written questions by email to agm@sanlam.co.ke;
- b. shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialling the USSD code above and selecting the option (ask Question) on the prompts; or
- c. to the extent possible, physically delivering their written questions with a return email address to the registered office of the Company at Sanlam Tower, 15th Floor, Waiyaki Way, Westlands, Nairobi, or to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or
- d. sending their written questions with a return email address by registered post to the Company's address at P. O. Box 10493-00100 Nairobi.

Shareholders must provide their full details (full names, ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

7. All questions and clarification received by the Company by **Monday, 5th June 2023** at 5:00 p.m. will be responded to by the directors of the company by 7th June 2023. A full list of all questions received and the answers thereto will be published on the Company's website before the commencement of the General Meeting. Some of the questions will also be answered during the meeting.
8. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the AGM.
9. Duly registered shareholders and proxies will receive a short message service (SMS) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hour's time and providing a link to the livestream.
10. Duly registered shareholders and proxies may follow the proceedings of the AGM using the livestream platform and may access the agenda, ask a question, propose and second resolutions and vote via the VOTE tab on the livestream link. Duly registered shareholders and proxies may vote via the USSD prompts as well as through the vote tab on the livestream link.
11. Results of the AGM shall be published on the Company's website <https://www.sanlam.com/kenya> within 24 hours following conclusion of the AGM.
12. Shareholders are encouraged to continuously monitor the Company's website <https://www.sanlam.com/kenya> for any updates relating to the AGM.



**Corporate
Governance** >

Partnerships for growth

Tomorrow starts now





Statement on Corporate Governance

For The Year Ended 31st December 2022

Statement of Directors' Responsibilities

The Kenya Companies Act, 2015 requires Directors to act in good faith, to promote the success of the Company for the benefit of all its stakeholders and to avoid conflict between their personal interest 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 implemented the Corporate Governance principles. The Code requires that after undergoing the Governance Audit, the Directors should provide an explicit statement on the level of compliance.

The Directors are responsible for putting in place governance structures and systems that support the practice of good governance in accordance with best practices, the requirements of the Kenya Companies 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' also accept responsibility for putting in place an effective and efficient Management Team and effective internal control and risk governance systems that are designed to promote good governance practice.

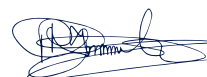
The Directors are not aware of any material governance issues that may adversely impact the operations of the Company.

Adoption of the Governance Audit Report

The Governance Audit Report was adopted by the Board of Directors on 13 April 2023



Dr John PN Simba
Chairman



Dr Patrick Tumbo
Group Chief Executive Officer

Statement on Corporate Governance

For The Year Ended 31st December 2022

BOARD LEADERSHIP & RESPONSIBILITIES

Statement of Commitment and Compliance on Corporate Governance Practices

Corporate Governance refers to the practices and procedures that govern the leadership of Sanlam Kenya Plc (Sanlam or the Company) and through which the Company is held accountable by shareholders. In 2022, the Board of Directors of Sanlam Kenya Plc and its subsidiaries (the Group) continued to implement its strategic vision of being a leading Insurer in Kenya who remained focused on sound corporate governance practices that maximises shareholder value, increases profitability and guarantees a sustainable business in the long run. The corporate governance principles continue to be entrenched in the Company's strategic and operational objectives with a focus of revitalising and accelerating growth in value for the benefit of all our stakeholders.

The Group ascribes to its governance framework that provides a solid structure for effective and responsible decision making within the organisation in compliance with the Companies Act, 2015, the Capital Markets Act, Cap 485A, and the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) and the stringent standards of corporate governance prescribed in the Company's Board Charter as well as the Company's Articles of Association.

Leadership and Responsibilities

Board Leadership

The Board of Directors is responsible for providing strategic leadership to the Company. According to the Company's Corporate Governance Guidelines, the Board is responsible for formulating the Company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved. In doing so, the board takes cognisance of the impact of its decisions in the long term, the interests of its employees, the need to forge and foster good relationships with diverse stakeholder's including customers and suppliers and the impact of the Company's operations to the society.

In the year ended 31 December 2022 the Company endeavoured to comply with the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the 'Code'); and the implementation of the Code is as detailed in this report.

In carrying out the above responsibilities, the Board delegates its authority to the Group Chief Executive Officer to oversee the day-to-day business operations of the Company and its subsidiaries. The Board also calls upon independent expert advisors where necessary to carry out such work as deemed necessary.

Board Composition and Independence

In the year ended 2022 the Board composition comprised of ten directors namely: the Chairman, the Group Chief Executive Officer (as the only Executive Director), five non-executive directors representing the interests of the two main shareholders and three independent non- executive directors. Gender parity is ensured in the Board composition. The table below shows the current members of the Board of Directors:

Name	Industry & Professional Experience	Role
Dr John P. N. Simba	Legal, Strategy, Leadership, Corporate Governance, and ethics	Board Chairman & Non-Executive Director
Dr Patrick Tumbo	Insurance, Strategy, Management	Group Chief Executive Officer & Executive Director
Rohan Patel	Management, Real Estate, Hotel Development & Investment	Non-Executive Director
Freda Britz	Accounting and Management	Independent & Non-Executive Director
Nelius Bezuidenhout	Actuarial, Financial Consulting and Management	Non-Executive Director
Cornie Foord	Operations, Accounting and Management	Non-Executive Director
Rose Agutu	Banking	Independent & Non-Executive Director
Dr Grace Mwai	Compliance and Program Management	Independent & Non-Executive Director
Dr Tobias Ockert Doyer	Operations Delivery Executive & Regional Executive Southern	Non-Executive Director

Changes to the Board

In the year ended 31st December 2022, Julius Magabe resigned as a Non-Executive Director.



According to the Company's Corporate Governance Guidelines, the Board is responsible for formulating the Company's policies and strategies and ensuring that business objectives, aimed at promoting and protecting shareholder value, are achieved.

Statement on Corporate Governance

For The Year Ended 31st December 2022

Re-election to the Board

In accordance with the provisions of the Company's Articles of Association, a third of the Board of Directors retires by rotation every three years and the directors are eligible to offer themselves for re-election. In every year, new directors who are appointed during the year to fill any casual vacancies, are subject to election by the shareholders during the Annual General Meeting and thereafter offer themselves for re-election every three years.

The following members of the Board, retire by rotation in accordance with the Articles of Association and offer themselves, are eligible for re-election at the 2023 AGM:

- a) Ms Freda Britz
- b) Mr Cornelius Foord
- c) Mr Rohan Patel

Board Programme

The Company's annual Board programme is designed to enable the Board to drive the strategy forward across all elements of the company's business model. The Board thus meets quarterly or more often, in accordance with the requirements of the business. The Board's work plan and calendar of meetings are prepared annually in advance. Adequate notice is given for meetings. The agenda and board papers are circulated at least seven days before the meeting. The Board receives reports from the various Chairpersons of the respective Board Committees.

The Role of the Board

The Company's Articles of Association and the Board Charter enumerate responsibilities of the Directors which include strategy, capital and liquidity management, review and approval of financial results, board administration and governance. The Board is collectively responsible for the Company's vision, values, strategic direction and governance. The Board provides the leadership and oversight for the performance of the business and sustainability into the future.

Firstly, the Board's responsibility in strategy involves monitoring the Company's performance against clearly defined measures agreed between the Board and management as well as the approval of major acquisitions and disposals and approvals of major capital projects. The Board also approves the Group's annual budget as recommended by the Audit, Risk, Actuarial and Compliance Committee. The Board ensures that the requisite financial and human capital resources are available.

Secondly, the Board is also responsible for monitoring the capital and liquidity requirements vis a vis the statutory requirements. The Board is also charged with the review and approval of half yearly and yearly financial results prior to subsequent dissemination to the shareholders. The Board recommends the interim and final dividends to the shareholders for approval.

Thirdly, the Board is responsible for ensuring that an appropriate Enterprise Risk Management Framework and appropriate internal control systems are in place.

In addition, the Board is also charged with the responsibility of establishing the Governance Framework in the following respects: approving company policies; setting the terms of reference for board committees and determining the composition of board committees; conducting board evaluations; maintaining board succession; reviewing risk management and internal controls amongst others.

In dispensing its duties, the Board requires each Director to observe a code of ethical conduct aligned to his/her duties and responsibilities to the Group and shareholders, and act within limitations as defined in the Board Charter while observing principles of good corporate governance. Each Director commits to uphold and promote effective and responsible use of resources and undertakes to act in good faith, with care and prudence in the best interest of the Group while exercising his/her power and executing his/her duties.

2023 Board Attendance Register

Name	Meetings Attended
Dr John P. N. Simba	4/4
Dr Patrick Tumbo	4/4
Rohan Patel	4/4
Freda Britz	4/4
Nelius Bezuidenhout	4/4
Cornelius Foord	3/4
Dr Grace Mwai	4/4
Rose Agutu	4/4
Dr Tobias Doyer	4/4

In dispensing its duties, the Board requires each Director to observe a code of ethical conduct aligned to his/her duties and responsibilities to the Group and shareholders, and act within limitations as defined in the Board Charter while observing principles of good corporate governance.

Statement on Corporate Governance

For The Year Ended 31st December 2022

BOARD EFFECTIVENESS

Division of Responsibilities

The roles of the Board Chairman and the Group Chief Executive Officer are separate with each having distinct and clearly spelt out responsibilities and duties.

The Chairman is responsible for the overall leadership of the Board and ensuring its effectiveness. The Chairman is also responsible for ensuring that the interests of the Company's shareholders are safeguarded. The Chairman is also accountable to the Board for leading the direction of the Company's corporate and financial strategies and for the overall supervision of the policies governing the conduct of the business. The Chairman is responsible for ensuring that the interests of the Company's shareholders are safeguarded and effective communication is provided to them.

The Group Chief Executive Officer, an executive director, has the overall responsibility for the performance of the Group and provides leadership to facilitate successful planning and execution of the objectives and strategies agreed upon by the Board. Together with the Chairman, he is the representative of the Company externally.

Balance and Diversity

The directors come from broad industry and professional backgrounds, with varied experience and expertise aligned to the needs of the business. The Board of Directors brings with it an assorted mix of skills with a background in Legal, Actuarial, Finance, Corporate Development, Engineering, and Banking.

At Sanlam, the Board takes cognisance of the gender inclusion and its commitment to a diverse and inclusive culture continues to evolve as is evidenced by our Directorship which has diversified gender representation in the increase to four female directors up from one female director in previous years.

The Board appreciates that promoting a diverse and inclusive culture is critical to the success of a business and strives for inclusion in professions, skills, race, gender, age and geographic representation to ensure board deliberations are balanced and rich as a result of multi-cultural and international influences. The Board has also promoted and supports gender diversity in the senior management roles.

Director's Conflict of Interest

The Board has put in place a Conflict of Interest Policy in compliance with the provisions of the Companies Act, 2015 and the CMA Code of Governance Practices for Issuers of Securities to the Public 2015. Directors are obligated to disclose to the Board any potential conflict of

interest, which comes to their attention, whether direct or indirect, real, or perceived. The statutory duty to avoid situations in which they have or may have interests that conflict with those of the Group has been observed by the Board. All business transactions with all parties, directors or related parties are carried out at an arm's length. An acknowledgement that should it come to the attention of a Director that a matter concerning the Group may result in a conflict of interest, obligates him/her to declare it and exclude himself/herself from any discussion or decision on the matter.

At every Board Meeting, the Declaration of Conflicts of Interests is the first agenda item which requires Directors to make a declaration of any interest they may have in the business under discussion. Such declarations are recorded by the Company Secretary. Directors who have an interest in any discussion item are excluded from discussion and voting on the item.

In 2022, no material conflict of interests were reported by the Directors.

A report on related party transaction is tabled for the Board's review half-yearly.

Board Information

The Board receives high-quality up to date information for review in good time ahead of each meeting. The Group Company Secretary ensures timely information dissemination to the Board and its committees and between the Non-Executive Directors and senior management as appropriate. Dissemination of Board and Committee Packs, together with the conduct of Board meetings is done so electronically.

Board Induction, Training and Professional Development

The Board has put in place a Board Induction Policy and framework. Each new Director receives a full induction on appointment. This induction includes a full programme of briefings on all areas of the Company's business from the Company Secretary, CEOs and Senior Management. The induction is aimed at enabling the new directors to fully take up their roles and execute their responsibilities.

The Board and its committees also receive quarterly updates on legal and regulatory developments with particular emphasis on regulations that directly impact the Group; and the Group's operations preparedness to comply with the new legislation.

In pursuit of continuous professional development during 2022, the Directors received training in professionally linked continuous professional development programmes. All the Directors have attended and received Certifications from the Centre for Corporate Governance.



At Sanlam, the Board takes cognisance of the gender inclusion and its commitment to a diverse and inclusive culture continues to evolve as is evidenced by our Directorship which has diversified gender representation in the increase to four female directors up from one female director in previous years.

Statement on Corporate Governance

For The Year Ended 31st December 2022

Sustainability

The Board places considerable emphasis on the need for the business to be sustainable for the long term, to meet the expectation of stakeholders and inform the Group's commitment to the society. In 2022 the Board continuously engaged in the following activities to promote sustainability:

- Monitoring compliance to the Company's standards of business conduct and internal controls.
- Reviewing the Company's regulatory strategy in the context of the current regulatory landscape.

The Board has developed and adopted a Business Continuity Plan and a Disaster Recovery Plan. During the FY2022 pandemic, a Crisis Management Team was constituted and rolled out various streams of the Business Continuity Plan to ensure that business operations continued uninterrupted.

Executive Committee (ExCo)

The Group Chief Executive Officer and Senior Management makeup the Executive Committee (EXCO). This Committee serves as a link between the Board and Management and is responsible for the day to day management of the Company and its operating subsidiaries. In so doing, it oversees the implementation of the strategy and policies set by the Board.

ExCo's mandate and responsibility is implementing the Board's decisions, compliance with the statutory and regulatory framework and guidelines, and adherence to Group policies and procedures. Its meetings are convened on a monthly basis.

Shareholder and Stakeholder Engagement

The Board delights in opportunities to engage its shareholders and provides avenues for shareholder participation. The Annual General Meeting (AGM) presents such opportunity to the Board. At the AGM, the Chairman and Group Chief Executive Officer present the Company's performance and answer any questions from shareholders.

The advance issuance of the AGM Notice as provided for in the Kenyan Companies Act also gives shareholders an opportunity to place items on the Agenda by submitting questions and appoint proxies to represent them where they are unable to attend.

Sanlam Kenya Plc held its second virtual AGM on 3rd June 2022, and it saw a high shareholder attendance from all over the world electronically. Shareholders were given an opportunity to submit their queries barehand either electronically or via text which

were addressed at the meeting. Shareholders were also given an opportunity to dial into the meeting and raise queries which were also addressed. Shareholders participated in voting for the resolutions via their mobile phones. The Polling Results and the Resolutions approved were published on the company's website.

The Board also informs its shareholders of the performance of the Group through the issuance of Annual Reports and half yearly publications of its financial performance in the Daily Newspapers which are also available on the Group's website www.sanlam.com/kenya.

In addition, the Board communicates to shareholders through various media including company's website, public announcements, media releases, financial statements, and direct correspondence.

The Board has put in place a **Shareholders Framework** which enshrines the equitable treatment of all shareholders whilst protecting their rights. The Framework is available to all shareholders through the website.

The Group has put in place a **Stakeholder Management Policy** that identifies all its stakeholders, maps out areas of interaction and sets out mechanisms to support constructive engagement with different stakeholder groups. The stakeholder management policy provides that decision making must follow a *stakeholder-inclusive approach* and Sanlam must be able to account for all outcomes and impacts which is evident in its reporting.

Group Company Secretary

The Group Company Secretary, a member of the Institute of Certified Secretaries of Kenya (ICPSK), plays the critical role of coordinating the activities of the Board and Board Committees and is the primary liaison in the flow of information between Management and the Board. Each Director has direct access to the Group Company Secretary. The Group Company Secretary in liaison with the Board Chairman are responsible for the development and implementation of the Corporate Governance Code and regularly update the Board members of their obligations under the referenced code.

Board Evaluations

An independent and external Board Evaluation of the Board, Committees, Peer, Group Chief Executive Officer and Group Company Secretary were conducted for the period January 1, 2022 to December 31, 2022 as prescribed in the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015. The findings of the evaluation exercise were presented to the Board by the independent external evaluator.



Statement on Corporate Governance

For The Year Ended 31st December 2022

Statement on Insider Trading

As a listed Company Sanlam Kenya Plc must comply with the Regulations relating to Insider Trading and ensure that Directors, employees, or their relations do not abuse insider information or place themselves in situations of suspicion of abusing insider information for personal gain; especially in periods preceding the release of material price sensitive information to the public.

The Board has developed an Insider Trading Policy which sets out the procedures and guidelines with respect to transactions in the SKP's securities, the protection of Insider Information and the standard of conduct expected of the directors, officers, employees and their relations.

The Company has two closed periods during the year: immediately preceding the release of the half yearly and annual financial results.

No incidents of insider trading were reported in the year ended 31st December 2022.

Compliance with Applicable Laws and Regulations

The Group complies with the Constitution of Kenya, various applicable laws and regulations and various Policies.

The Board has approved Compliance Universe which comprises of a list of the applicable laws and regulations together with the respective compliance risk management plans (CRMPs) for all core legislations in the business.

The Board has approved a compliance policy and manual which clearly sets out the principles and standards for managing compliance risk, culture, responsibilities, reporting framework and breaches as relates to Sanlam.

The Board regularly and timeously monitors the Group's compliance through the Compliance Report that is tabled at quarterly Board Audit Committee meetings.

An internal legal and compliance audit conducted in compliance with the Code to establish the Group's adherence to applicable laws, regulations and standards; confirmed that the Group followed applicable laws, regulations and Guidelines.

Enterprise Risk Management

The Board has approved an Enterprise Risk Management (ERM) Framework.

The ERM Framework is a high level over-arching framework aimed at ensuring that:

- All risks which could jeopardise/enhance achievement of Sanlam Kenya's strategic goals will be identified;

- Appropriate structures, policies, procedures and practices are in place to manage these risks. ERM also requires Sanlam Kenya to take a portfolio view of risk;
- Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices; and that
- Sanlam's risks are indeed being managed in accordance with the foregoing.

The ERM deals with risks and opportunities affecting value creation of a company and involves a pro-active holistic enterprise wide view of all risks and their associated risk appetite and tolerance to ensure they are fully aligned with the Sanlam Kenya Group's objectives and strategies and reflects the quality, competencies and capacity of people, technology and capital and provides tools to rationalise risk management activities.

The Board reviews and approves the Risk Appetite Statements half yearly at the Board Audit Committee meetings.

The Board, through the recommendation of the Board Audit Committee, completed its annual review of the effectiveness of the enterprise risk management framework for the one year period from 1st January 2022 and confirmed that no significant failings or weaknesses were identified.

GOVERNANCE POLICIES

Board Charter

The Board activities are regulated by the provisions of the Board Charter which is reviewed annually with the latest review being conducted on 15th March 2023. The Charter sets out the responsibilities of the Board, which include, amongst others:

- i. Set out the frequency of board meetings to at least one meeting every three months. The Board is, however, mandated to hold meetings of the Board as frequently as the Board considers appropriate.
- ii. Conduct board meetings and procedures, and the nomination, appointment, induction, training, remuneration and evaluation of members of Board.
- iii. Powers delegated to the Board committees.
- iv. Policies and practices of the Board on matters of corporate governance, directors' declarations and conflict of interest.
- v. Distinguishes the responsibilities of the Board from Management.



The Board has developed an Insider Trading Policy which sets out the procedures and guidelines with respect to transactions in the SKP's securities, the protection of Insider Information and the standard of conduct expected of the directors, officers, employees and their relations.

Statement on Corporate Governance For The Year Ended 31st December 2022

vi. Distinguishes the roles of the Chairman and Chief Executive Officer as separate roles.

The Board Charter also comprises a Work Plan setting out the schedule of Board meetings and the main business to be dealt with at those meetings.

Board Policies in Place

In the year 2022 the Group continued to adhere to the following policies as approved by the board:

- i. **Corporate Governance Policy:** The Policy outlines the governance framework that provides a solid structure for effective and responsible decision making within the organisation in compliance with the Companies Act, 2015, the Capital Markets Act, Cap 485A, and the Capital Markets Authority (CMA) Code of Corporate Governance Practices for Issuers of Securities to the Public 2015 (the Code) and the stringent standards of corporate governance prescribed in the Group's Board Charter as well as the Company's Articles of Association.
- ii. **Conflict of Interest Policy:** This policy outlines the conduct of directors and management and bars their engagement directly or indirectly to any business activity that competes or conflicts with the Company's interest or those of its clients unless fully disclosed. All Directors are required to disclose to the company secretary any real or perceived conflicts on appointment, annually and on an ongoing basis of any circumstance which may give rise to any actual or potential conflict of interest with their roles as Directors.
- iii. **Code of Ethics:** This outlines the ethical principles that are designed to prevent employees and Directors from engaging in activities that would compromise the Group's integrity, respect for diversity, impartiality, or reputation.
- iv. **Gift Policy:** This outlines the policy on receipt and issue of gifts by employees and is designed to prevent the unfair granting of a gift or a favour. This is in line with the Bribery Act No. 47 of 2016, as well as the Anti-Corruption and Economic Crimes Act, 2003.
- v. **Financial Crime Combating Policy:** This outlines the guidelines of combating financial crime and unlawful conduct. This policy is in line with the provisions of the Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) and the Capital Markets Authority Guidelines on the Prevention of Money Laundering and Terrorism Financing in the Capital Markets. In addition, the Company upholds a Zero Tolerance Approach which stipulates zero tolerance to financial crimes and unlawful conduct. It further outlines consequences of committing a financial crime and/or unlawful act.

vi. **Procurement Policy:** Sanlam maintains a procurement policy that governs the procurement of goods and services. This policy and related procedures are necessary to ensure that procurement is able to generate value in the acquisition of goods and services while satisfying the needs of the business. The policy ensures that the most appropriate and effective controls are applied in the purchase of goods and services for the Company's needs.

vii. **Whistle blowing policy:** Sanlam maintains a whistle blowing policy (enshrined in the staff handbook) that provides a platform for employees to raise concerns regarding any wrongdoing, and the policy details how such concerns are addressed.

viii. **Insider Trading Policy:** The policy aims at promoting compliance with applicable securities laws by Nairobi Securities Exchange Limited and all directors, officers and employees thereof, in order to preserve the reputation and integrity of Sanlam Kenya Plc as well as that of all persons affiliated with it. The Policy sets out the procedures and guidelines with respect to transactions in the SKP's securities, the protection of Insider Information and the standard of conduct expected of SKP's directors, officers and employees in this highly sensitive area. It calls for personal obligation and responsibility of each director, officer, or employee to act in a manner consistent with this Policy.

ix. **Board Dispute Resolution Policy:** The policy to set out the processes for dispute resolution or grievances in the Board in order to reach a prompt and fair resolution of any disputes, conflicts, or disagreements that may arise from time to time, and that may threaten the functioning of the board; in compliance with the Code.

x. **Board Induction Policy:** The policy sets out the induction framework for new directors upon their appointment to the Board.

xi. **Board Remuneration Policy:** The policy establishes the formal and transparent remuneration policies and procedures in compliance with the Code.

xii. **ICT Policy:** The Group has put in place a comprehensive policy on its information technology in compliance with the Code. The Policy's objective is to protect the Company's investment in information technology infrastructure (including IT equipment, mobile facilities, data/ telecommunications networks and software) and to maintain the highest standards of cyber security, while protecting the Company's confidential and sensitive information. The policy aims to facilitate ease of use of IT systems by staff, business partners and other stakeholders while mandating the responsible use of IT systems.

i. **Schedule of Offences:** This defines the different instances of unlawful conduct and the respective sanctions.



Code of Ethics:
This outlines the ethical principles that are designed to prevent employees and Directors from engaging in activities that would compromise the Group's integrity, respect for diversity, impartiality, or reputation.

Statement on Corporate Governance

For The Year Ended 31st December 2022

The Group also continues to inculcate and cascade the corporate culture of “The Sanlam Way” in line with the Mission and Vision and which is driven by four key principles:

- We are determined and resolute.
- We are solid and sensible.
- We do it very, very well; and
- We do it for good.

Code of Conduct

At Sanlam, good corporate governance is engrained as a valuable contributor to long-term success of the Company through the creation of the right culture in the organisation. The Sanlam Code of Conduct continues to be in place and is geared towards inculcating a culture of Professionalism, Integrity, and Customer centric wealth creation in line with the Group's Vision and Mission Statements.

The Group conducts its business in compliance with legal principles and high ethical standards of business practice. The Board, Management and employees are required to observe the code of ethics and high standards of integrity. Further, these standards are applied in all dealings with customers, suppliers and other stakeholders.

Insider Trading

As a listed entity, Directors and Employees of Sanlam are required under the Capital Markets Act, Cap 485A not to abuse or place themselves under suspicion of abusing insider information that they have or ought to have, particularly in periods leading up to release of material non-public information. In compliance with the above mentioned Act and the Nairobi Securities Exchange's regulations on prevention of insider trading, the Group's policy is that directors, management, staff members, or any of their relatives and associates, or any of the companies / businesses / organisations that exercise significant influence over the Group are not allowed to deal in the Group's shares during the closed season. The closed season is the period preceding the release of any material, non-public information to the market, and includes, but is not limited to, the end of the Group's reporting period and the publication of financial results.

To ensure compliance with prevention of insider dealing requirements, the Company communicates “Open” and “Closed” periods for trading in its shares to its employees and directors on case-by-case basis. To the best of the Company's knowledge, there was no insider dealing at Sanlam Kenya for the financial year 2019. The Group Company Secretary always advises the directors, management and staff of the closed season to avert any incidences of insider trading.

BOARD COMMITTEES

To assist the Board better discharge its responsibilities, the Board has constituted several Board Committees, to which it has delegated responsibilities, comprising a balanced mix of independent and non-executive directors.

Executive management and Group consultants, experts and service providers are on occasion invited to the Board as circumstances dictate to provide their expertise.

Each Committee is governed by its respective Committee Charter which defines its Terms of Reference; including provisions relating to the powers delegated by the Board to each Committee, membership of the Committee and the Committee's mandate, authorities and duties as well as working processes. The Charters are reviewed annually by the respective Committees and the Board.

Annual Evaluation reviews of each Committee are carried out and presented to the Board. At every quarter, the Chairperson of each Committee presents a report on the discussions held at the Committee meeting and seeks the Board's ratification for any decisions made.

The Board has three committees as follows:

Audit, Actuarial, Risk and Compliance Committee

Attendance at Meetings in 2022

The members of the Committee, and their attendance to the four meetings held in the year 2022 were as follows:

Table 1: Audit, Actuarial, Risk and Compliance Committee Membership and Attendance 2022

	Member	Directorship Status	Number of Meetings scheduled in 2022
1	Freda Britz (Chairperson)	Independent & Non-Executive	4/4
2	Dr Tobias Doyer	Non-Executive	4/4
3.	Rose Agutu	Independent & Non-Executive	4/4
4	Cornie Foord	Non-Executive Director	3/4
5	Nelius Bezuidenhout	Non-Executive Director	4/4



To assist the Board better discharge its responsibilities, the Board has constituted several Board Committees, to which it has delegated responsibilities, comprising a balanced mix of independent and non-executive directors.

Statement on Corporate Governance

For The Year Ended 31st December 2022

Mandate and Role of the Audit, Actuarial, Risk and Compliance Committee

The Audit, Risk & Compliance Committee's duties are based on six broad functions namely the Internal Control, Risk Management & Compliance, Financial Reporting, Internal Audit, External Audit, Compliance with laws and regulations; and Compliance with the Company's Code of Conduct and ethical guidelines functions.

The Committee is responsible for the internal audit & risk management function by ensuring the Group's management acts on audit and risk management reports; reviews the performance and considers the independence of the external auditors; confirms that all regulatory compliance is considered in the preparation of financial statements; and invites a representative of the external auditors when reviewing the audited results.

The Committee assesses effectiveness of the Group's internal control and risk management & compliance framework. It reviews the impact of significant accounting and reporting issues such as professional and regulatory pronouncements; meets the management and both external & internal auditors to review the financial statements and results of the audit process; and assesses if generally accepted accounting principles have been consistently applied within preparation of preliminary announcements & interim financial statements.

Investment Committee

Attendance at Meetings in 2022

Table 2: Investment Committee Membership and Attendance 2022

	Member	Directorship Status	Number of Meetings scheduled in 2022
1	Rohan Patel (Chairman)	Non-Executive Director	4/4
2.	Nelius Bezuidenhout	Non-Executive Director	4/4
3	Julius Magabe	Non-Executive Director	4/4
4.	Dr John PN Simba	Chairman of the Board	4/4
5	Dr Grace Mwai	Independent & Non-Executive	4/4

Mandate and Role of the Investment Committee

The primary mandates of the Investment Committee are:

- ➊ To establish appropriate investment guidelines for the Life & General Businesses.
- ➋ To set investment benchmarks.
- ➌ To review the actual portfolio compositions against these benchmarks on a quarterly basis.
- ➍ To review the performance of investments and make recommendations where appropriate.
- ➎ To approve the acquisition and disposal of significant investments.
- ➏ To review the performance of the property investments.

The Investment Committee has established an Investment Sub-Committee whose mandate is to review the performance of the property portfolio on a monthly basis and to report to the Investment Committee.

Nomination and Remuneration Committee

Table 3: Nomination and Remuneration Committee Membership and Attendance 2022

	Member	Directorship Status	Number of Meetings scheduled in 2022
1	Dr Grace Mwai (Chairperson)	Independent & Non-Executive	4/4
2	Dr Tobias Doyer	Non-Executive Director	4/4
3	Dr John PN Simba	Non-Executive Director	4/4
4	Rohan Patel	Non-Executive Director	4/4

The Audit, Risk & Compliance Committee's duties are based on six broad functions namely the Internal Control, Risk Management & Compliance, Financial Reporting, Internal Audit, External Audit, Compliance with laws and regulations; and Compliance with the Company's Code of Conduct and ethical guidelines functions.

Statement on Corporate Governance

For The Year Ended 31st December 2022

Mandate and Role of the Nomination and Remuneration Committee

The Committee monitors the policies and practices of the Group in relation to the Human Resources. The Committee's duties are based on three broad functions namely the Human Resources, Nomination and Remuneration functions.

• Human Resource Function

The Committee continually reviews the organisational structure, core functions and optimum establishment, policies and procedures on staff recruitment and selection, staff training and development policy for operational efficiency, of performance and reward system and capacity enhancement & reviews, the terms and conditions of service in line with the organisation's strategy. Further it reviews the Group's Human Resource policies and recommends amendments to the Board for approval.

• Nomination Function

The Committee supports and advises the Board on the appropriate size and composition to enable it to discharge its responsibilities; transparent procedure for selecting new directors for appointment and re-selection to the Board; evaluation of the performance of the Board, the various committees and individual Directors.

• Remuneration Function

The Committee reviews the Group's remuneration, recruitment, retention, incentive and termination policies and procedures for executive directors and senior managers; their salaries & the criteria for payment of bonuses to all staff and monitors its operation, considers any recommendations of the GCEO of the regarding payment of performance related remuneration.

BOARD REMUNERATION

The Board's Remuneration policy outlines the principles that govern the remuneration procedures and policies. In general the remuneration policy ensures that directors' remuneration are competitive, incentivises performance and reflects regulatory requirement while considering the demands and requirements made on the directors in relation to the business of the Group, the availability of the directors for ad hoc consultation, professional and business counsel as and when the need arises, industry and related companies benchmarks, international experiences and the calibre of directors needed to run this Group. The directors are, continuously expected to add value to the business.

The directors' fee is annual, but the sitting allowances are only paid subject to attendance at the board and/or committee meetings confirmed by the register of attendance. Both the annual fees and sitting allowance are paid on a quarterly basis. The Directors are not eligible for pension scheme membership and do not participate in any of the Group's remuneration schemes.

In compliance with the disclosure requirements under the CMA Code and the Companies (General) (Amendment) (No. 2) Regulations, 2017 which were gazetted in September 2017, the Directors' Remuneration report is provided in Pages 80 to 81 of this Annual Report.

External Advisers and Consultants

External Auditors

Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Group, the external auditors examine and give their opinion on the reasonableness of the financial statements.

The auditor's report independently and directly to the Board at the half year and end year board meetings. KPMG was appointed as the Company's external auditors and have carried out the Company's audit for 2022.

Internal Auditors

The Group's internal audit function reports directly to the Board Audit, Risk, Actuarial and Compliance Committee. The Internal Audit function is governed by an Internal Audit Charter and the Board annually approves the Internal Audit Plan.

The internal audit function is headed by a qualified Group Internal Auditor who is a Certified Internal Auditor (CIA), Certified Information System Auditor (CISA) and a Certified Public Accountant of Kenya-CPA {K}.

Tax Advisers

PwC are the group's tax advisers. They were appointed by the Board and liaise with management to ensure that the Group optimises its tax position and complies with all tax matters.

Statutory Actuary

Giles Waugh (of Deloitte, South Africa) and Zamara are the Group's statutory actuaries responsible for examining the financial soundness of the Group's Life and General Insurance Companies respectively. They do this by independently valuing the Company's assets and policy liabilities. The statutory actuaries report independently and directly to the Board at board meetings where the half results and the end year results are being considered.

Llyod Masika

A significant component of the Investments within the Group comprises of residential and commercial properties. Llyod Masika are the property managers responsible for the management of these commercial properties, collection of rent, general repairs and maintenance. Monthly reports from Llyod Masika are tabled before the Investment sub-committee for discussion.



Whereas the directors are responsible for preparing the accounts and for presenting a balanced and fair view of the financial position of the Group, the external auditors examine and give their opinion on the reasonableness of the financial statements.

Statement on Corporate Governance

For The Year Ended 31st December 2022

SHAREHOLDING

The Company, through its Registrar, Image Registrars Limited, files returns regularly in line with the requirement of the Capital Markets Act and the Nairobi Securities Exchange listing regulations on shareholding and other transactions related to shareholders.

Details of the **Directors' Shareholding** in the Group as at December 31, 2022, are summarised in the Table below:

Name	No. of Shares
1. DR JOHN PN SIMBA	106,950

Details of **Management's Shareholding** in the Group as at December 31, 2022 are summarised in Table below:

Name	No. of Shares
1. None	None

Disclosure of Information to shareholders

The Board discloses to shareholders the financial position of the Group three times a year: at the Annual General Meeting; by publication of the half-year results and the year-end results in at least two (2) daily newspapers of national circulation. The financial position of the Group together with relevant information such as the share price are made available for viewing on the Group's website, www.sanlam.com/kenya

The share register is kept at the offices of the Group and a computer database stores this information. The Share Registrar, Image Registrar, is responsible for the share register and responds to correspondence directly from shareholders. The official registers of shareholders are maintained by Image Registrars.

The Registers of Directors are kept at the head office of the Group and are available for perusal by shareholders on any working day during working hours. The Group publishes the annual report and audited accounts, which are sent out to all shareholders, entitled to attend the Annual General Meeting.

