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Standard Chartered Bank Kenya Limited Annual Report and Accounts 2021

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Annual Report 2021

The bank for the new economy

Here for good

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

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

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

Stakeholders

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

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

Read more on pages 25 to 37

About this report

Our Annual Report and Financial Statements for the year ended 31 December 2021 provides insights into our progress in realising our purpose; to drive commerce and prosperity through our unique diversity. It provides details on our business, our strategy, our risk management, our governance and our financial performance.

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

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

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

Contents

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linkedin.com/company/standard-chartered-bank
facebook.com/standardchartered

Who we are

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

We have built a strong foundation serving the people and businesses that drive growth in Kenya, regionally and globally. We have put ourselves at the frontline of today's biggest challenges and are taking a stand for impact – on climate change and economic participation.

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

Our Valued behaviours

Our valued behaviours ensure that we do things the right way, in order for us to succeed. Only then will we realise our potential and truly be Here for good.

Never settle
- Continuously improve and innovate
- Simplify
- Learn from your successes and failures

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

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

Delivering our strategy

Our purpose and progress

Despite external challenges, we have continued to make good progress against the strategy we set out in March 2019. As we accelerate our strategy, we have refined our focus into four strategic priorities and three enablers (pages 10 and 11) to guide us from our transformational phase to becoming a leader in global finance. In light of the COVID-19 pandemic, we have reviewed our strategy and concluded that it is still fit for purpose. We are confident that it will help us achieve our ambitions.

We measure our progress against key performance indicators (KPIs), a selection of which are below. Our KPIs include non-financial measures reflecting our commitment to sustainable social and economic development across our business, operations and communities. Our sustainability aspirations, aligned to the UN Sustainable Development Goals, provide tangible targets to drive sustainable business outcomes.

Urgent climate change, inequality and unfair aspects of globalisation impact everyone and the planet. We are setting long-term ambitions to play our part in tackling these issues. Together with the people and businesses we serve, we can be central to the transition to a fair, sustainable future. This is why we have committed to three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation.

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

Clients

Regulators & governments

Investors

Suppliers

Society

Employees

Financial KPIs

Return on capital employed

18.84%

↑735bps

(2020: 11.49%)

Total capital*

17.76%

↓(71)bps

(2020: 18.47%)

Tier 1 capital*

15.54%

↓(33)bps

(2020: 15.87%)

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

Other financial measures

Operating income

KShs 28,303m

↑6%

(2020: KShs 26,689m)

Profit before tax

KShs 12,598m

↑70%

(2020: KShs 7,396m)

Basic earnings per share

KShs 23.49

↑68%

(2020: KShs 13.95)

Non-financial KPIs

Diversity and inclusion: women in senior roles

46%

↑(2020: 43%)

Non-branch transactions

96%

↑(2020: 90%)

Group five-year summary

Consolidated income statement	2021 KShs million	2020 KShs million	2019 KShs million	2018 KShs million	2017 KShs million
Operating income	**28,302,502**	26,688,964	27,949,636	27,776,028	26,626,326
Operating expenses	**(14,192,783)**	(15,686,497)	(15,542,350)	(14,580,278)	(12,784,519)
Impairment losses on financial instruments	**(1,492,838)**	(3,586,052)	(233,429)	(1,349,134)	(3,770,514)
Impairment losses on intangible assets	**(18,828)**	(20,357)	-	-	-
Profit before tax	**12,598,053**	7,396,058	12,173,857	11,846,616	10,071,293
Income tax expense	**(3,554,214)**	(1,955,641)	(3,937,084)	(3,747,423)	(3,157,195)
Profit after tax	**9,043,839**	5,440,417	8,236,773	8,099,193	6,914,098
Information per ordinary share					
Basic earnings per share (KShs) (2019-2017 adjusted)	**23.49**	13.95	21.36	20.99	17.85
Dividend per share on each ordinary share (KShs)	**19.00**	10.50	12.50	19.00	17.00
Consolidated statement of financial position					
Loans and advances to customers (gross)	**136,181,940**	130,719,448	136,534,569	127,860,005	134,328,447
Impairment losses on loans and advances to customers	**(10,207,350)**	(9,195,221)	(7,844,228)	(9,208,455)	(8,033,977)
Government securities	**95,595,613**	99,779,222	99,610,577	98,685,925	110,532,758
Other assets	**113,301,735**	104,301,621	73,838,138	68,066,548	48,897,213
Total assets	**334,871,938**	325,605,070	302,139,056	285,404,023	285,724,441
Deposits from customers	**265,469,114**	256,497,530	228,433,515	224,284,420	213,349,290
Other liabilities	**16,188,718**	18,217,502	25,945,014	14,480,215	26,710,614
Total liabilities	**281,657,832**	274,715,032	254,378,529	238,764,635	240,059,904
Net assets	**53,214,106**	50,890,038	47,760,527	46,639,388	45,664,537
Shareholders' equity	**53,214,106**	50,890,038	47,760,527	46,639,388	45,664,537
Ratios					
Cost income ratio	**50%**	59%	56%	52%	48%
Return on capital employed	**19%**	11%	19%	19%	16%
Impairment charge/gross loans and advances	**1%**	3%	0%	1%	3%
Gross loans and advances to deposits ratio	**51%**	51%	60%	57%	63%
Gross non-performing loans and advances/total gross loans and advances	**10%**	15%	9%	11%	6%
Core capital/total deposit liabilities	**15%**	15%	16%	16%	17%
Core capital/ total risk weighted assets	**16%**	16%	15%	17%	16%
Total capital/total risk weighted assets	**18%**	18%	18%	20%	19%

Our business

Our purpose is to drive commerce and prosperity through our unique diversity. We offer banking services that help people and companies prosper, creating wealth and growth in our market. We serve two client segments supported by nine functions.

Our client segments

In January 2021, we streamlined our organisation by integrating our existing business units into two new segments: Corporate, Commercial & Institutional Banking (CCIB) and Consumer, Private & Business Banking (CPBB).

The creation of the CCIB segment, bringing together the Corporate & Institutional Banking and Commercial Banking, simplifies the way we work globally, keeping the distinct local client focus, with less complex organisation on the ground and a single team to partner with our clients and other stakeholders.

Our Retail unit is now CPBB. The change will help our retail business deliver our services more effectively to our clients, having a more global approach while serving our clients locally .

Corporate, Commercial & Institutional Banking

Corporate, Commercial & Institutional Banking supports clients with their transaction banking, financial markets, corporate finance and borrowing needs.

Operating income

KShs 10,597m

Consumer, Private & Business Banking

Consumer, Private & Business Banking serves individuals and small businesses, with a focus on the affluent and emerging affluent.

Operating income

KShs 12,929m

Central & other items

Operating income

KShs 4,777m

Total operating income

Operating income

KShs 28,303m

Our ambition is to be Kenya's most sustainable and responsible bank, generating income from sustainable finance

To achieve this, we've set long-term ambitions on climate change, financial inclusion and globalisation. In 2021, we launched the Carbon Dated report. This is a report that looks at the risks and opportunities for suppliers as multinational corporations transition to Net Zero.

The event had over 950 attendees, government, private sector and members of the media in an open dialogue on transforming supply chains to achieve net zero. To achieve our long-term ambitions, we know it will be through collaboration with our clients, governments and partners.

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Business model

We have a sustainable approach to business and strive to achieve the highest standards of conduct.

A business model built on long-term relationships

Our business model and strategy are built on capturing the opportunities inherent in our unique footprint by developing deep relationships with clients, helping companies connect across the Standard Chartered network and helping individuals and local businesses grow their wealth.

Developing these relationships means using our resources in a sustainable way, to achieve the goals of our strategy.

Our functions

Human Resources

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

Legal

Enables sustainable business and protects the Group from legal-related risk.

Technology and Innovation

Responsible for the Group's operations, systems development and technology infrastructure.

Risk

Responsible for the sustainability of our business through good management of risk across the Group and ensuring that business is conducted in line with regulatory expectations.

Chief Financial Officer

Incorporates the following support functions:

- Finance;
- Supply Chain; and
- Property.

Corporate Affairs and Brand and Marketing

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

Operations

Responsible for all client operations, end-to-end, and ensures the needs of our clients are at the centre of our operational framework. The function's strategy is supported by consistent performance metrics, standards and practices that are aligned to client outcomes.

Internal Audit

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

Conduct, Financial Crime and Compliance

Enables sustainable business by delivering the right outcomes for our clients by driving the highest standards in conduct, compliance and fighting financial crime.

How we generate returns

We earn net interest on the margin for loan & deposit products with clients. We also earn fees on our services & products. We earn trading income from providing risk management in financial markets.

Income

- Net interest income
- Fee income
- Trading income

Profits

- Income gained from providing our products & services minus expenses & impairments

Return on tangible equity

- Profit generated relative to tangible equity invested

What makes us different

Our purpose is to drive commerce and prosperity through our unique diversity - this is underpinned by our brand promise, Here for good.

Our Stands – aimed at tackling the world's biggest issues – Accelerating Zero, Lifting Participation and Resetting Globalisation (see pages 10 and 12 for more), challenge us to use our unique position to help.

Client focus

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

Distinct proposition

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

Robust risk management

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

Sustainable & responsible business

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

Business model
continued

The sources of value we rely on

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

Human capital

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

Strong brand

We are part of a leading international banking group with more than 110 years of history in Kenya making us a household name

International network

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

Expertise

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

Financial strength

With KShs 335 billion in assets on our balance sheet, we are a strong, trusted partner for our clients.

Technology

We possess leading technological capabilities to enable best-in-class customer experience, operations and risk management.

We are creating a work environment that supports resilience and creativity with continued investment in physical, social, financial and mental wellbeing.

We are providing digital solutions to meet clients' needs in real time, partnering to create innovative solutions and developing ventures to address emerging banking trends.

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

The value we create

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

Products and services

Financial markets	Corporate Finance	Transaction Banking	Wealth management	Retail Products
• Investments • Risk management • Debt capital markets • Securities services	• Structured and project financing • Strategic advice	• Cash management • Payments and transactions • Trade finance products	• Investments • Portfolio management • Insurance and advice • Planning services	• Deposits • Savings • Mortgages • Credit cards • Personal loans

Clients

We enable individuals to grow and protect their wealth. We help businesses to trade, transact, invest and expand. We also help a variety of financial institutions – including banks, public sector clients and development organisations – with their banking needs.

Suppliers

We work with suppliers to ensure they can provide the right goods and services for our business efficiently and sustainably.

Colleagues

We offer colleagues opportunities to learn and progress. We encourage them to improve, innovate, take ownership of their careers and succeed together.

Regulators and governments

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

Society

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

Investors

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

Our strategy

During the year we refreshed our strategy to move us from 'transformation' to 'lead', a new phase where we become market leaders in the next five years. We enter this new chapter with strong foundations and renewed confidence.

We will continue to invest in people, partnerships and innovations that bring value to our clients. With changes in the operating environment, we have ramped up our focus on:

- **Four strategic priorities:** Wholesale Network business, Affluent client business, Mass Retail business and Sustainability.
- **Three critical enablers:** People and Culture, New Ways of Working and Innovation.

We are anchoring our strategic priorities and enablers in our three Stands: Accelerating Zero, Lifting Participation and Resetting Globalisation. Through this section, we will highlight the linkages between our strategic priorities and our Stands.

More detail on our Stands can be found on page 12 to 13.

Rationale and drivers

While our 2019 refreshed strategic priorities focused on transformation, the 2021 strategy aims to move us from our transformation phase to becoming leaders:

- Invest – invest in our strategy and navigate the continued uncertainties through 2022.
- Grow and disrupt – rejuvenate growth from our sharpened strategy.
- Lead – emerge as a leader with future-proof competitive advantages by 2025.

Ambition

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

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

Strategic priorities

Wholesale Network business

Through our unique network, we facilitate investment, trade and capital flows, providing a starting point in achieving our Stand of Resetting Globalisation. We have also started on our journey towards our Stand of Accelerating Zero by focusing on Sustainable Finance. We are one of the leading international Wholesale banks through:

- Delivering a market-leading digital banking platform by continuing to invest in core digital capabilities.
- Driving capital-lite products, while building a leading Sustainable Finance franchise and expanding our credit origination and distribution ecosystem.
- Expanding in trade corridors in line with shifts in trade and investment flows.

Affluent client business

We offer outstanding personalised advice and exceptional experiences for our Priority and Premium banking clients to help them grow and prosper. Providing access to sustainable investments is a key differentiator, supporting our Stand of Accelerating Zero. As the leading international wealth manager, we are:

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

Mass Retail business

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

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

Sustainability

In Sustainability, we continue to focus on sustainable and transition finance, supporting our Stand of Accelerating Zero. We provide access to finance, networks and training to young people, supporting our Stand of Lifting Participation of our communities.

Our goal is to become the most sustainable and responsible Bank in Kenya and the leading private sector catalyser of finance for the Sustainable Development Goals (SDGs). We are:

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

Critical enablers

People and Culture

We are continuing to invest in our people to build future-ready skills, provide them a differentiated experience and strengthen our culture of innovation and inclusion.
This includes:

- Embedding our refreshed approach to performance, reward and recognition that puts greater focus on outperformance through collaboration and innovation.
- Increasing re-skilling and upskilling opportunities towards future roles that are aligned with the business strategy and individuals' aspirations.
- Focusing on wellbeing to enhance individual resilience, productivity and performance.

New Ways of Working

We continue to be client-centric, improve our operating rhythm in organisational agility and empower our people to continuously improve the way we work. We are working on identifying ways to track derived value and enhance our speed of decision-making and delivery, as a key source of competitive advantage.

Innovation

We have a three-pronged innovation approach to transform the Bank to achieve our goal of 50 per cent income from new businesses.

- Transform our core via digitisation.
- Leverage partnerships to drive scale and extend reach.
- Build new business models to create value.

Our stands

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

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


Left
Kellen Kariuki
Chairperson

Right
Kariuki Ngari
Chief Executive Officer

Accelerating Zero

We stand for a rapid, just transition to net zero where it matters most. Our plan to achieve net zero targets has three aims: reduce emissions, catalyse finance and partnerships, and accelerate new solutions.

More information see **page 34**

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

Stand up to climate change

Lifting Participation

We are determined to improve the lives of people and our communities by unleashing the financial potential of women and small businesses.

More information see **page 35**

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

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

Resetting Globalisation

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

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

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

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

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

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

Corporate, Commercial & Institutional Banking

KPIs

Operating income

KShs 10,597m

Profit before taxation

KShs 3,517m

Segment overview

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

Digital and innovation remains at the heart of our strategy. More than 92% of our clients use Straight2Bank to access channels for collections, payments, tax, payroll, mobile wallet, trade finance, custody, and foreign exchange (FX) services with convenience and safety. We continue to register growth in our digital offering, with over 85% of our FX client activities now being originated on the digital platforms. This enables us to increase efficiency and improve service levels for our clients.

Our financial markets business has continued to offer innovative solutions to our customers in 2021, seeing the first Structured Rate Loans offered to clients this year. We have registered an increase in FX traded volumes and growth in wallet share. We continue to see active trading by real money players, with the Monetary Policy Committee maintaining an accommodative stance, the Fixed Income desk has been able to capitalise on this opportunity as we continued to service client demand. We booked an innovative bond forward with a fund manager and are at the forefront of developing the market for this new product.

Our Integrated Middle Office has implemented several initiatives to ensure we continuously enhance client experience in the area of account opening. We launched a fully digital portal where clients can upload all their required account opening documentation allowing us to open corporate accounts in 6 days or less. The portal also allows us to use the same documentation for account opening in other geographies, further improving efficiency.

Finally, we are committed to sustainable finance, delivering on our ambitions to increase support and funding for financial products and services that have a positive impact on our communities and the environment and support sustainable economic growth.

Performance highlights

- Operating income up 11% to KShs 10.6 billion driven by growth in Non-Funded Income (NFI).
- Net Interest Income (NII) marginally down 1% mainly due to margin compression.
- NFI up 24% largely driven by increased transactional volumes.
- Credit impairment increased largely due to new specific provisions.
- Loans and advances grew by KShs 6.1 billion driven by closure of pipeline deals and higher utilisation of limits by clients.
- Customer deposits grew by KShs 11.3 billion driven by new mandates and increased transactional flows from key relationships.

Corporate, Commercial & Institutional Banking

Strategic Priorities

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

Consumer, Private & Business Banking

KPIs

Operating income

KShs 12,929m

Profit before taxation

KShs 4,596m

Segment overview

Consumer, Private & Business Banking (CPBB) serves individuals and small businesses, with a focus on affluent and emerging affluent. We provide digital banking services with a human touch to our clients, with services spanning across deposits, payments, financing products and Wealth Management. We also support our clients with their business banking needs.

We are closely integrated with the Group's other client segments, for example, offering employee banking services to CCIB clients. CPBB represents 46% of the Group's operating income and also provides a source of high-quality liquidity for the Group. Increasing levels of wealth support our opportunity to grow the business sustainably. We aim to uplift client experience, improving productivity by driving digitisation and cost efficiencies, and simplifying processes.

Owing to our efforts to offer best-in-class digital services to clients, we were recognised as the best digital bank in Kenya and Africa by The Digital Banker in 2021.

Meeting our client's lifestyle through our partnership with VetLab Sports Club

Performance highlights

- Operating income, at KShs 12.9 billion representing a 7% increase year-on-year. The increase is largely attributable to the Wealth Management momentum having grown by 24% during the same period and adequately compensating for declining compressed margins having been impacted by COVID-19 in the prior year.
- The Non-Funded Income (excluding Wealth) increased by 16%. This is informed by improved transaction volumes and recovery of cards spend behaviour.
- Our strong digital banking proposition continues to play a major role in strengthening the balance sheet. The digital client balance sheet has grown to KShs 3.0 billion.
- We continue to cement our leadership in wealth management which saw the assets under management close at KShs 131 billion.

Consumer, Private & Business Banking

Strategic Priorities

- Leading international Affluent franchise known for outstanding personalised wealth advice and exceptional client experience.
- A single wealth continuum platform with distinctive value propositions to maximise client relationships.
- Create a profitable Mass Retail business enabled by partnerships, data and digital infrastructure.
- Digital-led, personalised and contextual client engagement augmented by seamless omnichannel experience.
- New ways of working as standard approach for faster, better and more agile execution.
- Strategic and transformative investment decisions delivering synergies and consistent client experience.

From right to left: Kariuki Ngari, Chief Executive Officer, Edith Chumba, Head of Consumer, Private & Business Banking and Sagi Vaknin, Managing partner, Artcaffe during the launch of SCB's Sales and Service Centre.

Strategic report

Product groups

Transaction Banking

Product overview

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

Cash Management and Digital Banking

We are a trusted proven provider of competitive cash management services with an extensive product offering for Corporate, Commercial & Institutional Banking (CCIB) clients. Our market leadership in cash management solutions has been recognised by the CIO100 who awarded us the Banking Sector Award (2021), Global Banking & Finance Awards who recognised us as the Best Digital Bank Kenya (2020), Global Finance Awards as the Best Bank for Cash Management – Global Winner (2020), the Banker Innovation in Digital Banking Awards – Payments category award (2020), among others. We are committed to meeting the growing and unique cash management needs of our clients with continuous product innovation and digitisation.

Over the past one year, we have rolled-out Straight2Bank NextGen, our new generation of digital banking for our clients as we aim to become the one-bank platform that offers our clients with all touchpoints across all of the Bank's products and services; therefore enhancing their digital experience. Along with the Straight2Bank NextGen, we have also rolled out an enhanced Mobile Application that allows clients on Straight2Bank NextGen to view and authorise transactions conveniently and securely from their mobile phones making banking on-the-go easier. Other recent value adding self-service capabilities include a chatbot and a digital tool "WalkMe" that provides step-by-step guides on how to use our digital banking platform. These capabilities have significantly simplified and enhanced our clients' digital banking experience and as a result, we have experienced over 92% adoption rate of our digital banking channel - a clear statement of our clients' trust in our intuitive and secure digital banking channel. In line with keeping abreast with the evolving trends in consumer behaviour, we rolled-out our best-in-class online payment gateway, Straight2Bank Pay to our first corporate client, a global leader in the logistics industry where we created efficiency in the client's business operations by digitalising their collections through a safe and secure channel with multiple online payment methods for its customers. Straight2Bank Pay was also instrumental in managing the registration process for the 2021, 18th edition of the Standard Chartered Nairobi Marathon where the proceeds of the marathon went towards 'Futuremakers', our community approach to tackling inequality and promoting economic inclusion for younger generation.

All these enhancements and digital capabilities are fully aligned to our core strategy that is focused on embracing and accelerating the shift to a digital network powered by a leading digital banking platform that truly elevates our clients' banking experiences.

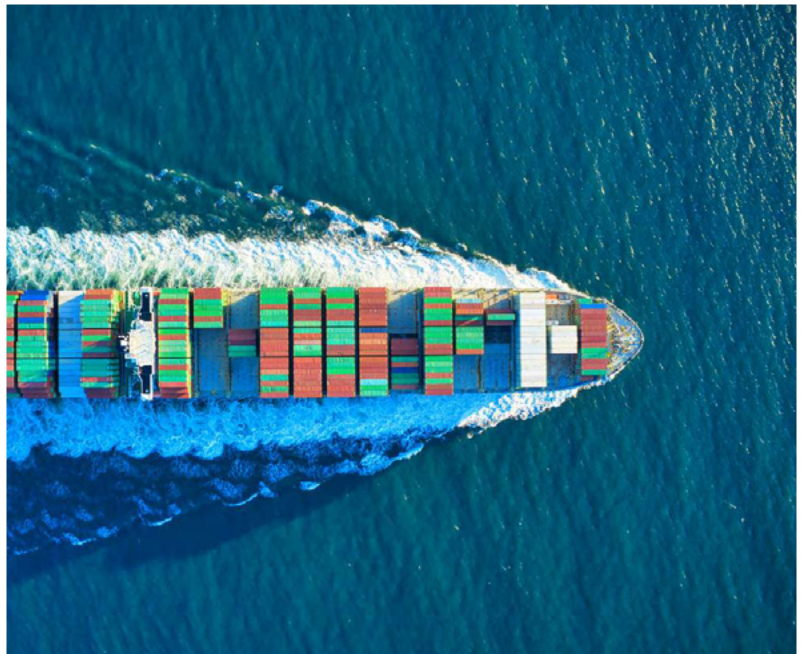
Given the evolving trends in information and cyber security threats, we have enhanced our capabilities by leveraging on solid platforms with best-in-class cyber resilience and security tools which provide our clients with the highest levels of security and real-time visibility and transparency in their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

Our cash management and digital banking capabilities include:

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

Trade and Working Capital

Trade is in our DNA. Our Trade business continues to evolve in order to meet the unique and sophisticated business requirements of our clients within the global environment. We offer our clients a full suite of trade finance propositions to meet their underlying business needs through documentary and flow trade to open account trade solutions including structured trade solutions. Additionally, we have an innovative and pragmatic approach to supply chain finance under the banner of "Banking the Ecosystem" which has allowed us to support Small and Medium Enterprises positively as they continue to be critical drivers of the Kenyan economy. We also provide foreign currency clearing and trade finance to Tier 1 and 2 banks in Kenya allowing them to continue to service their clients and more specifically provide liquidity to SMEs.



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

Our Trade and Working Capital offering and capabilities include:

- Documentary and Flow Trade – Letters of Credit, Documentary Collections and Bonds and Guarantees
- Trade Loans – Receivables and Payables Financing
- Supply Chain Financing Solutions – Distributor and Supplier Finance
- Receivables Services
- Structured Trade Solutions
- Straight2Bank Nextgen for Trade – Our Digital Trade Platform

Focusing on Client Experience and Simplification, we serve clients across industries and geographies and aim to be "Easy2Bank" with.

Financial Markets

Product overview

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

FM has had a stable performance in 2021. Key takeaways of 2021 include:

- We continue to register growth in our digital offering, with over 85% of our FX client activity now being originated on the digital platforms by the clients themselves.
- Our Sales desk has continued to offer innovative solutions to our customers, seeing the first Structured Rate Loans offered to clients this year.
- We have registered an increase in traded volumes and growth in wallet share.
- We continue to see active trading by real money players.
- With the Monetary Policy Committee maintaining an accommodative stance, the Fixed Income desk has been able to capitalise on this opportunity where yields rallied as we continued to service client demand.
- We launched an innovative bond forward product.

Strategic priorities

Our strategy is framed under 5Cs:

Clients

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

Credit trading

Comprises the Credit Flow, Credit Solutions, Repos and Collateral businesses, with teams in Kenya and across our global footprint. Credit Flow acts as a market maker in secondary Emerging Markets hard currency credit markets. Credit Solutions provides financing and investment solutions across fixed income, loans, equities, and funds. Repos and Collateral provides liquidity management, collateral optimisation, yield enhancement and financing trades.

Credit is an area we want to enhance in terms of our coverage in Kenya and the spectrum and distribution of credit risk.

Currency

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

Cross-sell

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

Conduct

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

Product groups
continued

Corporate finance

Product overview

Corporate Finance provides customised and innovative solutions to help our clients meet their strategic objectives. We are specialists in project and export finance, leveraged and structured solutions, structured finance (aviation and shipping) and loan syndications.

Project & Export Finance

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

Structured Finance

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

Leveraged and Structured Solutions

The Leveraged and Structured Solutions (LSS) is involved in all specialised financing transactions other than project and export finance and structured finance (aviation and shipping) as well as select complex and/ or specialised lending transactions.

Loan Syndications

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

We led a landmark financing for a telecommunication client in the East African region. This was the largest loan syndication to the tune of USD 400m. The USD 400m facilities comprised of a short-term stand by letter of credit and a 12-month term loan which allowed the consortium to submit and fund the winning bid for the first full-service mobile telecommunications license for a private sector operator in Ethiopia. In addition to the above we provided financing for a regional Development Finance Institution raising over USD 300m for them to support regional Governments with economic recovery.

Wealth Management

Product overview

We offer superior investment advice, products and services to help our clients build, manage and protect their wealth.

We serve clients under our CPBB segment.

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

We combine a deep understanding of our market with global reach, to provide our clients with access to the world's leading financial markets and investing opportunities like their counterparts in more advanced countries. We recommend solutions that are most suited and relevant to each client after a thorough investment profiling. Our advisory team benefits from our open-source approach to product and fundamental research backed by a very competent and experienced investment committee that looks at a broad range of industry-leading sources and debates them thoroughly. The result is great insights that help our clients make better investment decisions.

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

Managed Investments

We combine our market-leading advice and funds selection to create personalised portfolios using various asset categories such as equities, bonds and commodities. This will help clients diversify and reduce overall volatility.

Market Products

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

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

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

Bancassurance

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

Wealth lending

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

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

At Standard Chartered, we are driven by positively impacting the communities where we do business

During the Taxpayers Day 2021, our subsidiary Standard Chartered Investment Services Limited received the highest corporation yield award. This is a testament to our Here for Good brand value.

standard chartered

Risk management

Enterprise Risk Management Framework

Risk management is essential to consistent and sustainable performance for all of our stakeholders and is therefore a central part of the financial and operational management of the Group. The Group adds value to clients and therefore the communities in which they operate and generates returns for shareholders by taking and managing risk.

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

We maintain a dynamic risk-scanning process for risk identification and assessment, with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives, enabling us to proactively manage our portfolio.

Principal risk types

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

Principal risk types	How these are managed
Credit risk Potential for loss due to the failure of a counterparty to meet its agreed obligations to pay the Group.	The Group Company manages credit exposures following the principle of diversification across products, client segments and industry sectors.
Traded risk Potential for loss resulting from activities undertaken by the Group in financial markets.	The Group controls trading portfolio and activities to ensure that market risk losses (financial or reputational) do not cause material damage to the Standard Chartered franchise ("the franchise").
Capital and Liquidity risk Capital: potential for insufficient level, composition or distribution of capital to support our normal activities. Liquidity: potential for failure where we may not have sufficient stable or diverse sources of funding or financial resources	The Group maintains strong capital positions including the maintenance of management buffers sufficient to support strategic aims and hold adequate buffer of high-quality liquid assets to survive extreme but plausible liquidity stress scenarios for at least 60 days without recourse to extraordinary Central Bank of Kenya support.
Operational and Technology risk Potential for loss from inadequate or failed internal processes, technology events, human error, or from the impact of external events (including legal risks).	The Group controls operational and technology risks to ensure that operational losses (financial or reputational), including any related to conduct of business matters, do not cause material damage to the franchise.
Reputational and Sustainability risk Potential for damage to the franchise, resulting in loss of earnings or adverse impact on market capitalisation, because of stakeholders taking a negative view of the Group, its actions or inactions (including a failure to uphold responsible business conduct or lapses in our commitment to do no significant environmental and social harm through our client, third party relationships, or our own operations) – leading its stakeholders to change their behaviour.	The Group protects the franchise from material damage to its reputation by ensuring that any business activity is satisfactorily assessed and managed by the appropriate level of management and governance oversight.