The Group has an authorised share capital of Kenya Shillings Two Billion (KSh. 2B) divided into 400 million shares of Kenya Shillings Five (KShs 5/-) each. 144 million shares are currently issued.

Top Shareholders in the Group

The top 10 shareholders, based on the Group's Register of Members, as at 31 December 2022 are shown in Tables below:

Top Ten Local Individual Shareholders as at 31st December 2022

	Names	Shares	Percentages
1	MWANGI, PETER KINGORI	2,167,473	9.40%
2	PATEL, ANJAY VITHALBHAI	1,110,900	4.82%
3	MALDE, ANILKUMAR VIRPAR	452,550	1.96%
4	MOHAMED, ADAN ABDULLA	389,250	1.69%
5	MUCHERU, ELIJAH	383,300	1.66%
6	PATEL DAHILAXMI MANGALBHAI	360,003	1.56%
7	BID, KEVAL ASHVIN	315,000	1.37%
8	JOHN RICHARD GITHERE	300,000	1.30%
9	MALDE, URVI HAKAKHCHAND VIRPAR	268,800	1.17%
10	PATEL BHUPENDRA MANIBHAI	235,203	1.02%

Top 10 Local Institutions Shareholders as at December 31, 2022

	Names	Shares	Percentages
1	HUBRIS HOLDINGS LIMITED	82,278,000	69.31%
2	AKSAYA INVESTMENT HOLDINGS LIMITED	30,245,277	25.48%
3	MAYFAIR INSURANCE COMPANY LTD	1,282,050	1.08%
4	STANDARD CHARTERED NOMINEES A/C 9595	852,600	0.72%
5	KENYA REINSURANCE CORPORATION LIMITED	511,200	0.43%
6	THAMMO HOLDINGS LIMITED	457,949	0.39%
7	CARBACID INVESTMENTS LIMITED	390,000	0.33%
8	APA INSURANCE LIMITED	348,557	0.29%
9	FIRST TEN LIMITED	308,400	0.26%
10	PUBLIC TRUSTEE ESTATE OF E.N. KAMAU RE:PT/646/79/613/SMA	298,440	0.25%

The Registers of Directors are kept at the head office of the Group and are available for the perusal by shareholders on any working day during working hours. The Group publishes the annual report and audited accounts, which are sent out to all shareholders, entitled to attend the annual general meeting.

Statement on Corporate Governance

For The Year Ended 31st December 2022

Distribution of Shareholders

The Capital Markets Act requires the Group to provide information on the distribution of the shareholders based on the number of shares owned and based on their nationality. This information is presented in the Tables here follows:

a) Shareholders based on Number of Shares held:

	Range	Records	Range Total	Percentage
1	1 to 500	989	162,249	0.11%
2	501 to 1000	279	213,462	0.15%
3	1001 to 5000	1,978	5,197,795	3.61%
4	5001 to 10000	222	1,635,435	1.14%
5	10001 to 50000	265	5,721,689	3.97%
6	50001 to 100000	41	2,811,548	1.95%
7	100001 to 500000	47	9,810,322	6.81%
8	500001 to 1000000	2	1,363,800	0.95%
9	1000001 to 2000000000	5	117,083,700	81.31%
		3,828	144,000,000	100.00%

b) Shareholders based on Nationality

Investor Pool	Records	Shares	Percentage
Local Institutions	150	118,706,414	82.44%
Local Individuals	3,460	23,069,007	16.02%
Foreign Investors	218	2,224,579	1.54%
TOTAL	3,828	144,000,000	100.00%

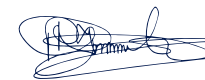
GOING CONCERN

The Board submits this annual report and audited financial statements for the year ending 31 December 2022. The annual report and audited financial statements present, in the opinion of the directors, a fair, balanced and understandable assessment of the state of the affairs of the Group's position and prospects. The Board reports that the business is a going concern, and they have no reason to believe that the Group and its subsidiaries will not be a going concern into the foreseeable future.



Dr John PN Simba
Chairman

13 April 2023



Dr Patrick Tumbo
Group Chief Executive Officer

13 April 2023

Risk management >

Partnerships for growth

Tomorrow starts now



Risk management

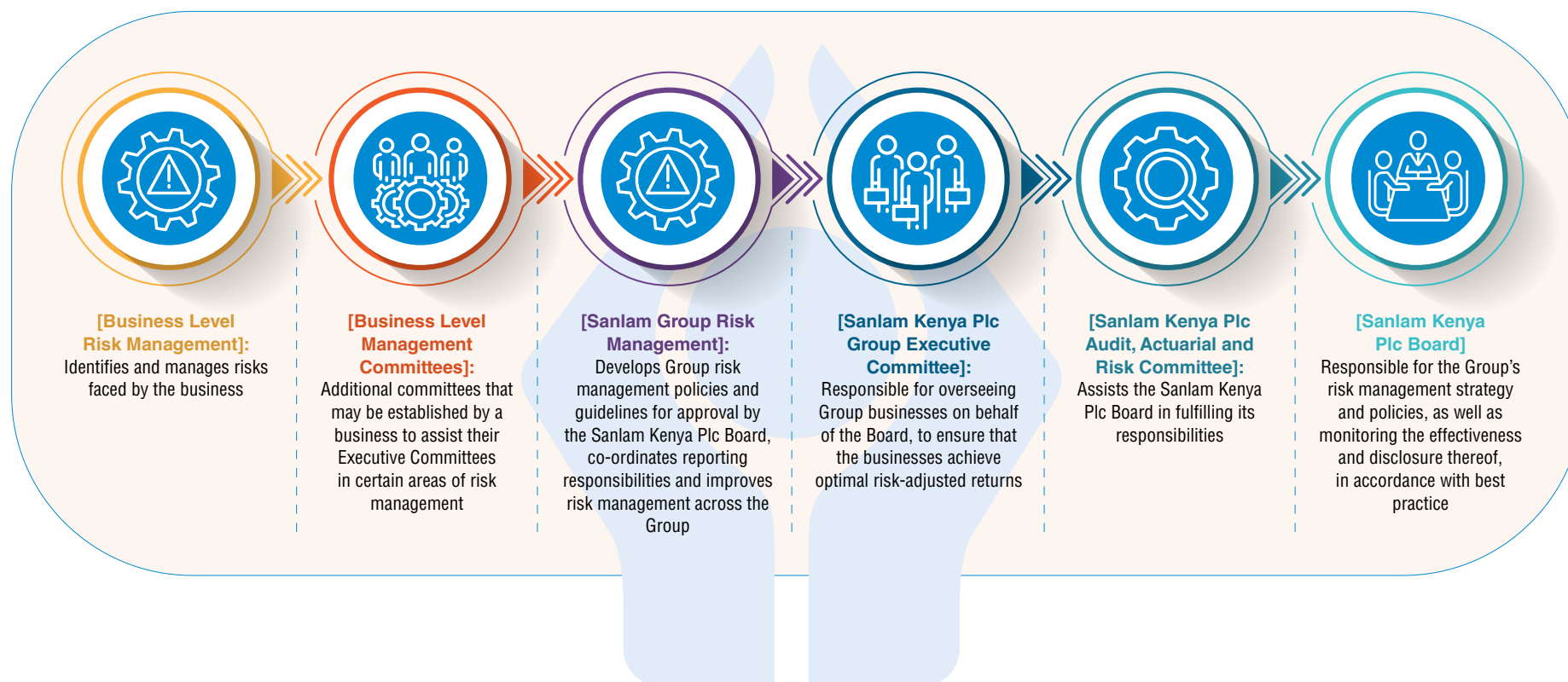
The Group's activities expose it to a variety of financial risks including credit, liquidity, and market risks. The Group's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Group's performance by setting acceptable levels of risk. The Group does not hedge against any risks.

a) Governance structure

The Board meetings of the Group are held according to a Board calendar that is planned at the beginning of each year. The Board meetings are scheduled in a manner that increases the efficiency of the Board. Meetings of the Boards and Board Sub-committees of the subsidiaries are held first, and Sanlam Kenya Plc's Board and Board Sub-committees meet after the subsidiaries' Boards conclude their meetings and prepare their reports

for submission to the Board of Sanlam Kenya Plc. The agenda of the Board focuses on Group strategy, capital management, accounting policies, financial results, dividend policy, human resource development, corporate governance and requirements of the Capital Markets Authority (CMA) and Nairobi Securities Exchange (NSE). The Board of each group company is responsible for statutory matters as well as monitoring operational efficiency and risk issues throughout the Group.

The Group operates within a decentralised business model. In terms of this philosophy, the Sanlam Kenya Plc Board sets the Group risk management policies and frameworks while the individual businesses take responsibility for all operational and risk-related matters at a business level, within the limits set by these policies and frameworks. The following diagram generically depicts the flow of risk management information from the individual businesses to the Sanlam Kenya Plc Board.



Risk management (continued)

a) Governance structure (continued)

A number of other risk monitoring mechanisms are operating within the Group as part of the overall risk management structure. The most important of these are illustrated in the following table.

Other Risk Monitoring Mechanisms



[Capital Management]
Reviews and oversees the management of the Group's capital base



[Asset and Liability Matching]
Determines appropriate investment policies and guidelines for policyholder portfolios where guarantees are provided



[Compliance]
Facilitates management of compliance through analysing of statutory and regulatory requirements, and monitoring implementation and execution thereof



[Group Risk Forum]
Aids co-ordination and transfer of knowledge between businesses and the Group, and assists Group Risk Management in identifying risks requiring escalation to the Sanlam Kenya Plc Board



[Non-listed Assets]
The Audit Committee reviews and approves the valuation of all unlisted assets in the Group for recommendation to the Sanlam Kenya Plc Board



[Chief Financial Officer (Finance)]
Ensures that sound financial practices are followed, adequate and accurate reporting occurs, and financial statement risk is minimised



[Actuarial]
Monitors and reports on key risks affecting the life insurance operations. Determines capital requirements of the life insurance operations and the potential impact of strategic decisions thereon, by using appropriate modelling techniques



[Group Legal and Corporate Secretarial]
Reviews and reports on corporate governance practices and structures. Reports on applicable Legal and compliance matters



[Sanlam Forensics]
Investigates and reports on fraud and illegal behaviour in businesses



[Investment Committee]
Determines and monitors appropriate investment strategies for policyholder solutions



[IT Risk Management]
Manages and reports Group-wide IT risks



[Risk Officer]
Assists business management in their implementation of the Group risk management strategy, and to monitor the risk profile of the business



[Internal Audit]
Assists the Sanlam Kenya Plc Board and management by monitoring the adequacy and effectiveness of risk management in businesses

Risk management (continued)

b) Group risk policies and guidelines

All risks are managed in terms of the policies and guidelines of the Board and its committees. Some of the main policies are:

- (i) The Group Enterprise Risk Management (ERM) Framework;
- (ii) The Group Strategic Risk Management (SRM);
- (iii) Group Risk Escalation Policy (REP);
- (iv) Group Business Continuity Policy (BCP);
- (v) Group Information and Communication Technology (ICT) Risk Management Policy;
- (vi) Assets and Liabilities Matching (ALM) Policy; and
- (vii) Group Investment Policy.

The above policies were developed by Sanlam Group Enterprise Risk Management and have been implemented by all Group businesses. The maturity of the implementation within the Group does, however, vary from business to business due to different cost/benefit scenarios, complexity of risks and the degree of risk integration. At the quarterly Sanlam Kenya Plc Board, risk management reports are tabled that must also indicate the extent of compliance with the Sanlam Risk Management Policies.

The aim of the Group Escalation Policy is to ensure that key risks and risk events in any business in the Group are reported to the appropriate governance level. The Group Business Continuity Policy ensures that effective vertical and horizontal recovery abilities, consistent with business priorities, exist across the Group, to deal with disasters and related contingencies. The Sanlam Kenya Plc Group Strategic Risk Management is briefly summarised below:

Sanlam Kenya Plc Group Strategic Risk Management (SRM)

Definition

SRM is a high-level over-arching approach to ensure that:

- i. All risks which could jeopardise or enhance achievement of the Group's strategic goals are identified;
- ii. Appropriate structures, policies, procedures and practices are in place to manage these risks;

- iii. Sufficient organisational resources are applied to, and corporate culture is fully supportive of, the effective implementation of these structures, policies, procedures and practices;
- iv. The organisation's risks are indeed being managed in accordance with the foregoing; and
- v. The impact of strategic decisions on the risk-adjusted return on Group Embedded Value is considered by way of appropriate modelling techniques prior to such decisions being implemented.

Objective

The primary objective of SRM is to optimise the Group's risk-adjusted return on Group Embedded Value.

Philosophy

SRM is achieved by:

- i. Applying a decentralised philosophy, in that the individual businesses are responsible for the identification of risks in their business and to apply appropriate risk management. Only significant risks are escalated to the Sanlam Kenya Plc Group level, in accordance with the Group Risk Escalation Policy (mentioned above). This policy guides the businesses to assess the impact of the risk (on a scale of insignificant to extreme), likelihood of risk (on a scale of rare to almost certain), and accordingly to determine the role players to whom the risk should be reported (from the Enterprise Risk Manager of the business to the chairman of the Audit, Actuarial, Risk and Compliance Committee).

Risk is inherent in doing business and includes all of the uncertain consequences of business activities that could prevent Sanlam Kenya Plc from achieving its strategic goals. The Group's strategic risk management process is aimed at managing three elements of risk:

- i. **Opportunity:** managing risk on the upside as an "offensive" function; focusing on actions taken by management to increase the probability of success and decrease the probability of failure;
- ii. **Hazard:** managing risk on the downside as a "defensive" function; focusing on the prevention or mitigation of actions that can generate losses; and
- iii. **Uncertainty:** managing the uncertainty associated with risk, focusing on achieving overall financial performance that falls within a defined acceptable range.



Risk management (continued)

b) Group risk policies and guidelines (continued)

Process

Each business has a documented process that links into the business's normal management process and includes:

- Strategic organisational and risk management context:
 - Strategic context (defining the strengths, weaknesses, opportunities and threats relative to the business environment),
 - Organisational context (understanding the business's goals, strategies, capabilities and values), and

- Risk management context (setting of scope and boundaries).

- Developing risk evaluation criteria, defining a logical framework for risk identification, establishing a risk identification process, analysing the risks identified, evaluating the risks against established risk criteria, deciding on the appropriate action and communication, with the aim of continuous management and improvement.

c) Risk types

The Group is exposed to the following main risks:

	Risk type	Description	Potential significant impact
GENERAL RISKS	Operational	Operational risk is the risk that there is a loss as a result of inadequate or failed internal processes, people or systems and external events. Operational risk includes:	All Group businesses
		Information and technology risk: the risk of obsolescence of infrastructure, deficiency in integration, failures/inadequacies in systems/networks and the loss of accuracy, confidentiality, availability and integrity of data.	
		Going concern/business continuity risk: the risk that inadequate processes, people, financial controls and resources exist to continue business in the foreseeable future.	
		Legal risk: the risk that the Group will be exposed to contractual obligations which have not been provided for.	
		Compliance risk: the risk of not complying with laws and regulations, as well as investment management mandates.	
		Fraud risk: the risk of financial crime and unlawful conduct occurring within the Group.	
	Taxation	Taxation risk is the risk of financial loss due to changes in tax legislation that result in the actual tax on shareholders' fund earnings being higher than expected, with a corresponding reduction in return on Group Embedded Value; or the actual policyholder tax being higher than that assumed in the determination of premium rates and guaranteed policy benefits.	All Group businesses
	Reputational	Reputational risk is the risk that the actions of a business (e.g. the treatment of clients, employment equity and social responsibility) harm its reputation and brand.	All Group businesses
	Legislation	Legislation risk is the risk that unanticipated new acts or regulations will result in the need to change business practices that may lead to financial loss.	All Group businesses
	Strategic	Strategic risk is the risk that the Group's strategy is inappropriate or that the Group is unable to implement its strategy.	All Group businesses



Risk management (continued)

c) Risk types (continued)

	Risk type	Description	Potential significant impact
FINANCIAL AND BUSINESS (SPECIFIC RISKS)	Market	<ul style="list-style-type: none"> Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market price. Market risk includes: 	Life insurance General insurance
		<ul style="list-style-type: none"> Equity risk: the risk that the fair value of cash flows of a financial instrument will fluctuate as a result of changes in equity prices. 	
		<ul style="list-style-type: none"> Interest rate risk: the risk that the value of an unmatched financial instrument will fluctuate as a result of changes in interest rates and the risks that mismatch losses will be incurred in respect of a matched asset/liability position following changes in interest rates. 	
		<ul style="list-style-type: none"> Foreign Exchange Risk: The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. 	
		<ul style="list-style-type: none"> Property risk: the risk that the value of investment properties will fluctuate as a result of changes in the environment. 	Life insurance General insurance
	Credit	Credit risk is the risk that the Group will incur a financial loss from the inability or unwillingness of a counterparty to a financial instrument to discharge its contractual obligations. Credit risk includes:	Group
		Reinsurance risk: concentration risk with individual reinsurers, due to the nature of the reinsurance market and the restricted range of reinsurers that have acceptable credit ratings.	Life insurance General insurance
	Liquidity	Liquidity risk is the risk relating to the difficulty/inability to accessing/raising funds to meet commitments associated with financial instruments or policy contracts.	All Group businesses
	Insurance	Insurance risk includes:	Life insurance General insurance
		<ul style="list-style-type: none"> Underwriting risk: the risk that the actual experience relating to mortality, disability and medical risks will deviate negatively from the expected experience used in the pricing of solutions and valuation of policy liabilities. 	
		<ul style="list-style-type: none"> Persistency risk: the risk of financial loss due to negative lapse, surrender and paid-up experience. 	
		<ul style="list-style-type: none"> Expense risk: the risk of loss due to actual expense experience being worse than that assumed in premium rates and the valuation of policy liabilities. 	
		<ul style="list-style-type: none"> Concentration risk: the risk of financial loss due to having written large proportions of business with policyholders of the same/ similar risk profile. 	
	Capital adequacy	Capital adequacy risk is the risk that there are insufficient assets to provide for variations in actual future experience, worse than that which has been assumed in the valuation bases.	Life insurance General insurance



Risk management (continued)

c) Risk types (continued)

1. Operational risk

The Group mitigates this risk through the strategic planning process, selection of experienced and technically competent staff with high ethical values, a comprehensive system of internal controls, internal audit, forensic and compliance functions and other measures such as back-up facilities, contingency planning and insurance. The initiation of transactions and their administration is conducted based on the segregation of duties, designed to ensure the correctness, completeness and validity of all transactions.

The management of risks associated with human resources is addressed in the Corporate Governance Report.

The following functions assist in mitigating operational risk:

(i) Internal audit

A board-approved internal audit charter governs internal audit activity within the Group. A regular risk-focused review of internal control and risk management systems is carried out and has unrestricted access to the Chairman of the Audit Committee and the Sanlam Kenya Plc Board. The authority, resources, scope of work and effectiveness of the functions are reviewed regularly.

(ii) External audit

The Group's external auditor is KPMG Kenya. The external auditors consider internal control relevant to the Group's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances and express an independent opinion on the annual financial statements. Non-audit services rendered by the external auditors are strictly governed by a Group policy in this regard.

(iii) Enterprise Risk Management

The Enterprise Risk Management function performs an annual review of the Group's risk management processes. The purpose of this review is to continuously identify potential areas for improved risk management in line with developing international best practice and the changing risk profile of the Group or any business units. The function also supports business units within the Group to incorporate risk considerations into their agenda and all decision-making processes.

2. Information and technology risk

The Group Information and Communication Technology risk management policies are authorised and ratified by the Group Executive Committee. These policies stipulate the role of the Information Security manager and other persons with IT risk management roles.

Furthermore, it provides a framework of IT risk management, the methods of reporting, assessment and action, appropriate documentation and management of all risk-related IT incidents that have occurred, timing of communication and liaison with other functions in the Group.

3. Compliance risk

Laws and regulations:

The Group considers compliance with applicable laws, industry regulations and codes an integral part of doing business. The Group compliance function facilitates the management of compliance through the analysis of statutory and regulatory requirements and monitoring the implementation and execution thereof.

4. Fraud risk

The Group recognises that financial crime and unlawful conduct are in conflict with the principles of ethical behaviour, as set out in the Group's code of ethics and undermines the organisational integrity of the Group. The financial crime combating policy for the Sanlam Kenya Plc Group is designed to counter the threat of financial crime and unlawful conduct. A zero-tolerance approach is applied in combating financial crime and all offenders will be prosecuted. The forensic services function at Group level oversees the prevention, detection and investigation of incidents of unlawful conduct that are of such a nature that they may have an impact on the Group.

The head of each business unit is responsible for the implementation of the policy in his or her respective business and is accountable to the Group Chief Executive and the Board of Sanlam Kenya Plc. Quarterly reports are submitted by Group Forensic Services to the Group's Audit Committee on the incidence of financial crime and unlawful conduct in the Group and on measures taken to prevent, detect, investigate and deal with such conduct.

5. Taxation risk

The risk is addressed through clear contracting to ensure that policy contracts entitle policyholders to after-tax returns, where applicable. The Group's internal tax resources monitor the impact of changes in tax legislation and are involved in the development of new products. External tax advice is obtained as required.

The Group consults widely with tax consultants when considering new initiatives to identify tax impact. As much as possible, the Group policy is to negotiate contracts gross of tax. Overseas contracts are negotiated inclusive of taxes and preference is given to parties in countries where Kenya has double taxation agreement.



Risk management (continued)

c) Risk types (continued)

6. Reputational risk

Actions with a potential reputational impact are escalated to the appropriate level of senior management. The Audit committee and board of directors are involved as required. Events with an industry-wide reputational impact are addressed through industry representative groups. Quarterly reports on the client complaints and adverse media mentions are submitted to the Executive Committee.

7. Strategic risk

The Group's governance structure and various monitoring tools in place ensure that any events that affect the achievement of the Group's strategy are escalated and addressed at the earliest opportunity. The Board has no tolerance for any breaches.

Group strategy is addressed on a continuous basis at various forums within the Group, the most important of which are:

- The Group's strategic direction and success is discussed and evaluated at an annual strategic session of the Group's Board as well as at the scheduled Board meetings during the year;
- As part of the annual budgeting process, the Group businesses present their strategic plans and budgets to the Executive Committee of the Group, which ensures that the businesses' strategies are aligned with the overall Group strategy; and
- The Group's Executive Committee, which includes the Group Chief and the Chief Executives of the various Group businesses, meets on a regular basis to discuss, among others, the achievement of the businesses' and Group's strategies. Any strategic issues are identified at these meetings and corrective actions are immediately implemented.

**Annual Report and
Financial Statements**



**Partnerships
for growth**
Tomorrow starts now





Report of the directors

The directors are pleased to present the annual report and audited consolidated and separate financial statements for the year ended 31 December 2022 which discloses the state of affairs of Sanlam Kenya Plc (the “Company”) and its subsidiaries (together the “Subsidiaries” and each one a “Subsidiary”) (together the “Group”).

The annual report and consolidated and separate financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and the requirements of the Kenyan Companies Act, 2015.

Business review

Principal activities

The principal activity of the Group, through its subsidiaries Sanlam Life Insurance Limited and Sanlam General Insurance Limited, is the underwriting of all long-term and short-term insurance business as defined by the Insurance Act (Chapter 487 of the Laws of Kenya), with the exception of industrial life insurance. The Group has interests in a wholly owned investment company (Sanlam Securities Limited), wholly owned former investment management company (Sanlam Investments Limited), Mae Properties Limited (dormant) and Chem Chemi Mineral Water Limited (dormant).

Financial performance, Value of New Business (VNB) and New Business Projections: Value of new business is a strong indicator that the business is currently underwriting business sustainably, the new business is being underwritten profitably and that future profits are expected from the profitable long-term book.

Projections indicate that Group, through its subsidiaries is expected to continue posting positive operating profits and Value of New business in the future.

The below table illustrates the strategies that will drive the business to achieve its objective.

	Strategic thrust	Management effort	Enablers
1	Strategic partnering & Channels	Bancassurance partners Brokers & Independent Agents. Direct channels	Governance Customer service Risk management
2	Innovation	Technology/Digitisation Processes Products Customer experience/Journey	Talent management Systems/processes
3	Strategic Expense management	Operating mode Transaction Processing	Data management Capital management
4	Culture & Control environment	Culture change	Leadership

The Group's performance

The Group recorded a profit before tax of KShs 327,745,000 (2021: loss before tax of KShs 413,682,000).

The key performance indicators of the Group over a five-year period have been highlighted on page 20.

The directors who held office during the year and up to the date of this report are:

Director	Directorship	Nationality
Dr John P N Simba	Non-executive and Chairman	Kenyan
Dr Patrick Tumbo	Executive	Kenyan
Julius Nyakia Magabe	Non-executive Resigned on 29 March 2022	Tanzanian
Rohan Baloobhai Patel	Non-executive	Kenyan
Tobias Ockert Doyer	Non-executive Appointed on 29 March 2022	South African
Nelius Bezuidenhout	Non-executive	South African
Cornelius Foord	Non-executive	South African
Freda Britz	Non-executive	South African
Dr Grace Mirigo Mwai	Non-executive	Kenyan
Rose Agutu	Non-executive	Kenyan

Financial statements

At the date of this report, the directors were not aware of any circumstances, which would have rendered the values attributed to the assets and liabilities in the financial statements of the Group and Company to be misleading.

Disclosures to the auditor

The directors confirm that with respect to each director at the time of approval of this report:

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



Report of the directors (continued)

Auditor

The auditor, KPMG Kenya, has expressed willingness to continue in office in accordance with the Kenyan Companies Act, 2015.

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

Going concern

The directors are aware of the following conditions:

- i. During the year under review, the Group reported an after-tax loss of KShs 54 million (2021 an after-tax loss of KShs 542 million) while the Company reported an after-tax loss of KShs 208 million (2021 an after-tax loss of KShs 54 million),
- ii. The negative retained earnings as at 31 December 2022 was KShs 2,062 million (2021: KShs 1,761 million), while the Company negative retained earnings as at 31 December 2022 was KShs 2,221 million (2021: KShs 2,013 million).
- iii. The Group reported consolidated negative cash flows from operating activities of KShs 124 million while the Company reported negative cash flows operating activities of KShs 67 million for the year ended 31 December 2022.

The following are mitigation measures put in place by the directors to address the above-mentioned matters:

- i. The directors have implemented strategies to turn around loss-making Sanlam General and Sanlam Kenya Plc through sustainable business growth, effective controls, strategic expense management and effective investment strategies.
- ii. Sanlam Emerging Markets, the intermediate parent company, advanced a loan of KShs 1,085 million to Sanlam General Insurance Limited to bridge the capital shortfall on 5 May 2022. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if the borrower fails to repay any principal or any interest outstanding when due under the agreement, the lender may elect to issue a notice to the borrower of the lender's intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.

- iii. Sanlam Life Insurance Limited, a subsidiary of Sanlam Kenya Plc whose performance has demonstrated a strong going concern in the year under review is projected to pay dividends to its shareholder, Sanlam Kenya Plc, to enable the entity fund its financial obligations for the year 2023.
- iv. Sanlam General Insurance Limited has projected to return to profitability by the year 2023, projecting an after-tax profit of KShs 144 million, which affirms the entity's ability to continue as a going concern.
- v. Sanlam Kenya Plc's credit facility of KShs 3 billion is sufficiently collateralised by a corporate guarantee issued by Sanlam Emerging Markets and continues to be serviced without any default.
- vi. Sanlam Kenya Plc has restructured the loan facility, temporarily resolving the liquidity challenge as the Group isn't expected to service the interest payments of the debt facility for an additional two years until the facility is due in March 2025. Shareholder capital raise is required to retire the KShs 4 billion debt issued by Stanbic Bank well ahead of the March 2025 repayment date.

The Directors have considered the above-mentioned matters and have prepared the year 2022 Sanlam Kenya Plc Group financial results on a going concern basis. The basis assumes that the Group and Sanlam Kenya Plc will continue operating as going concerns for the foreseeable future.

Approval of consolidated and separate financial statements

The consolidated and separate financial statements of Sanlam Kenya Plc for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 13 April 2023.

By Order of the Board



Emma Wachira
Company Secretary

13 April 2023

Profile of Directors



Dr. John P N Simba
(78) (Chairman)

Appointed to the Board in December 2001. Appointed as Chairman in March 2002

Occupation: Lawyer, Partner in Simba & Simba, Advocates

Academic Qualifications: LLD (Hons) University of Nairobi, Bachelor of Law (University of Dar-es-Salaam).

Professional Qualification: Advocate of the High Court of Kenya.

Fellow of the Institute of Chartered Accountants in England and Wales.



Dr. Patrick Tumbo
(59)

Appointed to the Board on 2 August 2018

Occupation: Group Chief Executive Officer

Academic Qualifications: Doctor of Business Administration (Commonwealth University), Master of Business Administration (MBA) - Strategic Management (Major) and Strategic Marketing (Minor) – University of Nairobi (Kenya), Bachelor of Commerce (Insurance) – University of Nairobi (Kenya)

Professional Qualification: Chartered Insurer; Associate of Chartered Insurance Institute and member of the Society of Fellows of The Chartered Insurance Institute (London, United Kingdom), Associate of Insurance Institute of Kenya - (Kenya)



Julius Nyakia Magabe
(49)

Appointed to the Board on 18 August 2016 and resigned on 29 March 2022

Occupation: Regional Executive, East Africa - Sanlam Emerging Markets, Chief Executive Officer Sanlam Life (T) Limited

Academic Qualifications: MBA (ESIM)

Professional Qualifications: Advanced Diploma Insurance and Risk Management (Institute of Finance Management-Tanzania).



Rohan Patel
(47)

Appointed to the Board on 16 May 2014

Occupation: Director of Corporate Development

Academic Qualifications: MBA International Management Development, MSc Management (LSE), BA Geography (LSE)

Professional Qualifications: Certificate in Real Estate, Development and Hotel Investment, Cornell University.



Freda Britz
(56)

Appointed to the Board on 8 November 2018

Occupation: Qualified chartered accountant

Qualification: B.Com; Rand Afrikaans University, Post Graduate Diploma in Accountancy (Honours) & CTA, CA (SA), CMA (CIMA), Cert. Dir SAICA



Nelius Bezuidenhout
(40)

Appointed to the Board on 8 November 2018

Occupation: Executive: Finance, Sanlam Pan Africa Life

Qualification: Fellow of Actuarial Society of South Africa



Cornelius Foord
(65)

Appointed to the Board on 8 November 2018

Occupation: Chief Operating Officer of SEM

Qualification: Honours degree in Accounting and Masters Degree in Business Management – University of South Africa



Dr Grace Mirigo Mwai
(43)

Appointed to the Board on 9 May 2019

Occupation: Compliance Officer AGRA for the Partnership for Inclusive Agricultural Transformation in Africa (PIATA)

Qualification: Doctorate in Business Administration (USIU), MBA (University of Nairobi) and Bachelor of Commerce (University of Nairobi)



Rose Agutu
(60)

Appointed to the Board on 9 May 2019

Occupation: Banker

Qualification: Bachelor of Commerce (University of Nairobi), Women's Leadership Development Program (WLDP)/ University of California (UCLA) – Los Angeles



Dr Tobias Doyer
(50)

Appointed to the Board on 29 March 2022

Occupation: Executive: Finance, Sanlam Pan Africa General

Qualification: PhD Agricultural Economics (University of Pretoria), South Africa, Diploma in the Specialised Studies of Agricultural Development (University of Gent), Belgium, BSc Agric & BSc Agric Hons: Agricultural Economics (University of Pretoria), South Africa

Statement of Directors' Responsibilities

The Directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements of Sanlam Kenya Plc (Group and Company) set out on pages 88 to 203 which comprise the consolidated and company statement of financial position as at 31 December 2022, and the consolidated and company statement of profit or loss, consolidated and company statement of other comprehensive income, consolidated and company statement of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

The Directors' responsibilities include determining that the basis of preparation described in Note 2 is an acceptable basis for preparing and presenting the consolidated and separate financial statements in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare consolidated and separate financial statements for each financial year which give a true and fair view of the financial position of the Group and Company as at the end of the financial year and of the profit or loss of the Group and Company for that year. It also requires the Directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position and profit or loss of the Group and Company.

The Directors accept responsibility for the consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with IFRS Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the consolidated and separate financial statements give a true and fair view of the financial position of the Group and Company and of their profit or loss.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of consolidated and separate financial statements, as well as adequate systems of internal financial control.

The directors are aware of the following conditions:

- i. During the year under review, the Group reported an after-tax loss of KShs 54 million (2021 an after-tax loss of KShs 542 million) while the Company reported an after-tax loss of KShs 208 million (2021 an after-tax loss of KShs 54 million),
- ii. The consolidated cumulative losses as at 31 December 2022 was KShs 2,062 million (2021: KShs 1,761 million), while the Company cumulative losses as at 31 December 2022 was KShs 2,221 million (2021: KShs 2,013 million).
- iii. The Group reported consolidated negative cash flows from operating activities of KShs 124 million while the Company reported negative cash flows operating activities of KShs 67 million for the year ended 31 December 2022.

The following are mitigation measures put in place by the directors to address the above-mentioned matters:

- i. The directors have implemented strategies to turn around loss-making Sanlam General and Sanlam Kenya Plc through sustainable business growth, effective controls, strategic expense management and effective investment strategies.
- ii. Sanlam Emerging Markets, the intermediate parent company, advanced a loan of KShs 1,085 million to Sanlam General Insurance Limited to bridge the capital shortfall on 5 May 2022. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if the borrower fails to repay any principal or any interest outstanding when due under the agreement, the lender may elect to issue a notice to the borrower of the lender's intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.
- iii. Sanlam Life Insurance Limited, a subsidiary of Sanlam Kenya Plc whose performance has demonstrated a strong going concern in the year under review is projected to pay dividends to its shareholder, Sanlam Kenya Plc, to enable the entity to fund its financial obligations for the year 2023;



Statement of Directors' Responsibilities (continued)

- iv. The Sanlam General Insurance Limited has projected to return to profitability by the year 2023, projecting an after-tax profit of KShs 144 million, which affirms the entity's ability to continue as a going concern.
- v. Sanlam Kenya Plc's credit facility of KShs 3 billion is sufficiently collateralised by a corporate guarantee issued by Sanlam Emerging Markets and continues to be serviced without any default.
- vi. Sanlam Kenya Plc has restructured the loan facility, temporarily resolving the liquidity challenge as the Group isn't expected to service the interest payments of the debt facility for an additional two years until the facility is due in March 2025. Shareholder capital raise is required to retire the KShs 4 billion debt issued by Stanbic Bank well ahead of the March 2025 repayment date.

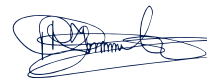
The Directors have considered the above-mentioned matters and have prepared the year 2022 Sanlam Kenya Plc Group financial results on a going concern basis. The basis assumes that the Group and Sanlam Kenya Plc will continue operating as going concerns for the foreseeable future.

Approval of the consolidated and separate financial statements

The consolidated and separate financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 13 April 2023.