Principal risk types
continued

Principal risk types	How these are managed
Compliance risk Potential for penalties or loss to the organisation or for an adverse impact to our clients, stakeholders or to the integrity of the markets we operate in through a failure on our part to comply with laws, or regulations.	The Group has no appetite for breaches in laws and regulations. Whilst recognising that regulatory non-compliance cannot be entirely avoided, the Group strives to reduce this to an absolute minimum.
Information and Cyber Security risk Risk to the Group's assets, operations and individuals due to the potential for unauthorised access, use, disclosure, disruption, modification, or destruction of information assets and/or information systems.	The Group seeks to avoid risk and uncertainty for our critical information assets and systems and has a low appetite for material incidents affecting these or the wider operations and reputation.
Financial Crime risk Potential for legal or regulatory penalties, material financial loss or reputational damage resulting from the failure to comply with applicable laws and regulations relating to International Sanctions, Anti-Money Laundering and Anti-Bribery & Corruption and Fraud.	The Group has no appetite for breaches in laws and regulations related to financial crime, recognising that whilst incidents are unwanted, they cannot be entirely avoided.

The Group recognises Climate Risk as a cross-cutting risk which is material and can manifest itself in relevant Principal Risk Types.

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

As part of our commitment to be a leader in sustainable and responsible banking, Environmental, Social and Governance risks have been incorporated within the expanded Reputational and Sustainability Risk Type Framework. Conduct Risk and Country Risk have been embedded as overarching components of the ERMF, rather than viewed as standalone risks. Operational Risk has been expanded to include Technology risk to meet the needs of the digital agenda of the Group.

We are making good progress on integrating Climate Risk into mainstream risk management. Self-assessments performed reflect the use of the ERMF and Principal Risk Types, with reinforced first line ownership.

Overall ERMF effectiveness has improved year-on-year, with a substantial focus on development of non-financial risk management.

Risk Culture

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

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

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

Risk management
continued

Strategic risk management

Our strategy in risk management entails:

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

Roles and responsibilities

Three Lines of Defence model

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

Lines of Defence	Definition	Key responsibilities include:
1st	The businesses and functions engaged in or supporting revenue generating activities that own and manage risks.	• Propose the risks required to undertake the revenue generating activities. • Identify, monitor, and escalate risks and issues to the Second Line and senior management and promote a healthy risk culture and good conduct. • Manage risks within Risk Appetite and ensure laws and regulations are being complied with. • Ensure systems meet risk data aggregation, risk reporting and data quality requirements set by the Second Line.
2nd	The control functions independent of the First Line that provide oversight and challenge of risk management to provide confidence to the management team and the Board.	• Review First Line risk proposals and make decisions to approve or reject as appropriate. • Oversee and challenge First Line risk taking activities. • Own processes for setting Risk Type Frameworks, Policies and Standards, and monitoring compliance. • Own and manage processes for oversight and challenge. • Propose Risk Appetite to the Board, monitor and report adherence to Risk Appetite. • Intervene to curtail business if it is not in line with existing or adjusted Risk Appetite.
3rd	The independent assurance provided by the Internal Audit Function, of the effectiveness of controls that support First Line's risk management of business activities, and the processes maintained by the Second Line. Its role is defined and overseen by the Board Audit Committee.	• Independently assess whether management has identified the key risks in the business and whether these are reported and governed in line with the established risk management processes. • Independently assess the adequacy of the design of controls and their operating effectiveness.

Risk Appetite and Profile

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

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

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

Risk Appetite Principles

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

Risk Appetite Statement

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

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

Board and Executive risk oversight

The Board has ultimate responsibility for risk management and is supported by the Board Committees and management committees. The Board approves the ERMF based on the recommendation from the Board Risk Committee, which also recommends the Risk Appetite Statement.

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

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

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

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

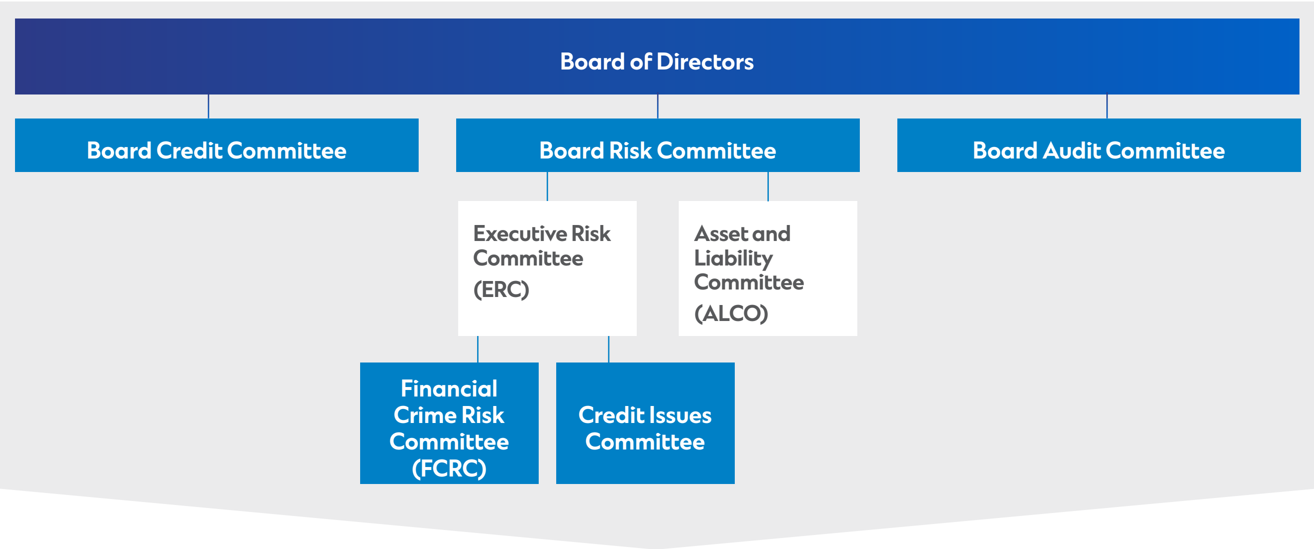
The Executive Risk Committee is responsible for monitoring management information to evidence that the Group's risk profile is within the approved Risk Appetite. It is responsible for providing assurance to the Board that the overall framework is complying with the approved Risk Appetite statements.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

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

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

Risk management
continued

Risk governance structure



Stakeholders and responsibilities

We recognise that our stakeholders are an integral part of our long-term prosperity and sustainability. Listening and responding to stakeholder priorities and concerns is critical to achieving our purpose and delivering on our brand promise, Here for good. We strive to maintain open and constructive relationships with a wide range of stakeholders including regulators, government, clients, suppliers, employees, investors, civil society and community groups and this enables us to build trust and respond to the opportunities and challenges.

In 2021, our engagement took many forms, including one-to-one sessions using online channels and calls, virtual roundtables, written responses, and targeted surveys. These conversations, and the issues that underpin them, help inform our business strategy and enable us to operate as a responsible and sustainable business.

Stakeholder feedback is communicated internally to senior management through the relevant forums and governing committees which oversees the Bank's approach to its main relationships with stakeholders.

Our stakeholders

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

Clients

How we create value

We want to deliver easy, everyday banking solutions to our clients in a simple and cost-effective way, and with great customer experience. We enable individuals to grow and protect their wealth. We help businesses trade, transact, invest and expand. We also help a variety of financial institutions, including banks, public sector and development organisations, with their banking needs.

How we serve and engage

Clients are at the heart of everything we do. We recognise significant and disruptive influences that are shaping client behaviour and preferences. The rapid adoption of digital technology has increased client expectations for real-time gratification. By building and fostering long-term relationships we can better understand our clients' needs, find innovative tailored solutions to help them achieve their goals.

In Consumer, Private & Business Banking (CPBB), we focus on our responsibility to support our more vulnerable clients. A global framework is in place to ensure the fair treatment of vulnerable customers in product development and throughout the whole customer journey. Training is provided to front-line staff across our branches, contact centre and digital channels to identify and appropriately handle vulnerable clients. We have implemented an educational training programme for our clients who require assistance in navigating online and mobile channels.

In order to act in the best interests of our clients, we use our client insights, alongside our robust policies, procedures and risk appetite, to design and offer products and services which meet client needs, regulatory requirements and the Group's performance targets whilst contributing to a sustainable environment.

All new products are subject to comprehensive approvals process to test, design effectiveness and robustness of the implementation process. For investment products sold to individuals, this includes risk scores which aid our assessment of client suitability.

For individual clients, we consider each client's financial needs and personal circumstances to assist us in offering suitable product recommendations. We achieve this using a globally consistent methodology that takes into consideration local regulatory requirements to review product risks against the client's risk appetite, considering financial objectives, financial ability, and knowledge. Clients are also provided with clear and simple documentation that outlines key product features and risks prior to executing a transaction. Fees and charges are disclosed to clients in line with regulatory requirements and industry best practice, and where available, benchmarked against competitors. For Personal and Business Banking products, accurate interest rates charged, fees and other charges as billed to clients are monitored and assessed with strong oversight over them. Triggers for outlier prices are defined and subject to annual review. A process is in place to review complaints prior to amendments to annual interest, fees and charges.

We continuously assess our product portfolio for new risks to ensure they remain appropriate for client needs and aligned to emerging regulation. These quantitative and qualitative assessments enable a complete view of whether to continue, grow or retire products.

Stakeholders and responsibilities
continued

Clients continued

In 2021, we maintained our sharp focus on improving client experience across the Group. We opened our first sales centre at Britam Tower, Nairobi as part of our ongoing efforts to better service our clients. Priority Banking offers a dedicated service model, supported by a highly experienced team of banking and financial experts, together with bespoke lifestyle priviledges.

We continued to strengthen our digital transformation and innovation capabilities through differentiated product and service offerings, positive experiences and sustainable finance. We kept clients engaged by leveraging on data analytics and digital marketing. Owing to our efforts to offer best-in-class digital services to clients, we were recognised during the year as the Best Digital Bank in Kenya and Africa by The Digital Banker in 2021 (we also won in 2020)..

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

Refining our processes also enabled us to eliminate significant client waiting time annually, and our efforts were recognised with a Digital Transformation & Operational Excellence Award and inclusion as a Finalist in two further external awards.

Where concerns are found, we have processes and guidelines in place, specific to each of our client businesses, to understand and respond to client issues and promptly resolve complaints.

In 2022, we will continue to strengthen our digital transformation and innovation capabilities.

Corporate, Commercial & Institutional Banking (CCIB) simplifies the way we work, keeping our distinct local client focus, with a less complex organisation and a single team to partner with our clients and other stakeholders. It also allows us to bring the full suite of our products and network to a broader spectrum of clients. We are working closely with our clients to help them transition to net-zero through launching sustainable finance products, providing expertise, advise and capital.

In CCIB, we focused on delivering a consistent global experience for larger clients across our proprietary platforms. Through understanding the challenges clients face in balancing their financial management needs with their growing needs to sustainability, we launched a sustainable trade finance proposition in 2021 to support sustainable supply chains for our clients. We also supported our clients as they transitioned from physical payment methods to our enhanced Straight2Bank (S2B) digital platform, whose penetration stands at 92 per cent.

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

Virtual Roundtable Session on sustainable trade solutions for top CCIB clients.

Regulators and government

How we create value

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

How we serve and engage

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

We meet all relevant transparency requirements and engage through dialogue with the government and regulators. We submit responses to formal consultations and participate in industry working groups, and we comply with legislation, rules and other regulatory requirements applicable to our business and operations.

In 2021, we engaged with regulators, government officials and trade associations on a broad range of topics that included recovery from the COVID-19 pandemic, international trade, sustainable finance, data, cybersecurity, digital adoption, and innovation.

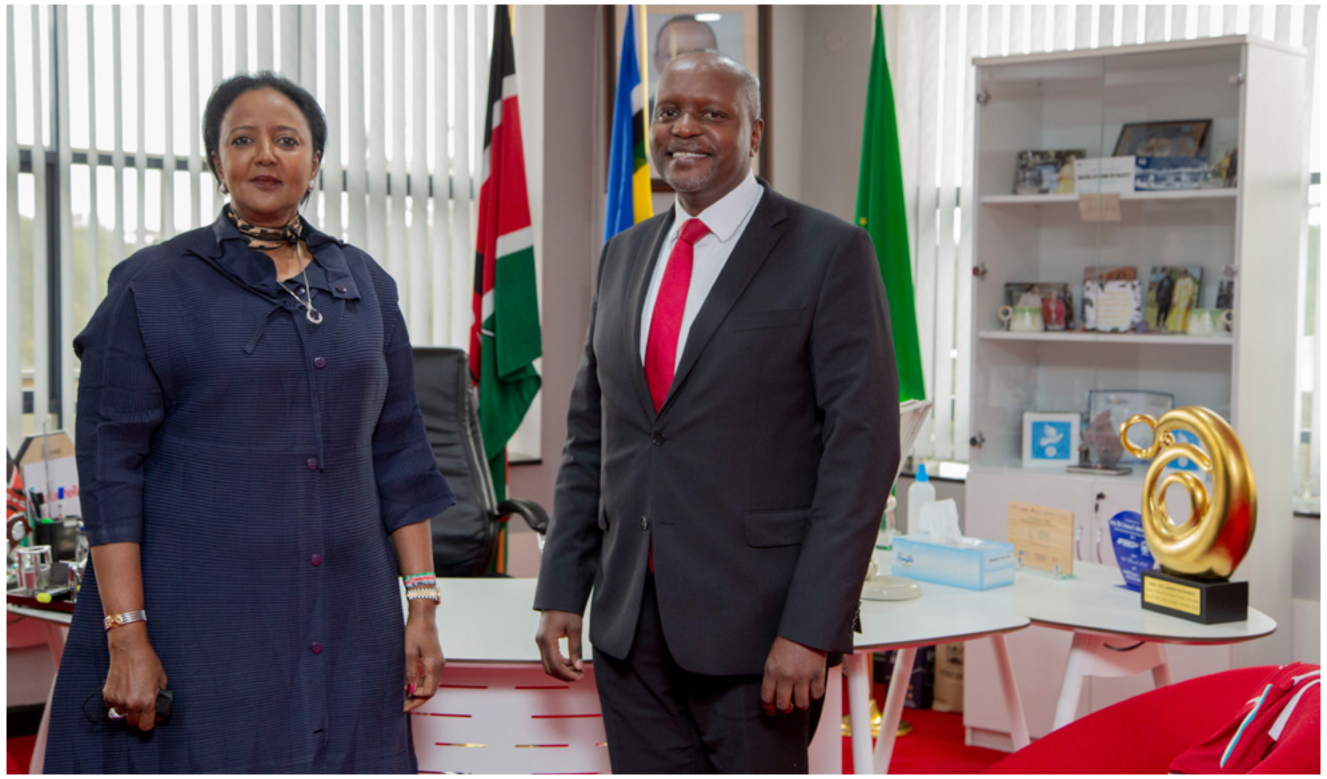
We exchanged information on new regulatory reporting requirements, Anti Money Laundering enhancements i.e. the implementation of the 'GoAML' system; a software system for Financial Intelligence Units to counter Terrorist Financing and Money Laundering, development of data protection regulations, new innovative product offerings for the Group and introduction of new technologies such as cloud based applications. We are committed to complying with legislation and regulatory requirements applicable to our business and operations. Our compliance with legal and regulatory frameworks ensures that the Group meets its obligations as a good corporate citizen. In turn, this supports the resilience and effective functioning of the Group and the broader financial system.

In 2022, we expect to focus on Sustainability in line with the Central Bank of Kenya Guidelines on climate risk management. This will be a build-up of our 2021 achievements on Sustainability where we launched the SCB carbon dated report and conducted several client webinars.

Other engagements will be on the use of emerging technologies and innovations in the Group in support of our strategy, compliance with data privacy and protection and combating Financial Crime with focus on fraud risk management. We will continue to update our systems to ensure that they continue to satisfy the dynamic client needs.

The Group will continue to support regulatory efforts to maintain a robust and resilient financial market and lead in proactive cyber risk management aimed at protecting client data and funds.

We expect to engage on regulation and legislation associated with the continued recovery from the COVID-19 pandemic, international trade, sustainable finance and climate action, digital innovation, data, privacy, artificial intelligence and cyber security.



CEO, Kariuki Ngari during a courtesy call to Amina Mohammed, Cabinet Secretary for Sports, Heritage and Culture.

Investors

How we create value

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

How we serve and engage

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

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

During 2021, we engaged with investors and market analysts through the Annual General Meeting which was held virtually on 27 May 2021 owing to the prevailing circumstances arising from the COVID-19 pandemic. At the meeting, we apprised investors of the financial results, material organisational decisions, and the Group's strategic focus.

The virtual AGM, being the second one since the pandemic, was a monumental shift from the traditional in person meetings of shareholders held in the past. It was a resounding success as we were able to engage with more shareholders, while protecting their health and that of our employees, directors and other participants.

We also engaged with shareholders through briefing events to guide them through our performance and business strategy, engaged with sustainability analysts, and participated in sustainability indices that have provided independent benchmarking of our performance. In 2022, while external conditions are likely to remain challenging with the uncertainty relating to COVID-19 pandemic, we remain excited by the opportunities that lie ahead for continued engagement on how we will sustainably improve our returns to create value over the long term. For more information about Board engagement with shareholders in 2021, please see page 68 in the corporate governance section of the Annual Report.

Hosted a virtual annual general meeting to update our shareholders on the Bank's performance.

Suppliers

How we create value

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

How we serve and engage

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

In 2021, we made progress against our supply chain sustainability agenda and began to integrate environmental and social risks into our third-party risk management framework.

In pursuit of our ambition to be Net Zero in our operations by 2025, we offset emissions from our business flights. We also began to embed emissions-related clauses into relevant supplier contracts, such as printing services, to reduce our consumption and mitigate residual emissions.

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

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

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

Our Stands have served to further embed our Supplier Diversity & Inclusion approach. During the year we undertook an internal baseline survey to gauge our vendor diversity which revealed that women constitute 17% of our vendor base and contribute 2% of vendor spend. We purpose to grow the current base of women, youth and people living with disability from 17% to 30% and increase value from current 2% to 10% in the medium term by end of 2023.

In 2022, we will embark on training employees internally to build capability to deliver our supplier diversity and inclusion aims. In addition, we are seeking to establish partnerships to identify and onboard more sustainable and diverse-owned vendors. Supply chain sustainability will continue to be a primary focus in 2022 as we roll out initiatives to address and control social risk, and further reduce carbon emissions within our own operations and supply chain.

Access to finance and working capital is one the barriers small and medium sized businesses face. In response to COVID-19 pandemic, we suspended our trade credit terms impacting 165 vendors.

We continue to support our vendors by paying invoices immediately upon receipt and since implementation in March 2020, we have paid out KShs 2.0 billion, providing our vendors with much needed cashflow, making their businesses more resilient.

From 2022-2023; we will sensitise marginalised vendors – women, people with disability and youth through capacity building sessions to help them understand and meet procurement requirements. We will also invite our Business Banking Clients, Women in Technology beneficiaries to participate in the capacity building sessions as a pipeline of acquiring new vendors. We will showcase and share best practice of our vendors and replicate success of our vendors. We will encourage our tier one vendors to support our supplier diversity agenda by procuring and employing staff from diverse groups.

Stakeholders and responsibilities
continued

Employees

How we create value

We recognise that our workforce is a significant source of value that drives our performance and productivity and thatthe diversity of our people, cultures and networks sets usapart. To lead the way in addressing the evolving needs of ourclients and the advances in technology, we are developing aworkforce that is future-ready and are co-creating with ouremployees a culture that is inclusive and innovative.

Our ways of working

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

We pride ourselves in becoming an employer of choice. This will happen if we continue delivering a world class employee experience through our technology enablers, better approach towards performance management and adapting to the new dynamics of working.

We have rolled out technology enablers that make it easierfor our colleagues and people leaders to find solutions. We continued the hybrid working model and 70% of ourcolleagues took up the flexible work arrangements, with agood split between working from home and within the office. We supported our colleagues with the right tools that enabled a seamless hybrid working.

We pride ourselves in being a performance driven organisation. We launched our new approach to performance management that meets the demands of our changingworkforce focusing on performance, variable pay, recognition and talent, and we are putting more emphasis on driving a feedback culture, driving quality performance conversations and recognising our top talent. We have emphasised the useof our feedback tool to give timely, actionable feedback amongst colleagues.

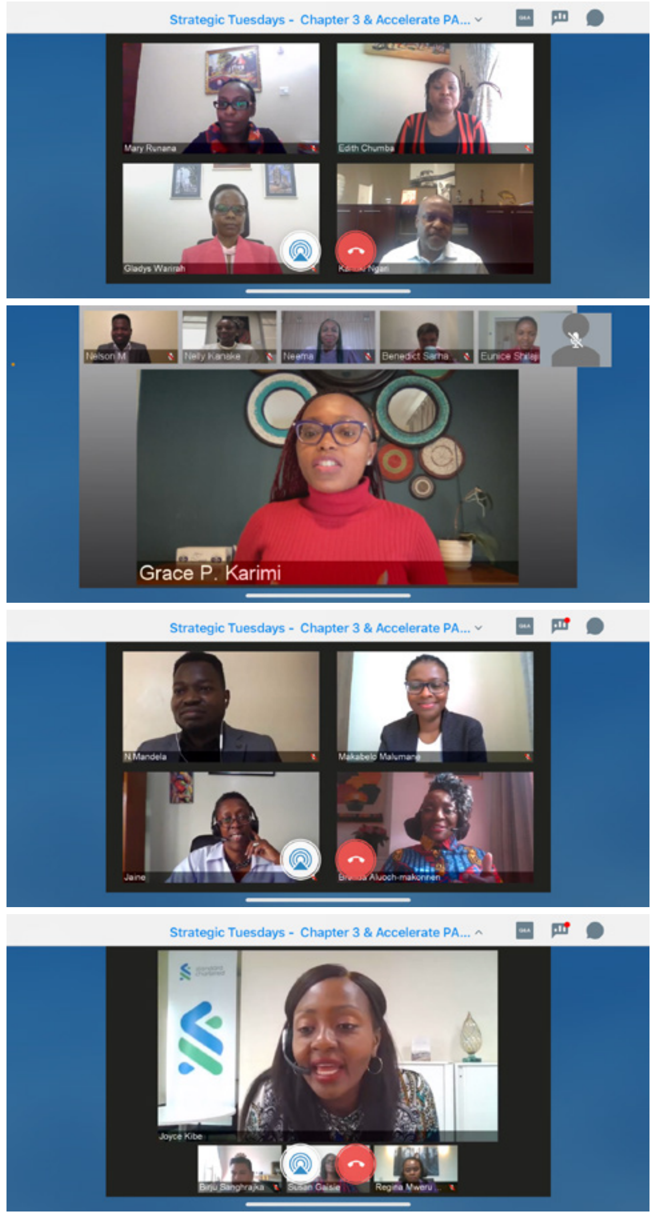
Creating an Inclusive Culture

A diverse and inclusive environment establishes a sense ofbelonging among employees who tend to produce higher quality work. We leverage on our diverse and inclusive culture to build on our employee proposition to make the Group thebest place to work in. We have curated initiatives that are at the forefront of building an inclusive culture.

One aspect in embedding an inclusive culture is thesensitisation of colleagues through various learningprogrammes. Amongst the core programmes we ran in theyear included, "When we are all included", "Respect at work",which were aimed at increasing awareness on inclusion. The modules set the standard of appropriate conduct and rolemodel behaviours expected of people leaders and all colleagues.

The employee resource groups (ERGs) have continued to be pivotal in supporting our agenda of enabling individuals to bring their whole selves to work. We have three active groups: BOOTS (Men Forum), SKIRTS (Ladies forum) and People With Disability forum. We continue to leverage on these forums by providing learning, development, and networking opportunities. According to our annual staff pulse survey, 88% our colleagues feel welcomed and included in theorganisation.

The ERGs notable programmes in the year include, "ManEnough", an 8-week series for 100 men and that focused on celebrating men in their diversity and shining a spotlight on contemporary issues that affect them. The Group is committed to following through on the onboarding work to achieve the 5% of our population as people with disability by2026.



Chapter 3 and Accelerate PA²CE cascade

Employees continued

We have made strides in our gender and pay equality journey. Our multi-generational workforce now constitutes 53% female colleagues. Our efforts in recruitment and ringfencing senior female colleagues yielded positive results with the proportion in senior leadership roles increasing by 1.25%, to 44%. This is inline with our aspiration of getting to a 50:50 fair gender representation by 2024. We have in place programmes like coaching for females and interview skills academy to continue developing robust female pipeline for senior leadership roles.

Wellbeing

Employee wellbeing has been a key focus in nurturing thesuccess and resilience at the workplace for our workforce. We continued with our proactive wellbeing campaign, under the banner of "My Health My Wealth". We held 10 sessions in this series with experts, in promoting holistic well-being on themes covering mental, physical, financial, and social wellbeing. The attendance was encouraging, with over 500 participants per session, and with very positive feedback in ringfencing colleagues during a difficult year. In recognition of varied psychological pressures experienced in 2021, our employee assistance programme (EAP) was at the heart of providing psychosocial support. This programme is open to the family members as well, and in the year supported cases, mainly stress and anxiety with their root cause from relationship/family issues, grief and loss and work issues.

In 2021, we trained our first cohort of 3 Mental health firstaiders, who are now fully certified to aid our colleagues. Wealso conducted onsite COVID-19 vaccination drives within the year, covering over 1,500 colleagues and family, in support of bringing out the best in all our colleagues as we established and maintained a positive work environment under difficult circumstances.

Building a Future Ready workforce

Our focus in 2021 was to future proof the Group by providing training to enable employees to become future ready andagile. Cognisant of our need to adopt to change and technologies that disrupt, we continued with a 10-part seriesof expert learning dubbed Engage to Elevate (E2E). In these sessions, we had subject matter experts, who shared the technological know-how and application of new technologies in our business setting. The core topics covered in the year were Data analytics, Blockchain, Machine Learning, Application Programming Interface (API) and Natural Language Processing (NLP).

In line with our development agenda, we continued driving a self-learning culture which is a vital part of an individual's growth and development. We now have over 96% of our employees being active users on our digital learning gateway which is a 23% increase from 2020. This was the second highest adoption rate in the Standard Chartered PLC Group ranking, a testament that our colleagues have a great appetite for personal development.

Our upskilling agenda looked at providing learning programmes designed to equip different roles with now andfuture ready skills. We had programmes like CPBB Essentials,launched early in the year to allow new joiners or new to role learners access training materials, content, subject matter experts and coaches to give a positive and smooth learning experience to settle in faster to their new roles. We also conducted the Universal Banker model, a programme designed to deepen experience and expand skillset of our 122 branch colleagues, this has generated positive feedback from clients appreciating the one stop experience.

In the leadership journey, we built skills to support the people leaders execute their mandate. One such programme was thePeople Leader Capability Build series where we had 231 People Leaders attend learning on how to manage issues like Performance Management, Conflict Management and createan open environment for people to Speak Up and share ideas.

In June 2021, we launched Talent Marketplace™, a platformgeared towards upskilling and reskilling our colleagues through short term project-based experiences and mentoring partnerships. This virtual marketplace is aimed at generating project-based opportunities to different staff and supplementing capacity on demand, matching colleagues needs to available roles, hence giving development opportunities across the Group, with a focus on skills they need to develop. We have had a total of 73 opportunities available in the platform with Project Management, Communication and Project planning being the top three skills in demand. The platform has also democratised the coaching model and enables mentors and mentees to be matched in a seamless process and based on areas of need.

Employee Relations and Conduct

We are on the journey to create a workplace where People Leaders are empowered, colleagues feel safe, and the highest standards of conduct is at the forefront of what we do. The focus on conduct agendas driven by business, compliance and Human Resources has led to a decline in disciplinary cases by 10%. The main themes are centred on breach of policies, procedures, and performance. We saw a rise in thefraud and cyber-crime attempt in the year. As our hybrid working model took root, we heightened our vigilance on any level of exposure in fraud attempts. We handled a few cases and eventually terminated 4 colleagues, who were found culpable. In addition, mandatory e-learnings have been curated to help develop knowledge on how to identify fraud,cyber-crime and how to mitigate these cases. In 2021, grievance cases declined by 7% compared to 2020, a reflection of higher levels of governance and adequate capability build in our people leaders. The main themes were performance related issues and fair treatment of colleagues.

Stakeholders and responsibilities
continued

Society

How we create value

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

How we serve and engage

We engage with a wide range of civil society and international and local Non-Governmental Organisations (NGOs), from those focused on environmental and public policy issues to partners delivering our community programmes. To shape our strategy, we aim for constructive dialogue that helps ensure we understand alternative perspectives and that our approach to doing business is understood. This includes working with NGOs who approach us about a specific client, transaction or policy.

In 2021, climate change, our net zero roadmap, human rights, and biodiversity continued to underpin many of our conversations. We also ran a pilot survey on sustainability which targeted selected suppliers, think tanks and NGOs, and intend to conduct a broader survey in 2022.

Our purpose is to drive commerce and prosperity through our unique diversity. As one of the key players in the banking sector, our vision is to become the most sustainable, responsible bank in Kenya. We want to become an industry leader in sustainability, well recognised by our clients and other external stakeholders and the leading private sector as a catalyser of finance for the Sustainable Development Goals (SDGs). We are committed to sustainable social and economic development through our business, operations, and communities by delivering against our three sustainability pillars – Sustainable Finance, Responsible Company and Inclusive Communities. This is underpinned by our 3 bold Stands which are discussed in our strategic report on page 12.

Sustainable Finance

We have developed our approach to sustainability within the two client business segments - Corporate Commercial and Institutional Banking (CCIB) and Consumer, Private & Business Banking (CPBB) with the aim of having 6 per cent of our revenue being generated from sustainable sources by 2023.

Standard Chartered Bank CEO Kariuki Ngari (left) signs the newly launched carbon dated report. Looking on is Kengen MD Rebecca Miano (centre) and Director, Climate Finance Unit at National Treasury Peter Odhengo.