Dr John P N Simba
Chairman



Dr Patrick Tumbo
Group Chief Executive Officer

Directors' remuneration report

Information not subject to audit

The Company's Directors Remuneration Policy and Strategy

The Board establishes and approves formal and transparent remuneration policies to attract and retain both executive and non-executive Board members. These policies clearly stipulate remuneration elements such as Directors' fees, honorarium and attendance allowances that are competitive and in line with those of other players in the industry.

In accordance with the guidelines provided in the Companies (General) (Amendment) Regulations, Code of Corporate Governance as well as shareholder approval granted at the Annual General Meeting; the Directors and the Chairman are paid a taxable sitting allowance of KShs. 93,434 and KShs 150,533 respectively, for every meeting attended.

It is proposed that each Director and the Chairman receives a gross fee of KShs 3,193,357 and KShs 3,970,933 respectively per annum for the financial year ended 31 December 2022 subject to approval by shareholders during the Annual General Meeting.

Contract of service

In accordance with the Capital Markets Authority (CMA) regulations on non-executive Directors, a third of the Board retires by rotation and is elected at every Annual General Meeting by the shareholders on rotation basis.

The Group Chief Executive Officer has a permanent and pensionable contract with Sanlam Kenya Plc which commenced 2 August 2018.

Changes to Directors Remuneration

During the period, there were no changes in Directors Remuneration which is set as per the guidelines provided in Companies (General) (Amendment) Regulations and the Code of Corporate Governance.

Statement of Voting on the Directors Remuneration Report at the Previous Annual General Meeting

During the Annual General Meeting held on 7 May 2022, the shareholders unanimously approved the payments of Directors fees for the year ended 31 December 2021 by a show of hands.

At the Annual General Meeting to be held on 7 June 2023, approval will be sought from shareholders to pay Director Fees for the financial year ended 31 December 2022.

Information subject to audit

The following table shows a single figure remuneration for the Executive Directors, Chairman and Non-Executive directors in respect of qualifying services for the year ended 31 December 2022 together with the comparative figures for 2021. The aggregate Directors' emoluments are shown on Note 34 (d). The fees paid to Sanlam Emerging Markets directors do not accrue to them personally.

For the year ended 31 December 2022	Salary and short-term benefits	Fees	Total
	KShs '000	KShs '000	KShs '000
Patrick Tumbo – Executive	85,654	-	85,654
John P N Simba – Chairman	-	3,971	3,971
Julius Nyakia Magabe	-	710	710
Tobias Doyer	-	1,848	1,848
Rose Agutu	-	2,465	2,465
Grace Mwai	-	2,913	2,913
Rohan Baloobhai Patel	-	3,193	3,193
Nelius Bezuidenhout	-	2,932	2,932



Directors' remuneration report (continued)

Information subject to audit (Continued)

For the year ended 31 December 2022	Salary and short-term benefits	Fees	Total
	KShs '000	KShs '000	KShs '000
Cornelius Foord	-	2,110	2,110
Freda Britz	-	3,006	3,006
	85,654	23,148	108,802
For the year ended 31 December 2021			
Patrick Tumbo – Executive	73,636	-	73,636
John P N Simba – Chairman	-	3,498	3,498
Julius Nyakia Magabe	-	2,766	2,766
Rose Agutu	-	2,396	2,396
Grace Mwai	-	2,537	2,537
Rohan Balooobhai Patel	-	2,854	2,854
Susan Mudhune	-	1,340	1,340
Nelius Bezuidenhout	-	2,642	2,642
Cornie Foord	-	2,501	2,501
Freda Britz	-	2,942	2,942
	73,636	23,476	97,112

Pension related benefits

	2022	2021	2020
	KShs '000	KShs '000	KShs '000
Dr Patrick Tumbo – Executive	7,351	7,037	6,937
	7,351	7,037	6,937

Approval of the Directors' remuneration report

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 IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) with respect to related parties (see Note 34(d) to the consolidated and separate financial statements).

On behalf of the Board



Dr Grace Mwai

Chairperson, Remuneration Committee

13 April 2023

Report of the Statutory Actuary - Sanlam Life Insurance Limited

I have conducted a statutory actuarial valuation of the long-term business of Sanlam Life Insurance Limited as at 31 December 2022.

This valuation has been conducted in accordance with generally accepted actuarial principles and in compliance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. Those principles require that prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the Company.

In my opinion, the long-term business of the Company was financially sound and the actuarial value of the liabilities in respect of all classes of long-term insurance business did not exceed the amount of funds of the long-term insurance business at 31 December 2022.



Giles T Waugh
Statutory Actuary
Fellow of the Actuarial Society of South Africa

13 April 2023

Report of the Statutory Actuary – Sanlam General Insurance Limited

I have conducted an actuarial valuation of Sanlam General Insurance Limited as at 31 December 2022.

The valuation was conducted in accordance with generally accepted actuarial principles and in accordance with the requirements of the Insurance Act Cap 487 of the Laws of Kenya. Those principles require prudent principles for future outgo under contracts, generally based upon the assumptions that current conditions will continue. Provision is therefore not made for all possible contingencies.

In completing the actuarial valuation, I have relied upon the financial statements of the company.

In my opinion, the general business of the Company was financially sound and the actuarial value of the liabilities in respect of all the classes of general business did not exceed the amount of outstanding claims liabilities of the general business at 31 December 2022.



James Olubayi

Zamara Actuaries, Administrators & Consultants Limited

13 April 2023



Independent Auditor's Report to the Member's of Sanlam Kenya Plc

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Sanlam Kenya Plc (the "Group and Company") as set out on pages 88 to 203 which comprise the consolidated and company statements of financial position as at 31 December 2022, and the consolidated and company statements of profit or loss, consolidated and company statements of other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

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

Independent Auditor's Report to the Member's of Sanlam Kenya Plc (continued)



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

Key audit matters (continued)

Insurance Contract liabilities (applicable to the consolidated financial statements)	
See Notes 2(q), 2(aa)(ii) and 24 to the consolidated and separate financial statements	
The key audit matter	How the matter was addressed in our audit
<p>Insurance contract liabilities constitute about 63% of the Group's total liabilities. Valuation of these liabilities is highly judgmental and requires a number of assumptions to be made that have high estimation uncertainty. This is particularly the case for those liabilities that are recognised in respect of claims that have occurred but have not yet been reported to the Group (incurred but not reported (IBNR)) for non-life business.</p> <p>Small changes in the assumptions used to value the liabilities, particularly those relating to the amount and timing of future claims, can lead to material impacts on the valuation of insurance liabilities.</p> <p>The key assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure.</p> <p>The valuation of insurance contract liabilities also depends on accurate data about the volume, amount and pattern of current and historical claims since they are often used to form expectations about future claims. If the data used in calculating insurance liabilities, or for forming judgments over key assumptions, is not complete and accurate then material impacts on the valuation of insurance liabilities may arise.</p> <p>As a result of the significant judgement and assumptions above, we determined insurance contract liabilities to be a key audit matter.</p>	<p>Our audit procedures in this area included;</p> <ul style="list-style-type: none"> Obtaining an understanding of the claims handling and reserve setting process and the controls used in the determination of insurance contract liabilities. This included assessing the design and implementation and operating effectiveness of controls over the claims handling and reserve setting processes of the Group; Inspecting claims received and claims paid immediately after 31 December 2022 to assess whether there were any unrecorded insurance contract liabilities at the end of the period; Evaluating a sample of outstanding claims reserves by comparing the estimated amount of the reserve to appropriate documentation, such as reports from the Group's loss adjusters; Re-performing reconciliations between the data recorded in the financial systems and the data used in the actuarial reserving calculations including selecting a sample of the data and comparing to the policy documents to ensure its complete and accurate; Evaluating the appropriateness of management's liability adequacy testing by assessing the historical incurred but not reported (IBNR) sufficiency through performing an actual vs expected analysis on prior years' reserves for any surpluses or shortfalls; Using our internal actuarial specialists to assist us in assessing the appropriateness of the methodology and reasonableness of the assumptions used by management to determine insurance contract liabilities, by validating the reasonableness of the economic assumptions such as discount rates and investment returns to market observable data and non-economic assumptions such mortality and withdrawals against the Group's historical experience, current trends and our own industry knowledge; Evaluating the adequacy of disclosures in the financial statements including disclosures of key estimates and judgements on insurance contract liabilities in accordance with the requirements of IFRS 4 <i>Insurance Contracts</i>.





Independent Auditor's Report to the Member's of Sanlam Kenya Plc (continued)

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

Other information

The Directors are responsible for the other information. The other information comprises the *Group and Company information, Five-year group review, Report of the directors, Risk management, Profile of the Directors, Statement of Directors' responsibilities, Directors' remuneration report and Report of the statutory actuary*, but does not include the consolidated and separate financial statements, and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the additional other information to be included in the published *Sanlam Kenya Plc Annual Report and Financial Statements for the year ended 31 December 2022*, which is expected to be made available to us after that date.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon, other than that prescribed by the 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' responsibilities for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRS Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control, as the directors determine is necessary to enable the preparation of 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 and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or 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 skepticism throughout the audit. We also:

- 1 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.
- 2 Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- 3 Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 4 Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- 5 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.
- 6 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 to the Member's of Sanlam Kenya Plc (continued)



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

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

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

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

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

Report on other legal and regulatory requirements

As required by the Kenyan Companies Act, 2015, we report to you, solely based on our audit of the consolidated and separate financial statements, that in our opinion;

- (i) The information in the report of the directors on pages 74 to 75 is consistent with the consolidated and separate financial statements; and
- (ii) The auditable part of the directors' remuneration report on pages 80 to 81 has been prepared in accordance with the Kenya Company Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Dr. Alexander Mbai, Practicing Certificate No. P/2172.



For and on behalf of:

KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi, Kenya

13 April 2023



CONSOLIDATED AND COMPANY STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Gross earned premium income	4(a)	10,193,402	12,042,018	-	-
Premium ceded to reinsurers	4(b)	(1,982,062)	(2,807,179)	-	-
Net premium income		8,211,340	9,234,839	-	-
Fees and commission income	5	424,570	575,108	-	-
Investment income	6(a)	3,350,180	2,892,939	311,951	1,434,921
Fair value losses on financial assets at fair value through profit	6(b)	(1,015,173)	(357,100)	-	-
Other operating revenue	6(c)	33,476	73,070	33,856	72,186
Total other revenue		2,793,053	3,184,017	345,807	1,507,107
Total revenue		11,004,393	12,418,856	345,807	1,507,107
Gross benefits and claims paid	7(a)	(8,106,056)	(8,418,226)	-	-
Claims ceded to reinsurers	7(a)	1,717,748	1,543,251	-	-
Gross change in insurance contract liabilities	7(a)	(1,468,811)	(3,136,843)	-	-
Gross change in investment contract liabilities	7(a)	760,853	1,139,327	-	-
Change in contract liabilities ceded to reinsurers	7(a)	(228,894)	256,510	-	-
Net benefits and claims		(7,325,160)	(8,615,981)	-	-
Fees and commission expense	7(b)	(1,042,899)	(1,338,545)	-	-
Cost of sales - Inventory	7(c)	-	(11,061)	-	(11,061)
Operating expenses	8	(1,849,567)	(2,348,088)	(126,600)	(246,199)
Impairment of investment in subsidiaries and associate	14	-	-	-	(801,497)
Finance costs	23	(459,022)	(518,863)	(428,128)	(496,854)
Total benefits, claims and other expenses		(10,676,648)	(12,832,538)	(554,728)	(1,555,611)
Profit/(loss) before tax		327,745	(413,682)	(204,921)	(48,504)
Income tax expense	10(a)	(381,814)	(128,677)	(3,118)	(5,232)
Loss for the year after tax		(54,069)	(542,359)	(208,039)	(53,736)
Loss attributable to:					
Owners of the parent		(11,357)	(401,289)	(208,039)	(53,736)
Non-controlling interests		(42,712)	(141,070)	-	-
		(54,069)	(542,359)	(208,039)	(53,736)
Earnings/(loss) per share:					
Basic - KShs	31	(0.08)	(2.79)	(1.44)	(0.37)
Diluted - KShs	31	(0.08)	(2.79)	(1.44)	(0.37)

The notes set out on pages 96 to 203 form an integral part of these financial statements.



CONSOLIDATED AND COMPANY STATEMENT OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Loss for the year, after tax:	(54,069)	(542,359)	(208,039)	(53,736)
Other comprehensive income for the year net of tax	-	-	-	-
Total comprehensive income for the year	(54,069)	(542,359)	(208,039)	(53,736)
Attributable to:				
Owners of the parent	(11,357)	(401,289)	(208,039)	(53,736)
Non-controlling interests	(42,712)	(141,070)	-	-
	(54,069)	(542,359)	(208,039)	(53,736)

The notes set out on pages 96 to 203 form an integral part of these financial statements.

CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	KShs:'000	KShs:'000	KShs:'000	KShs:'000
ASSETS					
Property and equipment	12(a&b)	578,965	635,229	-	21,896
Right-of-use asset	12(c)	64,833	87,811	-	29,558
Investment properties	13(a)	2,472,680	2,459,680	-	-
Intangible assets	11	31,662	35,338	-	-
Investments in subsidiaries	14(a)	-	-	1,451,938	1,451,938
Deferred income taxation	27	231,949	322,499	-	-
<i>Financial assets</i>					
Equity securities - At fair value through profit or loss	16	576,692	671,655	-	-
Government securities - At fair value through profit or loss	16	26,585,346	24,995,992	-	-
Government securities - At amortised cost	16	1,556,898	263,500	-	-
Loans	15	238,509	250,636	-	-
Deferred acquisition costs	20(c)	185,464	243,969	-	-
Reinsurance share of insurance contract liabilities	18	1,410,674	1,525,471	-	-
Inventory	19	89,696	89,696	89,696	89,696
Current income tax	10(b)	254,960	226,183	-	1,981
Insurance receivables	20(a)	942,405	836,074	-	-
Receivables and other assets	20(b)	270,141	333,294	51,854	39,347
Deposits with financial institutions	21	1,343,437	1,048,650	-	180,357
Cash and bank balances	21	304,645	658,260	4,937	10,497
TOTAL ASSETS		37,138,956	34,683,937	1,598,425	1,825,270

The notes set out on pages 96 to 203 form an integral part of these financial statements.



CONSOLIDATED AND COMPANY STATEMENT OF FINANCIAL POSITION

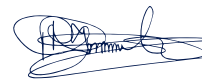
AS AT 31 DECEMBER 2022 (CONTINUED)

		Group		Company	
		2022	2021	2022	2021
		KShs:'000	KShs:'000	KShs:'000	KShs:'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES					
Issued share capital	22	720,000	720,000	720,000	720,000
Statutory fund	22	1,889,702	1,599,677	-	-
Retained earnings		(2,062,265)	(1,760,883)	(2,220,620)	(2,012,808)
Shareholder's funds		547,437	558,794	(1,500,620)	(1,292,808)
Non-controlling interests	14(c)	(5,746)	36,966	-	-
TOTAL CAPITAL AND RESERVES		541,691	595,760	(1,500,620)	(1,292,808)
LIABILITIES					
Borrowings	23	4,088,010	3,000,000	3,002,310	3,000,000
Insurance contract liabilities	24	22,908,056	20,914,644	-	-
Investment contract liabilities	24	2,015,711	2,750,782	-	-
Payables under deposit administration contracts	24	3,368,093	2,592,275	-	-
Unearned premium reserve	25	1,283,886	1,965,924	-	-
Deferred income tax	27	809,873	685,576	-	-
Lease liabilities	12(b)	82,079	101,209	-	41,118
Provisions	26	34,570	34,570	-	-
Current income tax	10(b)	1,137	-	1,137	-
Insurance payables	28	1,087,692	1,172,231	-	-
Deferred reinsurance commissions	29	92,971	111,209	-	-
Payables and other charges	30	825,187	759,757	95,598	76,960
TOTAL LIABILITIES		36,597,265	34,088,177	3,099,045	3,118,078
TOTAL EQUITY AND LIABILITIES		37,138,956	34,683,937	1,598,425	1,825,270

The financial statements on pages 88 to 203 were approved and authorised for issue by the Board of Directors on 13 April 2023 and signed on its behalf by:



Dr John P N Simba
Chairman



Dr Patrick Tumbo
Group Chief Executive Officer

The notes set out on pages 96 to 203 form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Share capital	Statutory fund	Retained earnings	Total	Non-controlling interests	Total
	Note	KShsh.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Year ended 31 December 2022:							
At 1 January 2022		720,000	1,599,677	(1,760,883)	558,794	36,966	595,760
Total comprehensive income for the year;							
Loss for the year, after tax		-	-	(11,357)	(11,357)	(42,712)	(54,069)
Transfer to the statutory fund	22	-	608,609	(608,609)	-	-	-
Transfer to retained earnings	22	-	(318,584)	318,584	-	-	-
Acquired on business transfer	-	-	-	-	-	-	-
At 31 December 2022		720,000	1,889,702	(2,062,265)	547,437	(5,746)	541,691
Year ended 31 December 2021:							
At 01 January 2021		720,000	1,323,581	(1,114,681)	928,900	178,036	1,106,936
Total comprehensive income for the year;							
Loss for the year, after tax		-	-	(401,289)	(401,289)	(141,070)	(542,359)
Transfer to the statutory fund	22	-	641,987	(641,987)	-	-	-
Transfer to retained earnings	22	-	(397,074)	397,074	-	-	-
Acquired on business transfer	-	-	31,183	-	31,183	-	31,183
At 31 December 2021		720,000	1,599,677	(1,760,883)	558,794	36,966	595,760

The notes set out on pages 96 to 203 form an integral part of these financial statements.



COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Retained earnings	Total
	KShs.'000	KShs.'000	KShs.'000
Year ended 31 December 2022:			
At 1 January	720,000	(2,012,808)	(1,292,808)
Total comprehensive income	-	(208,039)	(208,039)
At 31 December	720,000	(2,220,847)	(1,500,847)
Year ended 31 December 2021:			
At 1 January	720,000	(1,959,072)	(1,239,072)
Total comprehensive income	-	(53,736)	(53,736)
At 31 December	720,000	(2,012,808)	(1,292,808)

The notes set out on pages 96 to 203 form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 KShs. '000	2021 KShs. '000
Cash flows from operating activities			
Cash flows from operations	33(a)	71,246	1,714,559
Income tax paid	10(b)	(195,386)	(456,543)
Net cash flows (used in)/ generated from operations		(124,140)	1,258,016
Cash flows from investing activities			
Purchase of property and equipment	12	(22,180)	(24,318)
Purchase of intangible assets	11	(49,464)	-
Investment in land and development	19	-	(1,736)
Loans advanced	15(b)	(78,981)	(93,082)
Loans repaid	15(a&b)	97,417	137,986
Purchase of financial assets at amortised cost	16	(1,713,156)	(237,724)
Purchase of financial assets through profit and loss	16	(7,763,668)	(7,878,984)
Disposal of financial assets through profit and loss	16	4,996,339	4,024,435
Disposal of financial assets at amortised cost	16	451,606	399,905
Net rental income	6	90,593	80,745
Dividend income received	6	35,053	-
Interest received		3,440,515	2,768,391
Net cash flows from investing activities		(515,926)	(824,382)
Cash flows from financing activities			
Repayment of principal on lease liabilities	12 (c)	(6,500)	(30,995)
Repayment of interest on lease liabilities	12 (c)	(20,375)	(33,913)
Repayment of borrowings	23	-	(3,040,114)
Proceeds from borrowings	23	1,085,699	3,000,000
Interest paid on borrowings	23	(464,027)	(421,696)
Net cash flows from/(used in) financing activities		594,797	(526,718)
(Decrease)/increase in cash and cash equivalents		(45,269)	(93,084)
Effects of changes in exchange rates	6(b)	(13,559)	13,619
Cash and cash equivalents at start of year		1,706,910	1,786,375
Cash and cash equivalents at end of year	21	1,648,082	1,706,910

The notes set out on pages 96 to 203 form an integral part of these financial statements.



COMPANY STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022	2021
		KShs:'000	KShs:'000
Cash flow from/ (used in) operating activities			
Net cash flows used in operations	33(b)	(78,408)	(337,352)
Cash flows from investing activities			
Dividends received	6 (a)	300,000	1,000,000
Investment in land and development	19	-	(1,736)
Investment income received		12,300	-
Transfer of assets to Sanlam Life Insurance	12(a)	20,055	-
Purchase of property and equipment	12(b)	(310)	-
Net cash flows from investing activities		332,045	998,264
Cash flow from financing activities			
Interest paid	23	(436,811)	(421,696)
Interest on related party balance paid	23	-	(7,273)
Payment of principal on lease liabilities	12(c)	(677)	-
Payment of interest on lease liabilities	12(c)	(2,066)	(6,195)
Payment of borrowings	23	-	(3,040,114)
Proceeds from borrowings	23	-	3,000,000
Net cash flows used in financing activities		(439,554)	(475,278)
(Decrease)/Increase in cash and cash equivalents		(185,917)	185,634
Cash and cash equivalents at start of year		190,854	5,220
Cash and cash equivalents at end of year	21	4,937	190,854

The notes set out on pages 96 to 203 form an integral part of these financial statements.



Notes to Financial Statements

For the year ended 31 December 2022

1. General information

Sanlam Kenya Plc is listed at Nairobi Stock Exchange, with its principal activity as a non-banking financial institution being underwriting life and non-life insurance risks such as those associated with death, disability, credit protection, mortgage protection and property protection through its subsidiaries Sanlam Kenya Plc and Sanlam General Insurance Limited. The registered address being P.O. Box 10493 – 00100 Nairobi. The Group does business in Kenya and engages over 1,000 employees and financial advisers. The consolidated financial statements of the company as at and for the year ended 31 December 2022 comprise the company and its subsidiaries (together referred to as the “Group”). The separate financial statements are the unconsolidated company financial statements.

Where reference is made in the accounting policies to Group or Company it should be interpreted as being applicable to the consolidated or separate financial statements as the context requires. The consolidated and separate financial statements are hereinafter referred to as “the financial statements”.

List of abbreviations

EEV	European Embedded Value Principles
IBNR	Incurred But Not Reported
IFRS	International Financial Reporting Standards
ISA	International Standards on Auditing
IESBA	Ethics for Professional Accountants (including International Independence Standards)
FVTPL	Fair Value Through Profit or Loss
IAS	International Accounting Standards
DPF	Discretionary Participation Features
GMM	General Measurement Model
VFA	Variable Fee Approach
PAA	Premium Allocation Approach
CSM	Contractual Service Margin
PPFM	Principles and Practices of Financial Management
BEL	Best Estimate Liability
RA	Risk Adjustment
DAC	Deferred Acquisition Cost
NSSF	National Social Security Fund
FVOCI	Fair Value through Other Comprehensive Income
SPPI	Solely Payments of Principal and Interest
ECL	Expected Credit Loss
PD	Probability of Default
LGD	Loss Given Default
EAD	Exposure at Default
EIR	Effective Interest Rate
SICR	Significant Increase in Credit Risk
CAR	Capital Adequacy ratio

2. Summary of significant accounting policies

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

a) Basis of preparation

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the accounting policies adopted by the Group. Although such estimates and assumptions are based on the directors' best knowledge of the information available, actual results may differ from those estimates. The judgements and estimates are reviewed at the end of each reporting period, and any revisions to such estimates are recognised in the year in which the revision is made. The areas involving the judgements of most significance to the financial statements, and the sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year, are disclosed in note 2 (bb).

Changes in accounting estimates result from new information or new developments and, accordingly, are not corrections of errors. The effect of a change in an accounting estimate is recognised prospectively by including it in separate and consolidated statement of profit or loss in:

- the period of the change, if the change affects that period only; or
- the period of the change and future periods, if the change affects both.

Prior period errors are omissions from, and misstatements in, the separate and consolidated financial statements for one or more prior periods arising from a failure to use, or misuse of, available reliable information. Unless it is impracticable to determine the effects of the error, an entity corrects material prior period errors retrospectively by restating the comparative amounts for the prior period(s) presented in which the error occurred.

The financial statements are prepared on a going concern basis in compliance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies, Act, 2015.

Going concern

The directors are aware of the following conditions:

- During the year under review, the Group reported an after-tax loss of KShs 54 million (2021: an after-tax loss of KShs 542 million) while the Company reported an after-tax loss of KShs 208 million (2021: an after-tax loss of KShs 54 million),



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

Going concern (continued)

- The consolidated cumulative losses as at 31 December 2022 was KShs 2,062 million (2021: KShs 1,761 million), while the Company cumulative losses as at 31 December 2022 was KShs 2,221 million (2021: KShs 2,013 million).
- The Group reported a consolidated negative cash flows from operating activities of KShs 124 million while the Company reported negative cash flows operating activities of KShs 67 million for the year ended 31 December 2022.

The following are mitigation measures put in place by the directors to address the above-mentioned matters:

- i. The directors have implemented strategies to turn around loss-making Sanlam General and Sanlam Kenya Plc through sustainable business growth, effective controls, strategic expense management and effective investment strategies.
- ii. Sanlam Emerging Markets the intermediate parent company advanced a loan of KShs 1,085 million to Sanlam General Insurance Limited to bridge the capital shortfall on 5 May 2022. The loan agreement between Sanlam General Insurance Limited (the borrower) and Sanlam Emerging Markets (Pty) Limited (the lender) provides that if the borrower fails to repay any principal or any interest outstanding when due under the agreement, the lender may elect to issue a notice to the borrower of the lender's intention to procure the settlement of all or part of the outstanding principal and interest amounts of the loan by the issuance of ordinary shares of the borrower to the lender on such terms as are set out in the notice from the lender.
- iii. Sanlam Life Insurance Limited, a subsidiary of Sanlam Kenya Plc whose performance has demonstrated a strong going concern in the year under review is projected to pay dividends to its shareholder, Sanlam Kenya Plc, to enable the entity to fund its financial obligations for the year 2023;
- iv. The Sanlam General Insurance Limited has projected to return to profitability by the year 2023, projecting an after-tax profit of KShs 144 million, which affirms the entity's ability to continue as a going concern.
- v. Sanlam Kenya Plc's credit facility of KShs 4 billion is sufficiently collateralized by a corporate guarantee issued by Sanlam Emerging Markets and continues to be serviced without any default.
- vi. Sanlam Kenya Plc has restructured the loan facility, temporarily resolving the liquidity challenge as the group isn't expected to service the interest payments of the debt facility

for an additional two years until the facility is due in March 2025. Shareholder capital raise is required to retire the KShs 4 billion debt issued by Stanbic Bank well ahead of the March 2025 repayment date.

The Directors have considered the above-mentioned matters and have prepared the year 2022 Sanlam Kenya Plc Group financial results on a going concern basis. The basis assumes that the Group and Sanlam Kenya Plc will continue operating as going concerns for the foreseeable future.

The measurement basis used is the historical cost basis, except for the following items which are carried at fair value or valued using another measurement basis:

- Investment properties;
- Financial assets measured at fair value through profit or loss and at fair value through other comprehensive income; and
- Actuarially determined liabilities at their present value.

The financial statements are presented in Kenya Shillings (KShs '000), rounded to the nearest thousand, which is also the functional currency.

The financial statements comprise consolidated and company statements of profit or loss, consolidated and company statements other comprehensive income, consolidated and company statements of changes in equity and consolidated and company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements. For purposes of the Kenyan companies Act, 2015, the balance sheet is represented by the consolidated and company statements of financial position and the profit and loss account by the consolidated and company statements of profit or loss. Income and expenses, excluding the components of other comprehensive income, are recognised in the consolidated and company statements of profit or loss. Other comprehensive income is recognised in the statement of other comprehensive income and comprises items of income and expenses (including reclassification adjustments) that are not recognised in the statement of profit or loss as required or permitted by IFRS Standards. Reclassification adjustments are amounts reclassified to statement of profit or loss in the current period that were recognised in other comprehensive income in the current or previous periods. Transactions with the owners of the Company in their capacity as owners are recognised in the statement of changes in equity.

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position only when there is a current and legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously. Income and expenses will not be offset in the statement of profit or loss unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Group.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations

(i) New standards and interpretations effective and adopted during the year

The following new and amended standards adopted by the group and company in the financial year beginning 1 January 2022 did not have a significant impact on the consolidated and separate financial statements.

New standard or amendments	Effective for annual periods beginning on or after
Onerous contracts – Costs of fulfilling a contract (Amendments to IAS 37)	1 January 2022
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Reference to Conceptual Framework (Amendments to IFRS 3)	1 January 2022

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2022 and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These are summarised below;

(a) Those not expected to have any impact on the financial statements of the Group and company.

Description	Effective date	Executive summary
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	01 Apr 2021	The company had no rent concessions on the leases held.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	01 Jan 2022	Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract.
Annual Improvements to IFRS Standards 2018-2020	01 Jan 2022	IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)	01 Apr 2021	The company had no rent concessions on the leases held.
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	01 Jan 2022	Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' on Onerous Contracts—Cost of Fulfilling a Contract.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

(a) Those not expected to have any impact on the financial statements of the Group and company (continued)

Description	Effective date	Executive summary
Annual Improvements to IFRS Standards 2018-2020	01 Jan 2022	IFRS 9, 'Financial Instruments' has been amended to include only those costs or fees paid between the borrower and the lender in the calculation of "the 10% test" for derecognition of a financial liability. Fees paid to third parties are excluded from this calculation. IFRS 16, 'Leases', amendment to the Illustrative Example 13 that accompanies IFRS 16 to remove the illustration of payments from the lessor relating to leasehold improvements. The amendment intends to remove any potential confusion about the treatment of lease incentives.
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	01 Jan 2022	Amendments to IAS 16 'Property, Plant and Equipment' on Proceeds before Intended Use.
Reference to the Conceptual Framework (Amendments to IFRS 3)	01 Jan 2022	To narrow and clarify the definition of a business, and to permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.
IFRS 17 Insurance Contracts	01 Jan 2023	IFRS 17 replaces IFRS 4 Insurance Contracts
Amendments to IFRS 17	01 Jan 2023	The objective of the amendments is to assist entities implementing the Standard.

Description	Effective date	Executive summary
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	01 Jan 2023	To improve accounting policy disclosures so that they provide more useful information to investors and other primary users of the financial statements; and distinguish changes in accounting estimates from changes in accounting policies.
Definition of Accounting Estimate (Amendments to IAS 8)	01 Jan 2023	Accounting estimates are defined as "monetary amounts in financial statements that are subject to measurement uncertainty".
Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes	01 Jan 2023	"Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Proposed amendments to IAS 12)" that aim at clarifying how companies account for deferred tax on leases and decommissioning obligations.
Initial Application of IFRS 17 – Comparative Information (Amendments to IFRS 17)	01 Jan 2023	The International Accounting Standards Board (IASB) issued Initial Application of IFRS 17 and Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17.
Classification of liabilities as current or non-current (Amendments to IAS 1)	01 Jan 2024	The amendments clarified how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances.
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)	01 Jan 2024	Lease Liability in a Sale and Leaseback (Amendments to IFRS 16) requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains
Non-current Liabilities with Covenants (Amendments to IAS 1)	01 Jan 2024	To clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

(b) Those expected to have a significant impact on the financial statements of the Group

IFRS 17 Insurance Contracts

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2023, with early adoption permitted. The Group will apply IFRS 17 for the first time on 1 January 2023. This standard will bring significant changes to the accounting for insurance and reinsurance contracts and is expected to have a material impact on the Group's financial statements in the period of initial application.

The Group is currently assessing the impact that the adoption of IFRS 17 will have and will restate comparative information on adoption of IFRS 17. The actual impact is yet to be determined as certain milestones within the implementation roadmap are yet to be met.

The transition work in progress includes:

- the Group is in the process of refining the new accounting processes and internal controls required for applying IFRS 17;
- the Group is testing and assessing controls over its new Information Technology systems and changes to its governance framework; and
- review of the new accounting policies, assumptions, judgements and estimation techniques is ongoing.

An assessment of the qualitative impact of the adoption of the Standard includes:

(i) Identifying contracts in the scope of IFRS 17

The Group applies IFRS 17 - Insurance Contracts to insurance contracts and reinsurance contracts it issues, intra-group reinsurance contracts it holds and investment contracts with discretionary participation features (DPF) it issues.

All references to insurance contracts in these consolidated financial statements apply to insurance contracts issued or acquired, reinsurance contracts issued or held, and investment contracts with DPF issued, unless specifically stated otherwise.

Once a contract has been classified as an insurance contract the classification remains unchanged for the remainder of its lifetime, even if the insurance risk reduces significantly during the coverage period, unless the term of the contract is modified.

Insurance contracts without direct participation features

A contract is classified as an insurance contract without direct participation features where the Group provides insurance coverage by accepting significant insurance risk when agreeing with the policyholder to pay benefits if a specified uncertain future event (the insured event) adversely affects the policyholder or other beneficiary. Significant insurance risk is assessed on a contract level and exists where there is at least one scenario in which the insured event results both in significant additional payments and also in an overall loss to the Group on a present value basis. A contract where the Group generates an investment return for the policyholder (investment-return service) that does not meet the criteria for being a substantially investment-related service contract (an insurance contract with direct participation features), is also classified as an insurance contract without direct participation features.

In the normal course of business, the Group uses reinsurance to mitigate its risk exposures. A reinsurance contract transfers significant risk if it transfers substantially all the insurance risk resulting from the insured portion of the underlying insurance contracts, even if it does not expose the reinsurer to the possibility of a significant loss.

The accounting model applied to these insurance contracts (including reinsurance contracts issued and/or held) for liability measurement purposes is the General Measurement Model (GMM), unless the Premium Allocation Approach (PAA) applies. The PAA is a modification of the GMM that allows the use of a simplified approach for measuring the insurance contract liabilities for certain eligible types of contracts.

Insurance contracts with direct participation features

The Group issues insurance contracts with direct participation features that are substantially investment-related service contracts where underlying items are managed on behalf of the policyholders. The Group expects to pay amounts to these policyholders equal to a substantial share of the fair value returns on the underlying items, and a substantial proportion of any change in the amounts to be paid to the policyholders is expected to vary with the change in fair value of the underlying items. Underlying items comprise reference portfolios of investment assets that determine some of the amounts payable to the policyholders.

The accounting model applied to these insurance contracts for liability measurement purposes is the Variable Fee Approach (VFA).



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(i) Identifying contracts in the scope of IFRS 17 (continued)

Investment contracts

Investment contracts with DPF are in scope of IFRS 17 as the Group also issues insurance contracts. These contracts do not include a transfer of significant insurance risk and will be measured under the VFA if it meets the eligibility requirements of direct participating contracts.

An investment contract with DPF entitles the policyholder to receive benefits or bonuses in addition to guaranteed benefits that are expected to be a significant proportion of the total contractual benefits, the timing or amount of which are contractually at the discretion of the Group, but which has to be exercised in a reasonable way. The benefits are based on the investment performance of a specified pool of underlying assets.

Contracts invested in DPF funds at the recognition date create a significant probability of discretionary returns and are therefore classified as investment contracts with DPF. Contracts not invested in DPF funds at the recognition date will also be classified as investment contracts with DPF if there is documented evidence that a significant proportion of contracts switch their initial funds into DPF funds or choose to invest subsequent payments into DPF funds.

Other investment contracts with or without investment management services fall within the scope of IFRS 9 – Financial Instruments and are designated as at fair value through profit or loss.

The Directors do not plan to apply the above standards, until they become effective. Based on their assessment of the potential impact of application of the above, only IFRS 17 is expected to have a significant impact on the Group and company financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

(ii) Level of aggregation

Each business within the Group manages insurance contracts issued within product lines. Insurance contracts within each product line are allocated to portfolios of insurance contracts that are managed together and subject to similar risks.

Portfolios are divided into groups of insurance contracts, based on whether:

- a) contracts are onerous at initial recognition.
- b) contracts at initial recognition have no significant possibility of becoming onerous subsequently; and
- c) groups of remaining contracts.

An insurance contract is expected to be onerous if the fulfilment cash flows allocated to the contract at initial recognition in total are a net outflow. For insurance contracts measured under the PAA, the Group has assumed that these contracts are not onerous at initial recognition, unless facts and circumstances indicate otherwise. For reinsurance contracts the references to onerous contracts are replaced with references to contracts on which there is a net gain at initial recognition. Each group of contracts does not include contracts issued more than one year apart in the same group.

These groups represent the level of aggregation at which insurance revenue is measured. Such groups are not subsequently reconsidered.

For each portfolio of contracts, the Group determines the appropriate level at which reasonable and supportable information is available to determine these groups of contracts.

(iii) Contracts Boundaries

Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which:

- The Group can compel the policyholder to pay premiums; or
- The Group has a substantive obligation to provide the policyholder with insurance contract services.

For groups of reinsurance contracts held, cash flows are within the contract boundary if they arise from substantive rights and obligations of the Group that exist during the reporting period in which the Group is compelled to pay amounts to the reinsurer or in which the Group has a substantive right to receive services from the reinsurer.

The Group considers the legal rights and the commercial substance of the contracts in this assessment.

Cash flows outside of the boundary of the insurance contract relate to future insurance contracts and are recognised when those contracts meet the recognition criteria.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview

On initial recognition, the Group measures a group of insurance contracts as the total of:

- the fulfilment cash flows; and
- the contractual service margin (CSM).

The PAA is a modification of the General Measurement Model that allows the use of simplified approach for measuring the liability for remaining coverage for certain eligible types of contracts

Fulfilment cash flows

The fulfilment cash flows comprise unbiased and probability-weighted estimates of future cash flows within the contract boundary. The fulfilment cash flows consider all reasonable and supportable information available at the reporting date without undue cost or effort.

Fulfilment cash flows are determined separately for insurance contracts issued and reinsurance contracts issued or held. Fulfilment cash flows are allocated to groups of insurance contracts for measurement purposes.

An explicit risk adjustment for non-financial risk is estimated separately from the other estimates. This risk adjustment represents compensation required for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk. The risk adjustment forms part of the fulfilment cash flows for a group of insurance contracts.

Variable fee approach

The fulfilment cash flows for insurance contracts with direct participation features can also be determined as the obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future services. The variable fee comprises the Group's share of the fair value of the underlying items less the fulfilment cash flows that do not vary based on the returns on underlying items. The variable fee is akin to the expected shareholder entitlements based on the present value of expected fees charged less expected claims and expenses incurred, less the risk adjustment for non-financial risk and the effect of financial guarantees.

Reinsurance contracts

Fulfilment cash flows of reinsurance contracts include the effect of any risk of non-performance by the issuer of the reinsurance contract where material, including the effects of collateral and losses from disputes. The fulfilment cash flows are calculated using all cash flows within the reinsurance contract boundary, including future new business contracts where relevant. The Group applies judgement in determining the value of future new business.

Provision for minimum investment return guarantees

In addition to the fulfilment cash flows described above, a stochastic modelling approach was used to provide for the possible cost of minimum investment return guarantees provided by some participating and market-related policies, consistent with actuarial guidance note APN 110.

Contractual service margin

The CSM is a component of the carrying amount of the asset or liability for a group of insurance contracts issued which represents the unearned profit that the Group expects to recognise as it provides insurance contract services.

If a group of insurance contracts is not onerous at initial recognition, the CSM is measured as the equal and opposite amount of the net inflow resulting from the total of the fulfilment cash flows, any derecognised assets or liabilities for insurance acquisition or other cash flows paid before the recognition date. This results in no income or expenses arising on initial recognition.

For groups of contracts acquired, the consideration received for the contracts is included in the fulfilment cash flows as a proxy for the premiums received at the date of acquisition. In a business combination, the consideration received is the fair value of the contracts at that date.

If a group of insurance contracts is onerous at initial recognition, the Group immediately recognises this net outflow in profit or loss. Following this, a loss component is created to represent these losses recognised in profit or loss, which determines the amounts that are subsequently presented in profit or loss as an increase or reversal of losses on onerous groups of insurance contracts.

For reinsurance arrangements a loss recovery component is established when underlying onerous insurance contracts are recognised, which will offset the insurance losses for the portion of the contracts being reinsured. The loss recovery component is not established before the underlying onerous contracts are recognised.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview (continued)

Best estimate of future experience

The best estimate of future experience is determined as follows:

- Future investment return assumptions for cash flows which vary with the underlying items are consistent with the expected long-term investment returns on the assets backing the insurance
- contracts, derived from market yields of fixed interest securities on the valuation date, with adjustments for the other asset classes.
- The appropriate asset composition of the various asset portfolios is considered. The allowance for investment management expenses, taxation at current tax rates and charges for investment guarantees is determined separately from the future investment returns and discount rates for measurement purposes.
- For some of the Group's African operations, where long-term fixed interest markets are underdeveloped, investment return assumptions are based on an assessment of longer-term economic conditions. The future investment returns are based on the market yields of Kenyan fixed interest securities on the valuation date.
- Future expense assumptions are based on the 2022 actual expenses and escalated at estimated expense inflation rates per annum, with a higher rate assumed for legacy business. The allocation of initial and maintenance expenses is based on functional cost analyses and
- reflects actual expenses incurred during 2022. The future expense assumptions do not include any costs that are not directly attributable to the fulfilment of the insurance contracts.
- Assumptions with regard to future mortality, disability and disability payment termination rates are consistent with Sanlam's recent experience or expected future experience if this would result in a more accurate liability. In particular, mortality and disability rates are adjusted to allow for expected deterioration in mortality rates as a result of HIV/Aids and for expected improvements in mortality rates in the case of annuity business.

- Persistency assumptions with regard to lapse, surrender and paid-up rates are consistent with Sanlam's recent experience or expected future experience if this would result in a more accurate liability.

Discount rates

The estimates of future cash flows are adjusted to reflect the time value of money and the financial risks related to those cash flows, to the extent not included in the estimates of future cash flows.

The discount rates applied to the estimates of the future cash flows:

- reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts.
- are consistent with observable current market prices (if any); and
- exclude the effect of factors that influence such observable market prices, but do not affect the future cash flows of the insurance contracts.

Cash flows are divided between cash flows that vary based on the returns on underlying items and cash flows that do not vary based on the returns on underlying items. Cash flows that vary based on the returns on underlying items will be discounted using rates that reflect that variability.

The discount rates applied to cash flows that vary based on the returns on underlying items are consistent with the future investment return assumptions.

A zero-coupon yield curve, with an allowance for the illiquidity of the group of insurance contracts where applicable, will be applied to cash flows that do not vary based on the returns on underlying

items. Insurance contracts such as non-participating life annuities that cannot be surrendered or lapsed are illiquid.

Asset portfolios

Separate asset portfolios are maintained in support of policy liabilities for each of the major lines of business; each portfolio having an asset mix appropriate for the specific product. Bonus rates are declared for each class of participating business in relation to the funding level of each portfolio and the expected future net investment return on the assets of the particular investment portfolio.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview (continued)

Bonus stabilisation reserves

Sanlam Life's individual and Group stabilised bonus portfolios are valued on a retrospective basis. If the fair value of the assets in such a portfolio is greater than the policyholders' investment accounts (net premiums invested plus declared bonuses), a positive bonus stabilisation reserve is created, which will be used to enhance future bonuses, thereby increasing fulfilment cash flows. Conversely, if assets are less than the investment accounts, a negative bonus stabilisation reserve is created, reducing fulfilment cash flows.

A negative bonus stabilisation reserve will be limited to the amount that the Head of Actuarial Function expects will be recovered through the declaration of lower bonuses during the ensuing three years, if investment returns are in line with long-term assumptions. Bonus stabilisation reserves included in the fulfilment cash flows will be set such that the reserves are fully utilised for the benefit of the policyholders of that portfolio.

Bonus declarations are made in accordance with the Sanlam Principles and Practices of Financial Management (PPFM).

Subsequent measurement (excluding PAA)

The carrying amount of a group of insurance contracts issued at each reporting date is the sum of:

- the liability for remaining coverage, comprising:
 - a. the fulfilment cash flows related to service to be provided under the contract in future periods; and
 - b. the remaining CSM of the group at that date.
- the liability for incurred claims, comprising the fulfilment cash flows for past incurred claims and expenses not paid, including claims that have been incurred but not reported. The liability for incurred claims also includes the payment of any investment components or other amounts that are not related to the provision of insurance contract services and that are not included in the liability for remaining coverage.

Fulfilment cash flows

The fulfilment cash flows of groups of insurance contracts are measured at the reporting date using current estimates of fulfilment cash flows, discount rates appropriate to the measurement model being used and current estimates of the risk adjustment for non-financial risk.

Contractual service margin

For groups of insurance contracts measured under the GMM, the CSM at the start of the period is explicitly accreted with interest based on the discount rates applied to the fulfilment cash flows at initial recognition.

For groups of insurance contracts measured under the VFA, the CSM at the start of the period is implicitly accreted with interest equal to the effect of the time value of money on the variable fee in each period.

The impact of changes in estimates of the fulfilment cash flows on the measurement of the CSM depends on whether the changes are related to current (or past) or future service:

- changes that relate to current or past service are recognised in profit or loss; and
- changes that relate to future service are recognised by adjusting the CSM within the liability for remaining coverage, including changes in the risk adjustment for non-financial risk that relate to future service. This excludes any changes which give rise to a loss on a group of insurance contracts, as well as any changes which adjust the loss recovery component on a group of reinsurance contracts.

For groups of insurance contracts measured under the GMM:

- changes in estimates of the present value of future cash flows included in the liability for remaining coverage, are related to future service and adjust the CSM. These changes are based on the discount rates applied to the fulfilment cash flows at initial recognition. Changes in the estimates that relate to the effect of the time value of money and the effect of financial risk and changes therein, do not adjust the CSM and are recognised in profit or loss; and
- differences in the investment components expected to become payable in the period and actual investment components payable in the period, are related to future service and adjust the CSM.

For groups of insurance contracts measured under the VFA, the fulfilment cash flows can also be determined as the obligation to pay policyholders an amount that is equal to the fair value of the underlying items, less a variable fee for future services:

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview (continued)

Subsequent measurement (excluding PAA) (continued)

- changes in the fair value of the underlying items are related to current service and are recognised in profit or loss;
- changes in the variable fee are related to future service and adjust the CSM, which includes any variances in the Group's share of the fair value returns on the underlying items in the reporting period. The CSM is adjusted for changes in estimates that relate to the effect of the time value of money and the effect of financial risk and changes therein; and
- the Group has chosen not to apply the risk mitigation option and therefore changes in the cost of minimum investment return guarantees will adjust the CSM.

The experience adjustments arising from premiums received (including related cash flows such as insurance acquisition cash flows) that do not vary based on the returns on underlying items, adjust the CSM if they relate to future service, or such amounts are recognised in insurance revenue in the reporting period if they relate to current (or past) service. The Group applies judgement to determine whether these experience adjustments relate to current (or past) service or future service. The experience adjustments arising from incurred claims and administration expenses relate to current (or past) service and are recognised in profit or loss.

The CSM is adjusted for changes in exchange rates for groups of insurance contracts denominated in a foreign (non-local) currency, with movements being translated at the average exchange rate over the reporting period.

An amount of the CSM at the end of the period is recognised in insurance revenue in profit or loss in each reporting period based on the insurance contract services provided under the group of contracts, defined based on the coverage units provided in the current period and expected to be provided in the future.

Coverage units.

The coverage units of the group of insurance contracts are identified by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period.

The coverage units for contracts measured under the GMM consider the quantity of benefits and expected coverage period of investment-return services (where relevant), in addition to the insurance coverage provided. The coverage units for contracts measured under the VFA consider the quantity of benefits and expected coverage period of investment-related services as well as any insurance coverage provided (where relevant). Coverage units are not applicable to contracts measured under the PAA.

Loss component

The loss component represents the expected losses to be incurred on a group of insurance contracts, i.e. groups of insurance contracts where the cash outflows are expected to exceed the cash inflows included in the fulfilment cash flows at initial recognition.

Subsequent to initial recognition, the loss component of a group of insurance contracts is adjusted for changes in estimates of the fulfilment cash flows that relate to future service (consistent with the equivalent treatment for groups of insurance contracts with a CSM), with such increases or reversals of losses recognised in profit or loss. The subsequent changes in the fulfilment cash flows of the liability for remaining coverage are allocated to the loss component on a systematic basis based on the expected incurred claims and administration expenses and expected release of the risk adjustment in each reporting period, such that the loss component reduces to zero by the end of the coverage period of a group of insurance contracts.

These changes in the fulfilment cash flows allocated to the loss component are excluded from insurance revenue and insurance service expenses. This ensures that the recognition of insurance revenue depicts the consideration to which the Group expects to be entitled in exchange for the insurance contract services provided.

For reinsurance arrangements the loss recovery component is adjusted for changes in estimates that relate to future service and adjust the loss component of the onerous groups of underlying insurance contracts.

Insurance revenue

Insurance revenue represents the changes in the liability for remaining coverage over the period by the Group, excluding changes in the liability that do not relate to services expected to be covered by the consideration received. The consideration received refers to the amount of premiums paid to the Group, adjusted for the discounting effect and excluding any investment components. The amount of insurance revenue recognised in



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview (continued)

Insurance revenue (continued)

the reporting period depicts the delivery of promised services at an amount that reflects the portion of premiums the Group expects to be entitled to in exchange for those services.

For contracts not measured under the PAA, the total consideration for a group of contracts includes the following amounts:

- the expected claims and administration expenses incurred in the period (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- the amount of the CSM recognised in profit or loss;
- the release of the risk adjustment for risk expired (excluding amounts allocated to the loss component);
- amounts related to income tax that are specifically chargeable to policyholders;
- premium experience adjustments relating to current service (including experience adjustments arising from related cash flows such as insurance acquisition cash flows); and
- the amortisation of insurance acquisition cash flows.

For contracts measured under the PAA, insurance revenue for the period is the amount of expected premium receipts allocated to the period based on the passage of time. However, if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then insurance revenue for the period is allocated on the basis of the expected timing of incurred insurance service expenses.

Insurance service expenses

The following amounts are recognised in insurance service expenses:

- the expected claims and administration expenses incurred (excluding amounts allocated to the loss component and excluding investment components payable in the period);
- experience adjustments relating to claims and administration expenses incurred;
- the initial loss on onerous groups of contracts recognised during the period;
- the increases and reversals of losses on onerous contracts;
- the changes in liability for incurred claims relating to past service; and
- the amortisation of insurance acquisition cash flows.

These amounts refer only to expenses which are directly attributable to fulfilling the insurance contracts. Non-attributable expenses are recognised separately in profit or loss.

Income or expenses from reinsurance contracts

The Group presents income or expenses from a group of reinsurance contracts held, other than insurance finance income or expenses, as a single amount.

Income or expense from reinsurance contracts comprise reinsurance service expenses less amounts recovered from reinsurers. The amounts recognised as income or expenses reflect the features of reinsurance contracts held that differ from insurance contracts issued, for e.g. the loss recovery component recognised during the reporting period rather than an initial loss recognised.

Insurance finance income and expense

The Group will recognise all insurance finance income or expenses for the reporting period in profit or loss. Under the GMM and PAA, the effect of and changes in financial risk form part of the insurance finance income and expenses. For groups of insurance contracts measured under the VFA, the fair value returns on the underlying items are recognised in insurance finance income and expenses. The amounts recognised in insurance finance income or expenses are before any allowance for investment management expenses, taxation at current tax rates and charges for investment guarantees.

The changes in the risk adjustment for non-financial risk have been disaggregated between the insurance service result and insurance finance income and expenses.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

b) New standards, amendments and interpretations (continued)

(ii) New standard, amendments and interpretations in issue but not yet effective for the year ended 31 December 2022 (continued)

IFRS 17 Insurance Contracts (continued)

(iv) Measurement – Overview (continued)

Amortisation of insurance acquisition cash flows

Insurance acquisition cash flows are cash flows arising from the costs of selling, underwriting, and starting a group of insurance contracts (issued or expected to be issued) that are directly attributable to the portfolio of insurance contracts to which the group belongs. Such cash flows include cash flows that are not directly attributable to individual contracts or groups of insurance contracts within the portfolio. Insurance acquisition cash flows are amortised in insurance revenue and insurance service expenses in each reporting period in a systematic way based on the passage of time. For long-term insurance contracts issued in the South African clusters, the insurance acquisition cash flows are amortised in line with the coverage units used to recognise the CSM in insurance revenue. This produces a more predictable amortisation pattern. Other systematic methods could be adopted in the Sanlam Emerging Markets and for short-term insurance contracts.

Estimated impact of the adoption of IFRS 17

The Group is currently assessing the impact that the adoption of IFRS 17 will have and will restate comparative information on adoption of IFRS 17. The impact on IFRS 17 adoption is expected to be between 20% to 30% of the shareholder fund.

The following are the transition work in progress:

- the Group is continuing to refine the new accounting processes and internal controls required for applying IFRS 17;
- the Group is testing and assessing controls over its new IT systems and changes to its governance framework; and
- review of the new accounting policies, assumptions, judgements and estimation techniques is ongoing.

c) Consolidation

The consolidation of financial statements comprises the financial statements of the Group and its subsidiaries as at 31 December 2022.

i) Subsidiaries

Any losses within a subsidiary which are attributed to the non-controlling interest are recognised as such even if this results in a deficit balance. Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

In the company financial statements, the investments in subsidiaries are accounted for at cost and assessed for impairment at the end of accounting period by comparing the carrying amount against net asset value of each entity.

ii) Associates

The Group's investment in its associate is accounted for using the equity method of accounting. An associate is an entity in which the Group has significant influence, and which is neither a subsidiary nor a joint arrangement. Under the equity method, the investment in the associate is carried in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the share of the results of operations of the associate. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes and discloses this, when applicable, in the statement of changes in equity, either directly or through other comprehensive income. Profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

c) Consolidation (continued)

ii) Associates – continued

The share of profit of the associate is shown on the face of the statement of profit or loss. This is profit attributable to equity holders of the associate and, therefore, is profit after tax and non-controlling interests in the subsidiaries of the associates after factoring in other comprehensive profit/ (loss).

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The financial statements of the associate are prepared for the same reporting period as the Group. Where necessary, adjustments are made to bring its accounting policies in line with the Group's. After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associates. The Group determines at each reporting date, whether there is any objective evidence that the investment in the associate is impaired.

If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the 'share of profit of an associate' in the statement of profit or loss. Upon loss of significant influence over the associate, the Group measures and recognises any remaining investment at its fair value. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the remaining investment and proceeds from disposal are recognised in profit or loss. Any interest in the equity of the associate that was recorded directly in other comprehensive income of the investor is recycled to the profit or loss and is included in the calculation of the gain or loss on disposal.

In the company financial statements, subsidiaries and associates are stated at cost in the separate financial statements of the Company. The non-controlling interest in the subsidiaries and their transactions are disclosed separately on consolidation from the controlling entity. Intercompany transactions between related entities are eliminated on consolidation.

iii) Non-controlling interests (NCI)

NCI are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

iv) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

d) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured on acquisition date at fair value and the amount of any non-controlling interests in the acquiree. The Group's identifiable assets and liabilities are measured at their acquisition-date fair value.

Non-controlling interests in an acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation, are measured at either fair value or the present ownership instruments' proportionate share in the recognised amounts of the acquiree's net identifiable assets. Non-controlling interests that are not present ownership interests are measured at fair value. This accounting policy choice can be made on an individual business combination basis.

Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is re-measured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss. It is then considered in the determination of goodwill.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

d) Business combinations and goodwill (continued)

and Measurement, is measured at fair value with changes in fair value recognised either in either profit or loss or as a change to OCI. Contingent consideration that is classified as equity is not re-measured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed.

If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the amount recognised for non-controlling interests, and any previous interest held, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the of the acquiree are assigned to those units.

e) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive committee that makes strategic decisions.

An operating segment is a component of an entity:

- i. that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- ii. whose operating results are regularly reviewed by the entity's chief operating decision maker to make decision about resources to be allocated to the segment and assess its performance; and for which discrete financial information is available.
- iii. An operating segment may engage in business activities for which it is yet to earn revenues, for example, start-up operations may be operating segments before earning revenues.

f) Gross premiums

Gross recurring premiums on life and investment contracts with discretionary participating features are recognised as revenue when payable by the policyholder. For single premium business revenue is recognised on the date on which the policy is effective. Gross written premiums under short term life insurance contracts comprise the total premiums receivable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts. For general insurance business, premium income is recognised on assumption of risks.

Premiums include any adjustments arising in the accounting period for premiums receivable in respect of business written in prior accounting periods. Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned premiums are calculated on a daily pro rata basis. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

i) Reinsurance Premium

Gross reinsurance premiums on life and investment contracts with discretionary participation features are recognised as an expense when payable or on the date on which the policy is effective. Gross reinsurance premiums under short term life reinsurance contracts and general insurance contracts comprise the total premiums payable for the whole period of cover provided by contracts entered into during the accounting period and are recognised on the date on which the policy incepts, or risk is assumed. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

ii) Fees and commission income

Insurance and market linked investment contract liabilities policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as revenue over the period in which the related services are performed. If the fees are for services to be provided in future periods, then they are deferred and recognised over those future periods.

iii) Deferred reinsurance commissions

Deferred reinsurance commissions relate to commission receivable on premiums ceded to reinsurer for unearned premiums. It is recognized in the period the premium is ceded and amortized over the cover period.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

f) Gross premiums (continued)

iv) Investment income

Investment income comprise of interest income, rental income and dividends.

- interest earned from financial assets at fair value through profit or loss is recognised on a time proportion basis that considers the effective yield on the asset.
- Rental income is recognised on an accrual basis.
- Dividends are recognised when the Group's right to receive the payment is established.

v) Realised / unrealised gains and losses

Realised / unrealised gains and losses recorded in the statement of profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

vi) Financial services income

Financial services income includes income from investment management and related activities. This is based on the value of the assets managed on behalf of clients such as fund management fees, collective investment and linked product administration fees. Initial fees that relate to the future rendering of services are deferred and recognised as those future services are rendered.

g) Benefits, claims and expenses recognition

i) Gross benefits and claims

Gross benefits and claims for life insurance contracts and for investment contracts with discretionary participation features include the cost of all claims arising during the year including internal and external claims handling costs that are directly related to the processing and settlement of claims as well as changes in the gross valuation of insurance and market linked investment contract liabilities. Death claims and surrenders are recorded on the basis of notifications received. Maturities and annuity payments are recorded when due.

Claims incurred for general business comprise claims paid in the year and changes in the provision for outstanding claims. Claims paid represent all payments made during the year, whether arising from events during that or earlier years. Outstanding claims represent the

estimated ultimate cost of setting all claims arising from incidents occurring prior to the reporting date, but not settled at that date.

Outstanding claims are computed on the basis of the best information available at the time the records for the year are closed and include provisions for claims incurred but not reported ("IBNR"). Outstanding claims are not discounted.

ii) Reinsurance claims

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract. Reinsurance claims are measured with reference to the corresponding insurance liability recognised and the reinsurance agreement.

h) Reinsurance

The Group cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims or insurance contract liabilities associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Group may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Group will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

Gains or losses on buying reinsurance are recognised in the statement of profit or loss immediately at the date of purchase and are not amortised. Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders.

i) Deposit administration contracts

The Group administers the funds of a number of retirement benefit schemes on behalf of the retirement schemes. The liability of the Group to the schemes is measured at fair value and is included in the statement of financial position. Deposits, withdrawals and investments returns are recorded directly as an adjustment to the asset and liability in the statement of financial position and are not recognised as gross premium and investments income in the consolidated statement of profit or loss.

Assets under the deposit administration contracts are registered in the name of the administrator and have therefore been accounted as financial instruments in the statement of financial position.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

j) Property and equipment

All categories of property and equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. Computer software, including the operating system, that is an integral part of the related hardware is capitalised as part of the computer equipment.

Motor vehicles, furniture, equipment and computers are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment losses. Replacement or major inspection costs are capitalised when incurred and if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, 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. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

Depreciation is calculated using the straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

Freehold land	-	Nil
Property	-	2.5%
Computers	-	25%
Motor vehicles	-	25%
Furniture and equipment	-	12.5%

When no parts of items of property and equipment have a cost that is significant in relation to the total cost of the item, the same rate of depreciation is applied to the whole item. The assets' residual values, depreciation method and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

k) Investment properties

Investment property is property held to earn rentals and/or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost

including the transaction costs. Subsequently, investment property is carried at fair value representing the open market value at the reporting date determined by annual valuations carried out by external valuers. Gains or losses arising from changes in the fair value are included in determining the profit or loss for the year to which they relate. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

When the Group can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The difference between the carrying value and the fair value of the properties at the date of reclassification to investment properties is recognised in the statement of profit or loss.

When the Group can reliably determine the fair value of a self-constructed investment property under construction or development, any difference between the fair value of the property at that date and its previous carrying amount is recognised in the statement of profit or loss.

The difference between the carrying value and the fair value of the properties at the date of reclassification to investment properties is recognised in the statement of profit or loss.

Investment properties are derecognised when either they have been disposed off or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is charged or credited to profit or loss.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of the change in use.

l) Intangible assets

Software licence costs and computer software that is not an integral part of the related hardware are initially recognised at cost, and subsequently carried at cost less accumulated amortisation and accumulated impairment losses. Costs that are directly attributable to the production of identifiable computer software products controlled by the company are recognised as intangible assets. Amortisation is calculated using the straight-line method to write down the cost of each licence or item of software over its estimated useful life (three to five years).

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

l) Intangible assets (continued)

Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management, even when idle. Amortisation ceases at the earlier of the date that the asset is classified as held for disposal and the date that the asset is derecognised.

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in the statement of profit or loss in the year in which the expenditure is incurred.

Software under implementation is recognised as work in progress at historical costs less any accumulated impairment loss. The cost of such software includes professional fees and costs directly attributable to the software. The software is not amortised until it is ready for the intended use.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the statement of profit or loss when the asset is derecognised.

m) Borrowing costs

All borrowing costs are recognised in the profit or loss in the year in which they are incurred.

n) Financial assets

i) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

iii) Measurement

Classification and subsequent measurement of debt instruments depends on:

- a) the Group's business model for managing the financial assets; and
- b) the cash flow characteristics of the asset.

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/ (losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

Debt instruments

- **FVTPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. In addition, on initial recognition the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

iii) Measurement (continued)

Debt instruments (continued)

Business model: the business model reflected how the Group manages the assets in order to generate cash flows i.e. whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVTPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel and how risks are assessed and managed.

SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flow represent solely payments of principal and interest ('SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement.

Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings. Dividends earned are recognised in the profit or loss statement and are included in the 'investment income' line item.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

iv) Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on 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. This includes listed equity securities and quoted debt instruments on major exchanges (NSE). The quoted market price used for financial assets held by the Group is the current bid price.

For all other financial instruments, fair value is determined using valuation techniques. In these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, using inputs existing at the dates of the statement of financial position.

Fair values are categorised into three levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

v) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

IFRS 9 replaced the previous 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' ("ECL") model. The new impairment model applies to the following financial instruments that are not measured at FVTPL or FVTOCI:

- Government securities measured at amortised cost
- Receivables arising from direct insurance arrangements
- Rent and other receivables;
- Mortgage and policy loans;
- Corporate bonds at amortised cost;
- Deposits with financial institutions at amortised cost; and
- Cash and bank balances.

No impairment loss is recognised on equity investments and financial assets measured at FVPL.

The Group recognises loss allowance at an amount equal to either 12-month ECLs or lifetime ECLs. Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument, whereas 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The Group will recognise loss allowances at an amount equal to lifetime ECLs, except in the following cases, for which the amount recognised will be 12-month ECLs:

- Debt instruments that are determined to have low credit risk at the reporting date. The Group will consider a debt instrument to have low credit risk when its credit risk rating is equivalent to the globally understood definition of 'investment-grade' and investments in government securities; and
- Other financial instruments (other than trade and lease receivables) for which credit risk has not increased significantly since initial recognition.

Loss allowances for premium and rent receivables will always be measured at an amount equal to lifetime ECLs. The impairment requirements of IFRS 9 require management judgement, estimates and assumptions, particularly in the following areas, which are discussed in detail below:

- assessing whether the credit risk of an instrument has increased significantly since initial recognition; and

- incorporating forward-looking information into the measurement of ECLs.

Measurement of expected credit losses

ECLs are a probability-weighted estimate of credit losses and will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: the present value of all cash shortfalls – i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive;
- financial assets that are credit-impaired at the reporting date: the difference between the gross carrying amount and the present value of estimated future cash flows;

An asset is credit-impaired if one or more events have occurred that have a detrimental impact on the estimated future cash flows of the asset.

Expected credit losses are computed as a product of the Probability of Default (PD), Loss Given Default (LGD) and the Exposure at Default (EAD).

$$ECL = PD \times LGD \times EAD$$

Expected credit losses

In applying the IFRS 9 impairment requirements, the Group follows one of the approaches below:

- The general approach
- The simplified approach

The Group will apply the approaches below to each of its assets subject to impairment under IFRS 9:

Financial Asset	Impairment approach
Loans (mortgage, policy loans and Insurance Premium finance loans)	General approach
Receivables arising out of direct insurance arrangements	Simplified approach
Rent and inter-company receivables	Simplified approach
Corporate bonds at amortised cost	General approach
Deposits with financial institutions at amortised cost	General approach
Cash and bank balances	General approach



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

The General Approach

Under the general approach, at each reporting date, the Group determines whether the financial asset is in one of three stages in order to determine both the amount of ECL to recognise as well as how interest income should be recognised.

- **Stage 1** - where credit risk has not increased significantly since initial recognition. For financial assets in stage 1, the Group will recognise 12 month ECL and recognise interest income on a gross basis – this means that interest will be calculated on the gross carrying amount of the financial asset before adjusting for ECL.
- **Stage 2** - where credit risk has increased significantly since initial recognition. When a financial asset transfers to stage 2, the Group will recognise lifetime ECL but interest income will continue to be recognised on a gross basis.
- **Stage 3** - where the financial asset is credit impaired. This is effectively the point at which there has been an incurred loss event. For financial assets in stage 3, the Group will continue to recognise lifetime ECL but they will now recognise interest income on a net basis. As such, interest income will be calculated based on the gross carrying amount of the financial asset less ECL.

The changes in the loss allowance balance are recognised in profit or loss as an impairment gain or loss.

Under the simplified approach, the Group measures the loss allowance at an amount equal to lifetime expected credit losses.

Definition of default

The Group will consider a financial asset to be in default when:

- the counterparty or borrower is unlikely to pay their credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the counterparty or borrower is more than 90 days past due on any material credit obligation to the Group. This will be consistent with the rebuttable criteria set out by IFRS 9 and existing practice of the Group; or

In assessing whether the counterparty or borrower is in default, the Group considers indicators that are:

- Qualitative: e.g. Breach of covenant and other indicators of financial distress;
- Quantitative: e.g. Overdue status and non-payment of another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

Significant increase in credit risk (SICR)

When determining whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience, expert credit assessment and forward-looking information.

The assessment of significant deterioration is key in establishing the point of switching between the requirement to measure an allowance based on 12-month expected credit losses and one that is based on lifetime expected credit losses.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk by regular reviews to confirm that:

- the criteria are capable of identifying significant increases in credit risk before an exposure is in default;
- the criteria do not align with the point in time when an asset becomes 30 days past due;
- the average time between the identification of a significant increase in credit risk and default appears reasonable;
- exposures are not generally transferred from 12-month ECL measurement to credit-impaired; and
- there is no unwarranted volatility in loss allowance from transfers between 12-month and lifetime ECL measurements.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

v) Impairment (continued)

Incorporation of forward-looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. It formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on a variety of external actual and forecast information. External information includes economic data and forecasts published by governmental bodies and monetary authorities.

The base case represents a best estimate and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and more pessimistic outcomes. The Group also periodically carries out stress-testing of more extreme shocks to calibrate its determination of these other representative scenarios.

Measurement of ECL

The key inputs into the measurement of ECL are the term structures of the following variables (i) Probability of Default; (ii) Loss given default (LGD); and (iii) Exposure at default (EAD).

To determine lifetime and 12-month PDs, the Group uses internally developed PD tables based on the default history of obligors with the same credit rating. The Group adopts the same approach for unrated investments by mapping its internal risk grades to the equivalent external credit ratings (see (n) (i)). The PDs are recalibrated based on current bond yields and CDS prices, and adjusted to reflect forward-looking information as described above. Changes in the rating for a counterparty or exposure lead to a change in the estimate of the associated PD.

LGD is the magnitude of the likely loss if there is a default. The Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured by retail property, loan-to-value ratios are a key parameter in determining LGD. LGD estimates are recalibrated for different economic scenarios. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor.

EAD represents the expected exposure in the event of a default. The Group derives the EAD from the current exposure to the counterparty and potential changes to the current

amount allowed under the contract, including amortisation, and prepayments. The EAD of a financial asset is its gross carrying amount.

As described above, and subject to using a maximum of a 12-month PD for financial assets for which credit risk has not significantly increased, the Group measures ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which it is exposed to credit risk, even if, for risk management purposes, the Group considers a longer period. Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, which include: instrument type; credit risk grading; collateral type; date of initial recognition; remaining term to maturity; industry; and geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

When ECL are measured using parameters based on collective modelling, a significant input into the measurement of ECL is the external benchmark information that the Group uses to derive the default rates of its portfolios. This includes the PDs provided by rating agencies.

Insurance receivables

The ECL of operating insurance receivables are determined at using a provision matrix. Loss rates are calculated with reference to days past due and actual credit loss experience over the past few years.

Insurance receivables

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vi) Modification of contracts

The Group rarely renegotiates or otherwise modifies the contractual cash flows of securities. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the counterparty is in financial difficulty;
- Whether any substantial new terms are introduced that affect the risk profile of the instrument;



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

n) Financial assets (continued)

vi) Modification of contracts (continued)

- Significant extension of the contract term when the borrower is not in financial difficulty;
- Significant change in interest rate;
- Change in the currency the security is denominated in; or
- Inclusion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new EIR for the asset. The date of renegotiation is consequently considered the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a SICR has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original EIR.

vii) Write off policy

The Group writes off financial assets, in whole or in part when it has exhausted all practical recovery effort and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity; and (ii) the Group is foreclosing on collateral and the value of the collateral is such as there is no reasonable expectation of recovering in full.