CPBB Sustainability initiatives

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

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

By partnering with a regional distributor, we plan to offer access to water treatment and solar energy equipment at affordable prices. Our aim is to relaunch in 2022 to expand the Individual Clients offering and introduce solutions for SMEs.

Driving Financial Inclusion

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

We recently introduced a fully-fledged digital account dubbed the SC DigiSmart Current Account. The account is specifically designed to appeal to the younger generation and align to their digital lifestyle, hence making banking easily accessible to them.

We have already begun cultivating an investing culture among clients by offering access to wealth management solutions easily accessible from the SC Mobile App.

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

Sustainable Wealth Solutions

We are offering clients access to green bonds and equities through our wealth management solutions. We currently have 6 Environmental, Social and Governance (ESG) mutual funds that address various ESG issues and it is anticipated that these funds will grow in number as we continue to address our investors' preferences and needs.

We are also working on the creation of a 'Green Savings Account' by bundling Mutual Funds and Goal Savings Account.

CCIB Sustainability initiatives

The CCIB business has spent time over the last quarter sharpening its focus on how the business will participate in Sustainable Finance:

Client Priorities

We held a roundtable with Global Subsidiaries clients in July 2021. We had 10 of Kenya's largest players cutting across multiple industries. Key insights were that only 20%-30% of emissions are coming from their own operations whereas 70% of the challenge lies in their supply chains. Educating their suppliers and customers as well as developing products that will incentivise them to embed sustainability will be key. Further a number of these companies have hired chief sustainability officers and they make or influence the buy decision when pitching bank products. Our teams traditionally focus on finance personnel to make these buy decisions. We also held a session with the Government of Kenya's climate finance unit. Their focus is climate risk and looking for a blend of policy and voluntary action.

Impact

We have agreed that helping clients' transition will make the most impact. In doing so we have to find the right blend of economic development and our net zero ambitions. There will be increased focus on oil and gas, metals and mining and power.

Products

We do recognise that at this point we do not have all the products or data. As a first step the focus will be on rolling out key Sustainable Finance (SF) products that support our flow business: sustainable supply chain finance, sustainable letters of credit and invoice financing and sustainable deposits. This will join the already rolled out global solutions that the Group can take advantage of sustainable loans and bonds (green, blue and sustainability linked).

People

We will continue our focus on training our teams. Two sustainable finance trainings are already available on our internal learning platform, DiSCover. In Q1 2022, we will be hosting a training focusing on transition finance case studies. The aim is to have more of our frontline staff be able to engage clients at both finance and sustainability officer level.

Responsible Company

Financial Crime Risk Management

The Group remains committed to fighting financial crime and has a deep belief that disrupting financial and cybercrimes is necessary for the sustainability of our business and the economies we operate in. The Group's ambition is to tackle the most damaging financial and cybercrimes by making the financial system a hostile environment for the criminals. The Group acknowledges that for this to happen it is critical to adopt a concerted effort and partnerships amongst all relevant stakeholders including regulators, industry players, law enforcement, non-governmental bodies and others. The Group has embraced partnerships and participated in various strategic partnerships to demonstrate the critical importance of partnerships and intelligence sharing in disrupting financial crime. This validates the adage "It takes a network to bring down a network".

In 2021, the Group partnered with the European Union AML Trust Fund, United Nations Office for Counter Terrorism ("UNCCT"); Eastern and Southern Africa Anti Money Laundering Group (ESAAMLG) and the British High Commission to create awareness and sensitise a consolidated number of more than 200 law enforcement officers across the Africa Region including Kenya. The Group made a presentation on the role of Financial Institutions in disrupting human trafficking and smuggling of persons and terrorist financing and lobbied for more conversations around the need to create strategic partnerships that allow for safe and secure intelligence and information sharing for effective disruption of financial crime.

Further, the Group partnered with Deloitte East Africa in a strategic discussion on the adoption of emerging technologies in financial crime risk management.

To enhance staff awareness and appreciation of emerging bribery and corruption, fraud and money laundering risks, we partnered with the Ethics and Anti-Corruption Commission ("EACC") ; Price Waterhouse Coopers (PWC) and the Financial Reporting Centre ("FRC"). More than 500 staff across Africa attended the workshop. We further continued with the virtual Correspondent Banking Academies and the focus on disrupting Illegal Wildlife Trade through partnerships.

External developments continue to create new risks and control challenges, with respect to rapidly changing geopolitical events. The COVID-19 pandemic accelerated the adoption of digital financial services and with it we saw an increased rise in cyber enabled financial and cybercrimes. Our Financial Crime Compliance team continues to identify and prevent fraud and money laundering using next-generation surveillance and financial crime monitoring infrastructure and machine learning. This is in addition to having the right governance and policy framework; robust training and awareness and an independent monitoring, detection, reporting and assurance framework. Money laundering crimes and cyber enabled frauds remained our greatest threats in the year

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

Training and awareness creation across the Group are pertinent in equipping all staff to effectively play their line of defence role. In 2021, more than 99% completed the mandatory e-learning programmes for internal and external financial crime risks. In addition, various risk based, and targeted financial crime virtual trainings were conducted. Further, the Group has ensured it has equipped its second line technical staff with the relevant skills to respond to financial crime escalations. Through its partnership with the Association of Certified Anti-Money Laundering Specialists (ACAMS) over 50% of the Financial Crime Team (FCC) are ACAMS certified and finally through the Group's Financial Crime Academy which offers specialist modules and certification, 100% of the FCC team is certified.

The growing trend of digitisation of products and channels has created fast settlement cycles and quick account opening channels that have significantly changed the risk landscape. There is a heightened level of fraud risk in the environment due to new methods, schemes and technology, and we continue to increase our investment in fraud prevention and detection capabilities to protect the Group and our clients. The Group pays serious attention to fraud risk due to the potential impact on the Group's reputation and financial losses to our clients and the Group.

Stakeholders and responsibilities
continued

Responsible Company continued

Financial Crime Risk Management continued

The Group continues to enhance its fraud risk response framework to effectively deal with the evolving risk. Further, the Bank remained committed to collaborating and partnering with the industry players; regulators and law enforcement to create awareness and disrupt the vice.

The top fraud risk threats identified in the period include card fraud, payment fraud through social engineering schemes such as phishing and vishing. Trade fraud was also on an increasing trend. More than 90% of the card frauds fell under "Cards Not Present" typology (which occurs without the use of the physical card) and were recoverable through chargebacks.

Year	Number of Frauds	Number of internal frauds
2021	2,027 (1,822 card frauds)	NIL
2020	1,018 (945 card frauds)	4
2019	661 (633 card frauds)	8

Internal fraud remains a significant threat either directly or through staff collusion with external fraudsters. A trend analysis revealed a strong convergence between internal fraud and the current increase in external fraud incidents. The Group remains committed to dealing with staff that breach the shared code of conduct through the disciplinary process in place which includes termination and reporting to the law enforcement.

	2019	2020	2021
Number of staff terminated	1	5	3

The Group adopted an aggressive fraud and cyber security awareness campaigns throughout the year targeting our clients and staff. More than 99% of our colleagues attended Fraud Awareness training; received cyber and fraud risk management information through emails and Group-wide broadcasts.

We have continued to capacitate and educate our clients on cyber and fraud threats through SMS, Emails and Social media posts. During the year we sent over 443,000 emails; 600,000 SMS and achieved over 1.4m views on our social media advertisements.

Accelerating zero in our operations

Being a responsible company means making the right decisions to minimise the impact of our operations on the environment. We have taken a bold stand towards Accelerating Zero to become a key player in the race to reach net zero with two commitments i.e. to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financing activities by 2050.

We highlight below the key pillars of achieving this target:

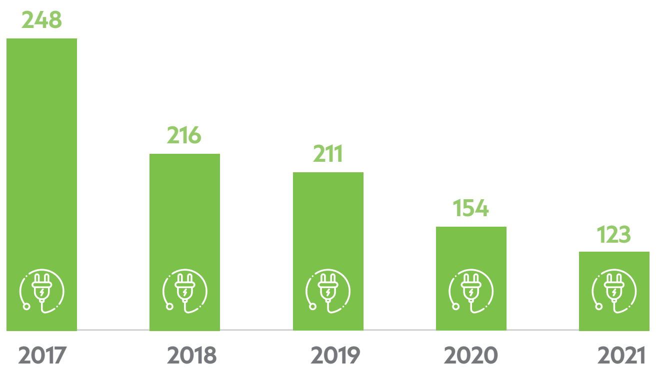
Energy Use

Our energy use (electricity, diesel, sun) efficiency has improved over the years, with our annual energy use reducing by 50% since 2017. This is attributed to the various initiatives that have been implemented, such as improved energy and user education, installation of light emitting diode (LED) lighting products, renewable energy solutions and smart meters.

Our goal is to have LED lights in all branches by 2022. Approximately 350 tons of carbon emissions will be saved from these energy initiatives with an investment payback period of between five to seven years.

These initiatives will improve our energy efficiency by more than 60%.

Annual Energy Use Kilowatt Hour



Working from home (WFH)

The impact of COVID-19 pandemic and WFH on our energy efficiency and carbon emissions will be measured and analysed in 2022. The data will be used to make informed decisions on how employees can be supported to live sustainably at home. This is an opportunity for us to reset our working model.

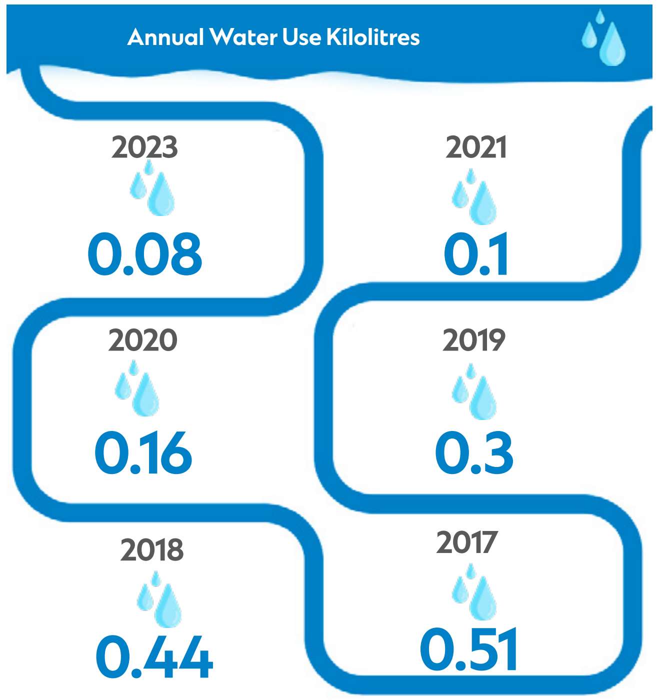
Water Use

The Group's water use has seen a downward trend in the past four years, with our annual water use reducing by 82%. This has been possible due to the restoration of the wastewater treatment plant at Chiromo (which recycles wastewater for reuse in the washrooms), installation of water blades in the washrooms for the regulation of water flow from the taps, recent installation of water filtration systems at all sites and the restoration of the storm water tank at Chiromo.

Accelerating zero in our operations continued

Water Use continued

We will harvest rainwater at our owned premises - Nyeri, Kenyatta Avenue Nairobi, Nanyuki and Treasury Square Mombasa branches by quarter two of 2022, which will further improve our water usage by at least 20% by 2023.



Waste Management

We engaged a company that recycles waste in July 2021 to manage waste at Chiromo and Kenyatta Avenue, Nairobi branch. A total of 13,750 kgs of waste from the two sites had been recycled as at the end of the year representing 95% of waste collected. We intend to commence the recycling of waste in Treasury Square, Mombasa in 2022 and provide the other branches with food composters for recycling organic waste into nutrient rich fertiliser by 2023.

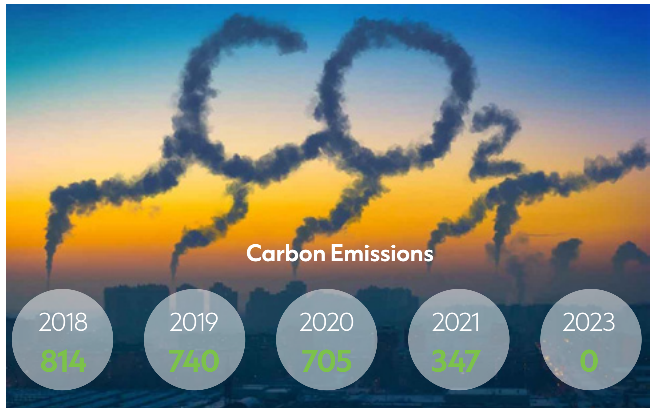
Single-Use Plastic Free Certification

We started the journey to eliminate single-use plastics from all our locations in 2019. As at December 2021, our Head Office building and nine branches had been certified as single-use plastic free. All remaining fifteen branches will be certified as single-use plastic free by the end of March 2022.

The sustainability initiatives implemented have helped us reduce our carbon emissions significantly.

Our Carbon Emissions trend: 2018 to date

Our three-year sustainable strategy for the Group's internal operations will help us achieve a further reduction in our carbon emissions by approximately 400 tons by end of 2023.



Measurement of the Metrics

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

The negative impact of the COVID-19 pandemic has provided us with powerful lessons that will help us to accelerate our pursuit of more sustainable business practices and secure a better world for the future generation. We must continue maximising on the gains presented by the pandemic e.g. reduced emissions as a result of working from home.

Lifting participation

Inclusive communities

We aim to create more inclusive economies by sharing our skills and expertise and developing community programmes that transform lives.

Social-economic inequality and the growing income gap within and between countries is a shared challenge across the world. By 2030, it is estimated that 1% of the world's population will own two-thirds of its wealth. The COVID-19 pandemic has made this worse with vulnerable and disadvantaged young people hit hard by the economic impact of the pandemic.

Kenya is a youthful country with 75% of population aged between 18 and 35 years. According to 2020 census data, 38.9% of the of Kenya's youth eligible for work have no jobs and feel marginalised in terms of access to opportunities, representation, and social and economic participation. The challenge is compounded for people living with disabilities.

Stakeholders and responsibilities
continued

Lifting participation continued

Inclusive communities continued

We are bridging social economic inequality of the youth, women and people living with disability by developing community programmes that transform lives through Futuremakers by Standard Chartered. This is our global initiative that tackles inequality and promotes greater economic inclusion in our communities. We provide young people from low-income households, particularly girls and people living with disabilities with opportunities to take part in community programmes focused on education, employability, and entrepreneurship. We are empowering the next generation to learn, earn and grow.

Employability

Millions of disadvantaged young people are trapped in low-paid, insecure work. They lack the skills and opportunities to improve their circumstances, including knowing how to manage their financial future. Our employability programme helps young people become job-ready, building employment-related knowledge and skills, and increasing their confidence, self-esteem and aspirations including vocational and soft skills training, careers mentoring and job placements.

We have implemented a programme to support youth with CV writing skills, preparing them for entry into the workplace. In 2021, we reached 4,805 university students out of which 244 (5%) are students with disabilities. We conducted a total of 7 career talks reaching over 1,600 students. These were delivered through employee volunteering led by the CEO and senior management team members.

Education

Investing in girls can result in increased prosperity and diversity. Giving girls the tools to shape their own future has an incredible multiplier effect on communities and societies. Goal is the Futuremakers flagship education programme that equips adolescent girls with life skills using sports training through five modules: Be yourself, Be Healthy, Be Empowered, Be Money Savvy and Be Independent.

We have been implementing the Goal programme since 2015. Since inception, we have reached over 27,677 girls. In 2021, we reached a total of 5,254 beneficiaries and invested a total of KShs 18.7 million. We are supporting 175 small and micro businesses with starter kits and small grants to help the girls recover from the impact of the COVID-19 pandemic through the Bouncing Back Programme.

Staff Engagement

Staff across the Group and in the branches have planted over 10,700 trees in 2021. Our aim is to plant a tree for each client and staff, exceeding 1 million trees by 2023.

In addition, we are investing in educating our staff to gain a common understanding on Sustainability. Our objective is to train all staff by 2022 as well as increase strategic partnerships to drive accelerating our net zero agenda. The partnerships will help position the Group as a leader in accelerating zero through thought leadership and stakeholder engagement.

Entrepreneurship

Many entrepreneurs in low and middle-income markets lack the financial tools and knowledge to manage their business. Entrepreneurs for Growth (E4G) programme supports micro and small business owners to build financial knowledge, develop broader business skills and access finance through partnerships, for example, with microfinance institutions. It builds on existing financial education training for entrepreneurs and Women in Technology (WiT) Incubators for female entrepreneurs in the technology sector. The WiT Incubator was launched in 2017 targeting women using technology to build small and medium enterprises. Each cohort supports 10 women with a 12-week incubation programme with 5 women being further supported with a seed grant of KShs 1.1 million and 9 months follow up mentorship. We have recently introduced a revolving fund of KShs 5.5 million where the beneficiaries can borrow up to KShs 330,000. To date, we have successfully completed 4 cohorts where 40 women led businesses have participated in the programme and 20 of these have been awarded grants totaling KShs 2.2 million.

Employee Volunteering

Futuremakers draws on the Group's unique skills and expertise, and those of its employees, to support young people. Our aim is to build the capacity of young people to access jobs and economic opportunities that will help close the inequality gap. We encourage all employees to get involved and share their skills through employee volunteering, delivering financial education and fundraising. Each staff member is entitled to 3 Employee Volunteering (EV) days in a year.

In 2021, 528 staff had volunteered a total of 908 days through initiatives such as Standard Chartered Nairobi Marathon volunteers, tree planting, mentoring and career talks.

Staff during a tree planting exercise at Arboretum.

Accelerating zero in our communities

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

In 2021, we undertook initiatives to drive acceleration to net zero:

Partnerships for Purpose

We signed up a 3-year partnership (2021-2024) to promote urban green spaces through the rehabilitation and beautification of running paths, support education and creating awareness on conservation of the environment in the community. By 2023, we target to restore not less than 6km of running paths, upgrade 50 signages, label 100 trees and support a 1 million seedlings nursery. We are developing a digital app which will be used as an education tool to create awareness on conservation and climate change. We will further support the park by hosting our communities, staff and client events in the park.

Launch of our Partnership with The Nairobi Arboretum.

Sustainable Marathon

Due to the COVID-19 pandemic restrictions, the 18th edition of Standard Chartered Nairobi Marathon introduced a new format incorporating a hybrid of both virtual and physical formats. We promoted the marathon as a sustainable marathon, encouraging virtual participants to run in green spaces. All the participants who completed both formats of the marathon received a tree seedling to plant at their place of choice. Through this initiative, over 5,000 seedlings were distributed in the community.

We are piloting our inaugural sustainable marathon impact report that will measure the social, economic and environmental impact of the Marathon from participants and marathon vendors. This report will be used as a baseline for setting future targets for the marathon to achieve its status as a sustainable marathon.

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

Conclusion

We have begun making inroads in our sustainability agenda and are making good progress.

There is still a lot to be done for us to meet the commitments we have made to fully embed sustainability in our client value proposition, operations and community programmes.

We will determine our progress and impact by continually measuring our social economic impact of our sustainability initiatives in our operations and communities where we do business.

Chairperson's statement

Resilience supporting sustainable growth

Dear Shareholders

Almost two years on, the world is still battling with the COVID-19 pandemic. Vaccines have allowed economies to reopen, but constantly evolving virus strains have resulted in an intermittent recovery.

Despite the difficult backdrop, I am impressed by how our staff have continued to work as one, finding new ways to drive business momentum and supporting our clients through an unstable global economic environment. Our staff together with the Management Team have shown great resolve to ensure that we protect the interests of our shareholders, the wellbeing of our colleagues while supporting our clients and the communities we serve.

We continue to deliver on our purpose – Driving Commerce and Prosperity through our unique diversity. This is evident in the great progress we have made in executing our refreshed strategic priorities which focus on Mass Retail, Affluent, Network and Sustainability. This is our transformative direction to evolve, stay relevant and be able compete in our bid to become the bank for the new economy.

The CEO, Kariuki Ngari will explain in more detail later in this report how our financial performance was amidst the ongoing pandemic. Those results will show evidence of great resilience, a confirmation that our business strategy is sustainable. Our balance sheet is very strong, and we have made a return to income growth achieving 6 per cent growth in revenue year-on-year. The overall customer asset portfolio remains stable and resilient and we are well positioned to support our clients and the community as the economy continues to recover. This performance was made possible by deep collaboration, commitment, hard work of our staff and absolute focus on our clients.

Kellen Kariuki
Chairperson

Dividends

In November 2021, the Board announced the payment of an interim dividend of KShs 5.00 for each ordinary share which was paid on 29 December 2021. Our profit is up 66 per cent year-on year on the back of our strong performance, our capital position remains strong and I am pleased to report that the Board is recommending the payment of a final dividend of KShs 14.00 for each ordinary share. This, in addition to the interim dividend paid in December 2021, brings the total dividend to KShs 19.00 for every ordinary share of KShs 5.00. This compares to a total dividend of KShs 10.50 per ordinary share paid in 2020, reflecting an 81 percent increase year-on year. The Board remains committed to sustainable shareholder returns.

Governance, Culture and Board changes

A strong culture and robust governance are essential to the success of any company. The Board continues to strive for a culture of open communication and challenge inside the boardroom, where the Board can hold Management accountable for execution and delivery of the Board-approved strategy.

The Board is well constituted and has an optimum mix of tenure, skills, experience, and diversity. As was announced during the Annual General Meeting held in May 2021, Patrick Obath retired as Chairman of the Board after his long service on the Board spanning 9 years as an Independent Non-Executive Director. Patrick exemplified great leadership of the Board and the company during his tenure. We wish him well in his endeavours.

I am delighted to welcome Nivedita Sharma who joined the Board as an Independent Non-Executive Director. Nivedita has significant experience in digital marketing and commercialisation of digital ventures; a valuable addition as we look to scale up the company's digital investments. I am further delighted to welcome Birju Sanghrajka to the Board as an Executive Director. Birju heads Client Coverage in the Corporate, Commercial & Institutional Banking Business and has banking and finance experience having worked in leadership positions in various markets within the Group. We are excited on the contributions that Nivedita and Birju will bring on board.

I led the Board in making several changes to our Board Committee composition and the details can be found in the Corporate Governance report in the Annual Report.

The Board will continue to oversee the task of striking the right balance between maximising opportunities on the one hand and maintaining appropriate risk controls on the other. I am convinced this will allow us to continue to improve returns in a strong, safe and sustainable manner. We will also continue setting the tone from the top on the right culture for the company. Only fully ethical leadership based on the right values and behaviours can succeed over the longer term.

The Board and I assure Kariuki and the Management team of our full support as they continue to execute the refreshed strategy.

Strengthening our defences

Financial crime is of increasing concern to most financial services institutions. We see concerted effort with regulators and key stakeholders in the fight against financial and cybercrime as the best way to protect our business, our clients and communities.

The COVID-19 pandemic disrupted access to traditional bank branches and disincentivised the use of cash, resulting in a rapid uptake of online and mobile banking channels including Fintechs. Banking access through adoption of technology holds tremendous possibilities for acceleration of commerce and financial inclusion, but from a Financial and Cyber Risk perspective it requires banks, other financial institutions (FIs) and Fintechs to consider our shared risks.

At Standard Chartered, we remain committed to the fight against financial and cybercrime which remains a big threat to people in every aspect of their lives and can have a long-lasting adverse effect on a Group's brand through serious damage of its reputation.

As technology advances, so does the level of sophistication used by criminals to commit financial and cybercrimes. With the evolving fraud risk, we have continued to enhance our fraud risk management infrastructure including replacement of the One Time Pin (OTP) with a soft token. The Group has also implemented ThreatMetrix; an enterprise solution for digital identity intelligence and have deployed it across our online platforms. We are also on track in implementing a real time payment fraud surveillance system. We continued to capacitate and educate our clients on cyber and fraud threats through SMS, emails and social media posts to enable them protect their personal information.

We partnered with regulators, law enforcement, non-governmental bodies and other industry players to drive fraud awareness campaigns targeting staff, our clients and the public. We participated in discussions on trafficking and smuggling of humans; illegal wildlife trade and terrorist financing targeting law enforcement capacity building on the role of financial institutions in combating the subject crimes. We also engaged in industry strategic conversations on the effective use of emerging technologies in disrupting financial crime.

The Group continued to engage its correspondent banking customers through virtual financial crime academies and publishing articles on emerging risks which enriched the outreach programme.

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

Chairperson's statement
continued

Promoting a more sustainable and responsible world

As countries begin to emerge from lockdowns and economies restart, all eyes are on whether there will be a pivot to a sustainable way forward. As one of the key players in the banking sector, our vision is to become the most sustainable, responsible bank in Kenya. We want to become an industry leader in sustainability, well recognised by our clients and other external stakeholders. We want to become an industry leader in sustainability, well recognised by our clients and other external stakeholders as the leading catalyst of finance for the SDGs.

At Standard Chartered, we strongly believe we can accelerate our strategy and its wider impact by connecting it to the big issues facing our world. We are committed to sustainable social and economic development across our business, operations and communities, including achievement of net zero emissions and the UN SDGs. This will be made possible by delivering against our three sustainability pillars – Sustainable Finance, Responsible Company and Inclusive Communities.

We intend to accelerate our strategy by setting long-term ambitions that stretch our thinking and actions. We have identified three areas where we will use our unique abilities to connect capital, people, ideas and best practices to help address the significant socio-economic challenges and opportunities of our time. These challenges are very real – whether it is existential risks from climate change, social division created by rising inequality, or threats to the international co-operation that maintains peace and social stability. The COVID-19 pandemic has heightened the significance and urgency of these issues.

The Group has begun the process of embedding climate risk management into its mainstream risk management framework. The Group recognises Climate Risk as a cross-cutting risk, which is material, and is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. We are making good progress on integrating Climate Risk into mainstream risk management framework.

Training and upskilling of staff started in 2021 and will remain a key priority in 2022. To support this, a digital training course has been deployed and is accessible to staff. In 2021, the Group engaged some of the corporate clients with a view to understanding their adaptation and mitigation plans - a process that will eventually be embedded in credit assessment as part of the climate risk implementation plans.

The Group welcomes the move in October 2021 by the Central Bank of Kenya (CBK) when they issued 'guidance on climate-related risk management' to guide institutions on how to integrate climate-related risks into the overall risk management framework. The key requirements of this guideline include the submission of a Board-approved implementation plan by 30 June 2022 and a quarterly report to CBK on implementation of the plan every calendar quarter from 30 September 2022. The Group is on course in ensuring compliance with these requirements.

We have defined some areas on which we will take a stand across our network: -

- **Accelerating Zero** - we are committed to helping our markets reduce carbon emissions, putting us on a sustainable path to become a key player in the race to reach net zero with two commitments i.e. to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financing activities by 2050. In Kenya, we have reduced our energy consumption by 50% and water usage by 80% since 2017, whilst our carbon emissions have reduced by 42% since 2018. Our target is to achieve a further 60% reduction in our carbon emissions by 2023 through more energy efficient equipment, harvesting rainwater and increased waste management.
- **Lifting participation** – we have committed to improve the lives of people and their communities. We will do this by unleashing the full potential of the youth, women, people living with disability and small businesses through our supplier diversity agenda and Futuremakers programme. In Kenya, our target is to more than double our supplier diversity target from 17% to 30% in the near term by 2023 and reach at least 4,000 people living with disability with Futuremakers programmes.

These stands are fundamentally about doing great business, transforming our franchise and delivering on our Brand Promise of being Here for good. Through our Futuremakers initiative, we are supporting disadvantaged young people, especially the youth and people with visual impairment. Our aim is to build the capacity of the youth by teaching them new skills, improve their chances of getting jobs or starting their own businesses and help close the inequality gap.

We have progressed well in several aspects:

- In 2021, we reached over 10,000 beneficiaries with financial literacy, employability, and entrepreneurship training through our Futuremakers by Standard Chartered community programmes. Our target is to double our reach to 20,000 beneficiaries per year by 2023.
- We planted over 10,700 trees in 2021 to promote a sustainable Standard Chartered Nairobi Marathon. We have also signed a three-year partnership with The Nairobi Arboretum as a platform for educating communities on the environment, owning urban running spaces and undertaking conservation initiatives such as rehabilitation and beautification of running/walking paths.
- Following the pandemic, we revised our marathon to a hybrid one incorporating both virtual and physical formats. We are heartened to note that this marathon has created greater impact across the country with many more teams able to meet and run in green spaces. From 2022, we intend to have more virtual races across the country with greater involvement with people living with disabilities in preparation for the main marathon in October.
- We are on course to launch our comprehensive Sustainability report, a mechanism for tracking and reporting our long-term impact of community initiatives. The detailed report can be found on the sustainability sections of the report from pages 25 – 37.

I want to thank the Management and all employees who have volunteered their time, unique skills and expertise to support our community initiatives. Each staff member is entitled to 3 Employee Volunteering (EV) days in a year. In 2021, 528 staff had volunteered a total of 908 days through initiatives such as Standard Chartered Nairobi Marathon, tree planting, mentorship sessions and career talks. We believe that volunteering is good for our communities, employees and our business.

Outlook

The magnitude of the impact and speed of collapse in economic activity that resulted from the pandemic was unprecedented. As economies rebound, we expect global growth to moderate to 4.4% in 2022 from 5.8% in 2021 as supply-chain disruptions and elevated inflation continue to curtail the recovery momentum. The recent emergence of the Omicron variant may also extend supply-chain disruptions, further delaying economic recovery. Lower vaccination rates in emerging markets may leave them more vulnerable to any surge.