The Group may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was KShs Nil (2021: Nil). The Group still seeks to recover amounts it is legally owed in full, but which have been partially written off due to no reasonable expectation of full recovery.

o) Translation of foreign currencies

On initial recognition, all transactions are recorded in the functional currency (the currency of the primary economic environment in which the Group operates), which is Kenya Shillings. Transactions in foreign currencies during the year are converted into the

functional currency using the exchange rate prevailing at the transaction date. Monetary assets and liabilities at the reporting date denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing as at that date. The resulting foreign exchange gains and losses from the settlement of such transactions and from year-end translation are recognised on a net basis in the statement of profit or loss in the year in which they arise, except for differences arising on translation of non-monetary financial assets (previously classified as available-for-sale under IAS 39), which are recognised in other comprehensive income.

p) Inventory

Inventory, comprising plots held for resale is stated at the lower of cost and net realisable value. The cost of land and development includes infrastructure costs incurred in respect of unsold plots, which are capitalised and released to income as the plots are sold. Cost is calculated on specific costs incurred to bring land and development to its present condition.

q) Insurance liabilities

Insurance contract liabilities (including investment contracts with discretionary participation features) are reported gross of reinsurance assets. Life insurance liabilities are recognised when contracts are entered into and premiums are charged. These liabilities are measured by using the Gross Premium Valuation method in accordance with the Insurance Act and related guidelines. The liability is determined as the sum of the discounted value of the expected future benefits, claims handling and policy administration expenses, policyholder options and guarantees and investment income (for non-market linked insurance contracts this item is excluded) from assets backing such liabilities, which are directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet the future cash outflows based on the valuation assumptions used. The liability is either based on current assumptions or calculated using the assumptions established at the time the contract was issued, in which case a margin for risk and adverse deviation is generally included.

A separate reserve for longevity may be established and included in the measurement of the liability. Furthermore, the liability for life insurance contracts comprises the provision for unearned premiums and, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the Group. Adjustments to the liabilities at each reporting date are recorded in the statement of profit or loss.

The provision for unearned premiums represents that portion of premiums received or receivable that relates to risks that have not yet expired at the reporting date. It is assumed that premiums are earned uniformly over the contract period. The Group uses the 1/365 method in computing this reserve. The estimate of the incurred claims that have not yet been reported to the Group (IBNR) is computed using the Basic chain ladder, Bornhuetter Ferguson and Standard development methods. The basic assumption using this method is that claims will emerge in a similar way in each development year.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

q) Insurance liabilities (continued)

Profits originated from margins of adverse deviations on run-off contracts are recognised in the statement of profit or loss over the life of the contract, whereas losses are fully recognised in the statement of profit or loss during the first year of run-off. The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of related PVIF (present value insurance in force) and DAC (deferred acquisition cost – refer to accounting policy x), by using an existing liability adequacy test as laid out under the Kenyan Insurance Act.

r) Employee entitlements

i) Retirement benefit obligations

The Group operates a defined contribution retirement benefit scheme for qualifying employees. The Company and all its employees also contribute to the National Social Security Fund which is also a defined contribution scheme. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The Company's contributions to the defined contribution schemes are charged to the statement of profit or loss in the year to which they relate.

ii) Cash settled non-share entitlements

The Group has a long-term staff retention scheme scheme that is separately administered by Trustees under a legal entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay qualifying employees the benefits due to them on vestation. The amount expensed each year is based on the increase in value of In-force (VIF) and charged directly to the statement of profit or loss on approval by the Board of directors. The Company has no claim whatsoever on the amounts that have not vested as this is redistributed to the existing qualifying members.

iii) Bonus

Staff are entitled to a bonus which is based on preset performance parameters on an annual basis. The full cost of the bonus is expensed in the year in which it is incurred.

iv) Other entitlements

The estimated monetary liability for employees accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

s) Other financial liabilities and insurance payables

All financial liabilities are recognised initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognised at fair value and the transaction costs are expensed in the statement of profit or loss. Subsequently, all financial liabilities are carried at amortised cost using the effective interest method except for financial liabilities at fair value through profit or loss which are carried at fair value.

Borrowings, trade and other liabilities are classified as financial liabilities and are carried at amortised cost.

Gains and losses on financial liabilities at amortised cost are recognised on derecognition and through the amortisation process. Gains and loss on financial liabilities at fair value through profit or loss are recognised in the statement of profit or loss.

Insurance payables are recognised when due and measured on initial recognition at the fair value of the claim payable plus directly attributable costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

t) Income tax expense

Income tax expense is the aggregate amount charged/ (credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the statement of profit or loss except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the Kenyan Income Tax Act. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the reporting date.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

t) Income tax expense (continued)

Deferred income tax (continued)

rates and laws enacted or substantively enacted at the balance sheet date and expected to apply when the asset is recovered or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Value added taxes and premium taxes

Revenues, expenses and assets and liabilities are recognised net of the amount of value added taxes and premium taxes except:

- when the value added taxes or premium tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the value added tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- receivables and payables that are measured with the amount of value added taxes or premium tax included.

Outstanding net amounts of value added taxes or premium tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

u) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared. Dividends for the year that are approved after the reporting date are dealt with as a non-adjusting event after the reporting date.

v) Deferred acquisition cost

Incremental costs directly attributable to the acquisition of insurance and investment contracts with discretionary participating features and investment management services are capitalized to a deferred acquisition cost (DAC) asset if they are separately identifiable, can be measured reliably and its probable that they will be recovered. DAC are amortized in the statement of profit or loss over the term of the contracts as the related services are rendered and revenue recognized, which varies from year to year depending on the outstanding term of the contracts in force. The DAC asset is tested for impairment biannually and written down when it is not expected to be fully recovered.

w) Expenses

Expenses are recognised in the statement of profit or loss when a decrease in future economic benefits related to a decrease in an asset or an increase of a liability has arisen that can be measured reliably and is independent from transactions with equity participants. This means, in effect, that recognition of expenses occurs simultaneously with the recognition of an increase in liabilities or a decrease in assets (for example, the accrual of employee entitlements or the depreciation of equipment).

- i) When economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined expenses are recognised in the statement of profit or loss on the basis of systematic and rational allocation procedures. This is often necessary in recognising the equipment associated with the using up of assets such as property, plant and equipment in such cases the expense is referred to as a depreciation or amortisation. These allocation procedures are intended to recognise expenses in the accounting periods in which the economic benefits associated with these items are consumed or expire.
- ii) An expense is recognised immediately in the statement of profit or loss when expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statement of financial position as an asset.

x) Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An impairment loss



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

x) Impairment of non-financial assets (continued)

is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used.

Impairment losses of continuing operations are recognised in the statement of profit or loss in those expense categories consistent with the function of the impaired asset, except for property previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group makes an estimate of recoverable amount. A previous impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase.

The following criteria are also applied in assessing impairment of specific assets:

The recoverable amount for the life insurance business has been determined based on a fair value less costs to sell calculation. The calculation requires the Group to make an estimate of the total of the adjusted net worth of the life insurance business plus the value of in-force covered business. New business contribution represents the present value of projected future distributable profits generated from business written in a period. Growth and discount rates used are suitable rates which reflect the risks of the underlying cash flows.

Goodwill

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by

assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets

Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired

Associates

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss of the Group's investments in associates. The Group determines at each reporting date whether there is any objective evidence that the investment in associate is impaired. If this is the case the Group calculates the amount of impairment as being the difference between the fair value of the associate less costs to sell and the carrying value and recognises this amount in the statement of profit or loss.

y) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement. If the effect of the time value of money is material, provisions are discounting using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

z) Cash and cash equivalents

Cash and cash equivalents include cash in hand and on demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdrafts are included as borrowings under current liabilities.

For the purpose of the consolidated cash flow, cash and cash equivalents consist of cash and cash equivalent as defined above, net of outstanding bank overdrafts.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

aa) Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the carrying values of assets and liabilities in the next financial period. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. The directors evaluate these at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available.

The preparation of the Group's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

i) Significant judgements made in applying the Group's accounting policies:

The judgements made by the directors in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

- a. Whether it is probable that future taxable profits will be available against which temporary differences can be utilised; and
- b. Whether the Group has control over investee in view of the criteria set out under IFRS 10. These are;
 - power over the investee
 - exposure, or rights, to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns
- c. The classification of financial assets and leases
- d. Classification of contracts as insurance or investments contracts
- e. Whether assets are impaired.
- f. Whether land and buildings meet the criteria to be classified as investment property.

Going concern:

Management does an assessment of the Group's and Company's ability to continue as a going concern at the end of every financial year. The assessment involves review of the Group's and Company's net assets and total assets against total liabilities and the plans management have put in place to address any going concern indicators. Furthermore, an assessment of events and conditions that may cast significant doubt upon the Group's and Company's ability to continue as a going concern is done. The Group and Company also evaluates existing growth opportunities and potential threats that may have a significant impact on their existence including compliance with statutory requirements. The Group and Company leverage on existing opportunities in developing future business plan to ensure that they continue operating in a profitable manner.

ii) Key sources of estimation uncertainty

Valuation of insurance contract liabilities

Critical assumptions are made by the actuary in determining the present value of actuarial liabilities and estimating the liabilities for claims that have occurred, but have not yet been reported to the Group (incurred but not reported (IBNR)). The liability for life insurance contracts is either based on current assumptions or on assumptions established at inception of the contract, reflecting the best estimate at the time increased with a margin for risk and adverse deviation. All contracts are subject to a liability adequacy test, which reflect management's best current estimate of future cash flows.

The main assumptions used relate to mortality, morbidity, longevity, investment returns, expenses, lapse and surrender rates and discount rates. The Group base mortality and morbidity on standard industry and Kenya's mortality tables which reflect historical experiences, adjusted when appropriate to reflect the Group's unique risk exposure, product characteristics, target markets and own claims severity and frequency experiences. For those contracts that insure risk to longevity, prudent allowance is made for expected future mortality improvements, but epidemics, as well as wide ranging changes to lifestyle, could result in significant changes to the expected future mortality exposure.

Estimates are also made as to future investment income arising from the assets backing life insurance contracts. These estimates are based on the risk-free yield curve as at year-end. Assumptions on future expense are based on current expense levels, adjusted for expected expense inflation adjustments if appropriate.

Lapse and surrender rates are based on the Group's historical experience of lapses and surrenders. Discount rates are based on current industry risk rates, adjusted for the Group's own risk exposure.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

2. Summary of significant accounting policies (continued)

aa) Significant judgements and key sources of estimation uncertainty (continued)

ii) Key sources of estimation uncertainty (continued)

Impairment of financial assets

Management assesses the carrying value of the Group's assets on an annual basis.

- Significant increase of credit risk: As explained in Note 2 n (v), ECLs are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 2 n (v) for more details.

Models and assumptions used: The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgment is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk.

Key sources of estimation uncertainty

The following are key estimations that the directors have used in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.
- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.
- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from collateral and integral credit enhancements.

Income taxes

The Group is subject to income taxes under the Kenya Income Tax Act. Estimates are required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and the deferred tax provisions in the period in which such determination is made.

bb) Events after the reporting date.

The financial statements are adjusted to reflect events that occurred between the reporting date and the date when the financial statements are authorised for issue, provided they give evidence of conditions that existed at the reporting date. Events that are indicative of conditions that arose after the reporting date are disclosed, but do not result in an adjustment of the financial statements themselves.

cc) Share capital and share premium.

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

Incremental costs attributable to the issue or cancellation of equity instruments are recognised directly in equity, net of tax if applicable.

dd) Statutory fund - Life business

The Group matches the assets to liabilities, after which there is a surplus/deficit that is transferred to the statutory fund. The Insurance Act regulations stipulate that only a maximum 30% of this can be transferred to the shareholders. The statutory actuary advises on the amount to be transferred to the shareholders. When a transfer is made to the shareholders, tax at the prevailing corporation rate 2022: 30% (2021:30%) is incurred.

3. Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Committee that makes strategic decisions. Executive Committee is appointed by the Board of Directors. It consists of the Group Chief operating decision maker (Chief Executive Officer (CEO)) and all the positions that directly report to the CEO.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity),
- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assets its performance, and;
- for which discrete financial information is available.

An operating segment may engage in business activities for which it is yet to earn revenues.

The core business of the Group is underwriting of long-term and short-term business. The Insurance Act (Regulations under section 180 subsection 9) defines the following classes for the purpose of accounting.

Serial Number:	Brief description of class
31	Bond investment business
32	Industrial life assurance business
33	Ordinary life assurance business
34	Superannuation business

The Group does not underwrite bond investment and industrial life assurance business.

Superannuation business as defined by the above regulation means life assurance business being the issuing of or the undertaking of liability under superannuation, group life and permanent health insurance policy:

- (a) That is vested in the trustees of a fund established or maintained by a person, being a fund the terms and conditions applicable to which provide for:

- (i) the payment of contributions to the fund by that person; and
- (ii) payments being made from the fund, on account of injury, sickness, retirement or death of the employees of that person or of a Company in which that person has a controlling interest; or

(b) That was:

- (i) effected for the purposes of a superannuation or retirement scheme; or
- (ii) accepted by the person maintaining such a scheme for the purpose of the scheme.

For management purposes, the Group is organised into business units based on decision making, allocation of resources, products and services and has four reportable operating segments as follows:

- (i) The ordinary life insurance segment offers individual life insurance products.
- (ii) The superannuation segment deals with group insurance schemes.
- (iii) The general insurance segment offers general insurance products.

The investments segment provides investment management services.

No operating segments have been aggregated to form the above reportable operating segments.

In the Group, the Ordinary Life and Superannuation segments are the business of Sanlam Kenya Plc. The General business segment is the business of Sanlam General Insurance Limited while the other companies handle the Investments segment. Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment income, expense and results include those transfers between segments which are then eliminated on consolidation.

The Group operating segments are all based in one geographical area in Kenya.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

Segment statement of comprehensive income for the year ended 31 December 2022

	Ordinary life	Super-annuation	General business	Investments	Consolidation adjustments	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Gross written premiums from external customers		6,349,988	3,843,414	-	-	10,193,402
Premiums ceded to reinsurers	2,996,181	(3,824,064)	(1,154,179)	-	-	(1,982,062)
Net premium Income	2,996,181	2,525,924	2,689,235	-	-	8,211,340
Fee and commission income		168,466	256,104	-	-	424,570
Investment income	462,707	2,561,140	305,475	347,832	(326,974)	3,350,180
Fair value (losses)/gains	(368,519)	(574,232)	(72,422)	-	-	(1,015,173)
Other operating revenue	(380)	-	-	33,856	-	33,476
Total other revenue	93,808	2,155,374	489,157	381,688	(326,974)	2,793,053
Total revenue	3,089,989	4,681,298	3,178,392	381,688	(326,974)	11,004,393
Gross benefits and claims paid	(961,002)	(3,844,805)	(3,300,249)	-	-	(8,106,056)
Claims ceded to reinsurers	2,893	618,169	1,096,686	-	-	1,717,748
Gross change in insurance contract liabilities	(2,661,124)	1,192,313	-	-	-	(1,468,811)
Gross change in investment contract liabilities	760,853	-	-	-	-	760,853
Change in contract liabilities ceded to reinsurers	-	(228,894)	-	-	-	(228,894)
Net benefits and claims	(2,858,380)	(2,263,217)	(2,203,563)	-	-	(7,325,160)
Depreciation and amortization	-	(95,644)	(57,000)	(2,807)	-	(155,451)
Interest expense	(9,146)	-	(32,574)	(428,128)	10,826	(459,022)
Other operating and administrative expenses	27,840	(1,023,276)	(620,582)	(37,383)	(11,158)	(1,664,559)
Staff costs	(357,237)	(238,158)	(332,552)	(64,306)	-	(992,253)
Legal fees	(14,026)	-	(32,398)	(14,588)	-	(61,012)
Premium tax and stamp duty	(44,942)	(5,372)	(30,360)	-	-	(80,674)
Publicity, sales promotion and advertising	-	-	66,015	(4,532)	-	61,483
Total benefits, claims and other expenses	(3,255,891)	(3,625,667)	(3,243,014)	(551,744)	(332)	(10,676,648)
(Loss)/profit before share of profit of associate						
Share of profit of associate	250,303	639,426	(64,622)	(170,056)	(327,306)	327,745
(Loss)/profit before tax	250,303	639,426	(64,622)	(170,056)	(327,306)	327,745
Income tax credit/(expense)	(38,750)	(242,368)	(87,042)	(13,654)	-	(381,814)
(Loss)/profit for the year	211,553	397,058	(151,664)	(183,710)	(327,306)	(54,069)
Total comprehensive (loss)/ income	211,553	397,058	(151,664)	(183,710)	(327,306)	(54,069)



Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

All expenses, including depreciation and amortization costs, have been charged to the respective operating segments. All revenues and expenses are included in the consolidated statement of profit or loss. The consolidation adjustment of KShs. 327,306,000 relates to the elimination of related party dividend income, depreciation of property and equipment reclassified from investment property at Sanlam Kenya Plc, and elimination of related party rental income and related IFRS 16 adjustments inter group leases.

Segment statement of comprehensive income for the year ended 31 December 2021

	Ordinary life	Super-annuation	General business	Investments	Consolidation adjustments	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Gross written premiums from external customers	3,064,428	4,304,834	4,672,756	-	-	12,042,018
Premiums ceded to reinsurers	(60,066)	(1,025,180)	(1,721,933)	-	-	(2,807,179)
Net premium Income	3,004,362	3,279,654	2,950,823	-	-	9,234,839
Fee and commission income	11,821	190,285	373,002	-	-	575,108
Investment income	1,060,763	1,670,506	184,454	1,435,859	(1,458,643)	2,892,939
Fair value (losses)/gains	(160,047)	(174,549)	(31,353)	(792,648)	801,497	(357,100)
Other operating revenue	858	-	-	72,212	-	73,070
Total other revenue	913,395	1,686,242	526,103	715,423	(657,146)	3,184,017
Total revenue	3,917,757	4,965,896	3,476,926	715,423	(657,146)	12,418,856
Gross benefits and claims paid	(2,379,130)	(2,383,843)	(3,655,253)	-	-	(8,418,226)
Claims ceded to reinsurers	10,206	397,344	1,135,701	-	-	1,543,251
Gross change in insurance contract liabilities	(1,260,663)	(1,876,180)	-	-	-	(3,136,843)
Gross change in investment contract liabilities	1,139,327	-	-	-	-	1,139,327
Change in contract liabilities ceded to reinsurers	-	256,510	-	-	-	256,510
Net benefits and claims	(2,490,260)	(3,606,169)	(2,519,552)	-	-	(8,615,981)
Depreciation and amortization	-	(95,644)	(35,293)	(5,563)	-	(136,500)
Interest expense	(22,000)	-	-	(496,854)	7,273	(511,581)
Other operating and administrative expenses	(827,319)	(246,950)	(1,057,026)	(496,274)	445,292	(2,182,277)
Staff costs	(300,930)	(200,620)	(358,340)	(174,039)	-	(1,033,929)
Legal fees	(7,864)	-	(71,036)	(4,729)	-	(83,629)
Premium tax and stamp duty	(49,879)	(12,470)	(48,579)	-	-	(110,928)
Publicity, sales promotion and advertising	(91,731)	-	(56,051)	(9,931)	-	(157,713)
Total benefits, claims and other expenses	(3,789,983)	(4,161,853)	(4,145,877)	(1,187,390)	452,565	(12,832,538)
(Loss)/profit before share of profit of associate	127,774	804,043	(668,951)	(471,967)	(204,581)	(413,682)
Share of profit of associate	-	-	-	-	-	-
(Loss)/profit before tax	127,774	804,043	(668,951)	(471,967)	(204,581)	(413,682)
Income tax credit/(expense)	(38,750)	(251,081)	168,039	(6,885)	-	(128,677)
(Loss)/profit for the year	89,024	552,962	(500,912)	(478,852)	(204,581)	(542,359)
Total comprehensive (loss)/ income	89,024	552,962	(500,912)	(478,852)	(204,581)	(542,359)

Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

All expenses, including depreciation and amortization costs, have been charged to the respective operating segments. All revenues and expenses are included in the consolidated statement of profit or loss. The consolidation adjustment of KShs. 204,581,000 relates to the elimination of related party dividend income, elimination of impairment in subsidiary, depreciation of property and equipment reclassified from investment property at Sanlam Kenya Plc, and elimination of related party rental income and related IFRS 16 adjustments inter group leases.

Segment statement of financial position

At 31 December 2022:	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS						
Intangible assets	21,436	-	10,226	-	-	31,662
Property and equipment	127,467	-	49,810	-	401,688	578,965
Right-of-use assets	54,804	-	23,365	-	(13,336)	64,833
Investment properties	2,875,000	-	50,000	-	(446,320)	2,478,680
Investments in subsidiaries	-	-	-	1,451,938	(1,451,938)	--
Financial instruments	11,938,021	15,011,274	2,873,805	17,477	-	29,840,577
Long term reinsurance assets	-	153,423	1,257,251	-	-	1,410,674
Land and development	-	-	-	89,696	-	89,696
Insurance receivables	73,380	464,405	404,620	-	-	942,405
Other assets	340,032	110,996	732,633	581,454	(63,651)	1,701,464
Total assets	15,430,140	15,740,098	5,401,710	2,140,565	(1,573,557)	37,138,956
LIABILITIES						
Borrowings	-	-	1,085,700	3,002,310	-	4,088,010
Insurance contracts liabilities	6,342,105	13,868,687	2,697,264	-	-	22,908,056
Investment contract liabilities	2,015,711	-	-	-	-	2,015,711
Deposit administration contracts	3,368,093	-	-	-	-	3,368,093
Other non-current liabilities	685,576	-	-	-	-	685,576
Other liabilities	1,431,982	411,860	1,639,147	142,177	(93,347)	3,531,819
Total liabilities	13,843,467	14,280,547	5,422,111	3,144,487	(93,347)	36,597,265
Net assets	1,586,673	1,459,551	(20,401)	(1,003,922)	(1,480,210)	541,691



Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

Other segment reporting disclosures

For the year ended 31 December 2022	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Additions to non-current assets	19,425	-	2,445	-	-	21,870
Interest and dividend income	462,707	2,561,139	305,475	347,832	(326,974)	3,350,179
Interest expense	9,146	-	32,574	428,128	-	469,848
Depreciation and amortisation	-	-	57,000	2,807	-	59,807
Total	491,278	2,561,139	397,494	778,767	(326,974)	3,901,704

Segment statement of financial position

At 31 December 2021:	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
ASSETS						
Intangible assets	34,332	-	1,006	-	-	35,338
Property and equipment	136,366	-	64,121	21,896	412,846	635,229
Right-of-use assets	77,671	-	39,052	29,558	(58,470)	87,811
Investment properties	2,856,000	-	50,000	-	(446,320)	2,459,680
Investments in subsidiaries	-	-	-	1,451,938	(1,451,938)	-
Financial instruments	10,989,658	13,593,030	1,989,316	17,477	-	26,589,481
Long term reinsurance assets	-	382,317	1,143,154	-	-	1,525,471
Land and development	-	-	-	89,696	-	89,696
Insurance receivables	73,675	333,585	428,814	-	-	836,074
Other assets	458,274	261,249	951,953	756,385	(2,704)	2,425,157
Total assets	14,625,976	14,570,181	4,667,416	2,366,950	(1,546,586)	34,683,937
LIABILITIES						
Borrowings	-	-	-	3,000,000	-	3,000,000
Insurance contracts liabilities	5,725,947	13,041,816	2,146,881	-	-	20,914,644
Investment contract liabilities	2,750,782	-	-	-	-	2,750,782
Deposit administration contracts	2,592,275	-	-	-	-	2,592,275
Other non-current liabilities	685,576	-	-	-	-	685,576
Other liabilities	1,228,901	433,241	2,389,270	187,389	(93,901)	4,144,900
Total liabilities	12,983,481	13,475,057	4,536,151	3,187,389	(93,901)	34,088,177
Net assets	1,642,495	1,095,124	131,265	(820,439)	(1,452,685)	595,760

Notes to Financial Statements (continued)

For the year ended 31 December 2022

3. Segment information (continued)

Other segment reporting disclosures

For the year ended 31 December 2021	Ordinary life	Super annuation	General Business	Investments	Consolidation adjustment	Group
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Additions to non-current assets	20,278	-	4,040	-	-	24,318
Interest and dividend income	1,060,763	1,670,506	184,454	1,435,859	(1,458,643)	2,892,939
Interest expense	22,000	-	7,282	496,854	(7,273)	518,863
Depreciation and amortisation	-	-	21,500	5,563	-	27,063
Total	1,103,041	1,670,506	217,276	1,938,276	(1,465,916)	3,463,183



Notes to Financial Statements (continued)

For the year ended 31 December 2022

4. a) Gross earned premium income

The principal activity of the Group is the underwriting of long-term and general insurance business as defined by the Insurance Act. Premium income can be analysed between the two main lines of insurance business as follows;

i) Long term insurance business		Group	
	2022	2021	
	KShs. '000	KShs. '000	
New business: Recurring			
Individual life	425,275	582,826	
Group business	250,142	1,027,752	
New business: Single premiums			
Group business	2,177,205	2,737,677	
Total new business	2,852,622	4,348,255	
Renewal recurring			
Individual life	2,570,907	2,481,603	
Group business	926,459	539,404	
Total renewal premium income	3,497,366	3,021,007	
Total long-term business gross premium income	6,349,988	7,369,262	

ii) General insurance business		2022	2021
	KShs. '000	KShs. '000	
Class of business			
Engineering	163,432	131,595	
Fire domestic	71,396	70,969	
Fire industrial	522,157	488,626	
Liability	165,835	211,173	
Marine	52,533	45,672	
Motor private	857,120	945,784	
Motor commercial	1,222,323	1,071,778	
Motor PSV	203,009	312,750	
Personal accident	32,706	10,840	
Medical	66,907	751,679	
Theft	119,281	154,748	
Workmen compensation	312,802	425,681	
Miscellaneous	53,913	51,461	
Total general business gross premium income	3,843,414	4,672,756	
Total group gross premium income	10,193,402	12,042,018	

Notes to Financial Statements (continued)

For the year ended 31 December 2022

4. b) Premiums ceded to reinsurers

Section 29(1) of the Insurance Act requires all registered underwriters to have in place appropriate reinsurance arrangements being arrangements approved by the Commissioner of Insurance in respect of insurance business underwritten in the course of the business.

The premiums ceded to reinsurers can be analyzed by the main classes of business as follows;

	Group	
	2022	2021
	KShs:'000	KShs:'000
Long term insurance business		
Ordinary life	92,606	60,066
Group business	735,277	1,025,180
General insurance business	1,154,179	1,721,933
Total premiums ceded to reinsurers	1,982,062	2,807,179

5. Fees and commission income

Commission income	424,570	575,108
	424,570	575,108

6. a) Investment income

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Rental income	141,302	147,787	-	-
Rental expenses	(50,709)	(67,042)	-	-
Net rental income	90,593	80,745	-	-
Interest income on:				
- Financial assets designated at fair value through profit or loss	3,144,818	2,719,379	11,951	9,457
- Loans to related parties	-	-	-	-
- Loans and receivables	15,880	19,100	-	-
- Cash and cash equivalents	73,407	73,715	-	-
- Impairment of policy loans	(9,571)	-	-	-
Dividend income	35,053	-	300,000	1,000,000
Deemed dividend from Sanlam Securities	-	-	-	425,464
Total investment income	3,350,180	2,892,939	311,951	1,434,921



Notes to Financial Statements (continued)

For the year ended 31 December 2022

6. b) Fair value losses on assets at fair value through profit or loss

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Fair value gain/(loss) on investment properties (Note 13)	13,000	(71,000)	-	-
Realised foreign exchange (loss)/gains	(13,559)	13,619	-	-
Fair value losses on financial assets at fair value through profit or loss (Note 16)	(1,014,614)	(299,719)	-	-
Total fair value losses	(1,015,173)	(357,100)	-	-

6. c) Other operating revenue

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Plot sales	-	67,000	-	67,000
Recovery of write off and other income	33,476	6,070	33,856	5,186
Total other income	33,476	73,070	33,856	72,186

Other incomes comprise of recovery from investment write offs by the company of Kaluworks investment done through Sanlam Investment Limited.

7. Details of expenses

a) Benefits and claims

	Group	
	2022	2021
	KShs.'000	KShs.'000
Gross benefits and claims paid		
Long term insurance contracts with fixed and guaranteed terms		
- Death and disability claims	1,317,067	1,041,083
- Maturity and survival benefits	1,454,561	1,812,160
- Policy surrenders	487,983	597,410
- Annuities	1,456,196	1,312,320
General insurance business claims	3,300,249	3,655,253
Gross benefits and claims paid	8,106,056	8,418,226
Claims ceded to reinsurers	(1,717,748)	(1,543,251)
Gross change in actuarial value of insurance contract liabilities	1,468,811	3,136,843
Gross change in actuarial value of investment contract liabilities	(760,853)	(1,139,327)
Change in contract liabilities ceded to reinsurers	228,894	(256,510)
Net benefits and claims	7,325,160	8,615,981

Notes to Financial Statements (continued)

For the year ended 31 December 2022

7. Details of expenses (continued)

b) Fee and commission expense

	Group	
	2022	2021
	KShs.'000	KShs.'000
Payable to agents	244,828	384,230
Payable to brokers and other intermediaries	798,071	954,315
Fee and commission expense	1,042,899	1,338,545

c) Cost of sales - Inventory

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Land	-	11,061	-	11,061
	-	11,061	-	11,061

Items of cost of sales represent costs incurred on the land sold and carried in the books as inventory.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

8. Operating expenses

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Other operating expense include:				
Staff costs (Note 9)	992,252	1,033,929	64,306	174,039
Amortisation (Note 11)	53,140	16,730	-	-
Depreciation (Note 12)	79,099	85,225	2,807	5,563
Right of use depreciation (Note 12 (c))	27,717	31,910	(2,187)	4,534
Fees for managerial and administrative services:				
Auditors remuneration	18,674	16,976	4,289	3,815
Tax audit fees	6,216	4,229	2,595	2,448
Legal fees	61,012	83,629	14,588	4,729
Actuarial fees	3,816	5,576	-	-
Premium tax and stamp duty	80,674	110,927	-	-
Premium collection charges	-	7,260	-	-
Advertising	70,547	157,713	4,532	9,931
Repairs and maintenance	10,226	6,441	162	171
Rental expenses	22,452	56,238	1,488	1,070
Other expenses	423,742	731,305	30,020	39,899
Total operating expenses	1,849,567	2,348,088	122,600	246,199

Other expenses comprise marketing expenses, printing and stationery expenses and other office expenses.

9. Staff costs

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Staff costs include the following:				
Defined contribution pension costs	76,270	75,345	5,950	11,520
Social security benefit costs	449	458	31	31
Salaries and other short-term benefits	915,533	958,126	58,325	162,488
	992,252	1,033,929	64,306	174,039

The total number of permanent employees for the Group as at 31 December 2022 was 172 compared to 177 as at 31 December 2021. Total employees for the Company as at 31 December 2022 was nil (2021: 7). The company employees were transferred to the operating subsidiaries where they provide employment services.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

10. a) Income tax expense

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Statement of profit or loss				
Current tax:				
Current year tax charge	30,702	18,917	3,389	2,590
Under/(over) provision of current tax from prior years	(271)	3,276	(271)	2,642
Deferred tax:				
Prior year adjustment	17,018	(2,250)	-	-
Deferred income tax charge (Note 27(a))	334,365	108,734	-	-
Income tax expense	381,814	128,677	3,118	5,232
Reconciliation of income tax expense to tax based on accounting profit: -				
Profit before income tax	327,743	(413,682)	(204,921)	(48,504)
Tax calculated at a statutory rate of 30% (2021: 30%)	98,323	(124,103)	(61,476)	(14,551)
Tax effect of:				
Income not subject to tax	(266,918)	(279,545)	64,865	19,783
Expenses not deductible for tax	272,829	256,162	-	-
Under/(over) provision of current tax from prior years	(271)	3,276	(271)	-
Deferred tax prior year adjustment	17,018	(2,250)	-	-
Deferred tax charge on life fund surplus	260,833	275,137	-	-
Income tax expense	381,814	128,677	3,118	5,232

10. b) Current income tax:

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At start of the year: current tax receivable	226,183	100,613	1,981	6,567
Current tax payable	-	(138,253)	-	-
Income tax paid	195,386	456,543	778	646
Current year income tax payable	(33,939)	(18,917)	(2,599)	(5,232)
Under-provision of current tax from prior years	2,728	(3,276)	(1,297)	-
Transfer from deferred tax on life fund surplus	(136,535)	(170,175)	-	-
Under provision of deferred tax in prior years life fund	-	(352)	-	-
Net tax position	253,823	226,183	(1,137)	1,981
At end of the year: current tax receivable	254,960	226,183	-	1,981
Current tax payable	1,137	-	1,137	-



Notes to Financial Statements (continued)

For the year ended 31 December 2022

11. Intangible assets – software: Group

	Group
	Software
	KShs.'000
Year ended 31 December 2022	
Cost:	
At 1 January	160,207
Additions	49,464
At 31 December	209,671
Amortisation	
At start of year	(124,869)
Charge for the year	(53,140)
At 31 December	(178,009)
Carrying amount	
At 31 December	31,662
Year ended 31 December 2021	
Cost:	
At 1 January and 31 December	215,773
Write-offs	(44,291)
Transfer to property and equipment (note 12)	(11,275)
	160,207
Amortisation	
At start of year	(159,243)
Charge for the year	(16,730)
Write-offs	44,291
Transfer to property and equipment (note 12)	6,813
At 31 December	(124,869)
Carrying amount	
At 31 December	35,338

Notes to Financial Statements (continued)

For the year ended 31 December 2022

12. (a) Property and equipment

Group

Year ended 31 December 2022	Motor vehicles	Computer equipment	Furniture and equipment	Owner occupied property	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost					
At 1 January	11,786	155,867	424,879	446,320	1,038,852
Write off	-	(216)	(21,364)	-	(21,580)
Additions	-	6,204	15,976	-	22,180
Adjustment on transfer of assets	-	656	-	-	656
Disposal of impaired assets	-	(4,554)	(18,131)	-	(22,685)
At 31 December	11,786	157,957	401,360	446,320	1,017,423
Depreciation					
At 1 January	(11,786)	(137,855)	(220,508)	(33,474)	(403,623)
Write off	-	216	21,364	-	21,580
Disposal of impaired assets	-	2,981	19,703	-	22,684
Charge for the year	-	(22,983)	(44,958)	(11,158)	(79,099)
At 31 December	(11,786)	(157,641)	(224,399)	(44,632)	(438,458)
Carrying amount					
At 1 January	-	18,012	204,371	412,846	635,229
At 31 December	-	316	176,961	401,688	578,965



Notes to Financial Statements (continued)

For the year ended 31 December 2022

12. (a) Property and equipment (Continued)

Group

Year ended 31 December 2021	Motor vehicles	Computer equipment	Furniture and equipment	Owner occupied property	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cost					
At 1 January	11,861	265,326	539,543	446,320	1,263,050
Write off	(75)	(136,896)	(120,075)	-	(257,046)
Additions	-	6,721	17,597	-	24,318
Transfer from intangible assets	-	11,275	-	-	11,275
Reclassification from furniture, fittings and equipment to computer	-	9,441	(9,441)	-	-
Disposal	-	-	(2,745)	-	(2,745)
At 31 December	11,786	155,867	424,879	446,320	1,038,852
Depreciation					
At 1 January	(10,858)	(233,372)	(304,965)	(22,316)	(571,511)
Write off	75	136,896	120,008	-	256,979
Prior years' depreciation adjustment*	296	(94)	-	-	202
Transfer from intangible assets	-	(6,813)	-	-	(6,813)
Reclassification from furniture, fittings and equipment to computer	-	590	(590)	-	-
Charge for the year	(1,299)	(35,062)	(37,706)	(11,158)	(85,225)
Disposal	-	-	2,745	-	2,745
At 31 December	(11,786)	(137,855)	(220,508)	(33,474)	(403,623)
Carrying amount					
At 1 January	1,003	31,954	234,578	424,004	691,539
At 31 December	-	18,012	204,371	412,846	635,229

Fully depreciated assets still in use had a cost of KShs 265,568,763 (2021: KShs 329,568,763). Notional depreciation of fully depreciated assets were KShs 52,582,355 (2021; KShs 65,727,944).

There are no restrictions on the titles and no item of property or equipment is pledged as collateral (2021; nil).

*The adjustments in the movement schedule above relate to expensing of historical costs and depreciation not supported by asset register and reclassification of depreciation on transfer of assets between asset classes.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

12. (a) Property and equipment (Continued)

Company

Year ended 31 December 2022	Computer equipment	Furniture and equipment	Total
	KShs.'000	KShs.'000	KShs.'000
Cost			
At 1 January	4,116	52,726	56,842
Additions	310	-	310
Adjustment	656	-	656
Transfer to Sanlam Life	(5,082)	(52,726)	(57,808)
	-	-	-
Depreciation			
At 1 January	(3,128)	(31,818)	(34,946)
Charge for the year	(119)	(2,688)	(2,807)
Transfer to Sanlam Life	3,247	34,506	37,753
At 31 December	-	-	-
Carrying amount	-	-	-
At 31 December	-	-	-
Year ended 31 December 2021			
Cost			
At 1 January and 31 December	4,116	52,726	56,842
Depreciation			
At 1 January	(2,942)	(26,441)	(29,383)
Charge for the year	(186)	(5,377)	(5,563)
At 31 December	(3,128)	(31,818)	(34,946)
Carrying amount			
At 31 December	988	20,908	21,896

Fully depreciated assets still in use had a cost of KShs nil (2021: KShs 14,912,000). Notional depreciation of fully depreciated assets was KShs nil (2021; KShs 1,864,000).

There are no restrictions on the titles and no item of property or equipment is pledged as collateral (2021; nil).

All asset for the Company were transfer to Sanlam Life Insurance Limited at net book value and the fully depreciated and impaired assets were disposed of on transfer.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

12(b) Leases

This note provides information for leases where the Group is a lessee.

The Group leases office space for branch operations across the country. These leases span for a period of 5 to 6 years and are negotiable at the expiry for a new term at the discretion of the lessee. The offices are fitted to put them in operational state and fitting are capitalized and depreciated as per note 2(i)

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset at an amount equal to lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used. The incremental borrowing rate is the internal cost of debt determined as the risk-free borrowing rate adjusted for country premium.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to re-measurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognized in profit or loss on a straight-line basis over the lease period.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

12(c) Leases (continued)

Measurement of right of use assets and lease liabilities

i) Right of use asset

	Group		Company	
	2022	2021	2022	2021
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
At start of year	87,811	122,627	29,558	34,092
Additions	12,342	36,451	-	-
Disposal	(7,603)	(39,357)	(27,382)	-
Amortisation of right of use asset in statement of profit or loss	(27,717)	(31,910)	(2,176)	(4,534)
At end of year	64,833	87,811	-	29,558

	Group		Company	
	2022	2021	2022	2021
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
Lease liabilities				
At start of year	101,209	132,469	41,118	42,682
Additions	12,342	36,451	-	-
Disposal	(11,913)	(36,716)	(27,382)	-
Finance charge in the income statement	7,316	33,913	(10,993)	4,631
Lease payments recognised in the cashflow statement	(26,875)	(64,908)	(2,743)	(6,195)
At end of year	82,079	101,209	-	41,118

ii) Amounts recognised in profit or loss

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amortization of right of use asset	27,717	31,910	2,176	4,534
Interest on lease liabilities	7,316	33,913	(10,993)	4,631
Total amount recognised in profit or loss	35,033	65,823	(8,817)	9,165

iii) Amounts recognised in statement of cash flows

Principal lease payments	6,500	30,995	677	-
Interest on lease payments	20,375	33,913	2,066	6,195
Total cash outflows for leases	(26,875)	(64,908)	(2,743)	6,195



Notes to Financial Statements (continued)

For the year ended 31 December 2022

12(c) Leases (continued)

iv) Extension options

Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options will be exercisable only by the Group and not by the lessors. The Group current opts to negotiate new lease terms with the lessors.

The Group has estimated that the potential future lease payments, should it exercise the extension options, would result in an increase in lease liability of KShs 32 million (2021 – KShs 80 million).

13. a) Investment properties

	2022	2021
	KShs. '000	KShs. '000
Group:		
At start of year	2,459,680	2,383,680
Acquisition from Saham business	-	77,000
Transfer from non-current assets held for disposal (Note 13 (b))	-	70,000
Fair value gain/(loss)	13,000	(71,000)
At end of year	2,472,680	2,459,680

Investment properties are stated at fair value, which has been determined based on valuations performed by Knight Frank Limited during the year. Knight Frank Limited are industry specialists in valuing investment properties and have appropriate recognized professional qualification and recent experience in the location and category of property being valued. The fair value represents the amount at which the assets could be exchanged between a knowledgeable, willing buyer and a knowledgeable, willing seller in an arm's length transaction at the date of valuation. Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of profit or loss.

Valuations are performed on an annual basis and the fair value gains and losses are recorded within the statement of profit or loss. The Group leases some of its investment properties. The rental income arising during the year and expenses arising in respect of those properties are disclosed in Note 6(a).

Amounts recognised in statement of profit or loss:

	2022	2021
	KShs. '000	KShs. '000
Rental income from operating leases	141,302	147,787
Direct operating expenses from property that generated rental income	(91,257)	(67,042)

Leasing arrangements

The investment properties are leased to tenants under operating leases with rentals payable monthly. Although the Company is exposed to changes in the residual value at the end of the current leases, the Company typically enters into new operating leases and therefore will not immediately realise any reduction in residual value at the end of these leases. Expectations about the future residual values are reflected in the fair value of the properties



Notes to Financial Statements (continued)

For the year ended 31 December 2022

13. a) Investment properties (continued)

Minimum lease payments receivable on leases of investment properties are as follows

	2022	2021
	KShs. '000	KShs. '000
Within 1 year	99,496	92,987
Within 2 – 5 years	401,146	374,903
Later than 5 years	243,627	227,689
	744,269	695,579

Valuation technique used to derive level 3 fair values

Level 3 fair values of land and buildings have been derived using the sales comparison approach. Sales prices of comparable land and buildings in proximity are adjusted for differences in key attributes such as property size and location.

The following table shows the valuation technique used in measuring the fair values of investment properties, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants.	<ul style="list-style-type: none"> Expected market rental growth 5%. Void periods 6 months at the beginning of each lease. Occupancy rate 90%. Rent-free periods 6 months at the beginning of each lease. Discount rate 14%. 	<p>The estimated fair value would increase (decrease) if:</p> <ul style="list-style-type: none"> expected market rental growth were higher (lower); void periods were shorter (longer); the occupancy rate was higher (lower); rent-free periods were shorter (longer); or the discount rate was lower (higher).

The fair valuation basis considers the existing use and the tenancies and considers the normal lease structure for similar buildings.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or immediately (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
	KShs. '000	KShs. '000	KShs. '000	KShs. '000
As at 31 December 2022				
Investment properties	-	-	2,472,680	2,472,680
As at 31 December 2021				
Investment properties	-	-	2,459,680	2,459,680

The fair value of investment property was determined by reference to the market prices of similar properties of the type and in the area in which the property is situated.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

13 .(b) Non-current asset held for disposal

	2022	2021
	KShs. '000	KShs. '000
At 1 January	-	70,000
Transfer to investment properties (Note 13(a))	-	(70,000)
Fair value loss	-	-
Total	-	-

Income from non-current assets held for disposal

	2022	2021
	KShs'000	KShs'000
Net rental expense	-	(5,405)
Fair value loss on investment properties	-	-
Net expenses	-	(5,405)

Assets classified as held for disposal are assets expected to be disposed within the next 12 months.

Changes in fair values are recognised as gains in profit or loss and included in fair value (loss)/gain. All losses are realised. There are no cumulative income or expenses included in OCI relating to the disposal group.

14.(a) Investments in subsidiaries

Company	Shareholding in 2022	At 1 January 2022 KShs:'000	Impairment of investment in subsidiary	At 31 December 2022
			KShs:'000	KShs:'000
Sanlam Life Insurance Limited	100%	873,399	-	873,399
Sanlam Securities Limited	100%	483,897	-	483,897
Sanlam Investments Limited	100%	-	-	-
Sanlam General Insurance Limited	71.86%	94,642	-	94,642
		1,451,938	-	1,451,938

During the year, the Company assessed the carrying amount for the investments in subsidiaries and no impairment was noted.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

14.(a) Investments in subsidiaries (continued)

In 2021 assessment of impairment resulted in impairment as indicated below.

Company	Shareholding in 2021	At 1 January 2021 KShs:'000	Impairment of investment in subsidiary	At 31 December 2021
			KShs:'000	KShs:'000
Sanlam Life Insurance Limited	100%	873,399	-	873,399
Sanlam Securities Limited	100%	679,009	(195,112)	483,897
Sanlam Investments Limited	100%	-	-	-
Sanlam General Insurance Limited	71.84%	701,027	(606,385)	94,642
		2,253,435	(801,497)	1,451,938

Set out below is the summarised financial information of Sanlam General Limited, the only subsidiary whose non-controlling interest is material to the Group. The amounts disclosed are before intercompany eliminations.

	2022	2021
	KShs:'000	KShs:'000
Summarised statement of financial position		
Total assets	5,401,710	4,667,416
Total liabilities	(5,422,111)	(4,536,151)
Net assets	(20,401)	131,265
Summarised statement of comprehensive income		
Gross earned premiums	3,843,414	4,672,756
Underwriting loss before income tax	(37,407)	(668,951)



Notes to Financial Statements (continued)

For the year ended 31 December 2022

14.(a) Investments in subsidiaries (continued)

	2022	2021
	KShs'000	KShs'000
Summarised statement of comprehensive income(continued)		
Loss before income tax	(37,407)	(668,951)
Finance cost	(27,216)	-
Income tax expense	(87,042)	168,039
Other comprehensive income	-	-
Total comprehensive income for the year	(151,665)	(500,912)
Total comprehensive income allocated to non-controlling interests	(42,712)	(141,070)
Summarised cash flows		
Net cash generated from operating activities	(152,152)	374,585
Net cash used in investing activities	(1,012,738)	(319,216)
Net cash used in financing activities	1,058,897	(11,582)
Net increase in cash and cash equivalents	(105,993)	43,787
Cash and cash equivalents at start of year	330,229	272,823
Effects of changes in exchange rates	(13,559)	13,619
Cash and cash equivalents at end of year	210,677	330,229

14.(b) Investment in associate

	2022	2021
	Principal activity	Shareholding
Investments comprise:		
Runda Water Limited	Water distribution	24.90%

Runda Water Limited is a private entity incorporated in Kenya. The entity is not listed on any public exchange and there is no published price quotation for the fair value of this investment. The principal place of business of the associate is Delta Riverside, Riverside Drive. The share capital in the entity is solely made up of ordinary shares. The reporting date of Runda Water Limited is the same as the Group's and both use uniform accounting policies. There are no contingent liabilities relating to the group's interest in the associates. The investment in associate carried at net assets value attributable to the Group of KShs.17,779,000 and at investment cost in the company amounting KShs.4,863,000 as at 31 December 2020 were fully impaired in the Group and Company respectively in the year ended 31 December 2020 and share of its results are no longer equity accounted for in these financial statements.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

14.(b) Investment in associate (continued)

Below are extracts of the last audited financial statements of Runda Water Limited.

	2021	2020
	KShs'000	KShs'000
Summarised statement of financial position		
Total assets	138,971	144,735
Total liabilities	(36,755)	(40,844)
Net assets	102,216	103,891
Summarised statement of comprehensive income		
Gross revenues	71,700	59,269
Administration and other expenses	(66,929)	(55,329)
Profit for the year before tax	4,771	3,940
Tax credit/(expense)	(6,447)	3,205
Profit/(loss) for the year after tax	(1,676)	7,145

14.(c) Non-controlling interest movement

	2022	2021
	KShs. '000	KShs. '000
Sanlam General Insurance Limited (28.16%)		
At 1 January	36,966	178,036
NCI share of total comprehensive income	(42,712)	(141,070)
At 31 December	(5,746)	36,966

15. Loans

	Group	
	2022	2021
	KShs:'000	KShs:'000
Mortgage loans (Note 15 (a))	92,221	95,660
Policy loans (Note 15 (b))	146,288	154,976
Total loans	238,509	250,636

As at the reporting date, the carrying value of the loans receivable fairly approximates the fair value of the loans. Mortgage loans are secured on the underlying property while policy loans are secured by the cash surrender value of the underlying policies.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

15. Loans (continued)

a) Mortgage loans

	Group	
	2022 KShs. '000	2021 KShs. '000
Gross mortgage loans		
At 1 January	123,856	127,639
Accrued interest	3,401	5,102
Loan repayments	(6,840)	(8,885)
At 31 December	120,417	123,856
Impairment:		
At 1 January	(28,196)	(28,203)
Movement in the year	-	7
At 31 December	(28,196)	(28,196)
Net mortgages at 31 December	92,221	95,660

Maturity profile of mortgage loans based on contractual undiscounted cashflows.

	Group	
	2022 KShs:'000	2021 KShs:'000
Loans maturing:		
Within 1 year	47,409	54,868
In 1 - 5 years	19,951	36,003
After 5 years	53,057	32,985
	120,417	123,856



Notes to Financial Statements (continued)

For the year ended 31 December 2022

15. Loans (continued)

b) Policy loans

	Group	
	2022	2021
	KShs.'000	KShs.'000
At 1 January	232,369	254,390
Additions	78,981	93,082
Repayments	(90,577)	(129,101)
Interest accrued	12,479	13,998
At 31 December	233,252	232,369
Provision for impairment:		
At 1 January	(77,393)	(57,109)
Movement in the year	(9,571)	(20,284)
At 31 December	(86,964)	(77,393)
Net policy loans	146,288	154,976

Maturity profile of policy loans based on contractual undiscounted cashflows.

Loans maturing:		
Within 1 year	101,968	105,018
In 1 - 5 years	44,165	48,391
After 5 years	87,119	78,960
	233,252	232,369

c) Insurance premium finance loans (IPF)

At 1 January and 31 December	21,464	21,464
Provision for impairment:		
At start of the year	(21,464)	(17,862)
Increase during the year	-	(3,602)
At end of the year	(21,464)	(21,464)
Net insurance premium finance loans	-	-

Maturity profile

All insurance premium finance loans are provided to policyholders of Sanlam General over a period not exceeding 10 months and are therefore due within one year.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

16. Financial assets at fair value through profit or loss and government securities at amortised cost

a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss and
- those to be measured at amortised cost.

For assets measured at fair value, gains and losses are recorded in profit or loss.

Group:

	Amortised cost	Fair value through profit or loss	Total
	KShs. '000	KShs. '000	KShs. '000
At 31 December 2022:			
Equity securities	-	576,692	576,692
Government securities at fair value through profit or loss	-	26,585,346	26,585,346
Government securities at amortised cost	1,556,898	-	1,556,898
Deposits with financial institutions	1,327,632	15,805	1,343,437
Total	2,884,530	27,177,843	30,062,373

	Amortised cost	Fair value through profit or loss	Total
	KShs. '000	KShs. '000	KShs. '000
At 31 December 2021:			
Equity securities	-	671,655	671,655
Government securities at fair value through profit or loss	-	24,995,992	24,995,992
Government securities at amortised cost	263,500	-	263,500
Deposits with financial institutions	1,048,650	-	1,048,650
Total	1,312,150	25,667,647	26,979,797

All the government securities and deposits with financial institutions are measured either at fair value through profit or loss or at amortised cost.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

16. Financial assets at fair value through profit or loss and government securities at amortised cost (continued)

Financial assets movement

The movement in financial assets is as shown below:

	Opening balance	IFRS 9 adjustment	Purchases	Disposals	Fair value adjustment	Accrued interest	Closing balance
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Year ended 31 December 2022:							
Equity securities	671,655	-	-	(32,551)	(62,412)	-	576,692
Government securities at fair value through profit or loss	24,995,992	-	7,763,668	(4,963,788)	(967,386)	(243,140)	26,585,346
Government securities at amortised cost	263,500	(378)	1,713,156	(451,606)	-	32,226	1,556,898
Deposits with financial institutions	1,048,650	-	(4,224,248)	3,121,756	15,184	1,382,095	1,343,437
Total	26,979,797	(378)	5,252,576	(2,326,189)	(1,014,614)	1,171,181	30,062,373

	Opening balance	IFRS 9 adjustment	Purchases	Disposals	Fair value adjustment	Accrued interest	Closing balance
	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000	Kshs. '000
Year ended 31 December 2021:							
Equity securities	516,342	-	210,880	(73,486)	17,919	-	671,655
Government securities at fair value through profit or loss	21,466,624	-	7,878,984	(4,024,435)	(325,181)	-	24,995,992
Government securities at amortised cost	408,606	(212)	237,724	(399,905)	-	17,287	263,500
Deposits with financial institutions	1,247,857	-	(2,998,658)	2,791,662	7,543	246	1,048,650
Total	23,639,429	(212)	5,328,930	(1,706,164)	(299,719)	17,533	26,979,797



Notes to Financial Statements (continued)

For the year ended 31 December 2022

16. Financial assets at fair value through profit or loss and government securities at amortised cost (continued)

Maturity analysis:

	< 1 year	1 - 5 years	> 5 years	Open ended	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
As at 31 December 2022:					
Equity securities	-	-	-	576,692	576,692
Government securities at fair value through profit or loss	148,471	1,806,589	24,630,286	-	26,585,346
Government securities at amortised cost	565,244	991,654	-	-	1,556,898
Deposits with financial institutions	1,343,437	-	-	-	1,343,437
Total	2,057,152	2,798,243	24,630,286	576,692	30,062,373
As at 31 December 2021:					
Equity securities	-	-	-	671,655	671,655
Government securities at fair value through profit or loss	420,583	1,065,387	23,510,022	-	24,995,992
Government securities at amortised cost	263,500	-	-	-	263,500
Deposits with financial institutions	1,048,650	-	-	-	1,048,650
Total	1,732,733	1,065,387	23,510,022	671,655	26,979,797

Included within the government securities are bonds held under lien as required by the Insurance Regulatory Authority Kshs 1,610,000,000.

b) Determination of fair value and fair value hierarchy

Below is the required disclosure of fair value measurements, using a three-level fair value hierarchy that reflects the significance of the inputs used in determining the measurements.

Level 1

Included in level 1 category are financial assets and liabilities that are measured in whole or in part by reference to unadjusted, quoted prices in an active market for identical assets and liabilities. Quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2

Included in level 2 category are financial assets and liabilities measured using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). For example, instruments measured using a valuation technique such as discounted cash flows, based on assumptions that are supported by prices from observable current market transactions are categorised as level 2. The Group's level 2 financial assets indicated below comprise of unquoted equities valued using market approach, government securities and deposits with financial institutions measured at FVTPL.

Fair value is determined by discounting estimated cash flows with a discount rate based on a market yield for similar instruments at year-end. Inputs applied include a market discount rate and credit risk of the counterparty. The market discount rate used is the 91 days treasury bill rate.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

16. Financial assets at fair value through profit or loss and government securities at amortised cost (continued)

(b) Determination of fair value and fair value hierarchy (continued)

Level 3

Financial assets and liabilities measured using inputs that are not based on observable market data are categorised as level 3. Non-market observable inputs mean that fair values are determined in whole or in part using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Significant unobservable inputs are developed as follows.

- Expected prepayment rates are derived from historical prepayment trends, adjusted to reflect current conditions.
- The probabilities of defaults and loss severities for commercial assets are derived from the CDS market. When this information is not available, the inputs are obtained from historical default and recovery information and adjusted for current conditions.
- The probabilities of default and loss severities for retail assets are derived from historical default and recovery information and adjusted for current conditions.

- Correlations between and volatilities of the underlying are derived through extrapolation of observable volatilities, recent transaction prices, quotes from other market participants, data from consensus pricing services and historical data adjusted for current conditions.

- Risk-adjusted spreads are derived from the CDS market (when this information is available) and from historical defaults and prepayment trends adjusted for current conditions.

- Expected cash flows are derived from the entity's business plan and from historical comparison between plans and actual results.

Valuation techniques are used to the extent that observable inputs are not available, thereby allowing for situations for which there is little, if any, market activity for the asset or liability at the measurement date. However, the fair value measurement objective remains the same, that is, an exit price from the perspective of the Group. Therefore, unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include three key inputs to the valuation process are: a) Cash flows—the cash generated from ownership of the asset; b) Timing—the time period(s) in which cash flows are received; and c) Required return—the interest rate used to discount the future cash flows to a present value.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

16. Financial assets at fair value through profit or loss and government securities at amortised cost (continued)

(b) Determination of fair value and fair value hierarchy (continued)

Level 3 (continued)

	Level 1	Level 2	Level 3	Total fair value
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
As at 31 December 2022:				
Equity securities	132,192	444,500	-	576,692
Government securities at fair value through profit or loss	26,585,346	-	-	26,585,346
Government securities at amortised cost	-	1,556,898	-	1,556,898
Deposits with financial institutions	-	1,343,437	-	1,343,437
Total	26,717,538	3,344,835	-	30,062,373
As at 31 December 2021:				
Equity securities	227,155	444,500	-	671,655
Government securities at fair value through profit or loss	24,995,992	-	-	24,995,992
Government securities at amortised cost	-	263,500	-	263,500
Deposits with financial institutions	-	1,048,650	-	1,048,650
Total	25,223,147	1,756,650	-	26,979,797

17. Weighted average effective interest rate

The following table summarises the fixed average effective interest rates at the year-end on the principal interest-bearing investments. The interest contractual rates do not fluctuate during the term of the investments.

	2022	2021
Treasury bills	9%	10%
Treasury bonds	13%	12%
Mortgage loans and corporate bonds	4%	6%
Deposits with financial institutions	8%	10%
Policy loans	10%	8%

Notes to Financial Statements (continued)

For the year ended 31 December 2022

18. Reinsurance share of insurance contract liabilities

The reinsurance asset can be broken down as follows;

	Group	
	2022	2021
	KShs. '000	KShs. '000
Long term business reinsurance asset (Note 18 (i))	153,423	382,317
General business reinsurance asset (Note 18 (ii))	1,257,251	1,143,154
	1,410,674	1,525,471

The following is a summary of the movements in the reinsurance share of insurance contract liabilities:

i) Long term reinsurance asset movement

	Group	
	2022	2021
	KShs. '000	KShs. '000
Opening balance	382,317	125,807
Current year movement (Note 24 (b))	(228,894)	256,510
	153,423	382,317

ii) General business reinsurers' share of insurance liabilities and reserves

	Group	
	2022	2021
	KShs. '000	KShs. '000
Reinsurers' share of:		
Notified claims outstanding	429,462	476,112
Unearned premium	407,043	544,203
Additional unexpired risk reserve (AURR)	-	6,087
Claims incurred but not reported (IBNR)	420,746	116,752
	1,257,251	1,143,154

General business reinsurance asset movement

	Group	
	2022	2021
	KShs. '000	KShs. '000
Opening balance	1,143,154	1,234,846
Current year movement	114,097	(91,692)
	1,257,251	1,143,154



Notes to Financial Statements (continued)

For the year ended 31 December 2022

19. Inventory

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
At start of year	89,696	89,564	89,696	89,564
Additions	-	1,736	-	1,736
Disposals	-	(1,604)	-	(1,604)
As at December	89,696	89,696	89,696	89,696

Inventory is measured at the lower of cost and net realizable value.

20. Receivables and deferred acquisition costs

(a) Insurance receivables

	Group	
	2022	2021
	KShs:'000	KShs:'000
Due from policyholders	534,735	914,971
Provision for doubtful debts	(254,165)	(625,217)
Net amount due from policyholders	280,570	289,754
Amounts due from reinsurers	730,390	777,471
Provision for doubtful debts	-	(20,686)
Amounts due (to)/from agents, brokers and intermediaries	(68,555)	(210,465)
	942,405	836,074

The amounts receivable does not carry interest and are due within period ranging from 30 days to 180 days. The impairment is charged to expenses in the respective period. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

(b) Receivables and other assets

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Amounts due from related parties (Note 34 (a))	5,144	4,878	29,464	4,987
Rent outstanding	35,393	58,981	-	-
Prepayments	31,976	37,010	8,532	11,354
VAT claimable	36,525	49,848	-	-
Other receivables	161,103	182,577	13,858	23,006
Total	270,141	333,294	51,854	39,347

The carrying amounts disclosed above reasonably approximate fair value at reporting date due to their short-term nature.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

20. Receivables and deferred acquisition costs (continued)

(c) Deferred acquisition costs

The movement in deferred acquisition costs is shown below;

	Group	
	2022	2021
	KShs:'000	KShs:'000
At start of year	243,969	198,477
Net movements in the year	(58,505)	45,492
At end of year	185,464	243,969

21. Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise the following:

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Cash and bank balances	304,645	658,260	4,937	10,497
Deposits with financial institutions (Note 16)	1,343,437	1,048,650	-	180,357
	1,648,082	1,706,910	4,937	190,854

Short-term deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group. The carrying amounts disclosed above reasonably approximate fair value at the reporting date.

22. Capital and reserves

Group and Company:

	Ordinary shares	2022	2021
	Thousands	KShs:'000	KShs:'000
Share capital issued and fully paid			
At start and end of year	144,000	720,000	720,000
At the end of the year	144,000	720,000	720,000

The total number of authorised ordinary shares is 400,000,000 with a par value of KShs. 5 per share. There are 144,000,000 shares in issue with a par value of KShs. 5 per share. All issued shares are fully paid.

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 Group and Company. All ordinary shares ranked equally with regards to the Group and Company residual assets.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

22. Capital and reserves (continued)

Statutory fund

The statutory fund represents a reserve maintained within the long-term insurance business and represents unallocated surpluses from previous actuarial valuations as required by section 46(5) of the Insurance Act. Transfers from this fund are made upon recommendation of the actuary. This movement has been shown on the statement of changes in equity.

Through a business transfer agreement on 23 June 2021, Saham Assurance Company Kenya Limited transferred its life assurance business in Kenya to Sanlam Life insurance Limited. The business transferred consisted of the life fund made up of the long-term policy liabilities amounting to KShs. 189,714,000 and a net surplus on the fund of KShs. 31,183,000.

	Group	
	2022	2021
	KShs:'000	KShs:'000
Balance at the beginning of the year	1,599,677	1,323,581
Transfer to the statutory fund	608,609	641,987
Transfer to retained earnings	(318,584)	(397,074)
Acquired on business transfer	-	31,183
Closing fund	1,889,702	1,599,677

23. Borrowings

Finance costs incurred

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Lease liabilities finance costs (note 12(c))	(7,316)	33,913	(10,993)	4,631
Accrued interest	466,338	398,432	439,121	398,432
Interest on related party balance	-	-	-	7,273
Foreign exchange loss on revaluation of borrowings	-	86,518	-	86,518
	466,338	484,950	439,121	492,223
Total finance cost	459,022	518,863	428,128	496,854

Notes to Financial Statements (continued)

For the year ended 31 December 2022

23. Borrowings (continued)

Finance costs incurred (continued)

The movement in the loan balance during the period is as shown below;

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
At start of year	3,000,000	2,976,861	3,000,000	2,976,861
Loans received during the year	1,085,699	3,000,000	-	3,000,000
Accrued interest	466,338	398,432	439,121	398,432
Forex exchange loss	-	86,517	-	86,517
Interest repayments	(464,027)	(421,696)	(436,811)	(421,696)
Loan repayments	-	(3,040,114)	-	(3,040,114)
At end of year	4,088,010	3,000,000	3,002,310	3,000,000

Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Cash and cash equivalents	304,645	658,260	4,937	10,497
Liquid investments*	30,062,373	26,979,797	-	-
Borrowings	(4,088,010)	(3,000,000)	(3,002,310)	(3,000,000)
Lease liabilities	(82,079)	(101,209)	-	(41,118)
Net debt	26,196,929	24,536,848	(2,997,373)	(3,030,621)

* Liquid investments comprise current investments that are traded in an active market, being the group's financial assets held at FVTPL.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

23. Borrowings (continued)

Maturity profile of the borrowings:

The maturity profile of borrowing is as shown below:

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
- Current	2,310	-	2,310	-
- Non-current	4,085,700	3,000,000	3,000,000	3,000,000
	4,088,010	3,000,000	3,002,310	3,000,000

The Group on 21 December 2017 and on 19 December 2018 acquired loan facilities from Sanlam Capital Markets Property Limited of USD10million and USD17million respectively for a period of two years each whose interest was referenced to the 3month LIBOR plus 7% margin. The facility was obtained to settle intercompany balances with related parties, recapitalize the Group's insurance businesses and finance completion of the Sanlam Tower. Sanlam Kenya Plc extended repayment to 17 February 2021 and refinanced the loan facilities with a Kenya shilling loan from Stanbic Bank of KShs 3 billion with interest referenced to 3-month average of the Government of Kenya 182-day Treasury Bill Rate plus 4.5% margin for a term of three years. The facility was restructured again in 2022 to a KShs 4 billion facility with the same bank for another two years to March 2025 with interest expense being capitalized. Interest rate is referenced to 3-month average of the Government of Kenya 182-day Treasury Bill Rate plus 4.95% margin. The facility is sufficiently collateralized by a corporate guarantee issued by Sanlam Emerging Markets.

Sanlam Emerging Markets advanced a loan to Sanlam General Insurance Limited of KShs 1,085,700,000 during the year. The loan is for a period of 18 months at a rate of 3% per annum.

24. Insurance contract liabilities

The insurance contract liabilities are made up of liabilities arising from both general and long-term insurance contracts. The balances as presented in the statement of financial position are made up as follows;

	2022	2021
	KShs:'000	KShs:'000
Insurance contract liabilities		
- General insurance policy liabilities	2,697,264	2,146,881
- Long term policy liabilities	20,210,792	18,767,763
Total insurance contract liabilities	22,908,056	20,914,644
Investment contract liabilities - long-term	2,015,711	2,750,782
Payables under deposit administration contracts	3,368,093	2,592,275
Total investment contract liabilities	5,383,804	5,343,057
Total liabilities	28,291,860	26,257,701

Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

For purposes of the financial statement disclosures, the liabilities have been categorized as follows;

	2022	2021
	KShs.'000	KShs.'000
General insurance policy liabilities (Note 24(a))	2,697,264	2,146,881
Long term policy liabilities (insurance and investment contracts) (Note 24(b))	22,226,503	21,518,545
Payables under deposit administration (Note 24(b))	3,368,093	2,592,275
	28,291,860	26,257,701

(a) Group policy liabilities – General insurance

The movement in the Group general insurance contract liabilities and reinsurance assets are shown below;

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	2,146,881	598,951	1,547,930	1,373,344	627,470	745,874
Cash paid for claims settled in year	(2,665,111)	(760,673)	(1,904,438)	(2,881,690)	(1,164,193)	(1,717,497)
Movement in liabilities						
- arising from IBNR	(24,677)	(11,581)	(13,096)	280,393	38,708	241,685
- arising from AURR	(7,476)	(2,453)	(5,023)	27,403	6,087	21,316
- arising from current year claims	3,247,647	1,025,963	2,221,684	3,347,431	1,090,879	2,256,552
Total at end of year	2,697,264	850,207	1,847,057	2,146,881	598,951	1,547,930
Notified claims	1,827,221	429,462	1,397,759	1,617,240	476,112	1,141,128
Additional unexpired risk reserve (AURR)	19,926	8,539	11,387	27,403	6,087	21,316
Incurred but not reported (IBNR)	850,117	412,206	437,911	502,238	116,752	385,486
Total at end of year	2,697,264	850,207	1,847,057	2,146,881	598,951	1,547,930



Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

b) Group long-term policy liabilities

Long term policy liabilities refer to the amount that needs to be set aside by the life assurance company within the Group in order to be able to cover future obligations to policy holders. It is the difference between the present value of the future benefits and the present value of the expected premiums. In the case of unit linked policies, it is the current value of the fund held by the Group on behalf of policy holders.

Current value of unit linked fund is determined by multiplying the number of units purchased by the policyholder from premium by the unit price as at the valuation date. This is done at a policy-by-policy level. The number of units purchased is a function of allocated premium using factors based on age, term and defined allocation criteria.

Summary of movements is as shown below;

	2022			2021		
	Total	Insurance and Investment contracts	Deposit admin contracts	Total	Insurance and Investment contracts	Deposit admin contracts
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
(i) Analysis of movement in policy liabilities:						
Premium income/contributions (net)	6,976,858	5,522,104	1,454,754	7,438,696	6,284,016	1,154,680
Investment income	2,201,974	2,125,136	76,838	2,635,450	2,440,809	194,641
Asset management fees	(55,268)	(44,421)	(10,847)	(53,006)	(43,278)	(9,728)
Net investment income	2,146,706	2,080,715	65,991	2,582,444	2,397,531	184,913
Income /Inflow	9,123,564	7,602,819	1,520,745	10,021,140	8,681,547	1,339,593
Policy benefits (net)	(4,875,277)	(4,184,744)	(690,533)	(4,615,284)	(4,355,422)	(259,862)
Sales remuneration and administrative expenses	(1,645,890)	(1,591,496)	(54,394)	(1,703,899)	(1,653,302)	(50,597)
Tax Expense	(281,118)	(281,118)	-	(289,831)	(289,831)	-
Transfer to statutory fund	(608,609)	(608,609)	-	(641,986)	(641,986)	-
Outflow	(7,410,894)	(6,665,967)	(744,927)	(7,251,000)	(6,940,541)	(310,459)
Net movement for the year	1,712,670	936,852	775,818	2,770,140	1,741,006	1,029,134
Balance at beginning of the year (net of reinsurance)	24,110,820	21,518,545	2,592,275	20,894,456	19,347,828	1,546,628
Business transfer from Saham	-	-	-	189,714	173,201	16,513
Contract liabilities ceded to reinsurers	(228,894)	(228,894)	-	256,510	256,510	-
Balance at end of year	25,594,596	22,226,503	3,368,093	24,110,820	21,518,545	2,592,275

The assets backing the amounts payable under deposits administration contracts are included in the investments reported by the group under fair value through profit and loss and deposits with financial institutions. The carrying values of the liabilities approximate the fair value of the investments.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

b) Group Long-term policy liabilities (continued)

(ii) Maturity analysis of long-term policy liabilities:

	< 1 year	1-5 years	>5 years	>10 years	open ended	Total
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
As at December 2022:						
Linked and market-related investment contract liabilities	456,457	1,347,957	194,727	16,570	-	2,015,711
<u>Insurance contract liabilities:</u>						
Reversionary bonus policies	1,035,537	1,506,620	1,489,111	350,796	-	4,382,064
Other non-participating liabilities	1,848,811	5,187,680	4,355,887	4,158,337	278,013	15,828,728
Total insurance contracts Liabilities	2,884,348	6,694,300	5,844,998	4,509,133	278,013	20,210,792
Deposit administration contracts	-	-	-	-	3,368,093	3,368,093
Total long-term policy liabilities	3,340,805	8,042,257	6,039,725	4,525,703	3,646,106	25,594,596
As at December 2021:						
Linked and market-related investment contract liabilities	637,162	1,772,220	317,312	24,088	-	2,750,782
<u>Insurance contract liabilities:</u>						
Reversionary bonus policies	785,781	1,451,395	1,646,347	439,881	-	4,323,404
Other non-participating liabilities	1,960,464	4,631,330	3,689,208	3,970,623	192,734	14,444,359
Total insurance contracts liabilities	2,746,245	6,082,725	5,335,555	4,410,504	192,734	18,767,763
Deposit administration contracts	-	-	-	-	2,592,275	2,592,275
Total long-term policy liabilities	3,383,407	7,854,945	5,652,867	4,434,592	2,785,009	24,110,820

The maturity analysis for the long-term policy liabilities is derived from the contract period of the underlying policies.