For the Kenyan economy, the pandemic highlighted the crucial role of the banking sector in supporting economic activity. We expect Kenya's economy to continue the recovery trend in 2022, expanding to 4.8% boosted by the gradual normalisation of economic activity but muted by effects of the COVID-19 pandemic and the August general elections that see most investors take a wait and see approach. Banks continue to play an essential role in easing the adverse effects of the pandemic, particularly through the assistance offered to enterprises and households, which supported their liquidity positions.

The banking sector has managed to weather the COVID-19 pandemic storms and remains stable and resilient with strong liquidity and capital positions that continue to support the economy. Banks continue to review and enhance their business models seeking to leverage on frameworks that promise efficiency gains, particularly through innovations. Being aware of the stiff competition in the market, increasing sophistication of customer needs and dynamism in the regulatory environment, we have seen the industry continue to invest to stay at pace with these trends.

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

We have ensured that the Management develops attractive value propositions for our clients, advance our digital capabilities to help reduce operational costs and improve customer experience for both our retail and corporate clients. We continue to increase our investment especially in data analytics capabilities to generate a unique understanding of our clients and their needs, and in turn deliver a personalised experience. As an international bank with presence in Africa, Asia and Middle East for over 100 years, we continue to grow our network corridor business as a unique proposition to help our clients do business in these regions.

As we head into 2022, we remain cautiously optimistic of the economic prospects. The Board will continue to carefully consider the business environment, impact of the decisions it makes, and its responsibilities to all our stakeholders, including colleagues, shareholders, regulators, our clients, suppliers and communities where we operate.

Kellen Kariuki
Chairperson

Date: 14 March 2022

Chief Executive Officer's statement

Back to growth and improving returns

It has been an extraordinary year in many respects. Economies have clearly become more adept at navigating the COVID-19 pandemic over the past two years. In many countries, rapid vaccine deployment has helped to build strong societal defences against the risk of transmission and hospitalisation. However, a periodically mutating virus has meant that multiple challenges stand in the path of global and local economic recovery. Intermittent government restrictions on economic and social activity, supply disruptions, and travel restrictions remain clear risks.

We have continued to weather the health crisis and a challenging economic environment very well. We have ensured the wellbeing, safety, and security of our staff. We have invested heavily to ensure that they continue serving clients safely and effectively, whether from home or from the office. As a result, over 70 per cent of our staff worked from home effectively throughout the pandemic and continue to do so today. We have also continued to support our clients; suppliers and the community at large to navigate through the pandemic.

Our strategic transformation continues in earnest as we look to lead in segments and sectors where we choose to participate in. We refreshed our strategic priorities in line with our purpose to drive commerce and prosperity with our unique diversity considering our areas of strengths to ensure a greater financial and operational resilience.

These priorities will help take us beyond what we currently do, transform how we think, grow the business, and scale up our impact.

- **Network**: by digitally delivering to our clients best-in-class capabilities, insights, and solutions, we will continue to unlock the power of our unique physical footprint.

Kariuki Ngari
Chief Executive Officer

- **Affluent**: through offering our clients personalised wealth advice based on both global and local insights, we will reinforce our strong credentials in the affluent segment, building loyalty and trust.
- **Mass retail:** we now have a range of proven digital capabilities and our remodelled risk framework has been thoroughly stress-tested, which means we can substantially and economically scale up our mass retail presence. We will do this with enhanced data analytics and a superior end-to-end digital experience, developing opportunities on our own and with partners.
- **Sustainability**: our vision is to become the most sustainable, responsible bank in Kenya. We will lead with a differentiated sustainability offering, including reflecting net-zero climate goals in everything we do. This is the right thing to do and we know we can make a difference in the world where it matters most and do so profitably.

These strategic priorities will be supported by three critical enablers. We will continue to invest in our people by giving them new skills to be future ready, develop expertise in critical areas and adopt agile operating models. We have changed the way we work, increased productivity with cross-functional teams driving projects hence accelerating our time-to-market. We are also driving innovation to improve our clients' experiences, increase our operational efficiency and tap new sources of income from new business models.

2021 was another unconventional year with the COVID-19 pandemic continuing to disrupt and reshape many businesses. Despite this, our business remains strong and profitable.

Summary of financial performance

The Group delivered a strong performance in 2021, despite ongoing pandemic driven challenging conditions with profit before tax improving 66 per cent. Income returned to growth, increasing 6 per cent with strong underlying business momentum. We continue to transform how we serve our customers through innovations, partnerships and digitisation whilst maintaining a tight control on expenses with underlying efficiencies funding continual investment. Credit impairment charges reduced reflecting the resilience of our balance sheet. The Bank remains well capitalised, with a highly liquid balance sheet with a total capital ratio of 17.76 per cent and a liquidity ratio of 71 per cent respectively.

All commentary that follows is on comparisons made to the year ended 31 December 2020.

- Operating income increased 6 per cent. Within this:
- Net interest income decreased 2 per cent with increased volumes more than off-set by lower average yields.
- Non-interest income increased 25 per cent with strong performances in Wealth Management and Financial Markets.
- Operating expenses decreased 10 per cent with underlying efficiencies funding investment in transformational digital initiatives.
- Credit impairment declined 58 per cent to KShs 1,493 million and the overall portfolio remains stable and resilient. The Group is well-positioned to support our clients as the local and global economies recover but continues to remain vigilant to the continued impact of COVID-19 including vaccination progress and emergence of new variants.
- Basic earnings per share increased by KShs 9.54 / 68 per cent.
- A final ordinary dividend per share of KShs 14.00 has been proposed which, together with the interim dividend paid in December 2021, brings the total ordinary dividend per share for the year to KShs 19.00 – an 81 per cent year-on-year growth.

The balance sheet remains strong and highly liquid.

- Loans and advances to customers increased 4 per cent. Asset quality remained stable; however, we continue to remain vigilant to the continued impact of the COVID-19 pandemic and an uneven recovery across industry segments.
- Customer deposits increased 3 per cent. Funding quality remains high with current and savings accounts making up 91 per cent of total customer deposits.
- The liquidity ratio at 71 per cent remains well above the regulatory threshold of 20 per cent.
- The total capital ratio of 17.76 per cent is above the regulatory minimum and within our capital risk appetite.

Our refreshed strategic priorities

During the year, we refreshed our strategy into four strategic priorities – Network, Affluent, Mass Retail and Sustainability – and three enablers – People & Culture, New Ways of Working and Innovation & Technology – as we move from 'transformation' to 'lead', a new phase where we aim to become market leaders in the next five years. This extension of our existing strategy allows us to focus on the key areas that will help us in the next phase of our growth.

Network business

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

The Network business continues to perform well:

Network constitutes 59 per cent of total Corporate Commercial & Institutional Banking (CCIB) revenues.

Global subsidiaries segment within CCIB, which comprises large corporate clients with operations within the Standard Chartered Bank global network, grew 50 per cent year-on-year on the back of increased client engagements.

The Chinese trade corridor continues to have strong growth. Revenues and deposits from the Chinese segment grew 8 per cent and 7 per cent year-on-year respectively.

Digital payment volumes grew by more than 20 per cent year-on-year driven by growth in electronic funds transfers and mobile money payment transactions. We also supported our clients as they transitioned from physical payment methods to our enhanced Straight2Bank (S2B) digital platform, whose penetration stands at 92 per cent.

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

Chief Executive Officer's statement
continued

Affluent business

We set out to be the leading bank among the affluent and emerging affluent in our market; we have continued to enhance our offering for clients by remaining relevant to maintain market leadership. We want to accelerate this journey as we utilise our global and local insights and personalised wealth advice capability to build loyalty and trust.

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

- The affluent segment has grown significantly in revenue and balance sheet owing to focused client engagement and deepening of wallet share. Income grew by 5 per cent from the prior year to KShs 8.0 billion. This was on the back of stellar performance by Wealth Management having grown revenue by 21 per cent to KShs 3.2 billion over the same period.
- Assets Under Management ("AUM") in the Wealth business was up 2 per cent from the prior year to KShs 131.2 billion.

Mass Retail

Mass Retail gives us a tremendous opportunity to deliver financial services to both individuals and Small and Medium sized Enterprises (SME) segments as we drive financial inclusion and lift participation in Kenya. Our goal is to scale the business profitably, powered by digitisation and partnerships. We now have a range of proven digital capabilities, enhanced data analytics and our remodelled risk framework has been thoroughly stress-tested, which means we can substantially and economically scale up our mass retail presence.

- Our fully digital bank SC Mobile App allows us to provide our customers with affordable, convenient, fast and easily accessible banking services. We continue to focus on innovating our products and services for the platform. For example, we have pioneered the digitisation of small ticket wealth management products, offering clients the opportunity to buy general insurance and government bonds. This has led to a two-fold increase in the bookings of these products. We also launched online Mutual Funds through the SC Mobile App, providing a mobile-first, self-directed mutual funds channel for customers.
- We recently introduced a fully-fledged digital account targeting the younger generation dubbed the SC DigiSmart Current Account.
- As part of optimising our distribution channels, we have rolled out sales and service centres and co-shared spaces which has transformed our traditional branches to advisory centres. The new model is serviced by a universal banker and state of the art digital platforms – ATM, iPad and phone banking.

We continue to optimise our branch network responding to a significant shift in client transaction preference. We will continue to redefine our distribution footprint leveraging on partnerships with retail brands that have high footfall.

The market is recognising our efforts. We won several awards in 2021 including:

- Best Overall Digital Bank Kenya – Kenya Bankers Association
- Overall Best in Responsiveness and Digital Experience among the tier 1 banks – Kenya Bankers Association
- Best Digital Bank – Kenya Global Retail Banking Innovation Awards
- Best Digital Bank – Africa Global Retail Banking Innovation Awards

These accolades are a testament that we are on the right path and that our priorities are aligned to clients' needs.

We believe that our investment in digitisation will continue to support productivity, enhance speed, accuracy, and consistency in transaction processing. This will enable us to achieve operational improvements, scale revenue growth, enhance efficiency and result in a continually improving experience for our clients.

The Group remains committed to fighting financial crime and has a deep belief that disrupting financial and cybercrimes is necessary for the sustainability of our business and the economies we operate in. We continue to train our clients to protect their personal information.

Our vision for a sustainable future

Our ambition is to be a market leader in sustainability leading the private sector as a catalyst of finance for the sustainable development goals. We have spent some time to define what our approach to sustainability will be. We have developed our approach to sustainability within the two client business segments – Corporate, Commercial & Institutional Banking (CCIB) and Consumer, Private & Business Banking (CPBB). We want to create new revenue streams by launching sustainable products and accelerating sustainability in our business segments through innovation and partnerships e.g. green mortgages, sustainable trade finance, sustainable investments options among other considerations.

We have also committed to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financing activities by 2050. We want to lead with a differentiated sustainability offering, with at least 6% of income coming from sustainable finance.

Our focus is to execute these strategic actions over the next 2-3 years and embed our leadership as the most sustainable bank in Kenya. Below are a few highlights of the great progress we have made. (Find the full report in the sustainability sections from pages 25 – 37):

- **Building expertise:** We continue to focus on training our teams as we build internal expertise on sustainability and have more of our frontline staff being able to engage our clients at both finance and sustainability officer level. Our sustainability curriculum has several resources and content available for staff to learn what sustainability is all about.
- **Sustainable Wealth Solutions:** We are offering clients access to green bonds and equities through our wealth management solutions. We currently have six Environmental, Social and Governance (ESG) mutual funds that address various ESG issues and it is anticipated that these funds will grow in number as we continue to address our investors' preferences and needs.
- **Partnerships to offer Individual and SME Clients access to clean water and energy:** Access to clean water and energy is a major problem in Kenya with around 41% and 30% of citizens lacking access to clean water and electricity, respectively (World Bank). Through our partnership with a regional distributor, we are offering access to water treatment and solar energy equipment at affordable prices. Our clients can make purchases conveniently through Debit/Credit cards and business instalment loans for SME clients.
- **Driving Financial Inclusion:** We continue to leverage on our digital acquisition capabilities to drive financial inclusion among the Kenyan population by making banking easily accessible from anywhere.
- **Stakeholder engagement:** We believe that continuous engagement with different stakeholders will be vital in driving sustainability. We launched the Carbon Dated report that looks at the risk and opportunities for suppliers as multinational corporations' transition to net zero. The event brought together government and private sector into a conversation on net zero transition with over 950 attendees including our regulators, clients, staff, suppliers and members of the media. We also held a roundtable on greening the supply chain with our Global Subsidiaries clients who are Kenya's largest players cutting across multiple industries. Educating our clients, their customers and suppliers as well as developing the right sustainable products will incentivise them to embed sustainability.

Standard Chartered acknowledges climate change as one of the greatest challenges facing the world today, given its widespread and proven impact on the physical environment, human health, and its potential to adversely impact economic growth. We are committed to supporting the government in delivering on the Sustainable Development Goals (SDGs) and helping our clients and suppliers' transition to more efficient ways of working such as the adoption of clean technology.

The negative impact of COVID-19 has provided us with powerful lessons that will help us to accelerate our pursuit of more sustainable business practices and secure a better world for the future generations. We must continue to maximise on the gains presented by the pandemic e.g. reduced emissions as result of working from home. We will also be innovative on how we deliver our community initiatives impacted by the COVID-19 pandemic e.g. marathon and employee volunteering.

We will determine our progress and impact by continually measuring our social economic impact of our sustainability initiatives in our operations and communities where we do business.

Conclusion

While there are concerns on rising COVID-19 infections amidst a new variant, the Government's continued efforts with the vaccination drive in a bid to fully open the economy have been commendable.

We remain cognisant of near-term risks in 2022 like inflationary pressure due to rising oil prices, a weakening Kenya shilling and subdued tourism exacerbated by extended lockdown. Being an election year, this period is typically associated with increased political uncertainty, a temporary slowdown in credit demand and investment.

We have begun making inroads in our sustainability agenda and are making good progress. There is still a lot to be done for us to meet the commitments we have made to fully embed sustainability in our client value proposition, operations and community programmes.

We have made the right investments and our refreshed strategic priorities and strong capital base has put us in a great position to take advantage of any emerging opportunities in 2022. We will continue to focus on executing our strategy, invest in areas of our competitive strength, support and protect the wellbeing of our staff, clients and our communities.

Finally, I acknowledge the dedication of our staff this year as we ensured continuity of service to our clients, sometimes demanding great personal sacrifices. The commitment to serve our clients and deliver a strong performance has enabled us to protect shareholders' interests in an exceptionally challenging year and maintain a steadfast support for our communities.

Kariuki Ngari
Chief Executive Officer

Date: 14 March 2022

We believe everyone deserves the opportunity to realise their potential

Futuremakers by Standard Chartered is our global initiative to tackle inequality by promoting greater economic inclusion in our markets.

CEO, Kariuki Ngari gave a career talk to over 400 young minds in Masinde Muliro University of Science and Technology (MMUST). The career talk centered around how students can prepare themselves to contribute to society through employment.

Corporate Governance

Contents

Board of Directors

Kellen Eileen Kariuki
Chairperson

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

Experience Kellen has strong and diverse skills in banking, strategy, corporate governance, finance, and leadership. She held several senior positions at Citibank N.A. before joining the Unclaimed Financial Assets Authority as the first Chief Executive Officer and Managing Trustee. She previously held Non-Executive Director appointments at Resolution Insurance Limited, Citibank Uganda, the Kenya Roads Board, was a nominee Director of the IFC, Non-Executive Director of AMREF Health Africa, AMREF Flying Doctors, and Chair of Citibank Tanzania Limited. Kellen is a founding member of the Board of Advisors of the Strathmore Business School, is a Director at the Strathmore University Foundation and has served as an elected council member of the Institute of Certified Public Accountants of Kenya. She is currently the Managing Director of Feruzi Holdings Limited and Chairperson of Standard Chartered Investment Services Limited. Kellen holds a MBA in Strategic Management and a Bachelors degree in Accounting both from United States International University-Africa and a MSc. in International Human Resource Management from Cranfield University in the UK. Kellen is a Fellow Certified Public Accountant of Kenya (FCPA) and is currently pursuing a PhD at Strathmore University Business School.

Kariuki Ngari
Chief Executive Officer

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

Experience Kariuki has 30 years of banking experience. He was instrumental in transforming the Consumer Banking divisions of Standard Chartered Bank Kenya and the Africa Region. Prior to his current role, he was the Global Head, Retail Distribution for Standard Chartered Bank in Singapore. He was influential in formulating global strategies in building the future of Retail Branch and Voice and Virtual landscapes through digitisation of physical channels. Prior to his global role, Kariuki was the Regional Head of Retail Clients, Africa between 2013 and 2015, and Executive Director Kenya from 2009 to 2013. He has also held senior positions at Absa Bank Kenya PLC. Kariuki serves as a Non-Executive Director on the Board of Standard Chartered Bank Uganda. He sits on the Board of the UN Global Compact and is a Director on various other Standard Chartered Bank Kenya subsidiary Boards.

Chemutai Murgor
Chief Financial Officer

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

Experience Chemutai has been with the Bank for 20 years and has wide experience in finance having worked previously as the Head of Finance as well as Head of Business Finance. Chemutai has also held various senior positions at Deloitte & Touche both in Kenya and the United Kingdom. Chemutai is a Director on various other Standard Chartered Bank Kenya subsidiary Boards.

Peter Gitau
Chief Operating Officer

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

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

Birju Sanghrajka
Head Corporate, Commercial & Institutional Banking

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

Experience Birju has over 22 years of corporate banking experience, having started as a Graduate Trainee in Standard Chartered, Kenya. His career has seen him work in corporate banking, corporate finance and transaction banking, across Kenya, the United Kingdom, South Africa and the United Arab Emirates. Birju's last role prior to this appointment was the Head of Trade for Africa & Middle East in Transaction Banking, based in the United Arab Emirates.

Richard Etemesi
Non-Executive Director

Appointment: Richard was appointed to the Board in September 2017.

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

Julie Browne
Non-Executive Director

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

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

Board of Directors
continued

Dr. Catherine Adeya
Independent Non-Executive Director

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

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

Imtiaz Khan
Independent Non-Executive Director

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

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

David Ong'olo
Independent Non-Executive Director

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

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

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

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

Experience Nivi is an expert of technology, innovation and education in emerging markets. She is currently the CEO of Bridges to Prosperity, the global leader in rural infrastructure development that uses technology for needs assessment, engineering, to drive decision-making, and for operational efficiency. Previously, she was the Chief Operating Officer of BRCK, a connectivity company that provides free public Wi-Fi. Nivi has dedicated her career to access for children, youth and adults. She co-founded eLimu, the first company to digitise the Kenyan Primary School curriculum content for revision and literacy. Nivi is driven by learning, development, access and impact. Nivi has served as an expert coach for the UK-Kenya Tech HUB Business Leaders Program and as a mentor at AkiraChix. She currently serves as a Non-Executive Director on the Board of Software Technologies Limited and is a member of the Advisory Board of Jaza Energy. Nivi also supports and advises early stage founders in a variety of industries on scale and acceleration. Nivi holds a B.A. (Hons) degree in Economics from Ithaca College, New York, USA. She is a 2014 East Africa Acumen fellow and a 2016 fellow of the Fast Forward leadership programme.

Judy Nyaga
Company Secretary

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

Experience Judy has over 20 years legal and corporate governance experience in the banking industry having worked at both Standard Chartered and other banks in Kenya. She has gained extensive knowledge and experience leading teams of company secretaries across various markets in Africa, Middle East, ASEAN and South Asia.

Executive Committee

Kariuki Ngari,
Chief Executive Officer

Chemutai Murgor
Chief Financial Officer

Peter Gitau
Chief Operations Officer

Birju Sanghrajka
Head Corporate, Commercial & Institutional Banking

Judy Nyaga
Company Secretary

Edith Chumba
Head, Consumer, Private & Business Banking

Edith was appointed Head, Consumer, Private & Business Banking in 2019. She brings to the role over 20 years of Retail Banking experience, having started her career at Absa Bank Kenya PLC before joining Standard Chartered Bank Kenya in 2015. Prior to her role, Edith was the Head of Distribution Channels. She has been instrumental in leading the Retail Banking transformation and overseeing delivery of turnaround strategies for the business in Kenya.

Makabelo Malumane
Head, Transaction Banking

Makabelo is a seasoned professional with over 18 years of financial services experience across Europe, the Middle East and Africa. She joined Standard Chartered Bank in 2015 as the Cash Management Product Head for Africa and was instrumental in developing and delivering the digital and innovations strategy for the Corporate, Commercial & Institutional Banking client segments across SCB presence markets. Prior to joining the Bank, Makabelo held a number of key roles at Citibank and Stanbic Bank where she honed her international and multi-functional expertise across the sales, client management and product management disciplines.

David Adepoju
Head Financial Markets

David has 20 years banking experience spanning Audit, Technology and Financial Markets. Prior to his current appointment in April 2020, he was the Head of Financial Markets Nigeria and Africa, and Head of Treasury Markets West Africa. He has held positions in Financial Markets across Africa, the Middle East and the UK and has broad experience across Trading, Asset & Liability Management, Market Risk, Capital Markets and Market Development. David is a past president of Financial Markets Dealers Association (FMDA) in Nigeria, a very influential advocacy body on Financial Markets. He is also an Associate Member of the Institute of Directors, Nigeria and an Honorary Senior Member (HCIB) of the Chartered Institute of Bankers of Nigeria.

Rebecca Kaggwa
Head, Conduct, Financial Crime and Compliance

Rebecca has over 28 years' experience in compliance, finance, operations and technology, company secretarial, risk management and audit. She has held various senior positions within the Bank including Head, Africa Finance Shared Services Centres in Kenya and Ghana, Executive Director Finance, Head of Business Technology (renamed Technology & Operations) and Company Secretary, Standard Chartered Bank, Uganda.

Joyce Kibe
Head Corporate Affairs and Brand and Marketing

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

James Mucheke
Chief Risk Officer

James was appointed to the role in 2021. He is a seasoned banker, with 24 years of banking experience. He has held senior leadership roles in Kenya and other countries within the Group. Prior to his current role, James was the Head of Credit for Kenya and East Africa and held a similar role in Nigeria and West Africa from 2013 to 2019. He successfully managed these portfolios through very turbulent periods. He has held other senior roles within the Group.

Executive Committee
continued

Evans Munyori
Head, Human Resources

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

David Mwindi
Head, Audit

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

Jaine Mwai
Chief Information Officer

Jaine Mwai has over 23 years of experience working in Technology. She has worked in the Bank for 20 years in various roles. She has deep experience in project planning and execution, leading multi-functional and multi-cultural teams. Prior to her appointment as Chief Information Officer, Jaine was the Country Technology Manager and Head of Program and Change Management.

Dr. Davidson Mwaisaka
Head, Legal

Davidson has over 15 years' legal experience. He started his career in legal practice in the law firms of Kaplan & Stratton Advocates and Oraro & Company Advocates. He later transitioned to in-house practice at Equatorial Commercial Bank (now Spire Bank) as Legal, Compliance Manager and Assistant Company Secretary, after which he joined Britam as the Group Legal Manager and Group Assistant Company Secretary responsible for the East and Southern Africa region. He joined the Bank in April 2014 as Country Senior Legal Counsel and Assistant Company Secretary and was promoted to his current role in April 2020. He is a Certified Company Secretary (CPS(K)), Associate Chartered Arbitrator (ACArb) and Advocate of the High Court of Kenya.

Our People

Leaning forward to be future ready is embedded in our culture. We celebrate each of our colleagues to maximise their potential

We are proud of our Kenya Legal Team who emerged as winners of the Corporate In-House Legal Department of the Year 2021 at the Nairobi Legal Awards organized by The Law Society of Kenya Nairobi Branch.

The awards celebrated resilience of the legal fraternity in dealing with challenges brought about by the Covid-19 pandemic.

standard chartered

Directors, Officials and Administration

DIRECTORS

K. Kariuki	Chairperson
K. Ngari	Chief Executive Officer
P. Obath	(Retired 30 May 2021)
C. Murgor	Chief Financial Officer
C. Adeya	
I. Khan	
N. Sharma	(Appointed 22 July 2021)
R. Etemesi	
D. Ong'olo	
P. Gitau	
J. Browne*	
B. Sanghrajka	(Appointed 22 July 2021)

*British

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

AUDITOR
Ernst and Young LLP
Certified Public Accountants
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P.O. Box 44286
00100 Nairobi GPO

REGISTERED OFFICE
StandardChartered@Chiromo
48 Westlands Road
P.O. Box 30003
00100 Nairobi GPO

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

Report of the Directors

The directors are pleased to submit their report together with the audited financial statements for the year ended 31 December 2021 in accordance with Section 22 of the Banking Act and the Kenyan Companies Act, 2015 which governs disclosure of the state of affairs of Standard Chartered Bank Kenya Limited (Company) and its subsidiaries (together referred to as the Group).

1. Activities

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

2. Results

The results for the year are set out in the attached financial statements on pages 99 to 204.

3. Dividends

The Board has resolved to recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of KShs 14.00 for every ordinary share of KShs. 5.00 on the issued share capital of the Company in respect of the year ended 31 December 2021 (2020: KShs 10.50). One interim dividend of KShs 5.00 (2020: Nil) for every ordinary share was declared on 15 November 2021 and paid on 29 December 2021.

The Board has also resolved to recommend to the shareholders at the forthcoming Annual General Meeting the payment of a final dividend of KShs 84,690,411 on the non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares (2020: KShs 168,000,000). An interim dividend of KShs 83,309,589 was declared on 15 November 2021 and paid on 29 December 2021.

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

The dividends will be payable to shareholders registered on the Company's Register at the close of business on 27 April 2022 and will be paid on or after 25 May 2022. The Register will remain closed on 28 April 2022 for the preparation of dividend warrants.

4. Directors

The directors who served during the year up to and including the date of this report are set out on page 56. The directors are subject to periodic re-appointment and the following directors will be seeking re-election:

- Mrs. Nivedita Sharma and Mr. Birju Sanghrajka, appointed as directors to fill casual vacancies will offer themselves for election at the forthcoming Annual General Meeting in accordance with Article 109 of the Articles of Association.
- Mrs. Kellen Kariuki and Ms. Julie Browne retire from office by rotation and will offer themselves up for re-election at the forthcoming Annual General Meeting in accordance with Section 107 of the Articles of Association.

5. Property

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

6. Business review

Strategy

The Group has strengthened its foundations and demonstrated its commitment to be a profitable, purpose led group that is Here for good. Significant progress has been made on the strategic transformation which positioned the Group to deliver a resilient business performance despite the ongoing COVID-19 pandemic. The ongoing digital transformation enabled the Group to weather the macro-economic storm.

Building on the Group's purpose of driving commerce and prosperity through its unique diversity, the Group launched a combined narrative for the organisation bringing together what we stand for and aligning the strategy, refreshed priorities and actions to deliver them. These stands are not an add-on or separate from the strategy, but instead are executed through strategy. The Stands are Accelerating Zero (the climate Stand), Lifting Participation (the equality Stand) and Resetting Globalisation (the globalisation Stand). During the year, the Board received feedback on colleagues' reactions to the refreshed priorities and the Stands, as well as provided their own thoughts and views. Further details regarding the refreshed strategic priorities (Chapter 3) are detailed in the Chief Executive Officer's statement on pages 42 to 45.

Performance and position

Details of the Group's performance, financial and capital position are included in the Chief Executive Officer's statement on pages 42 to 45.

Report of the Directors
continued

Principal risks and uncertainties

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

The Group's principal risks that are inherent in the banking business include credit, traded, capital and liquidity, operational and technology, reputational and sustainability, compliance, information and cyber security, and financial crime. Currently climate risk is recognised as a material cross-cutting risk. Climate risk is defined as the potential for financial loss and non-financial detriments arising from climate change and society's response to it. The Company will continue to make considerations of whether existing Principal Risk Types or incremental risks should be treated as cross-cutting risks.

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

The Board has adopted an Enterprise Risk Management Framework (ERMF) which enables the Group to closely manage enterprise-wide risks with the objective of maximising risk-adjusted returns while remaining within the Risk Appetite. A dynamic risk-scanning process is maintained for risk identification and assessment, with inputs from the internal and external risk environment, as well as potential threats and opportunities from the business and client perspectives, thus enabling a proactive approach to risk management. An inventory of the Principal Risk Types (PRT) and risk sub-types that are inherent to the strategy and business model; and emerging risks that include near-term as well as longer-term uncertainties is maintained.

In 2021, the Board implemented a refreshed Framework to continue to enhance the management of Operational Risk, ensuring risk is managed within Risk Appetite and delivery of services to our clients continues.

In the first half of the year, we introduced a number of enhancements including expanding the Reputational Risk PRT to include Sustainability Risk. To meet the needs of the digital agenda and strengthen the technology risk management capabilities of the Group, we have expanded the Operational Risk PRT to include Technology Risk. This allows us to focus on risks arising from technology events, with the Operational Risk team providing second-line oversight.

Given its overarching nature, conduct risk management was incorporated as an integral component of the overall ERMF rather than viewed as a standalone risk. The Group will continue to identify conduct risks inherent to its strategy and business model and expects each business and function to be responsible for managing conduct within their area with the Compliance team providing oversight and challenge. We remain committed to ensuring the highest standard of conduct from all our people. We have no appetite for negative conduct risk outcomes arising from negligent or wilful actions by the Company or individuals recognising that while incidents are unwanted, they cannot be entirely avoided.