The carrying amounts disclosed above reasonably approximate fair value at the reporting date.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

b) Group long-term policy liabilities (continued)

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2022:

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business:			
Insurance contracts liabilities	20,210,792	(153,423)	20,057,369
Investment contract liabilities	2,015,711	-	2,015,711
Deposit administration contracts	3,368,093	-	3,368,093
	25,594,596	(153,423)	25,441,173

The following is a summary of the contract provisions and related reinsurance assets as at 31 December 2021:

	Gross provisions	Reinsurance assets	Net
	KShs.'000	KShs.'000	KShs.'000
Long-term business:			
Insurance contracts liabilities	18,767,763	(382,317)	18,385,446
Investment contracts liabilities	2,750,782	-	2,750,782
Deposit administration contracts	2,592,275	-	2,592,275
	24,110,820	(382,317)	23,728,503

The summary of the movements in the reinsurance asset is outlined in Note 18.

c) Interest and bonus declaration

Deposit administration contracts

The liabilities of the Group in respect of funds managed under deposit administration contracts are shown inclusive of interest accumulated to year end i.e. 31 December. Interest was declared and credited to the customer accounts at a weighted average rate of 6% (2021: 6%).

Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

c) Interest and bonus declaration (continued)

Guaranteed funds

The objective of our guaranteed funds is to ensure preservation of capital and protect policyholders against adverse market movements. The fund is invested in a suitable asset mix to ensure stable returns. The guaranteed amount is provided when there is adverse market movement otherwise when the market outperforms the guarantee, the policyholders benefit in the outperformance. The guarantee ranges from 2% to 5% depending on the objectives of the fund. The guaranteed funds amounted to Kshs 5,383,804,000 as at end of 2022 (2021: Kshs 5,343,056,000) as indicated in the table below.

	2022	2021
	Kshs '000	Kshs '000
Guaranteed funds		
Investment contract liabilities	2,015,711	2,750,782
Payable under deposit administration contracts	3,368,093	2,592,275
Total guaranteed funds	5,383,804	5,343,057

Insurance contracts

The insurance contract liabilities are shown gross of bonus declaration. Bonus to with profit policies was declared and credited as follows:

	2022	2021
Reversionary bonus	1.5%	1.5%
Terminal bonus	1.5%	1.5%
Total bonus declared	3.0%	3.0%

Reversionary bonus vest immediately while terminal bonus vest after 8 years or on maturity if earlier.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

24. Insurance contract liabilities (continued)

The development of insurance liabilities provides a measure of the Group's ability to estimate the ultimate value of claims. The table below illustrates how the Group's estimate of total claims outstanding for each accident year has changed at successive year ends.

Shs'000	2016	2017	2018	2019	2020	2021	2022
Accident year	129,163	342,599	445,384	342,627	553,048	1,031,841	789,096
One year later	129,916	376,066	344,163	316,169	750,242	1,111,066	-
Two years later	28,772	75,022	83,117	164,853	179,450	-	-
Three years later	30,419	46,695	53,385	65,818	-	-	-
Four years later	9,375	27,908	47,466	-	-	-	-
Five years later	12,336	18,413	-	-	-	-	-
Six years later	7,775	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-
Cumulative payments to date	347,756	886,703	973,515	889,467	1,482,740	2,142,907	789,096
Current outstanding reserve	13,997	22,647	58,444	81,419	256,378	362,376	1,038,125
Current estimate of cumulative claims	361,753	909,350	1,031,959	970,886	1,739,118	2,505,283	1,827,221
Incurred but not reported + Claims Handling Expense Reserve	2,212	16,151	13,007	3,789	4,018	96,327	870,043
Total gross claims liability included in the statement of financial position	16,208	38,798	71,451	85,208	260,396	458,703	2,697,264

Notes to Financial Statements (continued)

For the year ended 31 December 2022

25. Unearned premium reserve

Unearned premiums reserve represents the liability for general business contracts where the Group's obligations are not yet expired at the year end. The movements in the reserve are as shown below;

	2022			2021		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
At beginning of year	1,965,924	(864,627)	1,101,297	1,847,958	(607,376)	1,240,582
Net increase in the period	(682,038)	(257,251)	(939,289)	117,966	(257,251)	(139,285)
At end of year	1,283,886	(1,121,878)	162,008	1,965,924	(864,627)	1,101,297

26. Provisions

	Group	
	2022	2021
	KShs.'000	KShs.'000
Provision for claims litigation	34,570	34,570
	34,570	34,570
The movement in the provisions is as follows:		
At 1 January	34,570	34,620
Used amounts reversed	-	(50)
At end of year	34,570	34,570

The above provisions relate to general provision on insurance claims business transfer arrangements by Sanlam Securities Limited and the directors have a reason to believe the amounts provided will be paid out as benefits under the claims. The amounts are payable on demand.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

27. Deferred income taxation

a) Recognized deferred tax at Group

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred income tax account is as follows:

	At start of year	(Charge)/credit to income statement	Prior year adjustment	Acquired on business transfer	Transfer to current tax liability	At end of year
	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000	KShs:'000
For the year ended 31 December 2022:						
Property and equipment	13,208	(9,034)	(17,018)	-	-	(12,844)
Other deductible differences	309,291	(64,498)	-	-	-	244,793
Deferred tax on life fund surplus	(685,576)	(260,833)	-	-	136,536	(809,873)
	(363,077)	(334,365)	(17,018)	-	136,536	(577,924)
Deferred tax asset	322,499	(73,532)	(17,018)	-	-	231,949
Deferred tax liability	(685,576)	(260,833)	-	-	136,536	(809,873)
For the year ended 31 December 2021:						
Property and equipment	12,594	614	-	-	-	13,208
Other deductible differences	141,252	165,789	2,250	-	-	309,291
Deferred tax on life fund surplus	(567,249)	(275,137)	-	(13,365)	170,175	(685,576)
	(438,591)	(108,734)	2,250	(13,365)	170,175	(363,077)
Deferred tax asset	128,658	166,403	2,250	-	-	322,499
Deferred tax liability	(567,249)	(275,137)	-	(13,365)	170,175	(685,576)

Notes to Financial Statements (continued)

For the year ended 31 December 2022

27. Deferred income taxation (continued)

b. Unrecognised deferred tax asset of the Company

The group has elected not to recognise deferred tax of the company noting related income is tax exempt and hence the deferred tax is unrecoverable.

	Group			Company		
	At start of year	Movement	At end of year	At start of year	Movement	At end of year
For the year ended 31 December 2022:	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Temporary differences on property and equipment	2,774	1,723	4,497	2,774	1,723	4,497
Other temporary differences	46,852	(24,689)	22,163	46,852	(24,689)	22,163
Trading tax losses	309,523	208,036	517,559	309,523	208,036	517,559
Total	359,149	185,070	544,219	359,149	185,070	544,219
Deferred tax asset @30%	107,745	55,521	163,266	107,745	55,521	163,266

	Group			Company		
	At start of year	Movement	At end of year	At start of year	Movement	At end of year
For the year ended 31 December 2021:	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Temporary differences on property and equipment	(1,705)	4,478	2,774	(1,705)	4,478	2,774
Other temporary differences	288,135	(241,283)	46,852	288,135	(241,283)	46,852
Trading tax losses	554,384	(244,861)	309,523	554,384	(244,861)	309,523
Total	840,814	(481,666)	359,149	840,814	(481,666)	359,149
Deferred tax asset @30%	252,244	(144,500)	107,745	252,244	(144,500)	107,745

28. Insurance payables

	Group	
	2022	2021
	KShs.'000	KShs.'000
Outstanding claims	866,135	878,177
Payables arising out of direct insurance arrangements	169,873	175,848
Payables arising out of reinsurance operations arrangements	51,684	118,206
Total insurance payables	1,087,692	1,172,231

The amounts payable does not carry interest and are due within period ranging from 30 days to 180 days.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

29. Deferred reinsurance commissions

	Group	
	2022	2021
	KShs.'000	KShs.'000
At start of year	111,209	119,189
Movement during the year	(18,238)	(7,980)
At end of year	92,971	111,209

30. Payables and other charges

	Group		Company	
	2022	2021	2022	2021
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Amounts due to related parties (Note 34b (i))	39,523	17,357	35,360	-
Deposits received from sale of plots	41,550	41,550	41,550	41,550
Accruals	516,661	450,366	18,688	27,165
Trade creditors	174	1,040	-	-
Payroll creditors	29,871	40,713	-	3,476
Other payables	197,408	208,731	-	4,769
	825,187	759,757	95,598	76,960

The carrying amounts disclosed above reasonably approximate fair value at reporting date due to their short-term nature. The amounts payable does not carry interest and are due within a period ranging from 30 days to 180 days. Payables and other charges are included in financial liabilities at amortized cost.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

31. Earnings per share

The following reflects the income and share data used in the basic and diluted earnings per share computation:

a) Group

	2022	2021
	KShs. '000	KShs. '000
		Restated
Net loss attributable to ordinary shareholders for basic and diluted earnings	(11,357)	(401,289)
Weighted average number of ordinary shares for basic and diluted earnings per share in '000	144,000	144,000
Basic loss per ordinary share KShs.	(0.08)	(2.79)
Diluted loss per ordinary share KShs.	(0.08)	(2.79)

b) Company

Net loss attributable to ordinary shareholders for basic and diluted earnings	(208,039)	(53,736)
Weighted average number of ordinary shares for basic and diluted earnings per share	144,000	144,000
Basic earnings per ordinary share KShs.	(1.44)	(0.37)
Diluted earnings per ordinary share KShs.	(1.44)	(0.37)

32. Contingent liabilities – Group and Company

The Group, like other insurance entities, is subject to litigation arising in the normal course of insurance business. The directors are of the opinion that this litigation will not have a material effect on the financial statement position of the Group. Contingencies regarding litigations at the end of the year amounted to KShs 104,893,061 (2021: KShs. 65,288,380).

The Company is currently undergoing tax inspection for the financial years 2018 to 2020. The Company continues to hold discussions with Kenya the Revenue Authority (KRA) in an attempt to resolve the matter in contention with the assistance of professional advisers. Management, based on the advice from professional tax advisors, is of the opinion that this will not be payable and as a result, no provision has been made in these financial statements.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

33. Cash generated from operations

a) Group

Reconciliation of profit/(loss) before income tax to cash generated from operations:

	Note	2022	2021
		KShs. '000	KShs. '000
Profit/(loss) before income tax:		327,745	(413,682)
Adjusted for:			
Amortisation of intangible assets	11	53,140	16,730
Depreciation of property and equipment	12(a)	79,099	85,225
Amortisation of right of use assets	12(c)	27,717	31,910
Finance charge on lease	12(c)	7,316	33,913
Cost of sales – Inventory	7(c)	-	11,061
Interest income on financial assets designated at fair value through profit or loss	6(a)	(3,144,818)	(2,719,379)
Fair value gain (loss) loss on investment property	6(b)	(13,000)	71,000
Fair value losses on financial assets at fair value through profit or loss	6(b)	1,014,614	299,719
Net rental income	6(a)	(90,593)	(80,745)
Other investment income	6(a)	(114,769)	(92,815)
Foreign exchange gain	6(b)	13,559	(13,619)
Foreign exchange loss	23	-	86,517
Accrued interest	23	466,338	398,432
		(1,373,652)	(2,285,733)
Changes in working capital:			
Insurance and investment contract liabilities		1,258,341	2,944,254
Payables under deposit administration contracts		775,818	1,045,648
Reinsurance shares of insurance contract liabilities		114,797	(164,818)
Insurance receivables		(106,331)	168,545
Unearned premium reserves		(682,038)	117,966
Deferred acquisition costs		58,505	(45,492)
Deferred reinsurance commissions		(18,238)	(7,980)
Insurance payables		(84,539)	77,710
Receivables and other assets		63,153	(142,097)
Provisions		-	(50)
Payables and other charges		65,430	6,606
Cash generated from operations		71,246	1,714,559

Notes to Financial Statements (continued)

For the year ended 31 December 2022

33. Cash generated from/ (used in) operations (continued)

b) Company

Reconciliation of profit before income tax to cash generated from operations

Cash flow from operations	Note	2022 KShs.'000	2021 KShs.'000
Loss before income tax		(204,921)	(48,504)
Adjusted for:			
Investment income	6(a)	(11,951)	(9,457)
Depreciation	12(a)	2,807	5,563
Dividend income	6(a)	(300,000)	(1,000,000)
Write off of intercompany balance (deemed dividend)	6(a)	-	(425,464)
Depreciation of right of use asset	12(c)	2,176	4,534
Finance charge on lease	12(c)	(10,993)	4,631
Cost of sales – Inventory	7(c)	-	11,061
Interest on intercompany loan	23	-	7,273
Interest expense	23	439,121	398,432
Forex exchange losses	23	-	86,517
Impairment of investment in subsidiaries and associate	14(a)	-	801,497
		(83)	(163,917)
Changes in working capital			
Receivables and other assets		(12,507)	(13,139)
Payables and other charges		18,638	(159,650)
		(77,630)	(336,706)
Tax paid	10(b)	(778)	(646)
Net cash used in from operations		(78,408)	(337,352)



Notes to Financial Statements (continued)

For the year ended 31 December 2022

34. Related party transactions

The Group is controlled by the following entities;

Name	Type	Place of incorporation	Ownership interest	
			2022	2021
Hubris Holdings Limited	Immediate parent entity	Kenya	57.14%	57.14%
Sanlam Emerging Markets Proprietary Limited	Intermediate parent entity	South Africa	57.14%	57.14%
Sanlam Limited	Ultimate parent entity and controlling party	South Africa	57.14%	57.14%

There are other companies that are related to the company through common shareholdings or common directorships.

a) Amounts due from related parties:

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Hubris Holding (Parent)	5,144	4,878	5,144	4,878
Sanlam Life Insurance Limited (Subsidiary)	-	-	24,320	58
Sanlam Securities Limited (Subsidiary)	-	-	-	51
Total	5,144	4,878	29,464	4,987

There were no provisions made or amounts written off on related party balances during the year (2021: nil). The amounts due from related parties are non-interest bearing and will be paid using cash and cash equivalents.

The intercompany balance arises due to functions carried out by one related entity for the benefit of the other, including IT support, investment management and other operation support. The balances are settled on a monthly basis.

b) i) Amounts due to related parties

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Sanlam Emerging Markets Proprietary Limited (Intermediate parent)	35,760	17,357	-	-
Sanlam Investment East Africa Limited(Common ultimate parent)	3,763	-	-	-
Sanlam Securities Limited (Subsidiary)	-	-	35,360	-
Total	39,523	17,357	35,360	-

The amounts due to related parties are non-interest bearing and will be paid using cash and cash equivalents.

The intercompany balance arises due to functions carried out by one related entity for the benefit of the other, including IT support, investment management and other operation support. The balance is settled on a monthly basis.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

34. Related party transactions (continued)

b) ii) Borrowings

Sanlam Emerging Markets (ultimate parent company) advanced a loan of KShs 1,085,700,000 to Sanlam General Insurance Limited during the year. The loan is for a period of 18 months at a rate of 3% per annum.

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
c) Key management compensation:				
Salaries and other short-term employment benefits	262,422	336,088	85,654	73,636
Post-employment benefits	29,721	19,649	7,351	7,037
	292,143	355,737	93,005	80,673

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
d) Directors' remuneration:				
Fees	23,148	23,476	11,574	11,738
Other emoluments (included in (c) above)	85,654	73,636	85,654	73,636
Total	108,802	97,112	97,228	85,374
e) Directors' pension				
Pension benefits	7,351	7,037	7,351	7,037

	Group		Company	
	2022	2021	2022	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
f) Other related party transactions through the statement of profit or loss				
Fund management fees payable to Sanlam Investments East Africa Limited (Common ultimate parent)	44,421	45,968	-	-
Management fees payable to Sanlam Emerging Markets Proprietary Limited (Intermediate parent)	25,854	25,854	-	-
Finance costs payable to Sanlam Capital Markets (Common ultimate parent)	70,550	260,468	43,333	68,048
Interest expense on intercompany advances payable to Sanlam Life Insurance Limited (Subsidiary)	-	-	-	7,273
	140,825	332,290	43,333	75,321



Notes to Financial Statements (continued)

For the year ended 31 December 2022

34. Related party transactions (continued)

g) Particulars of the Group's principal subsidiaries are shown below:

	Country of incorporation and domicile	Primary business operation	% Held
Sanlam Life Insurance Limited	Kenya	Life insurance	100
Sanlam General Insurance Limited	Kenya	General insurance	71.86
Sanlam Securities Limited	Kenya	Investment	100
Sanlam Investments Limited	Kenya	Investment Managers	100
Mae Properties Limited	Kenya	Investment in Properties (dormant)	100
Chem Chemi Mineral Water Limited	Kenya	Dealing with bottled water (dormant)	100

The assets and liabilities held by the respective companies can only be transferred within the subsidiaries if a proper Board resolution is passed and sanctioned by the shareholders as provided by the regulatory framework touching on transfer of the said assets and liabilities.

35. Capital management

Group

Objective:

The Group's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders.

The Life and General insurance subsidiaries of the Group are subject to the following external capital requirements as guided by the Risk Based Capital guidelines in the Insurance Act;

The risk-based capital of an insurer shall be the square root of the sum of the squares of capital required for;

- i. insurance risk;
- ii. market risk;
- iii. credit risk; and
- iv. capital required for operational risk,

The Capital Adequacy Ratio (CAR) is the measure used for capital and the minimum requirement as stipulated by the guidelines is 100%.

As at 31 December 2022, Sanlam Life Insurance Limited and Sanlam General Insurance had complied with the external capital requirements with a CAR of 212% and 100% respectively. This was because of Sanlam General Insurance receiving KShs 1.085 billion from Sanlam Emerging Markets on 5 May 2022.

Other businesses of the Group are not subject to any external capital requirements.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

35. Capital management (continued)

Group (continued)

Objective: (Continued)

The effective management of Sanlam Kenya Plc capital base is an essential component of meeting the Group's strategic objective of maximising shareholder value. The capital value used by the Group as the primary performance measurement base is the Group Embedded Value. The Group Embedded Value is the aggregate of the following components:

- (i) The embedded value of covered business, which comprises the long - term required capital supporting these operations and their net value of in - force business; and
- (ii) The fair value of other Group operations, which includes the land and property development, capital markets and short - term insurance.

The management of the Group's capital base requires a continuous review of optimal capital levels, including the use of alternative sources of funding, to maximise return on Group Embedded Value. The Group has an integrated capital and risk management approach. The amount of capital required by the various businesses is directly linked to their exposure to financial and operational risks. Risk management is accordingly an important component of effective capital management.

All the subsidiaries of the Group are within the Kenyan jurisdiction and therefore apply the same capital management policies and processes.

Processes for managing capital:

a) Capital allocation methodology

Group businesses are each allocated an optimal level of capital and are measured against appropriate return hurdles.

The following methodology is used to determine the allocation of long-term required capital to the covered business:

- The level and nature of the supporting capital is determined by minimum regulatory capital requirements as well as economic, risk and growth considerations. Regulatory capital must comply with specific requirements of the Insurance Act and Kenya Companies Act, 2015. A deterministic modelling process is used to determine the long-term required capital levels.
- The fair value of *other Group operations* includes the working capital allocated to the respective operations.

The Group's policy to ensure appropriate capital levels is twofold:

- (i) The Group dividend policy is based on the annual declaration of all discretionary capital that is not required for normal operations or expansion; and
- (ii) Performance targets are set for other Group operations based on an expected return on the fair value of the businesses, equal to their internal hurdle rates. This ensures that all non-productive working capital is declared as a dividend to the Group.

b) Required capital

i) Long-term required capital – covered business

The Group's *covered business* requires significantly higher levels of allocated capital than the other Group operations. The optimisation of long-term required capital is accordingly a primary focus area of the Group's capital management philosophy given the significant potential to enhance shareholder value.

The following main strategies are used to achieve this objective:

- i. Appropriate matching of assets and liabilities for policyholder solutions. This is especially important for long-duration policyholder solutions that expose the Group to interest rate risk, e.g. non-participating annuities, but also for participating business where asset/liability matching and investment strategy have a direct impact on capital requirements.
- ii. Managing the impact of new business on capital requirements by limiting volumes of capital-intensive new business per business.
- iii. The asset mix of the long-term required capital also impacts on the overall capital requirement. An increased exposure to interest-bearing instruments reduces the volatility of the capital base and accordingly also the capital requirement. The expected investment return on these instruments are however lower than equity with a potential negative impact on the return on Group Embedded Value. There is accordingly a trade-off between lower capital levels and the return on capital. The Group's stochastic capital model is used to determine the optimal asset mix that will ensure the highest return on capital.
- iv. Certain of the Group's long term required capital covered business investments in other Group operations qualify, to a varying degree, to be utilised as regulatory capital for the covered business. Maximum capital efficiency can therefore be achieved by optimising the level of such investments held in the life company's regulatory capital.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

35. Capital management (continued)

b) Required capital (continued)

The Group continues to improve and further develop its capital management models and processes in line with international best practice and the current significant international developments surrounding solvency and capital requirements.

ii) Other Group operations

The performance measurement of other Group operations is based on the return achieved on the fair value of the businesses. Risk adjusted return targets are set for the businesses to ensure that each business' return target takes cognisance of the inherent risks in the business. This approach ensures that the management teams are focused on operational strategies that will optimise the return on fair value, thereby contributing to the Group's main objective of optimising return on Group Embedded Value.

c) Discretionary capital

Any capital in excess of requirements, and not optimally utilised, is identified on a continuous basis. The pursuit of structural growth initiatives has been set as the preferred application of Group capital, subject to such initiatives yielding the applicable hurdle rate and being complementary to or in support of Group strategy. Any discretionary capital not being efficiently redeployed will be returned to shareholders in the most effective form.

Company

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Company monitors capital based on the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The gearing ratios at 31 December 2022 was as follows:

	2022	2021
	KShs:'000	KShs:'000
Total borrowings	3,002,310	3,000,000
Less: cash at bank and in hand	(4,937)	(10,497)
Net debt	2,997,373	2,989,503
Total equity	(1,500,620)	(1,292,582)
Negative capital	1,506,627	1,696,921
Gearing ratio	200%	176%

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management

The Group's robust risk management framework continues to be applied across the various risk areas introduced by financial instruments and the various risk owners continue to monitor the impact of Covid-19 on the Group's risk profile. Non-financial risks emerging from global movement restrictions, remote working are being assessed, identified and managed through timely application of the Group's risk management framework.

a) Market risk

Market risk is the risk of adverse financial impact due to changes in fair values or future cash flows of financial instruments from fluctuations in interest rates, equity prices, property prices, and foreign currency exchange rates. Market risk arises in business units due to fluctuations in both the value of liabilities and the value of investments held. At Group level, it also arises in relation to the overall portfolio businesses and in the value of investment assets owned directly by the shareholders.

i) Equity risk

Equity price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Group's shareholders are exposed to the following sources of equity risk:

- i. Direct equity shareholdings in shareholder funds;
- ii. The indirect impact from changes in the value of equities held in policyholders' funds from which management charges or a share of performance are taken;
- iii. Equity assets backing insurance liabilities that are not participating or not fully market linked; and
- iv. Interest in the free estate of long term with profit funds.

Changes in prices of equities will have the following impact in the statement of profit or loss. The impact is net of tax.

	Gross Portfolio		
	KShs.'000	% change in base	KShs.'000
31 December 2022			
Equities and similar securities	576,692	8.6%	49,596
31 December 2021			
Equities and similar securities	671,655	+(-) 8.6%	57,762

Change in base is the relative movement in the carrying value of equities and similar securities over the two reporting periods in review.

Linked and market-related business

Linked and market-related business are contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full market risk in respect of linked business. Market-related policies however, provide for guaranteed minimum benefits at death or maturity, and therefore expose the life insurance business to market risk.

The risk relating to guaranteed minimum benefits is managed by appropriate investment policies, determined by the Actuarial committee, and by adjusting the level of guarantees for new policies to prevailing market conditions. These investment policies are then reflected in the investment guidelines for the policyholder portfolios.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

a) Market risk (continued)

i) Equity risk (continued)

Market risk on stable, reversionary bonus and participating annuity business (smoothed-bonus business)

These policies provide for the payment of an after-tax and after - cost investment return to the policyholder, in the form of bonuses. The use of bonuses is a mechanism to smooth returns to policyholders in order to reduce the effects of volatile investment performance, and bonus rates are determined in line with the product design, policyholder reasonable expectations, affordability and the approved bonus philosophy. Any returns not yet distributed are retained in a bonus stabilisation reserve, for future distribution to policyholders.

In the event of adverse investment performance, this reserve may become negative. Negative bonus stabilisation reserves are allowed for in the valuation of these liabilities to the extent that the shortfall is expected to be recovered by declaring lower bonuses in the subsequent three years. The funding level of portfolios is bolstered through loans from shareholders in instances where negative stabilisation reserves will not be eliminated by these management actions. At end of year 2022, all stable and reversionary bonus business portfolios had a funding level in excess of 100%. (2021: 100%)

Equity risk is borne by policyholders to the extent that the after-tax and after - cost investment return is declared as bonuses. The capital portfolio is however exposed to some equity risk as an under performance in equity markets may result in an underfunded position that will require financial support by the capital portfolio. The Group manages this risk through an appropriate investment policy. Actuarial committee oversees the investment policy for the various smoothed-bonus portfolios.

The aim is to find the optimum balance between high investment returns (to be able to declare competitive bonus rates) and stable investment returns given the need to meet guaranteed benefits and to support the granting of stable bonus rates. The requirements for the investment management of each portfolio are set out in investment guidelines, which cover, inter alia, the following:

- Limitations on exposure to volatile assets;
- The benchmarks for the performance measurement of each asset class and limits on deviations from these benchmarks;

- Credit risk limits;
- Limits on asset concentration – with regard to strategic investments, the exposure of policyholders' portfolios to these investments is based on portfolio investment considerations and restricted with reference to a specific counter's weight in the benchmark portfolio;
- Limits on exposure to some particular types of assets, such as unlisted equities, property and hedge funds; and
- Regulatory constraints.

Feedback on the investment policy and its implementation and the performance of the smoothed-bonus portfolios is provided quarterly to the Sanlam Kenya Plc Board.

The Group's equity price risk exposure relates to financial assets whose values will fluctuate as a result of changes in market prices, principally investment securities not held for the account of unit-linked business.

The Group's price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market and careful and planned use of financial instruments.

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Group to cash flow interest risk, whereas fixed interest rate instruments expose the Group to fair value interest risk. The Group is not exposed to cash flow interest risk as it does not hold instruments with a floating rate. The Group is however exposed to fair value interest risk as it holds investments in government bonds, corporate bonds and deposits with financial institutions which are designated at fair value through profit and loss. Interest on fixed interest rate instruments is priced at inception of the financial instrument and is fixed until maturity.

The Group manages this risk by adopting close asset liability matching criteria, to minimise the impact of mismatches between the value of assets and liabilities from interest rate movements. Interest rate risk is managed as follows with regard to long-term life business.

Changes in prices of public loans and stock as a result of changes in interest rates will have the following impact in the statement of profit or loss. The impact is net of tax.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

a) Market risk (continued)

i) Equity risk (continued)

Market risk on stable, reversionary bonus and participating annuity business (smoothed-bonus business) (continued)

	Gross portfolio	% change in base	2022	Gross portfolio	% change in base	2021
			KShs.'000			KShs.'000
Financial assets						
Government bonds	28,142,244	10%	2,814,224	25,259,492	10%	2,525,949
Deposits with financial institutions	1,343,437	10%	134,344	1,048,650	10%	104,865
Financial liabilities						
Borrowings	4,088,010	10%	408,801	3,000,000	10%	300,000

The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual maturity and interest rate repricing.

		Contractual cashflows (undiscounted)		
	Carrying amount	< 1 year	1 - 5 years	> 5 years
At 31 December 2022	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Assets				
Government securities	28,142,244	607,081	1,701,350	25,833,813
Deposits with financial institutions	1,343,437	1,343,437	-	-
Cash and bank balances	304,645	304,645	-	-
Total	29,790,326	2,255,163	1,701,350	25,833,813
Liabilities				
Borrowings	4,088,010	29,527	5,159,209	-
Lease liabilities	58,493	23,586	21,227	12,736
Total	4,146,503	53,113	5,180,436	12,736



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

a) Market risk (continued)

i) Equity risk (continued)

Market risk on stable, reversionary bonus and participating annuity business (smoothed-bonus business) (continued)

	Carrying amount	Contractual cashflows (undiscounted)		
		< 1 year	1 - 5 years	> 5 years
At 31 December 2021	KShs:'000	KShs:'000	KShs:'000	KShs:'000
Assets				
Government securities	25,259,492	684,083	1,065,387	23,510,022
Deposits with financial institutions	1,048,650	1,048,650	-	-
Cash and bank balances	658,260	658,260	-	-
Total	26,966,402	2,390,993	1,065,387	23,510,022
Liabilities				
Borrowings	3,000,000	354,648	3,315,782	-
Lease liabilities	101,209	45,079	180,314	-
Total	3,101,209	399,727	3,496,096	-

Linked and market - related business

Linked and market-related business relates to contracts where there is a direct relationship between the returns earned on the underlying portfolio and the returns credited to the contract. Policyholders carry the full interest rate risk in respect of linked business.

The life business is exposed to interest rate risk to the extent that guaranteed minimum benefits at death or maturity are provided. Refer to equity risk above for the management of market risk in respect of these policies.

Stable, reversionary bonus and participating annuity business (smoothed - bonus business)

The life business is exposed to interest rate risk to the extent that changes in effective interest rates result in negative stabilisation reserves that cannot be eliminated through the smoothed - bonus management action philosophy. In these circumstances the life insurance businesses will have to provide support to the policyholders' portfolios.

ii) Interest rate risk

Guarantee plans

Our Flexi Saver and Flexi Educator policies provide for guaranteed maturity amounts. The life insurance business is therefore exposed to interest rate risk, if the assets backing these liabilities do not provide a comparable yield to the guaranteed value.

Interest rate risk is managed by matching the liabilities with assets that have similar investment return profiles as the liabilities.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

b) Currency risk

The Group is exposed to currency risk due to revenue collected in foreign currency. The revenue amounts in foreign currency are not significant and consequent claims are paid in foreign currency.

c) Property risk

The Group is subject to property price risk due to holdings of investment properties in a variety of locations. Investment in property is managed by a professional property manager with regard to liquidity requirements and the expectations of shareholders' and policyholders as well as overall risk appetite. The Group Investment Committee also monitors property assets owned directly by the Group on a quarterly basis.

The majority of the investment properties are held in respect of market-related and non-participating policyholder business as well as smoothed - bonus business. Refer to equity risk above for a description on how the risks associated with these types of business are managed.

Comprehensive measures and limits are in place to control the exposure of the insurance businesses' capital to market risk. Continuous monitoring takes place to ensure that appropriate assets are held in support of the capital and investment return targets. Limits are applied in respect of the exposure to asset classes and individual counters.

Market risk – sensitivities

Sensitivities that illustrate the effect of changes in investment return assumptions on the value of in-force (VIF) business and change in VIF relative to the base value is an indication of how the present value of future after-tax profits (including the allowance for the cost of capital at risk) are impacted based on these assumptions.

Investment return (and inflation) decreased by 1% and with bonus rates and discount rates changing commensurately, the impact on the on the value of in-force business net of cost of capital would be a decrease of KShs. 281 million (2021: decrease of KShs. 386 million).

The basis of valuation of insurance contract liabilities is prescribed in the Insurance Act of Kenya 2020. The Act prescribes Net premium valuation method which is very conservative. The rates prescribed by the Act are applicable for all insurers in the country.

Changes in economic mortality and expense assumptions will have the following impact in the statement of profit or loss.

Sensitivities	% change in base	Insurance Participating KShs. '000	Insurance non-participating KShs. '000	Shareholders' funds KShs. '000
31 December 2022				
Interest rate risk	+(-)3%	+(-) 161,468	+(-) 659,541	+(-)23,906
Price risk - equity	+(-)4%	+(-)5,256	-	+(-)115,000
31 December 2021				
Interest rate risk	+(-)3%	+(-) 112,872	+(-) 445,231	+(-)1,468
Price risk - equity	+(-)4%	+(-)16,932	+(-)5,682	+(-)91,626

The above sensitivity analysis excluded unit linked investments, as the movement in assets and liabilities offset each other.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets, and is managed on a Group-wide basis. The Group does not grade the credit quality of financial assets that are neither past due nor impaired.

Sanlam Kenya Plc recognises that a sound credit risk policy is essential to minimise the effect on the Group as a result of loss due to a major corporate failure and the possible systemic risk such a failure could lead to. The Sanlam Kenya Plc Investment Risk Policy and Strategy has been established for this purpose.

The governance structures ensure that an appropriate credit culture and environment is maintained, such that no transactions are concluded outside areas of competence, nor without following normal procedures. This credit culture is the product of a formal credit risk strategy and credit risk policy.

The credit risk strategy stipulates the parameters for approval of credit applications, such as: economic sector; risk concentration; maximum exposure per obligor, group, and industry; geographical location; product type; currency; maturity, anticipated profitability or excess spread; economic capital limits; and cyclical aspects of the economy.

All facilities are reviewed on at least an annual basis by the appropriate approval authority. Where possible, Sanlam Kenya Plc interest is protected by obtaining acceptable security. Covenants are also stipulated in the loan agreements, specifying actions that are agreed to.

In addition to the above measures, the portfolios are also managed in terms of the investment guidelines of the life insurance operations, which place limits in terms of the lowest credit quality that may be included in a portfolio, the average credit quality of instruments in a portfolio as well as limits on concentration risk.