Risk culture

All employees who are engaged in, or supporting, revenue generating activities are expected to demonstrate the highest level of integrity by being transparent and proactive in disclosing and managing all types of risks. The staff in control functions adopt a constructive and collaborative approach in providing oversight and challenge and take decisions in a clear and timely manner. The directors expect all staff to be accountable for their decisions and feel safe using their judgment to make these considered decisions.

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

COVID-19 and the related economic shock impacted the business. The operating environment in the first half of the year continued to rebound from the adverse effects of the pandemic witnessed throughout 2020. However, there was a slowdown towards the end of the first quarter when cases increased and lockdowns were reintroduced. In the second half of the year, the business environment assumed a sense of relative normalcy as the Government eased partial lockdowns and the vaccine rollouts commenced. The threat of prolonged weak economic outlooks that may lead to a sustained period of increased risk aversion and uncertainty remains a key concern for the business.

There remains a heightened level of risk in the environment and the business will continue to take steps to mitigate the effect on our portfolios and risk profile.

Future outlook

The operating environment has continued to recover largely due to normalisation of business activity and improved vaccine access as the Government ramped up vaccination drives and eased containment measures. Despite prior containment measures, there was a positive boost to the economy driven by rise in commodity prices. The Board expects that the global economic recovery will continue to strengthen in 2022. Cognisant of the near-term risks, the Board is optimistic that the Group will continue to leverage on strong tail winds to drive business momentum anchored on the strategy being well executed and supported by a highly liquid and well capitalised balance sheet for sustainable growth in the long term. The Group will build on the foundation set in the transformation journey as it transitions to the new strategy Chapter 3 and the Board is excited about the opportunities presented by the next Chapter.

Community impact

In line with our brand promise Here for good, we seek to ensure that the financing we provide supports sustainable economic and social development in the communities where we operate. In 2021, we continued to engage the community through our Futuremakers by Standard Chartered by financing programmes that support the youth to learn, earn and grow under three pillars – Entrepreneurship, Employability and Education. This was achieved through our community flagship initiatives- Women in Technology, Goal EmployABLE and Financial Education programmes.

Environmental impact

We have taken a bold stand towards Accelerating Zero to become a key player in the race to achieve net zero emissions from our operations by 2025. This will be achieved by using renewable energy sources and adopting sustainability best practises.

The Group's energy use (electricity, diesel, solar) efficiency has improved over the years, with our annual energy use reducing by 50% since 2017. Our water usage has seen a downward trend in the past four years, reducing by 82%. The reductions and efficiencies have been possible due to sustainable initiatives implemented. These include restoration of the wastewater treatment plant at the Chiromo head office building, and installation of water blades and light emitting diode (LED) lighting products within our offices and branches.

As at the end of 2021, the Group's carbon emissions were 385 tons, representing a 52% reduction from 2018. Printing paper usage reduction measures and waste management activities have also contributed to this success. We have a 3-year strategy in place that will help us reduce our carbon emissions further and achieve our net-zero target by 2025.

The impact of the COVID-19 pandemic and working from home on our energy efficiency and carbon emissions will be measured and analysed in 2022 and the data used to make informed decisions on how employees can be supported to live sustainably at home. This will be an opportunity for us to reset our working model.

7. Donations

Donations of KShs 69 million (2020: KShs 165 million) were made to various Futuremakers initiatives in the course of the year.

8. Directors' interests

Mr. David Ong'olo holds Two Thousand (2,000) ordinary shares in the Company as at 31 December 2021.

9. Disclosure of information to auditor

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

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

10. Auditors

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

The directors monitor the effectiveness, objectivity and independence of the auditor. The directors also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees. The agreed auditor's remuneration of KShs 21 million has been charged to profit or loss in the year as disclosed in note 12 to the financial statements.

11. Approval of financial statements

The financial statements were approved and authorised for issue by the board of directors on 14 March 2022.

BY ORDER OF THE BOARD

Kellen Kariuki
Chairperson

Statement on Corporate Governance

As a key player in the banking industry, Standard Chartered Bank Kenya Limited (the Company) and its subsidiaries (together 'the Group') recognises its responsibility to practise high standards of corporate governance and to contribute to the promotion of an environment where such standards are upheld and practised by all industry players. Exemplary governance is key to the Group's long-term success, enabling the delivery of sustainable shareholder value.

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

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

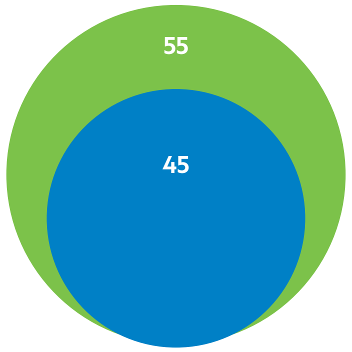
The Board Composition

The Board has the appropriate mix and diversity of skills, knowledge, and experience to perform its role effectively. The areas of expertise, gender and independence status of the directors is as follows:

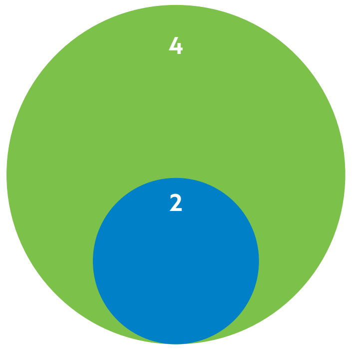
	Scheduled meetings	Independent/Non-Executive/Executive	Gender	Date of Appointment
K. Kariuki	Banking, Financial Management and Human Resources	Independent Non-Executive	Female	10 February 2020
C. Adeya	Information Technology	Independent Non-Executive	Female	1 January 2016
I. Khan	Financial Management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

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

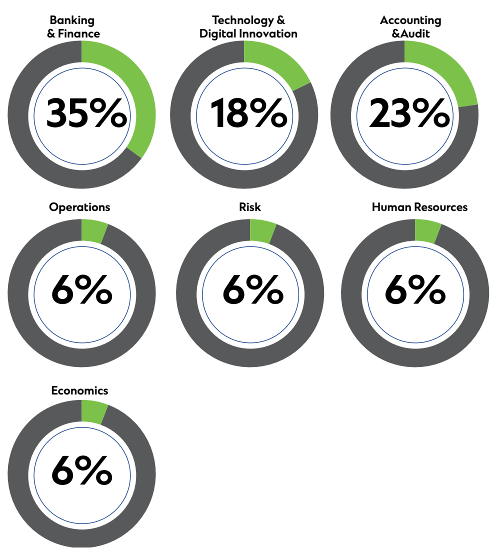
2021 Gender Representation



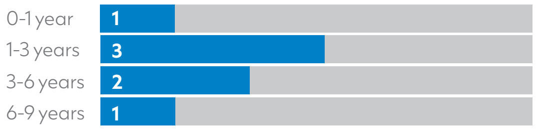
Banking, Finance, Audit Risk Experience Amongst Independent and Non-Executive Directors



Industry Experience



Independent and Non-Executive Director Tenures



Diversity and mix of skills

The Chairperson is committed to ensuring the overall effectiveness of the Board and that it achieves the appropriate composition and balance of directors. The Board has 11 members; seven non-executive directors including the Chair, five of whom are independent non-executive directors, and four executive directors. The Company Secretary is a member of the Institute of Certified Public Secretaries of Kenya (ICPSK) whilst the Finance Director is a member of the Institute of Certified Public Accountants of Kenya (ICPAK).

The Board has a good mix of skills and experience to drive the business forward whilst maintaining a tight control on risk management and good corporate governance. It has the primary responsibility for ensuring adherence to the code of corporate governance. The Board has a charter which is publicly available to investors. The Board members are required to disclose any potential area of conflict that may compromise or undermine their position or service as directors.

The Board established a Board Diversity Policy in 2021 which describes the approach the Board takes to ensure that diversity in its broadest sense remains a central feature of the Board. The Board believes that diversity enhances its decision-making capability and thus the overall effectiveness of the Board in achieving sustainable business operations and enhancing shareholder value. The Group has a long history of diverse board membership. All Board appointments are based on merit with each candidate assessed against objective criteria, with the prime consideration of maintaining and enhancing the Board's overall effectiveness. This notwithstanding, the Board strives to maintain diversity recognising the benefits of a diverse mix of gender, social and ethnic backgrounds, knowledge, personal attributes, skills, and experience. This diversity provides a mix of perspectives which we believe contributes to effective Board dynamics.

Patrick Obath retired from the Board on 30 May 2021 having served as an independent non-executive director for a period of nine years. Nivedita Sharma was appointed as an independent non-executive director effective 22 July 2021 while Birju Sanghrajka was appointed as an executive director on 22 July 2021.

Board selection and appointment principles

Pursuant to the Capital Markets Authority Code of Corporate Governance (the Code), the Board has a formal and transparent procedure for the appointment of Board members based on a set of broad principles:

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

The Board Charter wholly adopts the recommendations of the Code with respect to multiple directorships. The Code recommends that there should be a limit to the number of directorships Board members hold at any one time. In particular, the Code recommends that directors of listed companies should not hold directorships in more than three listed companies at any one time. The Directors of the Company follow this recommendation and are also in compliance with requirements of the Central Bank of Kenya Prudential Guidelines relating to other directorships. The Board fully endorses the principle that each director must be able to give enough time and attention to the affairs of the Company and Group but does not restrict the number of directorships as a general rule. The Board is satisfied that the directors devoted sufficient time and attention to the affairs of the Company and the Group during 2021.

Independent non-executive directors

The majority of the non-executive directors are independent and free of any business relationship or other circumstances that could materially interfere with the exercise of objective or independent judgment. In determining the independence of a non-executive director, the Board considers each individual against the criteria set out in the Capital Markets Authority of Kenya Code of Corporate Governance Practices for Issuers of Securities to the Public, the Central Bank of Kenya Prudential Guidelines on Corporate Governance as well as their contribution and conduct at Board meetings, including how they demonstrate objective judgment and independent thinking. Directors are required to declare any interests that may give rise to a potential or perceived conflict of interest on an ongoing basis. The Board considers all of the independent non-executive directors to be independent of the Group and has concluded that there are no relationships or circumstances likely to impair any individual non-executive director's judgment.

Statement on corporate governance
continued

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

Director induction

The Group has a comprehensive and tailored induction process for new directors covering its business operations and in particular the risk and compliance functions, as well as the legal, regulatory, and other personal obligations of a director of a listed company. Upon joining the Board, a new director receives a briefing on various aspects of the business from the Executive Directors, the Company Secretary and Business Heads and other Senior Executives.

Two new directors were appointed to the Board during 2021, being Mrs. Nivedita Sharma and Mr. Birju Sanghrajka. The directors bring highly relevant skills and a breadth of knowledge relevant to the Board debate. On joining the Board, the directors undertook a robust induction programme to ensure that they were well placed to make a positive contribution from the outset. The induction is relevant to all new Board members; however, the content of the programme is also tailored to meet each director's individual level of experience and expertise as may be appropriate.

A key part of the induction programme is to ensure that the directors have a good understanding of the governance environment, including a comprehensive understanding of their statutory duties, obligations, and responsibilities as directors of a company carrying on banking business. The Company Secretary plays a key role in supporting new directors through the induction process.

The directors are advised of the legal, regulatory, and other obligations of a director of a listed company on an ongoing basis. The directors also receive training on corporate governance. The directors have access to independent professional advice to enable them to discharge their duties.

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

Directors ongoing development

In view of the changing business environment, continuous Board members' development is undertaken in order to enhance governance practices within the Board itself and in the interest of the Group.

The continuous development programme is needs-based and is designed for individual directors or for the Board to facilitate competence up-skilling of the Directors. We ensure that directors secure at least twelve hours of development per year on areas of governance from credible sources.

Following the annual evaluation exercise, the directors identify areas that require further consideration by the Board and individual Directors, and these are addressed through training and board presentations. The Board Committees also receive specialist presentations and training relevant to the work of their Committees as may be required.

During the year, all directors received a combination of mandatory learning and training, internal and external briefings, presentations from guest speakers and papers on a range of topics to ensure the directors are well-informed and that the Board remains highly effective. The Board received training in 2021 on various aspects including:

- Key changes in the legal and regulatory space including Data Protection laws
- Refresher on Conduct Risk Management
- Geopolitical Dynamics in Biden's Era/ Future Global Economic Trends/Network or Corridor Business Trends
- New Ways of Working/Future-ready Workforce and Culture
- Digital Currencies and Tokenised Assets
- Environmental, Social and Governance (ESG) and Climate Risk
- Internal Audit Methodology
- Capital Markets Authority delivered training on the Stewardship Code
- Banking Transformation in the COVID-19 Era
- Key and emerging risks in the operating environment
- Information Technology and Cyber Security Audits
- Transition from interbank offered rate (IBOR) to risk free rates

Training	C. Adeya	K. Kariuki	I. Khan	D. Ong'olo	*N. Sharma	R. Etemesi	J. Browne	K. Ngari	C. Murgor	P. Gitau	*B. Sanghrajka
Legal and Regulatory Training	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	N/A
Conduct Risk Management Refresher	✓	✓	✓	✓	N/A	✓	✓	✓	✓	✓	N/A
Geopolitical Dynamics in Biden's Era/ Future Global Economic Trends/Network or Corridor Business Trends	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
New Ways of Working/Future-ready Workforce and Culture	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Digital Currencies and Tokenised Assets	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
ESG/Climate Risk	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Internal Audit Methodology	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

Statement on corporate governance
continued

Training	C. Adeya	K. Kariuki	I. Khan	D. Ong'olo	*N. Sharma	R. Etemesi	J. Browne	K. Ngari	C. Murgor	P. Gitau	*B. Sanghrajka
Stewardship Code Training	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Banking transformation in the COVID-19 era	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Key and emerging risks in the operating environment	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IT and Cyber Security Audits	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
IBOR Training	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

* N. Sharma and B. Sanghrajka joined the Board on 22 July 2021

✓ Director attended the session

✓ Director did not attend the session but received accompanying material

Board effectiveness

The Effective Board

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

Board effectiveness evaluation

The annual Board evaluation was conducted in March 2021, through a process led by the Board Nomination, Evaluation and Remuneration Committee and supported by the Company Secretary. The evaluation entailed a peer evaluation for each director, and evaluation of overall Board interactions, conduct of meetings and effectiveness of oversight exercised by the directors, as well as evaluation of the functioning of the Board Committees. Further, the evaluation incorporated reflections on the impact of the Covid-19 pandemic from a board oversight perspective, whether board dynamics and effectiveness have been impacted by virtual meetings and the appropriateness of the Board's skills and competencies to handle all issues discussed at the Board. Following the evaluation exercise, the directors identified areas that required further consideration by the Board and these issues have been actioned. For the Committees, the observations and key themes were shared with the relevant Committee Chairs before discussion by each of the Committees and action plans for 2021 approved.

The internal board evaluation process:

Evaluation approach agreed by the Board

Questionnaires completed by Directors

The Board and its Committees discussed the evaluation reports and formulated action plans

Implementation of action plans tracked to completion

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

Roles of the Chairperson and Chief Executive Officer

The separate roles of the Chairperson and the Chief Executive Officer are clearly defined in the Board Charter which has been approved by the Board.

Except for direction and guidance on general policy, the Board has delegated the conduct of the day-to-day business to the Chief Executive Officer and the Executive Committee.

Succession planning

The Group has in place a succession plan for the directors which is updated regularly and a plan to maintain a balance of critical skills on the Board of Directors. In 2021, the Board refreshed the Board succession plan and allocation of committee membership to directors. The Board continued to focus in detail on succession readiness and plans for the executive directors, the Management team, and other senior executives, as well as initiatives underway to develop talent internally. The Board assured itself that succession readiness had improved through the year and that all key roles have credible plans with suitable flexibility for the immediate to longer term.

Access to information

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

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

Board activities

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

In 2021, the Board held majority of its meetings virtually. The Company's Articles of Association allow directors to participate in Board meetings by video conferencing or by any other audio-visual means. Following the vaccination of the members of the Board and Management the Board held its Q4, 2021 Board and strategy meetings in person.

Areas of Board discussions during 2021

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

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

Statement on corporate governance
continued

The significant activities undertaken as well as topics discussed and considered by the Board in 2021 include:

Strategy

- Monitored progress against the strategic priorities, and adopted the refreshed strategic priorities, and reviewed and approved the corporate plan;
- Reviewed and approved the Company's refreshed strategic priorities, dubbed Chapter 3, underpinned by four strategic pillars – Network, Affluent, Mass Retail and Sustainability and three transformational enablers - People and Culture, New Ways of Working and Innovation & Technology;
- Reviewed and discussed the approach to Sustainability underpinned by 3 bold stands, Accelerating Zero, Lifting Participation, and Resetting Globalisation;
- Reviewed and approved the five-year corporate plan for the year 2022-2026 as a basis for preparation of the 2022 budget;
- Provided oversight of implementation of COVID-19 pandemic crisis management actions;
- Discussed the growth strategy for the Company's Consumer, Private & Business Banking Affluent and Wealth businesses;
- Received updates on the Corporate, Commercial & Institutional Banking business, including progress made against the strategic priorities, revenue, risk and control structure;
- Provided oversight of major capital expenditures and reviewed corporate performance;
- Monitored and assessed the strength of the Company and Group's capital and liquidity positions;
- Maintained balance in pursuing growth opportunities in tandem with appropriate governance systems, controls, processes, and information flows;

Spotlight

Refreshing the strategic priorities

Providing oversight of the Group's strategy is a central role of the Board. In November, 2021 the Board held an offsite, in person, strategy session which focused on the evolution of the strategy towards four strategic priorities: Network; Affluent; Mass Retail; and Sustainability, underpinned by three critical enablers: People and Culture; Innovation and Technology and New Ways of Working.

The Board spent time scrutinising and discussing with Management the refreshed strategic priorities aimed at improving the Group's return on tangible equity and delivering benefits to key stakeholders.

The Board supported the approach on Sustainability. The Group aspires to be a leader in Sustainability, well recognised by clients and other external stakeholders and to lead the private sector as a catalyst of finance for the Sustainable Development Goals (SDGs).

Further details on the Group's refreshed strategic priorities and critical enablers as well as the approach on Sustainability can be found in the Chief Executive Officers report in pages 42 to 45.

Budget and performance oversight

- Approved the Group's budget/corporate plan;
- Monitored the Group's financial performance;
- Approved the full year and quarterly results and considered the internal and external factors in approving an interim and final dividend for the 2021 financial year;
- Approved the Internal Capital Adequacy Assessment Process (ICAAP) considering the impact of the COVID-19 pandemic and mitigating measures taken by the Company;
- Monitored and assessed the strength of the Company and Group's capital and liquidity positions;
- Monitored the Group's competitor and market position and performance; and
- Received updates from the statutory auditor Ernst & Young LLP on the audit of the financial statements.

Spotlight

Dividends

In recognition of the significantly improved financial performance the Board has recommended payment of a total dividend pay-out of KShs 19.00 for each ordinary share.

Risk management

- Received regular risk reports from the Board Risk Committee including updates on the impact of the COVID-19 pandemic on the Group's operations, financial health and resilience, business resilience, liquidity, and capital ratios;
- Approved material changes to the Enterprise Risk Management Framework;
- Continued to monitor the heightened risk environment arising from the prevailing COVID-19 pandemic and received updates on Business Resilience as well as ongoing reports from the Crisis Management Group who continued to implement actions managing the impact of the pandemic on the organisation;
- Discussed and reviewed IT Governance and received status updates on Cyber Security Risks.
- Received regular reports on the Credit Portfolio and Credit Risk Management and the heightened credit risk presented by COVID-19 pandemic.
- Received updates during the course of the year on the IBOR transition including the work undertaken to manage the risks associated with this transition, in particular, the financial implications, legal risks and consequences for clients; and
- Evaluated and approved proposed changes in risk appetite; and discussed specific conduct matters and potential outcomes and impacts.

Spotlight

Changes to the Enterprise Risk Management Framework (ERMF)

The Board approved key changes to the ERMF to include the expansion of Reputational Principal Risk Type to include Sustainability so as to integrate Environmental, Social and Governance risk management. Further, Operational Risk Principal Risk Type was expanded to include Technology to strengthen the Group's technology risk management capabilities. Conduct Risk and Country Risk were integrated as overarching components of the ERMF.

People, culture, and values

- Reviewed and monitored the implementation of the COVID-19 pandemic response plan and impact on People;
- Received and discussed regular updates on implementation of the People Strategy and the refreshed People learning strategy with a focus on Digital Learning;
- Reviewed, considered, and approved the Group's Remuneration Structure and Policies;
- Considered and adopted an amendment to the independent director's remuneration payment model;
- Discussed the results of the employee engagement survey "My Voice", the Group's talent pool and leadership development programmes;
- Discussed and approved the country senior management succession plan;
- Discussed the Group's culture, refreshed valued behaviours and the importance of a robust conduct culture throughout the Group; and
- Endorsed the Code of Conduct which every director recommitted to

Spotlight

Future Ready

To be a successful high-performance organisation in the prevailing dynamic environment, the Board is keen to ensure that employees are future ready and are continually reskilling/upskilling through use of digital learning capabilities and that the right tone continues to be set on culture.

Statement on corporate governance
continued

Governance

- Approved the appointment of a new Chair to the Board;
- Reviewed and approved the Board succession plan for 2021-2023 together with the Board Committee reallocation to ensure an appropriate mix of skills, experience, and diversity;
- Approved the appointments of Mrs. Nivedita Sharma and Mr. Birju Sanghrajka as new directors;
- Discussed and approved updates to the Board Charter;
- Established a Board Diversity policy;
- Continued to ensure linkages with the Board Committees through receiving quarterly reports from the Committee Chairs on each of their key areas of focus;
- Considered outcomes of the 2021 Board and Committee effectiveness reviews and approved the action plans for implementation;
- Maintained linkages with Standard Chartered PLC, the parent company, through attending calls hosted by the Standard Chartered PLC Board and Board Committees as well as other engagements;
- Approved the adoption of the Board's Terms of Reference and the updated Terms of Reference for each of its Committees; and
- Received updates on the governance of the Company's subsidiaries.

Spotlight

Board Diversity policy

The Board approved a Board Diversity policy that recognises diversity in the broadest sense and will play a role in advancing the composition and effectiveness of the Board. Among other issues, the policy details the Board aspirations of having a minimum of 40 per cent of each gender.

Stakeholder relationships

The Board considers the impact of its decisions and its responsibilities to all the Group's stakeholders, including the employees, shareholders, regulators, clients, suppliers, the environment, and the communities in which it operates. In line with these responsibilities, the Board:

- Adopted a stakeholder engagement plan with focus on effective, proactive management of stakeholders;
- Engaged shareholders at the virtual Annual General Meeting (AGM);
- Responded to retail shareholders' questions received in advance of the AGM;
- Regularly received reports regarding significant regulatory matters and deliberated on approaches to regulatory changes, expectations, compliance, and regulatory engagements throughout the year;
- Participated in Corporate Social Responsibility (CSR) projects funded by the Group such as the launch of the Group's sustainability partnership with the Arboretum Park.
- Received an update on and discussed the progress in regard to the community initiative 'Futuremakers by Standard Chartered' among other initiatives as detailed in the stakeholders report on pages 35 - 36.
- Board members attended the investor briefing held virtually in the course of the year;
- Discussion of the observations from the investor perception survey carried out at the end of the AGM; and
- The Board interacted with employees at the CEO town hall and awards held at the end of the year.

Spotlight

Stakeholder Engagement Plan

The Board has put in place a Stakeholder Engagement Plan aligned to the Group's new strategy, Chapter 3. The Plan has also considered the role of the Chairperson in building the profile of the Board amongst stakeholders as well as cohesion within the Board to enhance its effectiveness.

External environment

The Board undertook the following activities:

- Received regular updates on the macroeconomic headwinds and tailwinds in the economy, including an assessment of their impact on the key drivers of the Group's financial performance; and
- Received internal and external briefings and input across a range of topics, including geopolitical risks, developments in the regulatory environment, cyber security and culture.

Board meetings and attendance

The Board meets regularly, with at least four formal meetings a year and a strategy session. The Board held a strategy session in November 2021 to review, discuss and agree the Group's strategy. There was sufficient time to examine the emerging risks and opportunities in detail.

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

A careful balance of formal and informal meetings throughout the year exists and there is an atmosphere of cordial relations. This creates an environment that encourages challenge, consultation, information sharing, innovative thinking, and openness in communication. The Board also has opportunities to interact with the staff.

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

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

Attendance	Scheduled	Ad hoc*	Responsibilities
Chairperson – Independent Non-Executive Director Kellen Kariuki (appointed as Chairperson on 31 May 2021)	7/7	1/1	Responsible for leading the Board, ensuring its effectiveness in all aspects of its role, and developing the Group's culture in conjunction with the CEO. Promotes high standards of integrity and governance across the Group and ensures effective communication between the Board, management, shareholders, and wider stakeholders.
Independent Non-Executive Directors			
P. Obath (retired on 30 May 2021)	4/4	1/1	Provides an independent perspective, constructive challenge, and monitors the performance and delivery of the strategy within the risk appetite and controls set by the Board.
C. Adeya	7/7	1/1	
I. Khan	6/7	1/1	
D. Ong'olo	7/7	1/1	
N. Sharma (appointed 22 July 2021)	3/3	N/A	
Non-Executive Directors			
R. Etemesi	6/7	N/A	
J. Browne	7/7		Enhances the effectiveness of the Board through knowledge and experience of the SC PLC and brings the broader Group context to board discussions and provides the underlying rationale to facilitate the decision making of Independent Non- Executive Directors.
Executive Directors			
K. Ngari	7/7	N/A	Responsible for the management of all aspects of the Group's businesses, developing the strategy in conjunction with the Chairperson and the Board and leading its implementation.
C. Murgor	7/7	N/A	Responsible for Finance, Corporate Treasury, Strategy, the Group's Corporate Development, Investor Relations, Property and Supply Chain Management functions.
P. Gitau	7/7	N/A	Responsible for the Group's operations delivery.
B. Sanghrajka (appointed 22 July 2021)	3/7	N/A	Responsible for client coverage in the Corporate Commercial and Institutional Business.

* One ad hoc meeting was held on 19 March 2021. This was a meeting of Independent Non-Executive Directors (INED) only for purposes of considering amendments to the mode of INED remuneration prior to review and approval by the Board.

Statement on corporate governance
continued

Board Committees

Structure: decisions, responsibilities, and delegation of authority

The Board has five primary Committees with specific delegated authorities. These are the Board Audit Committee, the Board Risk Committee, the Board Credit Committee, the Board Nomination, Evaluation and Remuneration Committee and the Board Technology and Innovation Committee, all chaired by independent directors. The respective Chairs present their reports to the Board at each scheduled meeting. The Asset and Liability Committee (ALCO) and the Executive Committee are management committees chaired by the CEO, whilst the Outsourcing Committee is chaired by the CFO and all report quarterly to the Board.

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

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

Board Level Committees

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

The Board sets the strategic direction of the Group, approves the strategy and takes the appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations.

The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders, including employees, shareholders, regulators and governments, clients, suppliers, the environment and the communities in which it operates.

The Board discharges its responsibilities directly or, in order to assist it in carrying out its function of ensuring effective independent oversight and stewardship, delegates specified responsibilities to its committees. Detail of how the Board fulfilled its responsibilities in 2021, as well as key topics discussed and considered by the Board committees, can be found in this Directors' report.

Biographies for each director are set out on pages 48 to 51.

Board Audit Committee

Oversight and review of matters relating to financial reporting, internal controls and internal financial controls, and the work undertaken by Conduct, Financial Crime and Compliance, Group Internal Audit and the Statutory Auditor, Ernst & Young LLP (EY)..

Read more on **page 72**

Board Risk Committee

Oversight and review of the Risk Appetite Statement, the appropriateness and effectiveness of the risk management systems and the principal risks to the Group's business. Furthermore, oversight and review of risks including operational and technology, compliance, financial crime, reputational and sustainability, credit, traded, information and cyber security, capital, and liquidity.

Read more on **page 75**

Board Credit Committee

Oversight of the Company's credit policy and all lending undertaken by the Company in line with the established risk appetite. In addition, the Committee oversees the Company's governance framework for raising credit impairment provisions for all assets and ensures that timely and adequate provisions and write offs are made in order to accurately reflect the true and fair financial condition of the Company.

Read more on **page 77**

Board Nomination, Evaluation and Remuneration Committee

Oversight and review of the Board and executive succession, overall Board effectiveness and corporate governance issues. Further, the Committee provides oversight on remuneration, rewards and other incentives.

Read more on **page 79**

Board Technology and Innovation (T&I) Committee

Oversight of the Group's technology and information and cyber security risks as well as the Group's approach to innovation in light of emerging technologies.

Read more on **page 81**

Management Level Committees Reporting to the Board

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

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

Membership of the Board Committees

Name	Board Audit Committee	Board Risk Committee	Board Credit Committee	Board Nomination, Evaluation and Remuneration Committee	Board Technology and Innovation Committee
K. Kariuki				Chair	
I. Khan	Chair	Member	Chair		
D. Ong'olo		Chair	Member	Member	
C. Adeya	Member			Member	Chair
N. Sharma	Member				Member
R. Etemesi		Member	Member		Member
J.Browne		Member	Member		

Chair Member

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

Board Audit Committee

Committee Composition

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

* By invitation

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

Report of the Chair of the Audit Committee

As the new Chair of the Board Audit Committee, I am pleased to present the Board Audit Committee's report for the year ended 31 December 2021. I have been a member of the Committee since joining the Board in 2018 and chaired it between August 2019 and April 2020. Catherine Adeya and Nivedita Sharma joined as new members of the Committee from July 2021 and Kellen Kariuki stepped down as a member and Chair of the Committee and David Ong'olo stepped down as a member of the Committee.

During the year, the Committee reviewed the outcomes of various internal audits carried out by the Group Internal Audit function including on Financial Crime Compliance, Financial Regulatory Reporting, Retail Mobile Onboarding, Inter Bank Offer Rate (IBOR) transition, Financial Markets and Treasury Markets, Conduct and Client Experience for Consumer and Business Banking Collections, Cyber Threat Intelligence, Wealth Management, CCIB Credit Initiation and Monitoring, Penetration Testing and External Application Programming Interface (API) Governance. The Committee received the external Legal and Compliance Audit report for the year 2020 carried out by Dorion Associates and noted that the Auditor's Opinion was that the Bank had substantially complied with the requirements of the internal and external legal framework. The few instances of non-compliance were not ranked as posing a clear and present danger to the legal health of the Bank. The Committee periodically received reports on the status of the Group's material litigation and noted that legal opinions from external counsel were held in each case indicating that the Group's legal position in the matters was well supported in law.

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

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

Role and function

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

The key responsibilities of the Committee are:

Financial reporting

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

Oversight of internal controls

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

Internal and external audit reports

The Committee receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the Internal Audit and Conduct, Compliance and Financial Crime functions at the beginning of each year and guides on the areas of focus.

The Committee receives regular reports from the Head, Internal Audit on internal audits, compliance, and legal risks and on the assurance framework. The Head, Conduct, Financial Crime and Compliance also submits reports on regulatory, compliance and conduct issues. The Chief Financial Officer, Head, Internal Audit, Head, Conduct, Financial Crime and Compliance, the external auditor and the Business Heads are regularly invited to the meetings to provide reports or respond to issues as required. The independent non-executive directors hold meetings with the Head, Internal Audit and external auditor without Management to freely discuss issues arising from the audits and monitor progress on the audit plan for the year.

Attendance of the scheduled meetings held in 2021

I. Khan (Chairperson)	6/6
C. Adeya*	3/3
N. Sharma*	3/3

* C. Adeya and N. Sharma joined the Committee in Q3, 2021 and therefore attended three meetings only. Previously, the Committee comprised of K. Kariuki, I. Khan and D. Ong'olo.

Highlights for 2021

In 2021, the Committee discharged its mandate as set out in its Terms of Reference as follows:

Financial Reporting	The Committee • Satisfied itself that the accounting policies and practices are appropriate. • Reviewed the clarity and completeness of the disclosures made within the published financial statements. • Reviewed the annual financial statements and quarterly financial results prior to publication. • Monitored the integrity of the Group's published annual financial statements, reviewing the significant financial judgments and accounting issues. • The Committee considered, satisfied itself and recommended to the Board, that the processes and procedures in place ensure that the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy, and the business risks it faces. • Reviewed appropriateness of the financial control policies and discussed updates to the policies prior to recommending them to the Board for approval. • Monitored the financial controls environment and received updates regarding operational risk on financial controls.
Taxation	• Provided oversight on tax risks and tax related matters.
Statutory auditor, Ernst & Young (EY)	The Committee provided oversight of the work undertaken by EY and in particular: • Reviewed and discussed EY's audit plan. • Reviewed and discussed the key audit matters and key risks identified by EY's audit planning, seeking and receiving assurance that these risks have been addressed properly in the audit strategy. • Sought and received assurance there is no risk to audit work being conducted effectively, objectively and independently. • Obtained confirmation of independence from EY. • Reviewed Management's response to the auditor's findings and recommendations. • Considered the audit fees for the audit of the financial statements as appropriate. • Reviewed and discussed the outcomes of the information and cyber security audit carried out by EY in compliance with the requirements of Central Bank of Kenya. The Committee met privately with EY at the beginning of two Committee meetings, without Management being present. In line with best practice, the Committee and relevant members of Management evaluated the performance of EY in respect of the 2020 external audit and feedback was provided to EY. EY's performance in the first year of their engagement was commendable and demonstrated a good understanding of the banking sector and professional rigor. In particular, the Committee appreciated EY's use of superior audit tools and EY's challenge on the valuation of the Group Special Assets Management portfolio was considered constructive. The Committee considered the re-appointment of the EY and made appropriate recommendations, through the Board, to shareholders to consider the reappointment of EY at the Annual General Meeting.
Internal Controls	The Committee discussed reports from Group Internal Audit (GIA) that provide GIA's view on the system of internal controls across all risk types, business and country functions, including summary highlights of the most significant matters being monitored by GIA and areas of thematic interest that have arisen as part of the audits and warrant the Committee's attention. The Committee: • Reviewed the adequacy of resourcing and proposed work plans for GIA and was satisfied that they were appropriate in light of proposed areas of focus, expertise and skills that were required. • Assessed the role and effectiveness of the GIA function and reviewed and monitored GIA's progress against its annual audit plan and the review and monitoring of post-audit actions. • Reviewed and approved the refreshed GIA charter. • Reviewed and approved GIA's 2022 draft audit plan. • Received and discussed reports from the Audit Quality Assurance team regarding the view of the control environment in GIA. • The Committee probed and was satisfied with the independence of the GIA function. • The Committee held two private sessions with the Head of GIA without Management being present.

Board Audit Committee
continued

Compliance	• The Committee reviewed reports on the arrangements established by Management for ensuring adherence to internal compliance policies and procedures and compliance with specific laws and regulations and was satisfied that the compliance framework and controls continue to operate effectively. • The Committee received and discussed reports on Financial Crime Compliance produced by the Group's Money Laundering Reporting Officer and any specific actions taken by senior management in relation to the report. • The Committee considered and discussed the outcome of the Legal and Compliance audit conducted by an external auditor, Dorion Associates. The Audit opinion is provided later in this report and notes that the Company is substantially compliant with the requirements of the internal and external legal framework. There were no material instances of non-compliance reported.
Whistle Blowing	• Speaking Up is the Group's confidential and anonymous whistleblowing programme. The whistleblowing channels are available to anyone – colleagues, contractors, suppliers, and members of the public – to raise concerns confidentially and anonymously. • Through the Compliance Report, the Committee was provided with a regular update on the whistleblowing programme.
Committee Effectiveness Review	• During 2021 an internal Committee effectiveness review was conducted for the year 2020. The feedback on the Committee's functioning and effectiveness was positive and it specifically highlighted that the handover to EY, as the Group's statutory auditor had gone well, and the Committee is working well. The Committee members identified the need to have legal updates included in its rolling agenda and requested for training on internal audit ratings and the deeper elements of cybercrime audits. The arising actions have been implemented.

Imtiaz Khan
Audit Committee Chair

Board Risk Committee

Committee Composition

D. Ong'olo	Chairperson
I. Khan	
J. Browne	
R. Etemesi	
J. Mucheke*	
K. Ngari*	
C. Murgor*	
J. Nyaga *	Secretary
E. Chumba*	
P. Gitau*	
B. Sanghrajka*	
D. Adepoju*	

*By invitation

Report of the Chair of the Risk Committee

As the new Chair of the Board Risk Committee, I am pleased to present the Board Risk Committee's report for the year ended 31 December 2021.

Richard Etemesi and Julie Browne joined as new members of the Committee in July 2021 and Kellen Kariuki stepped down from the Committee. Throughout the year the Risk Committee monitored the management of the Group's principal risks in the context of the growing landscape of cyber threats and fraud locally and globally, the impact of the COVID-19 pandemic on the business environment and heightened political activity leading up to the general elections in 2022. The Committee assumed responsibility for tracking resolution of technology obsolescence risk from the Technology and Innovation Committee during the year. This was done to enable the Technology and Innovation Committee focus on providing strategic oversight of technology projects and innovation initiatives. Given the rising incidents of fraud in the banking industry in general, the Committee carried out a deep dive into risk management in the Group as well as aggregators providing services to the Group. The Committee also reviewed an analysis of fraud risk incidents issued by the Central Bank of Kenya's Banking Fraud Investigation Department in July 2021.

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

Role and function

Risk management

The Committee is responsible for exercising oversight of and reviewing prudential risk. It reviews the Group's overall Risk Appetite Statement and makes recommendations to the Board. Its responsibilities also include reviewing the appropriateness and effectiveness of the Group's risk management systems, considering the implications of material regulatory change proposals, reviewing reports on principal risks to the business and ensuring effective due diligence on material acquisitions and disposals. The Committee reports to the Board on its key areas of focus following each Committee meeting.

The Chief Risk Officer presents a report to the Committee at every scheduled meeting and the Committee discusses the major risks faced by the Bank across the businesses. The Committee also reviews the Group's risk appetite periodically. The directors provide critical guidance and feedback to Management.

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

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

Capital and liquidity

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

Attendance of the scheduled meetings held in 2021

D. Ong'olo (Chairperson)	4/4
I. Khan	4/4
J. Browne*	2/2
R. Etemesi*	2/2

* R. Etemesi and J. Browne joined the Committee in Q3, 2021 and therefore attended two meetings only in the year. Previously, the Committee comprised of K. Kariuki, I. Khan and D. Ong'olo.

Corporate Governance

Board Risk Committee
continued

Highlights for 2021
The Committee held four meetings in the year and the areas of focus were:

Enterprise Risk Management Framework (ERMF)	The ERMF sets out the principles and standards for risk management across the branches and subsidiaries of the Standard Chartered Bank Group globally. The Committee reviewed proposed material changes to the ERMF and recommended these changes to the Board for approval. The Committee also supported updates to the Committee's Terms of Reference to reflect the changes in the ERMF for Board approval.
Principal Risk Types	The Committee: • Discussed the Group risk profile as detailed in the Principal Risk Types report presented at each scheduled Committee meeting throughout the year. The Committee delved deeper into the risks including the elevated Information and Cyber Risks, Financial Crime Risk amongst others. • Focused on the impact of the COVID-19 pandemic and how the Bank has responded to and continued to manage the related risks. • Continued to monitor measures implemented to strengthen the statement of financial perfomance to maintain adequate capital and liquidity, considering the COVID-19 pandemic. • Monitored the Group's risk profile and its consistency with risk appetite. • Discussed the key macroeconomic and political risks faced by the Group. • Received updates on the tax risks and progress made in resolving legacy tax matters.
Climate Risk Management	Climate Risk was recognised as a material cross-cutting risk for the Group. The Committee discussed the Group's approach to the management of risks arising from climate change (climate risks), and implementation of a Climate Risk assessment framework. The Board as a whole received training on climate risk management and oversight.
Deep Dive Topics	The Committee carried out a deep dive into the elevated risks associated with fraud incidents arising from phishing attempts. Further upgrades in technology were being deployed to deal with the fraud challenge. The Committee further noted that fraud awareness messages were being shared with clients and extensive staff training was being carried out. A deep dive on the risk management practices of the Group's aggregators was also carried out by the Committee focusing on reviewing the transaction volumes for each aggregator and the sufficiency of controls and insurance cover put in place to mitigate third party risk of fraud.
Committee Effectiveness Review	During 2021 an internal Committee effectiveness review was conducted for the year 2020. The outcome showed that the Committee is well constituted and has a good understanding of the risk landscape and thus functioned effectively. The Committee members recommended that deep dives on current risks be presented to the Committee on a regular basis; training on advanced technologies be arranged for the full Board; and invitations be extended to external speakers to provide broader perspectives to the Board on topical/key risk issues. The areas of development were incorporated in the 2021 action plan and implemented.

David Ong'olo
Risk Committee Chair

Board Credit Committee

Committee Composition

I. Khan	Chairperson
D. Ong'olo	
J. Browne	
R. Etemesi	
K. Ngari*	
C. Murgor*	
J. Nyaga *	Secretary
E. Chumba*	
B. Sanghrajka*	
J. Mucheke*	
S. Mwangi**	

*By invitation

** Senior Credit Officer

Report of the Chair of the Credit Committee
Richard Etemesi and Julie Browne joined as new members of the Committee in July 2021 and Kellen Kariuki stepped down as a member of the Committee.

Throughout 2021, focus was placed on the impact of the COVID-19 pandemic on the credit portfolio and how the Group has responded to and managed the related risks. The incorporation of the impact of the COVID-19 pandemic into the stress scenarios and portfolio reviews of the exposures most at risk in the economic downturn has enabled Management to identify potential areas of vulnerability and manage these appropriately.

The Committee also spent time deliberating on the sectors of the economy recording growth in 2021 and how these compared to the Group's credit exposure and the opportunities available within the Group's risk appetite to drive top line growth.

The Committee supported Management's intervention to invest surplus foreign currency liquidity with other Standard Chartered subsidiaries within Africa which would enable the Group to command better yields on its foreign currency book while supporting these Standard Chartered subsidiaries to fund their balance sheet needs.

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

Role and function
The Committee reviews and oversees the overall lending policy and credit strategy of the Bank, issues regarding industry concentration, loan impairment, liquidity, and compliance. Further, the Committee reviews and provides guidance on non-credit risk issues which are considered in making credit decisions. The Committee also reviews the top country risks and ratifies approvals of the Credit Approvals Committee. Further, the Committee assists the Board to discharge its responsibility to review the quality of the Bank's loan portfolio and ensure that adequate provisions are made for bad and doubtful debts. The Committee reports to the Board on its key areas of focus following each Committee meeting.

Attendance of the scheduled meetings held in 2021

I. Khan (Chairperson)	4/4
D. Ong'olo	4/4
J. Browne*	2/2
R. Etemesi*	2/2

* J. Browne and R. Etemesi joined the Committee in Q3, 2021 and therefore attended two meetings only as members in the year. Previously, the Committee comprised of K. Kariuki, I. Khan and D. Ong'olo.

Board Credit Committee
continued

Highlights for 2021
The Committee held four meetings in the year and the areas of focus were:

Credit Portfolio Performance	The Committee: • Reviewed the lending policies and revised portfolio management standards and recommended these to the Board for approval. • Reviewed the quality of the loan portfolio to ensure compliance with requirements of the Central Bank of Kenya Prudential Guidelines. • Reviewed and approved delegation of lending limits to the sanctioning arms of the Bank. • Continued to monitor the impact of the COVID-19 pandemic and its potential impact on the quality of the credit risk management. • Continued to monitor the implementation of action plans to mitigate the impact of the COVID-19 pandemic including performance of the portfolio of clients who received the credit relief program. • Discussed the concentration risk by industry and portfolio segments and ensured an appropriate balance was maintained. • Received updates from the Group Special Assets Management team.
Loan Impairment	• Provided oversight on loan impairments in line with the Central Bank of Kenya Prudential Guidelines. • Received and reviewed quarterly reports on workout plans developed for problematic assets.
Deep Dive Topics	• A deep dive into how the portfolio guidelines mapped against the industries growing in the economy was presented by Management and the Committee noted that the personal and household sector was the largest sector for the industry and the Bank was participating significantly in this sector. Other top sectors for the Bank are Manufacturing, Wholesale and Retail Trade, Agriculture, Transport and Communication. The fastest growing sectors from 2018 to 2020 for the banking industry were Real Estate and Tourism and Hotels sectors. The Committee noted that facilities in these sectors were considered on a selective basis. • For CCIB, there was adequate room for growth across the various sectors without breaching the sectoral caps. • In CPBB, Management would focus on mass market growth as a key strategic pillar, underpinned by digitization. Various initiatives were underway to help grow assets in the personal and household sectors. Management was also looking to grow its participation in the Business Banking space so that it is comparable to industry growth.
Credit Approvals Committee (CAC)	• The Committee considered material updates to the Credit Approvals Committee Terms of Reference and approved the changes. • Throughout the year, the Committee ratified decisions by the CAC and continued to monitor portfolio guideline breaches.
Committee Effectiveness Review	During 2021 an internal Committee effectiveness review was conducted. The outcome showed that the Committee is well constituted and sectoral deep dive analyses would be instituted in 2022 where more general commercial experience would be considered to be beneficial. Through 2021, given the uncertainties presented by the COVID-19 pandemic and the unpredictability of the expected impact of other waves that may be experienced on the economy, the Committee emphasised focus on oversight of the performance of the loan portfolio.

Imtiaz Khan
Credit Committee Chair

Board Nomination, Evaluation and Remuneration Committee

Committee Composition

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

*By invitation

Report of the Chair of the Nominations, Evaluation and Remuneration Committee
As the new Chair of the Board Nomination, Evaluation and Remuneration Committee, I am pleased to present the Committee's report for the year ended 31 December 2021.

Catherine Adeya and David Ong'olo joined as new members of the Committee in July 2021 and the former Chairman Patrick Obath retired from the Committee and the Board. This was in line with the Board's review of Committee memberships and succession planning following recommendations made by the Committee in exercise of its governance responsibilities on behalf of the Board. The Committee supported the Board to review its skills set and experience and earlier in the course of the year commissioned the search for a new independent director to fill the vacancy that would result from the retirement of the previous Chairman Patrick Obath. The skills set the Board sought to acquire was digital marketing and the ability to commercialise digital ventures. Following interviews of various candidates Nivedita Sharma emerged as the preferred candidate given her knowledge and understanding of cutting-edge technology, data analytics and data driven decision-making. The Committee therefore recommended the appointment of Nivedita Sharma to the Board for approval.

In the course of the year, the Committee exercised oversight of the progress of action plans arising from effectiveness reviews carried out by the Board and the various Board Committees as well as recommendations arising from the external Governance Audit carried out by Dorion Associates early in the year. The Committee also spent time developing Key Performance Indicators for the Board for the year 2022 in response to a recommendation from the external governance audit and further developed a stakeholder engagement plan for the Board and Board chairperson.

The Committee closely monitored the support provided by Management to employees to enable them cope with the impact of the COVID-19 pandemic at a personal level but also to facilitate their ease of working from home.

During the year the Committee interviewed several candidates for senior executive roles and is satisfied that the Group continues to develop and attract the necessary talent to deliver its strategy.

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

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

As part of the Committee's succession planning for the Board, it considers the Group's strategy, and challenges and makes recommendations to the Board in respect of any adjustments to the Board's composition. The Committee also: keeps under review the leadership needs of, and succession plans for, the Group in relation to both executive directors and other senior executives; has oversight of the process by which the Board, its Committees and individual directors assess their effectiveness; keeps the diversity of the Board under review and monitors progress towards achieving its objectives in this area.

The Committee reports to the Board on its key areas of focus following each Committee meeting.

Attendance of the scheduled meetings held in 2021	
K. Kariuki (Chairperson)	4/4
D. Ong'olo*	2/2
C. Adeya*	2/2

* D. Ong'olo and C. Adeya and joined the Committee in Q3, 2021 and therefore attended two meetings only in the year. Previously, the Committee comprised of P. Obath (retired 30 May 2021) and K. Kariuki.

Board Nomination, Evaluation and Remuneration Committee
continued

Highlights for 2021
The Committee held four meetings in the year and the areas of focus were:

People	The Committee: • Considered and adopted the people strategy as aligned to the business strategy. • Discussed initiatives taken to drive the strategy of building a Future Ready workforce including accelerating introduction of tools and training academies. • Provided oversight of changes to the organisational design which had commenced in 2020. • Discussed the initiatives in place to ensure the well-being of employees. • Monitored the progress towards achieving the diversity and inclusion aspirations of the Group noting the progress made on the key performance indicators which include, the gender pay gap, representation of persons living with disabilities, and gender balance. • Reviewed the culture transformation progress across the Company towards building an inclusive, innovative culture underpinned by sustainability and conduct. • Considered developments in embedding the right culture and discussed the outcome of the employee engagement survey 'My Voice'. • Provided oversight on the Pay, Performance and Potential process and outcomes. • Reviewed the annual increases for staff salaries and variable compensation awards for eligible staff. The Committee believes that it was appropriate to make these awards to those that contributed to the continued success of the Group. • Reviewed key human resource policies. • Received reports on the impact of the COVID-19 pandemic on employees and monitored implementation of actions taken to prioritise the wellbeing, safety, and security of employees. • Received reports on employee wellness as well as progress on implementation of wellness initiatives. • Reviewed management succession plans relating to senior executive positions. • Considered and recommended to the Board the hiring of senior executives.
Future of Work	In embedding the flexible ways of working, the Group rolled out the 'Future of Work Now' project aimed at formalising the flexible working arrangements. The Committee will continue to provide oversight on delivery of the project.
Governance	The Committee undertook the following governance activities and recommended Board approval: • Considered and discussed material updates to the Board Charter. • Developed and proposed to the Board the Board Diversity Policy. • Reviewed the Board's succession plan and skills competency matrix and developed recommendations for presentation to the Board with regard to Board/Board Committee composition and future Board members. • Reviewed and provided input on the Board and Board Committee Effectiveness questionnaires. • Reviewed the recommendations arising from the external Governance Audit carried out by Dorion Associates and provided oversight of implementation of agreed actions. • Developed Key Performance Indicators for the Board for the year 2022. • Developed a stakeholder engagement plan for the Board and Board chairperson for the year 2022. • Steered the review of the changes to the INED remuneration payment model. • Considered the appointment of Nivedita Sharma and Birju Sanghrajka as Directors of the Group.
Committee Effectiveness Review	During 2021 an internal Board effectiveness review was conducted for the year 2020. The outcome showed that the Committee functioned effectively. Areas of improvement recommended included increasing the number of Committee members, enhancing the Committee's Terms of Reference to bolster the Committee's governance role as delegated by the Board and the Central Bank of Kenya Prudential Guidelines. Committee members further proposed areas of training including emerging and future trends in the Committee's areas of responsibility. The recommendations were incorporated in the 2021 action plan for implementation.

Kellen Kariuki
Nomination, Evaluation and Remuneration Committee Chair

Board Technology and Innovation Committee

Committee Composition

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

*By invitation

Report from the Chair of the Technology and Innovation Committee

Richard Etemesi and Nivedita Sharma joined as new members of the Committee in July 2021 and Imtiaz Khan stepped down as a member of the Committee.

During the year 2021, the Committee monitored the technology driven innovations of the Group to support business growth. The Committee reviewed and approved the Information and Cybersecurity strategy and budget as well as the Technology strategy and budget. The Committee received a presentation on the initiatives currently being curated by Standard Chartered Ventures (a separate unit of Standard Chartered Group) that will support the Group's business once implemented.

Given the increase in digital banking fraud both locally and globally, the Committee closely monitored the outcome of phishing simulation exercises and interventions put in place by Management to reduce the click through rates amongst both employees and clients. The Committee also monitored threat intelligence reports to ensure that the Group remains on the frontier of countering the activities of threat actors.

The impact of the COVID-19 pandemic on the Group's operations was a key focus area for the Committee in 2021 and the Committee regularly reviewed reports on key business resilience activities. The Committee also reviewed the Business Resilience Strategy, Pandemic Contingency Plan and Crisis Management Plan.

Technology obsolescence remains a key risk for the Group and the Committee monitored management actions to ensure full remediation. During the year, oversight of technology obsolescence was moved to the Board Risk Committee for review under the Operational and Technology Principal Risk Type to allow the Technology and Innovation Committee to focus on monitoring digital and technological innovations required to deliver returns to the Group.

The Committee closely followed up on the status of regulatory approvals for the Group's cloud applications. The Group remains confident that deploying a cloud first strategy is key for ensuring the safety of the Group's and client transactions through a fully digital agenda.

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

Role and function

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

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

The Committee reports to the Board on its key areas of focus following each Committee meeting.

Attendance of the scheduled meetings held in 2021

C. Adeya (Chairperson)	4/4
N. Sharma*	2/2
R. Etemesi*	2/2

* R. Etemesi and N. Sharma joined the Committee in Q3, 2021 and therefore attended two meetings only in the year. Previously, the Committee comprised of C. Adeya and I. Khan.

Board Technology and Innovation Committee
continued

Highlights for 2021
The Committee held four meetings in the year and the areas of focus were:

Technology and Innovation	The Committee: • Reviewed and adopted the IT strategy. • Monitored progress on the technology strategy including the cloud-first strategy. • Reviewed the financial costs against budget/forecast and identified action plans to meet the IT cost targets and the necessary adjustments. • Received reports from the T&I Management Forum. • Considered and monitored the Group's business resilience arrangements and received reports on Business Continuity Plans and testing. • Provided oversight on management of third-party risk relating to providers of IT services and goods. • Monitored the status of regulatory approvals for the Group's cloud applications. • Considered updates on emerging trends and new developments, opportunities, and risks in the technology space.
Cyber Security	The Committee: • Considered and adopted the information and cyber security strategy. • Closely monitored the heightened information and cyber security risk and provided oversight on the responses implemented to mitigate the risks. • Considered and reviewed information and cyber security threat intelligence while ensuring proactive measures are taken to mitigate against the risks arising. • Monitored cyber security incidences affecting the Group.
Co-Creation with SC Ventures	Standard Chartered PLC set up SC Ventures as a unit to spearhead groupwide digital advancement. The unit promotes innovation, investment in disruptive technologies and focuses on delivery of client digital solutions. The Committee discussed updates provided on various ongoing co-creation initiatives between the Group and SC Ventures.
Committee Effectiveness Review	During 2021 an internal Board effectiveness review was conducted for the year 2020. The outcome showed that the Committee functioned well. Various areas of improvements recommended included incorporating a Committee member with experience in development and marketing of technology driven products; training on monitoring of cyber security budgets; and incorporating market developments in cyber security in the Committee's agenda. The recommendations were incorporated in the 2021 action plan and implemented.

Dr. Catherine Adeya
Technology and Innovation Committee Chair

Asset and Liability Committee (ALCO)

Members

K. Ngari	Chairperson
C. Murgor	
J. Mucheke	

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

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

Executive Committee

Members

K. Ngari	Chairperson
E. Chumba	
B. Sanghrajka	
C. Murgor	
E. Munyori	
P. Gitau	
D. Mwindi	
J. Nyaga	
R. Kaggwa	
M. Malumane	
J. Mwai	
J. Mucheke	
D. Mwaisaka	
J. Kibe	
D. Adepoju	

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

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

Statement on corporate governance
continued

Corporate Governance Policies

Board Charter
The Board regularly reviews the Board Charter which outlines the role and responsibilities of the Board of directors, powers of the Board, various Board Committees and their roles, separation of roles between the Board and Management and the policies and practices of the Board in respect of corporate governance. The Charter further sets out the key values, principles, and mode of operation of the Group, as policies and strategy development are based on these considerations. The Board Charter is available on the Company's website at www.sc.com/global/av/ke-our-board-charter.pdf

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

The Group has a process in place to ensure that any changes in legislation are captured and monitored effectively. The Legal department reviews and undertakes a comprehensive gap analysis once the laws are in place and advises the impact of the changes to the Group. The Compliance department ensures that the business units put in place controls to ensure compliance with the various laws and regulations. As required by the Code a legal and compliance audit was undertaken in 2021.

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

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

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

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

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

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

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

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

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

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

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

Statement on corporate governance
continued

Insider Trading
The Group has a policy on insider trading which is observed and implemented through the Group Transactional Conflicts and Information Walls Standard and the Group Personal Account Dealing Standard. Directors, management, and employees are aware that they ought not to trade in the Company's shares while in possession of any insider information not available to the public or during a closed period. The closed period is a specified period before the publication of the Group's annual, half year and quarterly financial results. Further, directors, management, and employees in possession of inside information must not deal directly or indirectly in any financial instruments to which the inside information relates, including Company shares. The Group Personal Account Dealing Standard requires specific staff to declare any dealings with securities or Company shares all year round.

Going Concern
The directors have assessed the Group and Company's ability to continue as a going concern. This assessment has been made having considered the continuing COVID-19 pandemic and macroeconomic headwinds, and has included:

- a review of the Strategy and Corporate plan, including a review of the actual performance to date, loan book quality and legal and regulatory matters;
- consideration of the capital adequacy stress testing performed, including a COVID-19 pandemic stress scenario; and
- analysis of the funding and liquidity position of the Group, including a review of the Group's emerging risks, to which the COVID-19 pandemic has been added.

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

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

The Board uses electronic means to communicate with shareholders and shareholders are encouraged to visit www.sc.com/ke for general information on the Company as well as annual reports.

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

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

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

Following stakeholder consultations, the Capital Markets Authority received extensive feedback on frequency, cost, and scope of governance audits from issuers. Taking into consideration the feedback received and wider stakeholder's interest, CMA informed issuers of securities to the public that it had revised the cycle of governance audits. Issuers are now required to undertake a Governance Audit at least once every two years with the option of CMA increasing or decreasing this frequency on a risk-based approach.

A Governance audit was conducted in March 2021 for the year 2020 and an opinion issued by the auditor. The Company continues to implement the recommendations arising from the governance and has made noteworthy progress. In line with the guidance issued by CMA, the Company plans to conduct its next external governance audit in 2023.

During the year 2021, the Company carried out a self-assessment in order to check the level of compliance with sound governance practices and submitted its self-assessment to CMA and achieved a leadership rating issued by CMA. The Board remains committed to ensuring that its governance practices and structures remain strong.

Legal and Compliance Audit report

The Governance People

Legal Compliance Audit on Standard Chartered Bank Kenya Limited

Legal Opinion

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

Standard Chartered Bank Kenya Limited (hereinafter referred to as 'the bank') undertook an independent comprehensive legal compliance audit for the 2020 Financial Year (2020 FY). The audit was conducted by Charles B.G. Ouma, a qualified legal compliance auditor presently practicing as such with the firm of Dorion Associates LLP.