The Group is also exposed to credit risk in respect of its working capital assets. The following are some of the main credit risk management actions:

- Unacceptable concentrations of credit risk to groups of counterparties, business sectors and product types are avoided by dealing with a variety of major banks and spreading debtors and loans among a number of major industries, customers and geographic areas.
- Long-term insurance business debtors are secured by the underlying value of the unpaid policy benefits in terms of the policy contract.

- Exposure to external financial institutions concerning deposits and similar transactions is monitored against approved limits.

The Group takes on exposure to credit risk, which is the risk that a counter party will cause a financial loss to the Company by failing to pay amounts in full when due. Credit risk is an important risk for the Company's business. Management therefore carefully manages the exposure to credit risk by:

- Developing and maintaining processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Company has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting, assessment and measurement process that provide it with a strong basis for common systems, tools and data to assess credit risk and to account for ECL.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review. The exposure to any one borrower is further restricted by sub-limits. Actual exposures against limits are monitored regularly. 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, corporate, and personal guarantees.

The credit quality of financial assets is assessed by reference to external credit ratings if available or internally generated information about counterparty default rates. None of the Group's credit risk counterparties are rated except the Government of Kenya, the issuer of the Group's government securities which has B+ rating and the reinsurance companies from whom reinsurance balances are due.

The Company Group counterparties without an external credit rating as below:

- Group 1 - new customers/related parties.
- Group 2 - existing customers/related parties with no defaults in the past.
- Group 3 - existing customers/related parties with some defaults in the past.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Group

Assets	Note	External credit rating	Internal Credit rating	12-month or lifetime ECL	2022	2021
					Shs'000	Shs'000
Government securities at amortised	16	B+	-	12 months	1,556,898	263,500
Loans	15	-	Group 2	12 months	238,509	250,636
Insurance receivables	20 (a)	-	Group 2	Lifetime	942,405	836,074
Reinsurers' share of insurance contract liabilities	18	-	Group 2	Lifetime	1,410,674	1,525,471
Receivables and other financial assets (excluding prepayments and vat)	20 (b)	-	Group 2	Mix of both lifetime & 12	201,455	246,436
Deposits with financial institutions	21	-	Group 2	12	1,343,437	1,048,650
Cash and bank balances	21	-	Group 2	12	304,645	658,260
Total					5,998,023	4,829,027

The above table represents credit risk exposure to the Group at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. The exposures set out above are based on carrying amounts as reported in the statement of financial position. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less cash in hand balances.

As shown above, 86% of the total maximum exposure is derived from government securities (2021: 85%). In the opinion of the Directors there is no other significant concentration of the credit risk at year end.

Mortgage loans are secured by collateral in the form of charges over land and buildings. Policy loans are secured by the surrender value of the policies. The fair values of collateral held for mortgages amounted to KShs 418,500,000 (2021: KShs 433,938,000) while the surrender values of the policies with loans amounted to KShs: 453,561,521 (2021: KShs 556,367,130). In case of default the collateral would be realised thereby reducing the Company's credit risk. There were no changes in the quality of the collaterals.

Company

Assets	Notes	External credit rating	Internal Credit rating	12-month or lifetime ECL	2022	2021
					Shs'000	Shs'000
Receivables from related parties	20 (b)	-	Group 2	12 months	29,464	4,769
Receivables and other financial assets (excluding prepayments)	20 (b)	-	Group 2	Mix of both lifetime & 12	7,961	23,224
Cash and bank balances	21	-	Group 2	12 months	4,937	10,497
Total					42,362	38,490



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

The above table represents a worst-case scenario of credit risk exposure to the Company at 31 December 2022 and 2021, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the statement of financial position. Other receivables balance shown in the table is less prepaid amounts while the cash and bank balances are less cash in hand balances.

Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. PDs are estimated considering the contractual maturities of exposures and estimated prepayment rates. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that are expected to be received, taking into account cash flows from any collateral. The LGD models for secured assets consider collateral valuation. EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest. The Company's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the exposure that are permitted by the current contractual terms. The Company uses EAD models that reflect the characteristics of the portfolios.

The Company measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice.

The measurement of ECL is based on probability weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis (although measurement on a collective basis is more practical for large portfolios of items). In relation to the assessment of whether there has been a significant increase in credit risk it can be necessary to perform the assessment on a collective basis as noted below.

Groupings based on shared risks characteristics

When ECL are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics, such as:

- Asset type; and
- Intermediary.

The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

Stages of credit quality and expected credit loss measurement

The Group evaluates financial instruments based on their credit characteristics and assesses any changes in credit risk since origination before grouping them into stages. The groupings are reviewed and updated on a regular basis. The table below shows the staging criteria applied across financial assets.

Stage 1	Stage 2	Stage 3
Performing	Underperforming	Non-Performing
No significant change in credit risk since initial recognition.	Significant increase in Credit risk since initiation. No objective evidence of impairment	Financial instruments that have deteriorated significantly in credit quality since initial recognition. Credit impairment evident

Impairment and provisioning policies

The loss allowance recognised in the period is impacted by a variety of factors as follows:

- Transfers between Stage 1 and Stage 2 or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit impaired in the period, and the consequent "step up" or "step down" between 12-month and lifetime ECL;
- Additional allowance for new financial instruments recognised during the period, as well as releases for financial instruments de-recognised in the period;

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Impairment and provisioning policies (continued)

- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period. Sanlam uses a scoring methodology to come up with asset ECLs. The table provide details of the key principles applied over each asset class that is in scope.

Financial asset	Description	Key principle applied
Cash and bank balances	Cash assets have been defined as cash in bank, on hand or in other accounts. These excludes liquid deposits held with financial institutions	Sanlam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit rating.
Deposits with financial institutions	Deposits with financial institutions are cash transfers to financial institutions for the purposes of a term investment during which the principal can be redeemed with interest earned at the call of the investor. This will exclude any cash in a bank account that is earning interest on existing balances	Sanlam annually performs the bank credit risk analysis for banking institutions, within which institutions are scored and ranked. Institutions are then assigned an internal rating rank based on the score and assigned a credit rating.
Government Securities	This is secured or unsecured short term or long-term debt issued by a sovereign Government	Sanlam utilizes a scoring methodology while reviewing sovereign debt credit risk. The scores are adjusted for credit risk ratings and a macro economic outlook adjustment.
Receivables from direct insurance arrangements	These are receivable that arise out of normal insurance business	Sanlam uses a simplified approach based on an entity's historical default rates over the expected life of the receivables and is adjusted for forward-looking estimates.
Other receivables	These are all other receivables that are neither investment assets nor insurance receivable	These are each assessed individually based on the unique factors that include the nature, aging, collateral to determine a loss rate adjusted with a macroeconomic factor.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Impairment and provisioning policies (continued)

The Group has determined the level of risk as below

Financial asset	Credit risk attributes
Cash and bank balances	Assessed as low credit risk
Deposits with financial institutions	<ul style="list-style-type: none"> ① All cash is held with financial institutions with low risk of default. ② The cash is accessible whenever needed or on maturity of the deposits ③ There are no adverse economic changes expected to impact the banks' ability to meet the obligations when they fall due
Government securities at amortised cost	Assessed as low credit risk <ul style="list-style-type: none"> ① All government paper is with the Government of Kenya with low risk of default ② The Government is able to honour its obligations i.e., coupons and redemptions when they fall due ③ There are no adverse economic changes expected to impact the ability of the Government to meet its obligations when they fall due
Mortgage loans receivables	Assessed as low credit risk <ul style="list-style-type: none"> ① All loans are secured on the mortgaged property thus low risk of default ② The collateral value covers the outstanding obligations ③ There are no adverse economic changes expected to impact the value of the collateral or ability of the borrowers to meet their obligations
Loans to policyholders	Assessed to have a mitigated credit risk <ul style="list-style-type: none"> ① loans are issued based on the cumulative surrender values of the policies thus no risk of default
Receivables arising out of direct insurance arrangements	Assessed as low credit risk <ul style="list-style-type: none"> ① A significant portion of the retail insurance covers are sold on a cash and carry basis thus low risk of default ② Credit is extended to select corporate clients to a maximum of 60 days assessed to have ability to settle the debt ③ There are no adverse economic changes expected to impact the ability of the debtors to meet their obligations
Receivables arising out of reinsurance arrangements	Assessed as low credit risk <ul style="list-style-type: none"> ① Reinsurance accounts are contractually cleared on a quarterly basis and incorporate premium payable and commissions and claims recoverable thus low risk of default ② The Group deals with reinsurers with a high external rating thus have ability to settle the debt ③ There are no adverse economic changes expected to impact the ability of the debtors to meet their obligations
Other receivables	Incorporates different counterparties including staff, agents and others all of which are assessed independently. The simplified approach has been applied.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk

The amount that best represents the Group's and Company maximum exposure before collateral to credit risk at end of year 2022 is tabulated in the industry analysis below:

Group:

	Government	Financial Services	Others	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Public sector stocks and loans	28,142,244	-	-	28,142,244
Reinsurers' share of insurance contract liabilities	-	1,410,674	-	1,410,674
Receivables arising out of direct insurance arrangements	-	942,405	-	942,405
Policy loans	-	-	238,510	238,510
Receivables and other financial assets	-	-	270,141	270,141
Deposits with financial institutions	-	304,645	-	304,645
Cash and cash equivalents	-	1,343,437	-	1,343,437
	28,142,244	4,001,161	508,651	32,652,056

Company

Receivables and other financial assets	-	-	51,854	51,854
Cash and cash equivalents	-	4,937	-	4,937
	-	4,937	51,854	56,791



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Maximum exposure to credit risk (continued)

The amount that best represents the Group's and Company maximum exposure before collateral to credit risk at end of year 2021 is tabulated in the industry analysis below:

Group:

	Government	Financial Services	Others	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Public sector stocks and loans	25,259,492	-	-	25,259,492
Reinsurers' share of insurance contract liabilities	-	1,525,471	-	1,525,471
Receivables arising out of direct insurance arrangements	-	836,074	-	836,074
Policy loans	-	-	250,636	250,636
Receivables and other financial assets	-	-	333,294	333,294
Deposits with financial institutions	-	1,048,650	-	1,048,650
Cash and cash equivalents	-	658,260	-	658,260
	25,259,492	4,068,455	583,930	29,911,877

Company

Receivables and other financial assets	-	-	39,347	39,347
Cash and cash equivalents	-	190,854	-	190,854
	-	190,854	39,347	230,201



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Credit exposure by staging

Owing to the fact that there is no readily available credit rating information, the group assesses the credit quality of the institution, taking into account its financial position, past experience and other factors

The table below provides information regarding the credit risk exposure of the Group and Company:

Group:

	Performing Stage 1	ECL Stage 2	ECL Stage3	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
31 December 2022				
Reinsurers' share of technical provisions and reserves	1,410,674	-	-	1,410,674
Receivables arising out of direct insurance arrangements	942,405	-	115,160	1,057,565
Loans	238,509	-	254,165	492,674
Receivables and other financial assets	270,141	-	-	270,141
Cash and cash equivalents	304,645	-	-	304,645
	3,166,374	-	369,325	3,535,699

Company:

31 December 2022				
Financial Instruments:				
Receivables and other financial assets	51,854	-	-	51,854
Cash and cash equivalents	4,937	-	-	4,937
	56,791	-	-	56,791

The life insurance businesses' maximum exposure to credit risk is equivalent to the amounts recognised in the statement of financial position, as there are no financial guarantees provided to parties outside the Company, nor are there any loan commitments provided that are irrevocable over the life of the facility (nor revocable only in adverse circumstances). The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above. There are no assets that would have been past due or impaired, had the terms not been renegotiated.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

Credit exposure by staging (continued)

Group:

	Performing Stage 1	ECL Stage 2	ECL Stage3	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
31 December 2021				
Reinsurers' share of technical provisions and reserves	1,525,471	-	-	1,525,471
Receivables arising out of direct insurance arrangements	836,074	-	1,060,072	1,896,146
Loans	250,636	-	127,052	377,688
Receivables and other financial assets	333,294	-	-	333,294
Cash and cash equivalents	658,260	-	-	658,260
	3,603,735	-	1,187,124	4,790,859

Company:

31 December 2021				
Financial Instruments:				
Receivables and other financial assets	39,347	-	-	39,347
Cash and cash equivalents	10,497	-	-	10,497
	49,844	-	-	49,844

The credit quality of each class of financial asset that is neither past due nor impaired, has been assessed as acceptable within the parameters used to measure and monitor credit risk, as described above.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

The Group holds collateral on mortgages and policy loans for the past due or impaired receivables in form of legal charges to the title and policy surrender value respectively. The management continues to actively follow up past due and impaired receivables.

The following is a movement of impairment provision account:

	Loans	Insurance receivables	Cash and bank balances	Total
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
The movement in the provisions is as follows:				
At 1 January 2022	127,052	1,039,386	-	1,166,438
Unused amounts reversed	(11,892)	(785,221)	-	(797,113)
At end of year	115,160	254,165	-	369,325
At 1 January 2021	103,174	2,158,111	3,382	2,264,667
Additional provision/ (Unused amounts reversed)	23,878	(1,118,725)	(3,382)	(1,098,229)
At end of year	127,052	1,039,386	-	1,166,438

The ECL provision on other assets and government securities at amortised cost and due within 12 months is immaterial.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

e) Credit risk (continued)

The table below provides information regarding the credit risk exposure of the Group using the expected credit loss stages for assets at amortised cost.

	Performing Stage 1	ECL Stage 2	ECL Stage3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 31 December 2022:				
Reinsurers' share of technical provisions and reserves	1,410,674	-	-	1,410,674
Loans	238,509	-	136,624	375,133
Insurance receivables	942,405	-	894,668	1,837,073
Receivables and other financial assets	270,141	-	-	270,141
Deposits with financial institutions	1,343,437	-	933	1,344,370
Cash and bank balances	304,645	-	-	304,645
Gross financial assets	4,509,811	-	1,032,225	5,542,036

	Performing Stage 1	ECL Stage 2	ECL Stage3	Total
	Kshs'000	Kshs'000	Kshs'000	Kshs'000
At 31 December 2021:				
Loans	250,636	-	127,052	377,688
Insurance receivables	836,074	-	1,060,072	1,896,146
Receivables and other financial assets	333,294	-	-	333,294
Deposits with financial institutions	1,048,649	-	245	1,048,894
Cash and bank balances	658,260	-	-	658,260
Gross financial assets	3,126,913	-	1,187,369	4,314,282

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

f) Reinsurance risk

Sanlam Kenya Plc makes use of reinsurance to:

- Access underwriting expertise;
- Access product opportunities;
- Enable it to underwrite risks greater than its own risk appetite; and
- Protect its mortality/risk book against catastrophes.

The use of reinsurance exposes the Group to credit risk. The counterparty risks of reinsurers are managed under the Group's credit risk framework. The Group's reinsurance arrangements include proportionate, excess and catastrophe coverage. All risk exposures in excess of specified monetary limits are reinsured. Catastrophe insurance is in place for single-event disasters. Credit risk in respect of reinsurance is managed by placing the Group's reinsurance only with subsidiaries of companies that have high international or similar credit ratings.

g) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities and policy holder liabilities. The board has developed a risk management framework for the management of the Group short, medium and long-term liquidity requirements thereby ensuring that all financial liabilities are settled as they fall due.

The Group manages liquidity risk by continuously reviewing forecasts and actual cash flows and maintaining banking facilities to cover any shortfalls.

Liquidity risk – policyholder solutions

Stable, reversionary bonus and participating annuity business (smoothed - bonus business)

These policyholder solutions expose the Group to liquidity risks. Expected cash flows are taken into account in determining the investment guidelines and asset spread of the portfolios. Limits are also placed on the exposure to illiquid investments.

Other policyholder business

Policyholder portfolios supporting linked and market-related business, participating annuities and other non-participating life business are invested in appropriate assets, taking into account expected cash outflows. The following table summarises the overall maturity profile of the business:

As at 31 December 2022	1 year	1 - 5 years	Over 5 years	Open ended	Total
Group	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Borrowings	-	5,159,209	-	-	5,159,209
Market linked investment contracts	456,457	1,347,957	211,297	-	2,015,711
Non-market related insurance contracts	5,581,612	6,694,300	10,354,131	278,014	22,908,057
Deposit administration contracts	-	-	-	3,368,093	3,368,093
Insurance payables	-	-	-	1,087,692	1,087,692
Payables and other charges	825,187	-	-	-	825,187
Lease liabilities	52,524	49,724	-	-	102,248
Total financial liabilities	6,915,780	13,251,190	10,565,428	4,733,799	35,466,197

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

g) Liquidity risk (continued)

	1 year	1 - 5 years	Over 5 years	Open ended	Total
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Financial instruments	607,081	1,701,350	25,833,813	-	28,142,244
Loans	34,217	64,116	140,176	-	238,509
Reinsurance assets	1,340,730	63,353	6,590	-	1,410,674
Insurance receivables	942,405	-	-	-	942,405
Receivables and other financial assets	270,141	-	-	-	270,141
Deposits with financial institutions	1,343,437	-	-	-	1,343,437
Cash and bank balances	304,645	-	-	-	304,645
Total	4,842,656	1,828,819	25,980,579	-	32,652,055
(Gap)/surplus	2,073,124	11,422,371	(15,415,151)	4,733,799	(2,814,143)

Company					
Borrowings	-	3,002,310	-	-	3,002,310
Payables and other charges	95,598	-	-	-	95,598
Total liabilities	95,598	3,002,310			3,097,908
Company					
Receivables and other financial assets	51,854	-	-	-	51,854
Cash and bank balances	4,937	-	-	-	4,937
Total assets	56,791	-	-	-	56,791
Gap	(38,807)	(3,002,310)	-	-	(3,041,117)

As at 31 December 2021					
	1 year	1 - 5 years	Over 5 years	Open ended	Total
	KShs 000	KShs 000	KShs '000	KShs '000	KShs '000
Group					
Borrowings	354,648	3,315,782	-	-	3,670,430
Market linked investment contracts	637,162	1,772,220	341,400	-	2,750,782
Non-market related insurance contracts	2,746,245	6,082,725	9,746,060	192,734	18,767,764
Deposit administration contracts	-	-	-	2,592,275	2,592,275
Insurance payables	-	-	-	1,172,231	1,172,231
Payables and other charges	759,983	-	-	-	759,983
Lease liabilities	56,130	225,393	-	-	281,523
Total financial liabilities	4,554,168	11,396,120	10,087,460	3,957,240	29,994,988

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

g) Liquidity risk (continued)

	1 year	1 - 5 years	Over 5 years	Open ended	Total
	KShs 000	KShs 000	KShs '000	KShs '000	KShs '000
Financial instruments	684,083	1,065,387	23,510,022	-	25,259,492
Loans	54,296	84,395	111,945	-	250,636
Reinsurance assets	1,226,633	185,156	113,681	-	1,525,470
Insurance receivables	836,074	-	-	-	836,074
Receivables and other financial assets	333,294	-	-	-	333,294
Deposits with financial institutions	1,048,650	-	-	-	1,048,650
Cash and bank balances	658,260	-	-	-	658,260
Total	4,841,290	1,334,938	23,735,648	-	29,911,876
(Gap)/surplus	287,122	(10,061,182)	13,648,188	(3,957,240)	(83,112)
Company					
Borrowings	-	3,000,000	-	-	3,000,000
Payables and other charges	76,960	-	-	-	76,960
Total liabilities	76,960	3,000,000	-	-	3,076,960
Company					
Receivables and other financial assets	39,347	-	-	-	39,347
Deposits with financial institutions	180,357	-	-	-	180,357
Cash and bank balances	10,497	-	-	-	10,497
Total assets	230,201	-	-	-	230,201
(Gap)/surplus	153,241	(3,000,000)	-	-	(2,846,759)

h) Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

h) Insurance risk (continued)

The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

The Group manages underwriting risk through:

- Its product development process and underwriting policy to prevent anti - selection and ensure appropriate premium rates (loadings) for substandard risks;
- Adequate reinsurance arrangements to limit exposure per individual and manage concentration of risks;
- Claims handling policy; and
- Adequate pricing and reserving.

Quarterly full actuarial valuations and the Group's regular profit reporting process assist in the timely identification of experience variances. The following policies and practices are used by the Group as part of its underwriting strategy to mitigate underwriting risk:

Underwriting risk

Policies and practices: underwriting strategy

- i) All long-term insurance product additions and alterations are required to pass through the approval framework that forms part of the life insurance business' governance process. The statutory actuaries approve the policy conditions and premium rates of new and revised products;
- ii) Specific testing for HIV/Aids is carried out in all cases where the applications for risk cover exceed a set limit. Product pricing and reserving policies also include specific allowance for the risk of HIV/ Aids;
- iii) Applications for risk cover are reviewed by experienced underwriters and evaluated against established standards. Retention limits are applied to limit the exposure per individual life;
- iv) Appropriate income replacement levels apply to disability insurance;

- v) The experience of reinsurers is used where necessary for the rating of substandard risks;

Policies and practices: underwriting strategy

- vi) The risk premiums for Group risk business and some of the in-force individual risk business can be adjusted within 12 months should claims experience deteriorate to the extent that such an adjustment is considered necessary.

Risk profits are determined on a regular basis; and

- vii) Regular investigations into mortality and morbidity experience are conducted to ensure that corrective action, for example re-rating of premiums, is taken where necessary.

i. Persistency risk

Distribution models are used by the Group to identify high-risk clients. Client relationship management programmes are aimed at managing client expectations and relationships to reduce lapse, surrender and paid-up rates. The design of insurance products excludes material lapse, surrender and paid-up value guarantees, subject to regulatory constraints, to limit financial loss at surrender. Persistency experience is monitored to ensure that negative experience is timorously identified, and corrective action taken. The Group's reserving policy is based on the statutory required Gross Premium Method which ensures that adequate provision is made for lapses, surrenders and paid-up policies.

ii. Expense risk

Expenses are managed through the Group's budgeting process and continuous monitoring of actual expenses versus budgeted is conducted and reported on.

Sanlam Life analyses its expenses into 3 categories:

- a) Those that relate to whether or not policies are in force and so can be expressed as a per policy amount in KShs increasing with the assumed expense inflation.
- b) Those that relate to the amount of premium and so can be expressed as a percentage of premium.
- c) Investment related expenses expressed as a percentage of funds under management.

There has been an increase in fixed per policy expenses as a result of lower than expected new business volumes and the reduced size of the existing book. The existing book has reduced because new business volumes and reinstatements are insufficient to replace exiting policies. Maturities arising from policies sold in the previous years also increased in 2022.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

h) Insurance risk (continued)

iii. Mortality

Mortality experience analyses have shown that the assurance mortality experienced by Sanlam Life on individual life is lower than previously assumed. This emerges as a mortality profit in the Analysis of Surplus. The mortality assumptions for some products have been revised to closer reflect the current and expected future experience. For most products observed experience was in line with the expected experience and the mortality assumptions are unchanged from 2020. Most of the profits emerging from mortality experience arise from accidental riders. An allowance for expected excess Covid-19 mortality was however allowed for as we continue to monitor the mortality experience post the pandemic.

The annuity mortality basis was also maintained in 2022 similar to the 2021 basis with no significance variances noted between the actual observed and expected mortality experience. The assumed mortality rates on the annuity business continue to include an allowance for the expected improvement in annuitant's mortality over time.

iv. Operating Assumption changes

- The change in mortality assumptions for IL resulted in a positive impact on the VIF but this was offset by a change in the loss ratios on credit life (34% to 40%). This resulting in a negative impact of KShs 22m.
- There was a positive impact from persistency mainly driven by an increase in the assumed premium collection rate on the bancassurance line of business from 95% to 97%

- Increase in unit maintenance costs on the individual life book from KShs 5,765 to KShs 6,417 while those in annuity business increased from 2,214 to 2,722, which were only offset partially by reduction in premium related expenses from 2.7% to 2.5%. This resulting in a negative impact on VIF of KShs 7m.

The main economic assumptions (p.a.) used are as follows:

	2022	2021
	%p.a	%p.a
Risk discount rate	17	17.00
Overall investment returns (pre-tax)	13	12.00
Expense inflation rate	9	9.00

v. Claims risk

The risk that Sanlam Kenya Plc may pay fraudulent claims (claims risk) is mitigated by employing highly trained client service staff to ensure that fraudulent claims are identified and investigated thoroughly. The legitimacy of claims is verified by internal, financial and operating controls that are designed to contain and monitor claims risks. The Sanlam forensic investigation team also advises on improvements to internal control systems.

The Group writes a diverse mix of business, and continually monitors this risk and the opportunities for mitigating actions through reinsurance. The Group's life insurance businesses are focused on different market segments, resulting in a mix of individual and institutional clients, as well as entry-level, middle market and high net worth clients.



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

h) Insurance risk (continued)

v. Claims risk (continued)

The tables below provide an analysis of the Group's exposure to the value of benefits insured:

Value of benefits insured per individual: non-participating life business

Sum assured	Number of lives		Before Reinsurance		After reinsurance	
	2022	2021	2022	2021	2022	2021
Kshs'000						
0 – 3,717	1,386,458	1,500,688	185,865,454	222,528,290	112,823,457	114,247,960
3,717 – 7,434	6,955	9,369	37,203,581	48,937,271	29,212,176	37,547,036
7,434 – 37,174	9,249	8,013	135,415,068	114,602,102	60,041,747	53,252,116
37,174 – 59,478	675	536	31,791,197	24,435,383	4,472,000	3,869,000
>59,478	529	324	58,952,027	36,497,408	2,858,000	1,575,000
Total	1,403,866	1,518,930	449,227,327	447,000,454	209,407,380	210,491,112

Non-participating annuity payable per annum per life insured

Sum assured	Number of lives		Before Reinsurance		After reinsurance	
	2022	2021	2022	2021	2022	2021
Kshs'000						
0 – 143	1,873	1,917	127,403	127,451	127,403	127,451
143 – 286	1,202	1,117	255,519	236,342	255,519	236,342
286 – 428	591	529	214,818	192,316	214,818	192,316
428 – 571	327	301	168,323	154,662	168,323	154,662
571 – 714	198	174	132,364	116,089	132,364	116,089
>714	537	449	721,865	592,553	721,865	592,553
Total	4,728	4,487	1,620,292	1,419,413	1,620,292	1,419,413

The following tables disclose the concentration of insurance liabilities by the class of business in which the contract holder operates and by maximum insured loss limit included in the terms of the policy.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

h) Insurance risk (continued)

v. Claims risk (continued)

The amounts are the carrying amounts of insurance liabilities (gross and net of reinsurance) arising from insurance contracts:

		Maximum Insured Loss			
		Shs 3-15m	Shs 15 - 250m	Shs 250 -1000m	Total
		000'	000'	000'	000'
Year ended 31 December 2022					
Motor	Gross	38,376,432	7,698,927	1,160,737	47,236,096
	Net	4,809,165	964,796	145,458	5,919,419
Fire	Gross	36,221,879	83,604,702	614,535,525	734,362,106
	Net	23,398,043	54,005,658	396,968,048	474,371,749
Personal accident	Gross	1,860,992	34,683,587	87,832,710	124,377,289
	Net	1,608,297	29,974,073	75,906,336	107,488,706
Others	Gross	10,720,881	41,952,712	111,827,332	164,500,925
	Net	6,379,084	24,962,489	66,538,930	97,880,503
Total		Gross	87,180,184	167,939,928	815,356,304
		Net	36,194,589	109,907,016	539,558,772
					1,070,476,416
					685,660,377

		Maximum Insured Loss			
		Shs 3-15m	Shs 15 - 250m	Shs 250 -1000m	Total
		000'	000'	000'	000'
Year ended 31 December 2021					
Motor	Gross	164,295,266	212,264,580	19,980,730	396,540,576
	Net	33,484,000	13,834,000	82,000	47,400,000
Fire	Gross	16,184,861	150,355,965	58,316,093	224,856,919
	Net	14,853,670	110,980,978	15,588,107	141,422,755
Personal accident	Gross	548,221	11,859,154	11,408,940	23,816,315
	Net	511,863	8,430,583	7,815,126	16,757,572
Others	Gross	9,832,060	74,845,681	46,612,692	131,290,433
	Net	9,141,622	46,821,590	19,579,177	75,542,389
Total		Gross	190,860,408	449,325,380	136,318,455
		Net	57,991,155	180,067,151	43,064,410
					776,504,243
					281,122,716



Notes to Financial Statements (continued)

For the year ended 31 December 2022

36. Risk management (continued)

h) Insurance risk (continued)

v. Claims risk (continued)

Life business

		Kshs 3 - 3m	Kshs 3 - 15m	Kshs 15 - 250m	Kshs 250 - 1000m	Total
		Kshs'000	Kshs'000	Kshs'000	Kshs'000	Kshs'000
Year ended 31 December 2022						
Ordinary life	Gross	24,268,389	6,728,730	1,258,600	-	32,255,719
	Net	20,918,275	1,875,400	285,250	-	23,078,925
Group life	Gross	150,328,497	103,781,609	154,906,971	7,954,622	416,971,699
	Net	83,034,349	73,804,510	29,408,597	81,000	186,328,456
Total	Gross	174,596,886	110,510,339	156,165,571	7,954,622	449,227,418
	Net	103,952,624	75,679,910	29,693,847	81,000	209,407,381

		Maximum Insured Loss				Total
		Kshs 3 - 3m	Kshs 3 - 15m	Kshs 15-250m	Kshs 250 -1,000m	Kshs '000'
Year ended 31 December 2021						
Ordinary life	Gross	25,106,035	6,317,369	1,229,692	-	32,653,096
	Net	21,565,736	1,872,500	296,750	-	23,734,986
Group life	Gross	184,731,906	110,848,532	113,225,049	5,541,871	414,347,358
	Net	83,357,043	79,324,750	24,029,333	45,000	186,756,126
Total	Gross	209,837,941	117,165,901	114,454,741	5,541,871	447,000,454
	Net	104,922,779	81,197,250	24,326,083	45,000	210,491,112

The concentration by sector or maximum insured loss at the end of the year is broadly consistent with the prior year.

i) Capital adequacy risk

Refer to the capital management section (Note 35) for details on the management of the Group's capital base.

Notes to Financial Statements (continued)

For the year ended 31 December 2022

37. Carrying value of assets and liabilities not measured at fair value.

The table below represents the carrying value of assets and liabilities measured at amortised cost.

Group	2022	2022	2021	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Loans	238,509	238,509	250,636	250,636
Right of use asset	64,832	64,832	87,811	87,811
Deferred acquisition costs	185,464	185,464	243,969	243,969
Reinsurance share of insurance contract liabilities	1,410,674	1,410,674	1,525,471	1,525,471
Inventory	89,696	89,696	89,696	89,696
Insurance receivables	942,405	942,405	836,074	836,074
Receivables and other financial assets	269,956	269,956	333,294	333,294
Cash and bank balances	304,645	304,645	658,260	658,260
Government securities - At amortised cost	1,556,898	1,533,678	263,500	263,500
Deposits with financial institutions	1,343,437	1,343,437	1,048,650	1,048,650
Liabilities				
Borrowings	(4,088,010)	(4,088,010)	(3,000,000)	(3,000,000)
Unearned premium	(1,283,886)	(1,283,886)	(1,965,924)	(1,965,924)
Provisions	(34,570)	(34,570)	(34,570)	(34,570)
Insurance payables	(1,087,692)	(1,087,692)	(1,172,231)	(1,172,231)
Deferred reinsurance commissions	(92,971)	(92,971)	(111,209)	(111,209)
Lease liabilities	(82,079)	(82,079)	(101,209)	(101,209)
Payables and other charges	(825,187)	(825,187)	(759,757)	(759,757)
Net amounts	(1,087,879)	(1,111,099)	(1,807,539)	(1,807,539)

Notes to Financial Statements (continued)

For the year ended 31 December 2022

37. Carrying value of assets and liabilities not measured at fair value (continued)

The table below represents the fair value assets and (liabilities) measured at amortised cost other than government securities and cash deposits.

Company	2022	2022	2021	2021
	KShs:'000	KShs:'000	KShs:'000	KShs:'000
	Carrying value	Fair value	Carrying value	Fair value
Assets				
Inventory	89,696	89,696	89,696	89,696
Receivables and other financial assets	27,533	27,533	39,347	39,347
Deposits with financial institutions	-	-	180,357	180,357
Cash and bank balances	4,937	4,937	190,854	190,854
Liabilities				
Borrowings	(3,002,310)	(3,002,310)	(3,000,000)	(3,000,000)
Payables and other charges	(95,598)	(95,598)	(76,960)	(76,960)
Net amounts	(3,097,908)	(3,097,908)	(2,576,706)	(2,576,706)

38. Subsequent events – Group and Company

Events subsequent to the financial position date are disclosed only to the extent that they relate directly to the financial statements and their effect is material. There were no such events post year end to the date the financial statements were signed.



To: The Share Registrars
 Image Registrars Limited
 5th Floor, Absa Towers (formerly Barclays Plaza),
 P.O. Box 9287- 00100
 NAIROBI

PROXY FORM

I/We of

being member/members of **SANLAM KENYA Plc** hereby appoint

of..... or failing him/her the Chairman of the meeting of as/ our proxy, to vote for me/ us and on my/ our behalf at the 77th Annual General Meeting of the company to be held on Wednesday 7th June 2023 and at any adjournment thereof.

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorise my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

RESOLUTIONS	FOR	AGAINST	WITHHELD
1. THAT the Balance Sheet and Accounts for the year ended 31 December 2022 together with the reports of the Chairman, the Group Chief Executive, the Directors, the Auditor and the Statutory Actuary are hereby approved and adopted.			
2. THAT Ms Freda Britz is hereby elected a Director of the Company.			
3. THAT Mr Cornelius Foord is hereby elected a Director of the Company.			
4. THAT Mr Rohan Patel is hereby elected a Director of the Company.			
5. THAT in accordance with the provisions of Section 769 of the Companies Act, 2015 the following Directors, being members of the Audit, Actuarial, Risk and Compliance Committee are hereby elected to continue serving as members of the Committee: a. Freda Britz (Chair Person) b. Nelius Bezuidenhout c. Cornie Foord d. Rose Agutu e. Dr Tobias Doyer			
6. THAT the Directors' remuneration is hereby approved.			

Please clearly mark the box below to instruct your proxy how to vote

CDSC No of member (if known):
 (This can be found on your CDSC Statement)

Mobile Number (of the proxy holder):

Signed this day of 2023

.....



PROXY FORMNotes:

1. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but, if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone.
2. This proxy must be signed by the appointer or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be under the hand of an officer or duly authorized attorney of such body corporate.
3. To be valid the form of proxy should be completed, signed and delivered (together with a power of attorney or other authority (if any) under which it is assigned or a notarized certified copy of such power or authority) sanlamagm@image.co.ke or delivered to Registered Office of the Company or posted to the Company Secretary P.O. Box 30099 – 00100 Nairobi, or to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 11.00am on 5th June 2023
4. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 5th June 2023 at 11.00am. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 6th June 2023 at 11.00am to allow time to address any issues.
5. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint as a proxy any other person, delete the words “the Chairman of the Meeting or” and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
6. Completion and submission of the form of proxy will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
7. A “vote withheld” option has been included on the form of proxy. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.





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