The Auditors understood the Terms of Reference (ToR) as follows; to identify and report on specific legal obligations applicable to the bank; to examine and report on adherence to the legal obligations thus identified; to identify and report on material legal risks emanating from incidents of non-compliance; to recommend necessary corrective measures; and, to propose specific structural or policy reforms that the bank needs to undertake in order to enhance compliance.

Independent Legal Auditor's Opinion

The auditor is of the opinion that in the 2020 FY, Standard Chartered Bank Kenya Limited substantially complied with the requirements of the internal and external legal framework. The few instances of non-compliance, none of which has been ranked as posing a clear and present danger to the legal health of Standard Chartered Bank Kenya Limited were identified, specifically reported and subsequently closed to the satisfaction of the auditors.

CHARLES B G OUMA, DORION ASSOCIATES LLP

31st December 2021

Dorion Associates LLP

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Directors' Remuneration Report

The Company presents the Directors' remuneration report for the year ended 31 December 2021. This report is in compliance with the Company's reward policy, banking regulations, the Capital Markets Authority (CMA) Code of Corporate Governance guidelines on Directors' remuneration, and the Kenyan Companies Act, 2015. A key provision of the Company's principles is that reward will directly support the business strategy with a clear and measurable linkage to business performance.

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

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

Our Fair Pay Charter

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

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

Directors' remuneration

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

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

The Committee has the responsibility to review the annual remuneration of the executive and non-executive directors (NEDs) and the structure of their compensation package for approval by the Board. The Board received shareholders' authorisation to fix the directors' remuneration by a resolution passed at the Annual General Meeting held on 27 May 2021. The Committee monitors the competitiveness of directors' remuneration to ensure the Group is able to motivate and retain individuals of the appropriate calibre as directors. The remuneration of the executive directors is as per negotiated employment contracts.

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

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

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

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

- Five independent non-executive directors at any one time: Patrick Obath, Dr. Catherine Adeya, Imtiaz Khan, Kellen Kariuki, David Ong'olo and Nivedita Sharma.
- Four executive directors: Kariuki Ngari, Chemutai Murgor, Peter Gitau and Birju Sanghrajka.
- Two non-executive directors: Julie Browne and Richard Etemesi.

NEDs are subject to retirement by rotation and re-election by shareholders. The Group's NEDs were appointed on the dates indicated below:

Name	Appointment Date	Retirement
Kellen Kariuki (Chairperson)*	31 May 2021	-
Patrick Obath	24 January 2012	30 May 2021
Catherine Adeya	1 January 2016	-
Imtiaz Khan	9 August 2018	-
David Ong'olo	28 January 2020	-
Nivi Sharma	22 July 2021	-
Richard Etemesi**	1 May 2021	-
Julie Browne***	15 December 2020	-

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

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

*** British

Non-executive directors' remuneration and policy

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

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

Directors' Remuneration report
continued

Service contracts for non-executive directors

Independent non-executive directors are appointed for fixed terms not exceeding three years, which may be renewed subject to their re-election by shareholders at annual general meetings. NEDs are bound by letters of appointment issued for and on behalf of the Group. Other than as set out above, there are no obligations in the NEDs' letters of appointment which could give rise to payments for loss of office.

Executive directors' remuneration policy

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

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

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

Service contracts for executive directors

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

The executive directors were appointed as indicated below:

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

Directors' emoluments

The following table shows the directors' remuneration for services rendered for the financial year ended

31 December 2021 together with the comparative figures for 2020. The aggregate directors' emoluments are shown in Note 12.

Year ended 31 December 2021

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

*Prorated from the period of appointment as director.

** Prorated to the period of retirement.

Year ended 31 December 2020

KShs'000	Basic pay	Bonus	Deferred cash awards	Share based awards	Non-cash benefits	Pension	Annual fees (retainer)	Sitting allowance	Total
Executive directors									
K Ngari	45,371	20,946	6,982	6,982	4,195	6,166	-	-	90,642
C Murgor	27,361	7,875	-	-	395	3,313	-	-	38,944
P Gitau*	19,225	7,875	-	-	395	2,334	-	-	29,829
	91,957	36,696	6,982	6,982	4,985	11,813	-	-	159,415
Non-executive directors									
P Obath	-	-	-	-	-	-	3,300	1,420	4,720
C Adeya	-	-	-	-	-	-	1,680	1,280	2,960
I Khan	-	-	-	-	-	-	1,680	1,730	3,410
D Ong'olo	-	-	-	-	-	-	1,558	1,395	2,953
K Kariuki	-	-	-	-	-	-	1,680	2,482	4,162
R Etemesi	-	-	-	-	-	-	-	-	-
I Bryden	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	9,898	8,307	18,205
	91,957	36,696	6,982	6,982	4,985	11,813	9,898	8,307	177,620

*Prorated from the period of appointment.

Directors' Remuneration report
continued

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

Share based awards

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

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

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

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

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

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

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

	At 1 January 2021	Awarded	Exercised	Lapsed	At 31 December 2021	Vesting date
Kariuki Ngari						
2011 Deferred Restricted Share Award	**30,986**	11,232	12,730	-	29,488	15 March 2023
Management Long Term Incentive Plan	**36,008**	-	-	-	36,008	15 March 2024
2013 Share save plan	**1,807**	-	-	-	1,807	01 December 2022
Peter Gitau						
2011 Deferred Restricted Share Award	**1,737**	-	-	-	1,737	09 March 2023
Birju Sanghrajka						
2011 Deferred Restricted Share Award	**2,723**	845	1,146	33	2,389	15 March 2024
2013 Share save plan	**2,362**	-	-	350	2,012	01 December 2023

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

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

BY ORDER OF THE BOARD

K. Kariuki
Chairperson
14 March 2022

Statement of Directors' responsibilities

The directors are responsible for the preparation and presentation of the financial statements of Standard Chartered Bank Kenya Limited set out on pages 99 to 204. These comprise the Consolidated and Company statements of financial position as at 31 December 2021, the Consolidated and Company income statements and statements of other comprehensive income, the Consolidated and Company statements of changes in equity, and the Consolidated and Company statements of cash flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information.

The directors' responsibilities include: determining that the basis of accounting described in the notes to the Financial Statements is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting 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 financial statements for each financial year which give a true and fair view of the financial position of the Group and the Company as at the end of the financial year and of the profit or loss of the Group and Company for that year. The Act also requires the directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Company.

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

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

The directors have made an assessment of the Group and the Company's ability to continue as going concerns and have no reason to believe the Group and Company will not be going concerns for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 14 March 2022.

Director **Director**

Director

Accelerating Zero

Setting out to achieve net zero emissions from our operations using renewable energy sources by 2025 and to achieve net zero in our financing activities by 2050.

Financial statements

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Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Standard Chartered Bank Kenya Limited ('the Company") and its Subsidiaries (together 'the Group') set out on pages 99 to 204, which comprise the consolidated and separate statements of financial position as at 31 December 2021, and the consolidated and separate statements of other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Company as at 31 December 2021, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current year. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our descriptions of how our audit addressed the matter is provided in that context.

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

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

Key audit matters continued

The key audit matter	How the matter was addressed
Expected Credit Losses (ECLs) on loans and advances to customers As disclosed in Note 19 (c) to the financial statements, as at 31 December 2021, the Group and the Company reported total impairment losses (expected credit losses) on loans and advances to customers of KShs 10,207,350,000 (2021: KShs 9,195,221,000). The estimation of expected credit losses ("ECLs") on financial instruments, involves significant judgment and estimates due to the significant uncertainty associated with the assumptions used in the estimation in respect of the timing and measurement of ECLs. We have therefore identified the audit of the ECLs as a key audit matter. The key areas where we identified greater levels of management judgment include: Significant increase in credit risk (SICR) Allocation of assets to stage 1, 2, or 3 is dependent on criteria used in identification of SICR which is highly judgmental. Staging of assets determines whether a 12-month or lifetime ECL is assessed and can materially impact the ECLs recognised. Expected Credit loss Modelling Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECLs are inherently judgemental and can materially impact the ECLs recognised. ECL Macroeconomics There are significant judgements involved in determination of significant macroeconomic factors that correlate with historical data of the Bank's portfolios to achieve a forward-looking model.	Our procedures included, but were not limited to the following: We reviewed the appropriateness of the Group's accounting policy manual (GAPM) and other IFRS 9 Financial Instruments technical documentations on correct classification of the financial assets between IFRS 9 categories and IFRS 9 ECL model of estimation. We evaluated the design and operating effectiveness of controls relevant to the Company's processes over material ECL balances, including the judgements and estimates noted, involving EY specialists to assist us in performing our procedures to the extent they were appropriate Significant Increase in credit risk (SICR) We evaluated the criteria used to allocate financial assets to stage 1, 2 or 3 in accordance with IFRS 9. We reperformed the staging distribution for a sample of assets and assessed the reasonableness of staging applied by management. Expected Credit loss Modelling We performed a risk assessment on models involved in the ECL calculation to select a sample of models to test. Our EY specialists evaluated a sample of ECL models by assessing the reasonableness of underpinning assumptions, inputs and formulae used. This included a combination of assessing the appropriateness of model design and formulae used, alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default. Post Model Adjustments We also assessed the material post-model adjustments which were applied as a response to model ineffectiveness and risk event overlays as a result of COVID-19. With our EY specialists, we also considered the completeness and appropriateness of these adjustments by considering the judgments, methodology and governance applied. ECL Macroeconomics We held discussions with management and involved our specialists to understand significant macroeconomic forecasts considered in the ECL model and corroborated assumptions using both internal and publicly available information.

Independent Auditor's Report

To the members of Standard Chartered Bank Kenya Limited

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

Key audit matters continued

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

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 information included in the Annual Report and Financial Statements, but does not include the financial statements and our auditor's report there on.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 on the consolidated and separate financial statements

As stated on page 91, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting 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 misstatement, whether due to fraud or error.

In preparing the financial statements, directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for overseeing the Group's and Company's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

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

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

Independent Auditor's report continued

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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 matters prescribed by the Kenyan Companies Act, 2015

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

(i) In our opinion the information given in the Report of the Directors on pages 57 to 59 is consistent with the consolidated and separate financial statements; and

(ii) In our opinion the auditable part of the Directors' Remuneration Report on pages 87 to 90 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

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

For and on behalf of Ernst & Young LLP
Certified Public Accountants
Nairobi, Kenya

30 March 2022

Consolidated and Company income statements

For the year ended 31 December 2021

	Note	Group 2021 KShs '000	Group 2020 KShs '000	Company 2021 KShs '000	Company 2020 KShs '000
Interest income	6	22,284,551	23,734,413	22,284,551	23,721,539
Interest expense	6	(3,873,685)	(4,971,186)	(3,900,722)	(4,989,114)
Net interest income		18,410,866	18,763,227	18,383,829	18,732,425
Fee and commission income	7	6,429,720	5,538,848	4,773,726	4,274,770
Fee and commission expense	7	(993,498)	(1,006,553)	(993,498)	(1,005,624)
Net fee and commission income		5,436,222	4,532,295	3,780,228	3,269,146
Net trading income	8	4,302,927	3,330,236	4,302,927	3,330,236
Dividend income	9	-	-	747,137	624,095
Other operating income	10	152,487	63,206	152,487	93,987
Operating income		28,302,502	26,688,964	27,366,608	26,049,889
Staff costs	11	(6,537,068)	(7,857,172)	(6,434,458)	(7,754,173)
Premises and equipment expenses	11	(425,924)	(929,343)	(423,322)	(925,552)
General administrative expenses	11	(5,739,818)	(5,391,399)	(5,365,685)	(5,231,078)
Depreciation and amortisation	11	(1,489,973)	(1,508,583)	(1,489,973)	(1,508,583)
Operating expenses		(14,192,783)	(15,686,497)	(13,713,438)	(15,419,386)
Operating profit before impairment losses and tax		14,109,719	11,002,467	13,653,170	10,630,503
Impairment losses on financial instruments	19(a)	(1,492,838)	(3,586,052)	(1,492,838)	(3,591,835)
Impairment losses on intangible assets	27	(18,828)	(20,357)	(18,828)	(20,357)
Profit before tax	12	12,598,053	7,396,058	12,141,504	7,018,311
Income tax expense	13	(3,554,214)	(1,955,641)	(3,160,968)	(1,688,810)
Profit for the year		9,043,839	5,440,417	8,980,536	5,329,501
Earnings per share:		KShs	KShs	KShs	KShs
Basic and diluted earnings per ordinary share	14	23.49	13.95	23.32	13.66

The notes set out on pages 106 to 204 form an integral part of these financial statements.

Consolidated and Company statements of other comprehensive income

For the year ended 31 December 2021

	Note	Group 2021 KShs '000	Group 2020 KShs '000	Company 2021 KShs '000	Company 2020 KShs '000
Profit for the year		9,043,839	5,440,417	8,980,536	5,329,501
Other comprehensive (loss)/income					
Items that will not be reclassified to profit or loss:					
Actuarial losses on retirement benefit obligations	34	(8,014)	(17,749)	(8,014)	(17,749)
Related deferred tax	28	2,404	5,325	2,404	5,325
Revaluation surplus on non-current asset held for sale	26	-	(20,000)	-	(20,000)
Related deferred tax	28	-	5,833	-	5,833
Revaluation surplus on property and equipment	26	-	269,272	-	269,272
Related deferred tax	28	-	(78,514)	-	(78,514)
		(5,610)	164,167	(5,610)	164,167
Items that may be reclassified subsequently to profit or loss:					
Movement in fair value reserves					
Valuation (losses)/gains through OCI	20	(845,227)	431,200	(845,227)	376,318
Related deferred tax		253,568	(129,360)	253,568	(112,895)
Reclassified to income statement	20	(45,561)	(77,506)	(45,561)	(59,086)
Related deferred tax		13,669	23,252	13,669	17,726
Movement in expected credit loss on investment securities at FVOCI					
Net remeasurement		13,023	20,891	13,023	22,532
Reclassified to income statement		(24,946)	(8,918)	(24,946)	(4,776)
Related deferred tax		3,576	(3,593)	3,576	(5,327)
		(631,898)	255,966	(631,898)	234,492
Total other comprehensive (loss)/income net of tax		(637,508)	420,133	(637,508)	398,659
Total comprehensive income for the year		8,406,331	5,860,550	8,343,028	5,728,160

Consolidated and Company statements of financial position

For the year ended 31 December 2021

	Note	Group 2021 KShs '000	Group 2020 KShs '000	Company 2021 KShs '000	Company 2020 KShs '000
ASSETS					
Cash and balances with Central Bank of Kenya	16	23,700,451	20,619,064	23,700,451	20,619,064
Government and other securities held at FVTPL	17	4,601,367	4,948,175	4,601,367	4,948,175
Derivative financial instruments	18	465,879	738,526	465,879	738,526
Loans and advances to banks	19	2,429,051	7,533,196	2,429,051	7,533,196
Loans and advances to customers	19	125,974,590	121,524,227	125,974,590	121,524,227
Government securities held at FVOCI	20	91,014,905	94,852,653	91,014,905	94,852,653
Current tax assets	13	1,007,877	441,196	913,568	340,116
Other assets	21	3,889,531	2,776,769	3,828,722	2,734,723
Due from group companies and other related parties	22	71,991,928	62,756,124	72,303,668	63,104,628
Investment in subsidiary undertakings	23	-	-	145,243	141,243
Non-current asset held for sale	25	222,000	222,000	222,000	222,000
Property, equipment and right-of-use assets	26	3,196,034	3,633,942	3,196,034	3,633,942
Goodwill and intangible assets	27	3,898,841	3,022,992	3,898,841	3,022,992
Deferred tax assets	28	2,479,484	2,536,206	2,417,167	2,457,372
Total assets		334,871,938	325,605,070	335,111,486	325,872,857
LIABILITIES AND SHAREHOLDERS' EQUITY					
Liabilities					
Deposits from banks	29	383,214	453,628	383,214	453,628
Deposits from customers	30	265,469,114	256,497,530	265,469,114	256,497,530
Derivative financial instruments	18	359,808	647,839	359,808	647,839
Other liabilities	31	5,420,352	5,743,331	5,398,074	5,724,709
Due to group companies and other related parties	22	9,631,154	11,208,987	10,714,736	12,166,804
Current tax liabilities	13	361,913	-	274,868	-
Retirement benefit obligations	34	32,277	163,717	32,277	163,717
Total liabilities		281,657,832	274,715,032	282,632,091	275,654,227
Shareholders' equity					
Share capital and share premium	35	9,961,680	9,961,680	9,961,680	9,961,680
Other reserves		4,576,794	4,912,730	4,576,794	4,912,730
Retained earnings		33,301,033	31,880,197	32,566,322	31,208,789
Proposed dividends	15	5,374,599	4,135,431	5,374,599	4,135,431
Total shareholders' equity		53,214,106	50,890,038	52,479,395	50,218,630
Total liabilities and shareholders' equity		334,871,938	325,605,070	335,111,486	325,872,857

The financial statements set out on pages 99 to 204 were approved and authorised for issue by the Board of Directors on 14 March 2022.

K. Kariuki
Director

K. Ngari
Director

C. Murgor
Director

The notes set out on pages 106 to 204 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2021

KShs '000	Note	Ordinary share capital and share premium	Preference share capital and share premium	Other reserves: Capital contribution reserve	Other reserves: Statutory credit risk reserve	Other reserves: Fair value reserve	Other reserves: Revaluation reserve	Retained earnings	Proposed dividends	Total
At 1 January 2020		6,989,980	2,800,000	1,930,771	1,477,402	902,596	732,195	27,690,235	5,237,349	47,760,528
Profit for the year		-	-	-	-	-	-	5,440,417	-	5,440,417
Transfers from statutory credit risk reserve		-	-	-	(508,119)	-	-	508,119	-	-
Excess depreciation transfer net of deferred tax		-	-	-	-	-	(9,164)	9,164	-	-
Other comprehensive income/(loss)		-	-	-	-	255,966	176,590	(12,423)	-	420,133
Bonus shares issued net of withholding tax	35	171,700	-	-	-	-	-	(196,213)	-	(24,513)
Share option expense - 2019 paid		-	-	(107,098)	-	-	-	-	-	(107,098)
- 2020 accrued		-	-	61,591	-	-	-	-	-	61,591
Dividends paid - Ordinary shares - Final 2019	15	-	-	-	-	-	-	-	(2,576,330)	(2,576,330)
- Preference shares - Final 2019	15	-	-	-	-	-	-	-	(84,690)	(84,690)
Proposed dividend - 2019 dividend adjustment	15	-	-	-	-	-	-	2,576,329	(2,576,329)	-
- Ordinary shares	15	-	-	-	-	-	-	(3,967,431)	3,967,431	-
- Preference shares	15	-	-	-	-	-	-	(168,000)	168,000	-
At 31 December 2020		7,161,680	2,800,000	1,885,264	969,283	1,158,562	899,621	31,880,197	4,135,431	50,890,038
Profit for the year		-	-	-	-	-	-	9,043,839	-	9,043,839
Transfers to statutory credit risk reserve		-	-	-	280,561	-	-	(280,561)	-	-
Excess depreciation transfer net of deferred tax[1]		-	-	-	-	-	(10,331)	10,331	-	-
Other comprehensive loss		-	-	-	-	(631,898)	-	(5,610)	-	(637,508)
Share option expense - 2020 paid		-	-	(61,591)	-	-	-	-	-	(61,591)
- 2021 accrued		-	-	87,323	-	-	-	-	-	87,323
Dividends paid - Ordinary shares - Final 2020	15	-	-	-	-	-	-	-	(3,967,431)	(3,967,431)
- Preference shares - Final 2020	15	-	-	-	-	-	-	-	(168,000)	(168,000)
- Ordinary shares - Interim 2021	15	-	-	-	-	-	-	(1,889,254)	-	(1,889,254)
- Preference shares - Interim 2021	15	-	-	-	-	-	-	(83,310)	-	(83,310)
Proposed dividend - Ordinary shares - Final 2021	15	-	-	-	-	-	-	(5,289,909)	5,289,909	-
- Preference shares - Final 2021	15	-	-	-	-	-	-	(84,690)	84,690	-
At 31 December 2021		7,161,680	2,800,000	1,910,996	1,249,844	526,664	889,290	33,301,033	5,374,599	53,214,106

Note 35 includes a description of each reserve.

The notes set out on pages 106 to 204 form an integral part of these financial statements.

Company statement of changes in equity

For the year ended 31 December 2021

KShs '000	Note	Ordinary share capital and share premium	Preference share capital and share premium	Other reserves: Capital contribution reserve	Other reserves: Statutory credit risk reserve	Other reserves: Fair value reserve	Other reserves: Revaluation reserve	Retained earnings	Proposed dividends	Total
At 1 January 2020		6,989,980	2,800,000	1,930,771	1,477,402	924,070	732,195	27,129,743	5,237,349	47,221,510
Profit for the year		-	-	-	-	-	-	5,329,501	-	5,329,501
Transfers from statutory credit risk reserve		-	-	-	(508,119)	-	-	508,119	-	-
Excess depreciation transfer net of deferred tax		-	-	-	-	-	(9,164)	9,164	-	-
Other comprehensive income/(loss)		-	-	-	-	234,492	176,590	(12,423)	-	398,659
Bonus shares issued net of withholding tax	35	171,700	-	-	-	-	-	(196,213)	-	(24,513)
Share option expense - 2019 paid		-	-	(107,098)	-	-	-	-	-	(107,098)
- 2020 accrued		-	-	61,591	-	-	-	-	-	61,591
Dividends paid - Ordinary shares - Final 2019	15	-	-	-	-	-	-	-	(2,576,330)	(2,576,330)
- Preference shares - Final 2019	15	-	-	-	-	-	-	-	(84,690)	(84,690)
Proposed dividend - 2019 dividend adjustment	15	-	-	-	-	-	-	2,576,329	(2,576,329)	-
- Ordinary shares	15	-	-	-	-	-	-	(3,967,431)	3,967,431	-
- Preference shares	15	-	-	-	-	-	-	(168,000)	168,000	-
At 31 December 2020		7,161,680	2,800,000	1,885,264	969,283	1,158,562	899,621	31,208,789	4,135,431	50,218,630
Profit for the year		-	-	-	-	-	-	8,980,536	-	8,980,536
Transfers to statutory credit risk reserve		-	-	-	280,561	-	-	(280,561)	-	-
Excess depreciation transfer net of deferred tax[1]		-	-	-	-	-	(10,331)	10,331	-	-
Other comprehensive loss		-	-	-	-	(631,898)	-	(5,610)	-	(637,508)
Share option expense - 2020 paid		-	-	(61,591)	-	-	-	-	-	(61,591)
- 2021 accrued		-	-	87,323	-	-	-	-	-	87,323
Dividends paid - Ordinary shares - Final 2020	15	-	-	-	-	-	-	-	(3,967,431)	(3,967,431)
- Preference shares - Final 2020	15	-	-	-	-	-	-	-	(168,000)	(168,000)
- Ordinary shares - Interim 2021	15	-	-	-	-	-	-	(1,889,254)	-	(1,889,254)
- Preference shares - Interim 2021	15	-	-	-	-	-	-	(83,310)	-	(83,310)
Proposed dividend - Ordinary shares - Final 2021	15	-	-	-	-	-	-	(5,289,909)	5,289,909	-
- Preference shares - Final 2021	15	-	-	-	-	-	-	(84,690)	84,690	-
At 31 December 2021		7,161,680	2,800,000	1,910,996	1,249,844	526,664	889,290	32,566,322	5,374,599	52,479,395

Note 35 includes a description of each reserve.

The notes set out on pages 106 to 204 form an integral part of these financial statements.

Consolidated and Company statements of cash flows

For the year ended 31 December 2021

		Group		Company	
	Note	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Cash flows from operating activities					
Profit before tax	12	12,598,053	7,396,058	12,141,504	7,018,311
Adjustments for non-cash items and other adjustments included within income statement	36	1,674,428	1,671,311	1,674,428	1,677,094
Change in operating assets	36	(3,237,853)	(684,687)	(3,219,090)	(1,813,092)
Change in operating liabilities	36	7,426,099	29,390,129	7,548,208	29,633,460
Cash generated from operating activities		18,460,727	37,772,811	18,145,050	36,515,773
Income taxes paid	13	(3,429,043)	(2,376,685)	(3,146,130)	(2,090,252)
Net cash generated from operating activities		15,031,684	35,396,126	14,998,920	34,425,521
Cash flows from investing activities					
Purchase of property and equipment	26	(154,903)	(432,338)	(154,903)	(432,338)
Proceeds from sale of property and equipment		31,688	12,020	31,688	12,020
Purchase of intangible assets	27	(1,830,703)	(1,104,767)	(1,830,703)	(1,104,767)
Investment in subsidiary	22	-	-	(4,000)	-
Net cash used in investing activities		(1,953,918)	(1,525,085)	(1,957,918)	(1,525,085)
Cash flows from financing activities					
Lease liability principal payments	33	(143,030)	(97,846)	(143,030)	(97,846)
Share based payments:					
– 2020/2019 settled		(61,591)	(107,098)	(61,591)	(107,098)
Withholding tax on bonus share issue		-	(24,513)	-	(24,513)
Dividends paid on ordinary shares:					
– Final 2020/2019	15	(3,967,431)	(2,576,330)	(3,967,431)	(2,576,330)
– Interim 2021	15	(1,889,254)	-	(1,889,254)	-
Dividends paid on preference shares:					
– Final 2020/2019	15	(168,000)	(84,690)	(168,000)	(84,690)
– Interim 2021	15	(83,310)	-	(83,310)	-
Net cash used in financing activities		(6,312,616)	(2,890,477)	(6,312,616)	(2,890,477)
Increase in cash and cash equivalents		6,765,150	30,980,564	6,728,386	30,009,959
Cash and cash equivalents at 1 January		55,547,808	24,567,244	55,896,312	25,886,353
Cash and cash equivalents at 31 December	36	62,312,958	55,547,808	62,624,698	55,896,312
Additional information on operational cash flows from interest and dividends					
Interest received		21,254,344	22,257,501	21,254,344	22,244,627
Interest paid		(4,056,854)	(5,210,774)	(4,084,123)	(5,229,413)
Dividend received		-	-	709,535	1,567,936

The notes set out on pages 106 to 204 form an integral part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2021

CONTENTS

1. REPORTING ENTITY

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

StandardChartered@Chiromo

48 Westlands Road

P.O. Box 30003

00100 Nairobi GPO.

2. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Statement of compliance

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

The Group financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015. For the Kenyan Companies Act, 2015 reporting purposes, in these financial statements, the balance sheet is represented by the statement of financial position, and the profit and loss account is presented in the income statement.

(b) Basis of preparation

The Group and Company financial statements set out on pages 99 to 204 have been prepared under the historical cost convention, as modified by the revaluation of the following items:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- financial instruments at fair value through other comprehensive income are measured at fair value;
- share-based payments are measured at fair value;
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service costs and unrecognised actuarial losses subject to the International Financial Reporting Interpretations Committee (IFRIC) 14 restrictions; and
- land and buildings are measured at revalued amounts.

The consolidated financial statements are presented in Kenya shillings (KShs), and all values are rounded to the nearest thousand - KShs'000, except when otherwise indicated.

(c) Significant accounting estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

2. SIGNIFICANT ACCOUNTING POLICIES continued

(c) Significant accounting estimates and judgments continued

Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the relevant disclosure notes for the following areas:

- credit impairment (note 4)
- effective interest rate (EIR) (note 3)
- fair value and impairment of financial instruments (note 3)
- tax (note 13)
- goodwill impairment (notes 24,27)
- retirement benefit obligations (note 34)
- determination of lease term for lease contract with renewal/ termination options (note 33)
- estimating incremental borrowing rate (note 33)
- Revaluation of land and buildings (note 26)

(d) New standards, amendments and interpretations

(i) New accounting standards adopted by the Group

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021 and 1 April 2021.

The new and amended standards and interpretations effective as of 1 January 2021 and 1 April 2021 are listed and discussed below:

New standard or amendments	Effective for annual periods beginning on or after
Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	1 January 2021
Covid-19-Related Rent Concessions beyond 30 June 2021 – Amendment to IFRS 16	1 April 2021

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB published the second phase of its amendments to IFRS concerning the global initiative to replace or reform interbank offered rates (IBORs) that are used to determine interest cash flows on financial instruments such as loans to customers, debt securities and derivatives. These amendments were endorsed by the EU on 14 January 2021 and by the UK Secretary of State for Business, Energy and Industrial Strategy on 5 January 2021. Phase 2 focuses on issues expected to affect financial reporting when an existing IBOR is replaced with an alternative risk-free rate (RFR). These amendments are effective from 1 January 2021.

The Phase 2 amendments contain a practical expedient to account for the change in benchmark interest rate in a financial instrument to be treated as a change in floating interest rate, provided the re-papered instrument denominated in the alternative RFR is on an economically equivalent basis to the original IBOR-linked instrument. This may include the addition of a fixed spread to compensate for a basis difference between the existing IBOR benchmark and alternative RFR, changes to reset period, reset dates or number of days between coupon payment dates that are necessary to effect reform of an IBOR benchmark and the addition of any fall-back provision to the contractual terms of a financial instrument that allow any of the above changes to be made.

Any other change to contractual terms would be assessed under the Group's accounting policies for loan modifications, including an assessment of whether derecognition of the original instrument is required.

The amendments also provide reliefs which allow the Group to change hedge designations and corresponding documentation without the hedge relationship being discontinued. These include the ability to:

- redefine the description of the hedged item and/or hedging instrument;
- redefine the hedged risk to reference an alternative RFR;
- change the method for assessing hedge effectiveness due to modifications required by IBOR reform; and
- elect, on a hedge-by-hedge basis, to reset the cumulative fair value changes in the assessment of retrospective hedge effectiveness to zero.

Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES continued

(d) New standards, amendments and interpretations continued

(i) New accounting standards adopted by the Group continued

Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 continued

A hedge designation may be modified more than once, each time a relationship is affected as a direct result of IBOR reform (for example, if the hedged item and hedging instrument are re-papered into the alternative RFR at different times).

Where an alternative RFR designated as a non-contractually specified risk portion is not separately identifiable (i.e. fair value hedge of a fixed rate debt instrument), the Group may assume that the alternative RFR is deemed to have met that requirement provided it reasonably is expected the alternative RFR will be separately identifiable within 24 months. The 24-month period begins individually for each benchmark, but if it is subsequently assessed that the alternative RFR is no longer expected to be separately identifiable within 24 months of the first hedge designation of a benchmark, then all hedges for that benchmark are discontinued prospectively.

Progress on transition

All contract remediation for non-USD LIBOR exposures had been completed by 31 December 2021 and all transaction processing systems updated and tested to accept Risk-Free Rates (RFRs). Remediation work on the USD LIBOR exposures commenced (for overnight, 1M, 3M, 6M and 12M tenors) in advance of the discontinuation date of 30 June 2023. As at 31 December 2021, the USD LIBOR exposures which had not been transitioned was valued at KShs 42,664,016.

Mitigation of risks emerging from the Interest Rate Benchmark Reform

Transition from LIBOR to RFRs presents several risks :

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

The Group has an IBOR Transition Programme to consider all aspects of the transition and how risks can be mitigated. The risks have been reviewed in detail taking into consideration the wider industry developments and consultations especially those being led by the Alternative Reference Rates Committee (ARRC) for the US Dollar LIBOR transition which is the Group's dominant exposure. A significant amount of work has been undertaken in raising awareness and understanding of the transition, both internally and with clients.

As at 31 December 2021, the Group had the following notional principal exposures to interest rate benchmarks that are expected to be subject to interest rate benchmark reform.

	USD LIBOR KShs '000	EUR LIBOR KShs '000	GBP LIBOR KShs '000	Total IBOR KShs '000
Assets				
Loans and advances to customers	34,259,969	1,699,308	555,934	36,515,211
Liabilities				
Subordinated debt	6,789,000	-	-	6,789,000
Off balance sheet	1,615,047	-	-	1,615,047
Total IBOR exposure	**42,664,016**	**1,699,308**	**555,934**	**44,919,258**

2. SIGNIFICANT ACCOUNTING POLICIES continued

(d) New standards, amendments and interpretations continued

(i) New accounting standards adopted by the Group continued

Amendments to IFRS 16 Leases: Covid-19-Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases.

The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022.The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Group adopted amendments to IFRS 16 for the year ended 31 December 2021 that permit the Group not to assess whether a rent concession granted as a direct consequence of the COVID-19 pandemic is accounted for as a lease modification. In March 2021 the IASB extended the availability of the practical expedient by one year, therefore a rent concession is deemed to be a direct consequence of COVID-19 if and only if all the following criteria are met:

- a change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due up to and including 30 June 2022 (this includes the case where the change results in reduced lease payments before this date and increased lease payments after this date); and
- is no substantive change to other terms and conditions of the lease.

The amendments have not had a material effect on the Group's financial statements.

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

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

These standards are not expected to have a material impact on the Group's financial statements .

New standard or amendments	Effective for annual periods beginning on or after
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
AIP IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter	1 January 2022
AIP IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
AIP IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Classification of Liabilities as Current or Non-current - Amendments to IAS 1	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	1 January 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28	Postponed indefinitely

2. SIGNIFICANT ACCOUNTING POLICIES continued

(e) Going concern

These financial statements were approved by the Board of directors on 14 March 2022. The directors have assessed the Group's ability to continue as a going concern. This assessment has been made having considered the impact of COVID-19 macroeconomic headwinds, including:

- A review of the Strategy and Corporate Plan, both of which cover a year from the date of signing the annual report;
- An assessment of the actual performance to date, loan book quality, credit impairment, legal, regulatory and compliance matters, and the updated annual budget;
- Analysis of the capital position of the Company including the capital ratios, and the Internal Capital Adequacy Assessment Process ("ICAAP") performed under a COVID-19 stress scenario which summarises the Company's capital and risk assessment processes, assesses its capital requirements and the adequacy of resources to meet them. Under the scenario, the Company has sufficient capital to continue as a going concern and meet minimum regulatory capital requirements;
- An analysis of the Company's liquidity position and whether sufficient liquidity resources are being maintained to meet liabilities as the fall due. Further, liquidity was considered in the context of the risk appetite metrics, including the advances-to-deposits ratio ("ADR");
- The level of debt issue, including redemptions and issuances during the year, debt falling due for repayment in the next 12 months and further planned debt issuances, including the appetite in the market for the Group's debt; and
- A detailed review of all principal and emerging risks.

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

3. Financial assets and liabilities

Classification and measurement

Accounting policy

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

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss.

Financial liabilities are classified as either:

- amortised cost, or
- held at fair value through profit or loss.

Management determines the classification of its financial assets and liabilities at initial recognition of the instrument or, where applicable, at the time of reclassification.

Financial assets held at amortised cost or held at fair value through other comprehensive income (FVOCI)

Debt instruments held at amortised cost or held at fair value through other comprehensive income (FVOCI) have contractual terms that give rise to cash flows that are solely payments of principal and interest (SPPI characteristics). The transaction price is the fair value of the financial asset at initial recognition, but this may change over the life of the instrument as amounts are repaid. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period and for other basic lending risks and costs, as well as a profit margin.

In assessing whether the contractual cash flows have SPPI characteristics, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Whether financial assets are held at amortised cost or at FVOCI depend on the objectives of the business models under which the assets are held. A business model refers to how the Group manages financial assets to generate cash flows.

The Group makes an assessment of the objective of a business model in which an asset is held at the individual product business line, and where applicable within business lines depending on the way the business is managed and information is provided to management.

Factors considered include:

- how the performance of the product business line is evaluated and reported to the Group's management;
- how managers of the business model are compensated, including whether management is compensated based on the fair value of assets or the contractual cash flows collected;
- the risks that affect the performance of the business model and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity.

Financial assets which have SPPI characteristics and that are held within a business model whose objective is to hold financial assets to collect contractual cash flows ("hold to collect") are recorded at amortised cost. Conversely, financial assets which have SPPI characteristics but are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets ("hold to collect and sell") are classified as held at FVOCI.

Both a hold to collect business model and a hold to collect and sell business model involve holding assets to collect the contractual cash flows. However, the business models are distinct by reference to the frequency and significance that asset sales play in meeting the objective under which a particular group of financial assets is managed. Hold to collect business models are characterised by asset sales that are incidental to meeting the objectives under which a group of assets is managed. Sales of assets under a hold to collect business model can be made to manage increases in credit risk of financial assets but sales for other reasons should be infrequent or insignificant.

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

Financial assets held at amortised cost or held at fair value through other comprehensive income (FVOCI) continued

Cash flows from the sale of financial assets under a hold to collect and sell business model by contrast are integral to achieving the objectives under which a particular group of financial assets are managed. This may be the case where frequent sales of financial assets are required to manage the Group's daily liquidity requirements or to meet regulatory requirements to demonstrate liquidity of financial instruments. Sales of assets under hold to collect and sell business models are therefore both more frequent and more significant in value than those under the hold to collect model.

Equity instruments designated as held at FVOCI

Non-trading equity instruments acquired for strategic purposes rather than capital gain may be irrevocably designated at initial recognition as held at FVOCI on an instrument-by-instrument basis. Dividends received are recognised in profit or loss. Gains and losses arising from changes in the fair value of these instruments, including foreign exchange gains and losses, are recognised directly in equity and are never reclassified to profit or loss even on derecognition.

Financial assets and liabilities held at fair value through profit or loss (FVTPL)

Financial assets which are not held at amortised cost or that are not held at FVOCI are held at fair value through profit or loss. Financial assets and liabilities held at fair value through profit or loss are either mandatorily classified as fair value through profit or loss or irrevocably designated at fair value through profit or loss at initial recognition.

Mandatorily classified at fair value through profit or loss

Financial assets and liabilities which are mandatorily held at fair value through profit or loss are split between two subcategories as follows:

Trading, including:

- financial assets and liabilities held for trading, which are those acquired principally for the purpose of selling in the short term; and
- derivatives.

Non-trading, including:

- instruments in a business which has a fair value business model which are not trading or derivatives;
- hybrid financial assets that contain one or more embedded derivatives;
- financial assets that would otherwise be measured at amortised cost or FVOCI, but which do not have SPPI characteristics;
- equity instruments that have not been designated as held at FVOCI; and
- financial liabilities that constitute contingent consideration in a business combination.

Designated at fair value through profit or loss

Financial assets and liabilities may be designated at fair value through profit or loss when the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis (accounting mismatch).

Interest rate swaps have been acquired by the Group with the intention of significantly reducing interest rate risk on certain debt securities with fixed rates of interest. To significantly reduce the accounting mismatch between assets and liabilities and measurement bases, these debt securities have been designated at fair value through profit or loss.

Similarly, to reduce accounting mismatches, the Group has designated certain financial liabilities at fair value through profit or loss where the liabilities either:

- have fixed rates of interest and interest rate swaps or other interest rate derivatives have been entered with the intention of significantly reducing interest rate risk; or
- are exposed to foreign currency risk and derivatives have been acquired with the intention of significantly reducing exposure to market changes; or
- have been acquired to fund trading asset portfolios or assets.

Financial liabilities may also be designated at fair value through profit or loss where they are managed on a fair value basis or have a bifurcately embedded derivative where the Group is not able to separately value the embedded derivative component.

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

Financial liabilities held at amortised cost

Financial liabilities that are not financial guarantees or loan commitments and that are not classified as financial liabilities held at fair value through profit or loss are classified as financial liabilities held at amortised cost.

Financial guarantee contracts and loan commitments

The Group issues financial guarantee contracts and loan commitments in return for fees. Financial guarantee contracts and any loan commitments issued at below-market interest rates are initially recognised at their fair value as a financial liability, and subsequently measured at the higher of the initial value less the cumulative amount of income recognised in accordance with the principles of IFRS 15 Revenue from Contracts with Customers and their expected credit losses. Loan commitments may be designated at fair value through profit or loss where that is the business model under which such contracts are held.

Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group has access at the date. The fair value of a liability includes the risk that the Group will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument, and for unlisted securities, is not active, the Group establishes fair value by using valuation techniques.

Initial recognition

Purchases and sales of financial assets and liabilities held at fair value through profit or loss, and debt securities classified as financial assets held at fair value through other comprehensive income are initially recognised on the trade date (the date on which the Group commits to purchase or sell the asset). Loans and advances and other financial assets held at amortised cost are recognised on settlement date (the date on which cash is advanced to the borrowers).

All financial instruments are initially recognised at fair value, which is normally the transaction price, plus directly attributable transaction costs for financial assets which are not subsequently measured at fair value through profit or loss.

In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market data. In those cases where the initially recognised fair value is based on a valuation model that uses unobservable inputs, the difference between the transaction price and the valuation model is not recognised immediately in the income statement but is amortised or released to the income statement as the inputs become observable, or the transaction matures or is terminated.

Subsequent measurement

Financial assets and financial liabilities held at amortised cost

Financial assets and financial liabilities held at amortised cost are subsequently carried at amortised cost using the effective interest method. Foreign exchange gains and losses are recognised in the income statement.

Where a financial instrument carried at amortised cost is the hedged item in a qualifying fair value hedge relationship, its carrying value is adjusted by the fair value gain or loss attributable to the hedged risk.

Financial assets held at FVOCI

Debt instruments held at FVOCI are subsequently carried at fair value, with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. Changes in expected credit losses are recognised in the profit or loss and are accumulated in equity. On derecognition, the cumulative fair value gains or losses, net of the cumulative expected credit loss reserve, are transferred to the profit or loss.

3. FINANCIAL ASSETS AND LIABILITIES continued

Subsequent measurement continued

Financial assets held at FVOCI continued

Equity investments designated at FVOCI are subsequently carried at fair value with all unrealised gains and losses arising from changes in fair value (including any related foreign exchange gains or losses) recognised in other comprehensive income and accumulated in a separate component of equity. On derecognition, the cumulative reserve is transferred to retained earnings and is not recycled to profit or loss.

Financial assets and liabilities held at FVTPL

Financial assets and liabilities mandatorily held at fair value through profit or loss and financial assets designated at fair value through profit or loss are subsequently carried at fair value, with gains and losses arising from changes in fair value recorded in the net trading income line in the income statement unless the instrument is part of a cash flow hedging relationship.

Financial liabilities designated at FVTPL

Financial liabilities designated at fair value through profit or loss are held at fair value, with changes in fair value recognised in the net trading income line in the income statement, other than that attributable to changes in own credit risk. Fair value changes attributable to own credit risk are recognised in other comprehensive income and recorded in a separate category of reserves unless this is expected to create or enlarge an accounting mismatch, in which case the entire change in fair value of the financial liability designated at fair value through profit or loss is recognised in the income statement.

Derecognition of financial instruments

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially through sale all risks and rewards of ownership. If substantially all the risks and rewards have been neither retained nor transferred and the Group has retained control, the assets continue to be recognised to the extent of the Group's continuing involvement.

Where financial assets have been modified, the modified terms are assessed on a qualitative and quantitative basis to determine whether a fundamental change in the nature of the instrument has occurred, such as whether the derecognition of the pre-existing instrument and the recognition of a new instrument is appropriate.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in the income statement except for equity instruments elected FVOCI (see above) and cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income.

Financial liabilities are derecognised when they are extinguished. A financial liability is extinguished when the obligation is discharged, cancelled or expires and this is evaluated both qualitatively and quantitatively. However, where a financial liability has been modified, it is derecognised if the difference between the modified cash flows and the original cash flows is more than 10 per cent , or if less than 10 per cent, the Group will perform a qualitative assessment to determine whether the terms of the two instruments are substantially different.

If the Group purchases its own debt, it is derecognised and the difference between the carrying amount of the liability and the consideration paid is included in 'Other income' except for the cumulative fair value adjustments attributable to the credit risk of a liability that are held in other comprehensive income which are never recycled to the income statement.

Modified financial instruments

Financial assets and financial liabilities whose original contractual terms have been modified, including those loans subject to forbearance strategies, are modified instruments. Modifications may include changes to the tenor, cash flows and or interest rates among other factors.

Where derecognition of financial assets is appropriate, the newly recognised residual loans are assessed to determine whether the assets should be classified as purchased or originated credit impaired assets (POCI).

3. FINANCIAL ASSETS AND LIABILITIES continued

Modified financial instruments continued

Where derecognition is not appropriate, the gross carrying amount of the applicable instruments is recalculated as the present value of the renegotiated or modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference between the recalculated values and the pre-modified gross carrying values of the instruments are recorded as a modification gain or loss in the income statement to the extent that an impairment loss has not already been recorded.

Gains and losses arising from modifications for credit reasons are recorded as part of credit impairment. Modification gains and losses arising for non-credit reasons are recognised either as part of credit impairment or within income depending on whether there has been a change in the credit risk on the financial asset subsequent to the modification. Modification gains and losses arising on financial liabilities are recognised within income.

Reclassifications

Financial liabilities are not reclassified subsequent to initial recognition. Reclassifications of financial assets are made when, and only when, the business model for those assets changes. Such changes are expected to be infrequent and arise as a result of significant external or internal changes such as the termination of a line of business or the purchase of a subsidiary whose business model is to realise the value of pre-existing held for trading financial assets through a hold to collect model.

Financial assets are reclassified at their fair value on the date of reclassification and previously recognised gains and losses are not restated. Moreover, reclassifications of financial assets between financial assets held at amortised cost and financial assets held at fair value through other comprehensive income do not affect effective interest rate or expected credit loss computations.

Reclassified from amortised cost

Where financial assets held at amortised cost are reclassified to financial assets held at fair value through profit or loss, the difference between the fair value of the assets at the date of reclassification and the previously recognised amortised cost is recognised in the income statement.

For financial assets held at amortised cost that are reclassified to FVOCI, the difference between the fair value of the assets at the date of reclassification and the previous amortised cost is recognised in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

Reclassified from FVOCI

Where financial assets held at FVOCI are reclassified to financial assets held at fair value through profit or loss, the cumulative gain or loss previously recognised in other comprehensive income is transferred to the income statement.

For financial assets held at FVOCI that are reclassified to financial assets held at amortised cost, the cumulative gain or loss previously recognised in other comprehensive income is adjusted against the fair value of the financial asset such that the financial asset is recorded at a value as if it had always been held at amortised cost. In addition, the related cumulative ECL held within other comprehensive income are reversed against the gross carrying value of the reclassified assets at the date of reclassification.

Reclassified from FVTPL

Where financial assets held at fair value through profit or loss are reclassified to financial assets held at FVOCI or financial assets held at amortised cost, the fair value at the date of reclassification is used to determine the effective interest rate on the financial asset going forward. In addition, the date of reclassification is used as the date of initial recognition for the calculation of ECL. Where financial assets held at fair value through profit or loss are reclassified to financial assets held at amortised cost, the fair value at the date of reclassification becomes the gross carrying value of the financial asset.

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

The Group's classification of its financial assets and liabilities at 31 December 2021 and 2020 is summarised in the following tables.

Group At 31 December 2021 KShs '000	Note	Assets at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Cash and balances with Central Bank of Kenya	16	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL	17	4,580,708	20,659	-	4,601,367	-	4,601,367
Government securities		4,580,708	-	-	4,580,708	-	4,580,708
Equity shares		-	20,659	-	20,659	-	20,659
Derivative financial instruments	18	465,879	-	-	465,879	-	465,879
Loans and advances to banks	19	-	-	-	-	2,429,051	2,429,051
Loans and advances to customers	19	-	-	-	-	125,974,590	125,974,590
Government securities held at FVOCI	20	-	-	91,014,905	91,014,905	-	91,014,905
Other assets - un-cleared effects	21	-	-	-	-	585,681	585,681
Due from group companies and other related parties	22	-	-	-	-	71,991,928	71,991,928
Total assets		5,046,587	20,659	91,014,905	96,082,151	224,681,701	320,763,852

Group At 31 December 2020 KShs '000	Note	Assets at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Cash and balances with Central Bank of Kenya	16	-	-	-	-	20,619,064	20,619,064
Government and other securities held at FVTPL	17	4,926,569	21,606	-	4,948,175	-	4,948,175
Government securities		4,926,569	-	-	4,926,569	-	4,926,569
Equity shares		-	21,606	-	21,606	-	21,606
Derivative financial instruments	18	738,526	-	-	738,526	-	738,526
Loans and advances to banks	19	-	-	-	-	7,533,196	7,533,196
Loans and advances to customers	19	-	-	-	-	121,524,227	121,524,227
Government securities held at FVOCI	20	-	-	94,852,653	94,852,653	-	94,852,653
Other assets - un-cleared effects	21	-	-	-	-	784,000	784,000
Due from group companies and other related parties	22	-	-	-	-	62,756,124	62,756,124
Total assets		5,665,095	21,606	94,852,653	100,539,354	213,216,611	313,755,965

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

Company At 31 December 2021 KShs '000	Note	Assets at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Cash and balances with Central Bank of Kenya	16	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL	17	4,580,708	20,659	-	4,601,367	-	4,601,367
Government securities		4,580,708	-	-	4,580,708	-	4,580,708
Equity shares		-	20,659	-	20,659	-	20,659
Derivative financial instruments	18	465,879	-	-	465,879	-	465,879
Loans and advances to banks	19	-	-	-	-	2,429,051	2,429,051
Loans and advances to customers	19	-	-	-	-	125,974,590	125,974,590
Government securities held at FVOCI	20	-	-	91,014,905	91,014,905	-	91,014,905
Other assets - un-cleared effects	21	-	-	-	-	585,681	585,681
Due from group companies and other related parties	22	-	-	-	-	72,303,668	72,303,668
Total assets		5,046,587	20,659	91,014,905	96,082,151	224,993,441	321,075,592

Company At 31 December 2020 KShs '000	Note	Assets at fair value Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial assets at fair value	Assets held at amortised cost	Total
Cash and balances with Central Bank of Kenya	16	-	-	-	-	20,619,064	20,619,064
Government and other securities held at FVTPL	17	4,926,569	21,606	-	4,948,175	-	4,948,175
Government securities		4,926,569	-	-	4,926,569	-	4,926,569
Equity shares		-	21,606	-	21,606	-	21,606
Derivative financial instruments	18	738,526	-	-	738,526	-	738,526
Loans and advances to banks	19	-	-	-	-	7,533,196	7,533,196
Loans and advances to customers	19	-	-	-	-	121,524,227	121,524,227
Government securities held at FVOCI	20	-	-	94,852,653	94,852,653	-	94,852,653
Other assets - un-cleared effects	21	-	-	-	-	784,000	784,000
Due from group companies and other related parties	22	-	-	-	-	63,104,628	63,104,628
Total assets		5,665,095	21,606	94,852,653	100,539,354	213,565,115	314,104,469

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

Group At 31 December 2021 KShs '000	Note	Liabilities at fair value: Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	359,808	-	-	359,808	-	359,808
Deposits from banks	29	-	-	-	-	383,214	383,214
Deposits from customers	30	-	-	-	-	265,469,114	265,469,114
Other liabilities - bills payable	31	-	-	-	-	650,718	650,718
Lease liability	32	-	-	-	-	364,068	364,068
Due to group companies and other related parties	22	-	-	-	-	9,631,154	9,631,154
Total liabilities		359,808	-	-	359,808	276,498,268	276,858,076

Group At 31 December 2020 KShs '000	Note	Liabilities at fair value: Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	647,839	-	-	647,839	-	647,839
Deposits from banks	29	-	-	-	-	453,628	453,628
Deposits from customers	30	-	-	-	-	256,497,530	256,497,530
Other liabilities - bills payable	31	-	-	-	-	316,885	316,885
Lease liability	32	-	-	-	-	528,992	528,992
Due to group companies and other related parties	22	-	-	-	-	11,208,987	11,208,987
Total liabilities		647,839	-	-	647,839	269,006,022	269,653,861

3. FINANCIAL ASSETS AND LIABILITIES continued

Classification and measurement continued

Company At 31 December 2021 KShs '000	Note	Liabilities at fair value: Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	359,808	-	-	359,808	-	359,808
Deposits from banks	29	-	-	-	-	383,214	383,214
Deposits from customers	30	-	-	-	-	265,469,114	265,469,114
Other liabilities - bills payable	31	-	-	-	-	650,718	650,718
Lease liability	32	-	-	-	-	364,068	364,068
Due to group companies and other related parties	22	-	-	-	-	10,714,736	10,714,736
Total liabilities		359,808	-	-	359,808	277,581,850	277,941,658

Company At 31 December 2020 KShs '000	Note	Liabilities at fair value: Trading	Non-trading mandatorily at fair value through profit or loss	Fair value through other comprehensive income	Total financial liabilities at fair value	Amortised cost	Total
Derivative financial instruments	18	647,839	-	-	647,839	-	647,839
Deposits from banks	29	-	-	-	-	453,628	453,628
Deposits from customers	30	-	-	-	-	256,497,530	256,497,530
Other liabilities - bills payable	31	-	-	-	-	316,885	316,885
Lease liability	32	-	-	-	-	528,992	528,992
Due to group companies and other related parties	22	-	-	-	-	12,166,804	12,166,804
Total liabilities		647,839	-	-	647,839	269,963,839	270,611,678

3. FINANCIAL ASSETS AND LIABILITIES continued

Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets and financial liabilities are generally reported gross in the consolidated statement of financial position except when IFRS netting criteria are met.

Other instruments, primarily over-the-counter derivatives, are only offset and reported net when, in addition to having an unconditional legally enforceable right to offset the recognised amounts without being contingent on a future event and the Company also intends to settle on a net basis in all the following circumstances:

- The normal course of business
- The event of default
- The event of insolvency or bankruptcy of the Bank and/or its counterparties.

Valuation of financial instruments

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets for identical instruments held by the Group. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs. Valuation techniques used include discounted cash flow analysis and pricing models and, where appropriate, comparison with instruments that have characteristics similar to those of the instruments held by the Group.

(a) Valuation techniques

The following sets out the Group's basis of establishing fair value of the financial instruments:

Derivative financial instruments and government securities held at fair value through profit or loss

Derivative financial instruments and government securities held for trading are measured at fair value as set out in notes 18.

Cash and balances with Central Bank of Kenya

Cash and bank balances are measured at amortised cost. The fair value of cash and bank balances with the Central Bank of Kenya is their carrying amounts.

Loans and advances to banks

The fair value of floating rate placements and overnight deposits approximates their carrying amounts due to their short - term nature. The estimated fair value of fixed interest - bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers

Loans and advances to customers are net of impairment losses. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances re-price within 12 months and hence the fair value approximates their carrying amounts.

Investment securities

Investment securities with observable market prices, including debt and equity securities are fair valued using that information. Debt securities that do not have observable market data are fair valued by either discounting cash flows using prevailing market rates for debts with a similar credit risk and remaining maturity or using quoted market prices for securities with similar credit risk maturity and yield characteristics.

3. FINANCIAL ASSETS AND LIABILITIES continued

(a) Valuation techniques continued

Deposits from banks and customers

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest - bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity.

A substantial proportion of deposits mature within 6 months and hence the fair value approximates their carrying amounts.

(b) Valuation hierarchy - Financial instruments at fair value

Assets and liabilities carried at fair value or for which fair values are disclosed have been classified into three levels according to the observability of the significant inputs used to determine the fair values. Changes in the observability of significant valuation inputs during the reporting period may result in a transfer of assets and liabilities within the fair value hierarchy. The Group recognises transfers between levels of the fair value hierarchy when there is a significant change in either its principal market or the level of observability of the inputs to the valuation techniques as at the end of the reporting period.

- Level 1: Fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2: Fair value measurements are those with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable; and
- Level 3: Fair value measurements are those where at least one input which could have a significant effect on the instrument's valuation is not based on observable market data.

3. FINANCIAL ASSETS AND LIABILITIES continued

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out above at 31 December 2021 and 2020:

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

		Group			
At 31 December 2020	Note	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
Assets					
Government and other securities held at FVTPL	17	-	4,926,569	21,606	4,948,175
Government securities		-	4,926,569	-	4,926,569
Equity shares		-	-	21,606	21,606
Derivative financial instruments	18	-	738,526	-	738,526
Foreign exchange contracts		-	406,416	-	406,416
Interest rate contracts		-	332,110	-	332,110
Government securities held at FVOCI	20	-	94,852,653	-	94,852,653
Total assets		-	100,517,748	21,606	100,539,354
Liabilities					
Derivative financial instruments	18	-	647,839	-	647,839
Foreign exchange contracts		-	295,399	-	295,399
Interest rate contracts		-	352,440	-	352,440
Total liabilities		-	647,839	-	647,839

3. FINANCIAL ASSETS AND LIABILITIES continued

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

		Company			
At 31 December 2020	Note	Level 1 KShs '000	Level 2 KShs '000	Level 3 KShs '000	Total KShs '000
Assets					
Government and other securities held at FVTPL	17	-	4,926,569	21,606	4,948,175
Government securities		-	4,926,569	-	4,926,569
Equity shares		-	-	21,606	21,606
Derivative financial instruments	18	-	738,526	-	738,526
Foreign exchange contracts		-	406,416	-	406,416
Interest rate contracts		-	332,110	-	332,110
Government securities held at FVOCI	20	-	94,852,653	-	94,852,653
Total assets		-	100,517,748	21,606	100,539,354
Liabilities					
Derivative financial instruments	18	-	647,839	-	647,839
Foreign exchange contracts		-	295,399	-	295,399
Interest rate contracts		-	352,440	-	352,440
Total liabilities		-	647,839	-	647,839

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW

This section provides details of the Group's and Company's exposure to risk and describes the methods used by management to control risk in respect of financial instruments. The most significant types of financial risks to which the Group and Company are exposed to are credit risk, liquidity risk, market risk and operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's enterprise risk management framework.

Through its risk management structure, the Group and Company seek to manage efficiently the core risks: credit, liquidity and market risk, which arise directly through the Group's and Company's commercial activities. Compliance and regulatory risk, operational risk and reputational risk are normal consequences of any business undertaking.

The Board is supported by executive level committees which are responsible for developing and monitoring Group and Company risk management policies in their specified areas. The executive level committees include the Asset and Liability Committee (ALCO), Executive Risk Committee (ERC), Credit Issues Committee (CIC) and Anti-Money Laundering and Financial Crime Risk Committee (FCRC). The FCRC and CIC report to the Executive Risk Committee (ERC). All committees report regularly to the Board of Directors on their activities.

The Group's and Company's risk management policies are established to identify and analyse the risks faced by the Group and Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group and Company, through their training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Risk Committee is responsible for monitoring compliance with the Group's and Company's risk management policies and procedures, and for reviewing the robustness of the risk management framework in relation to the risks faced by the Group and Company. The Board Risk Committee is supported in these functions by the Internal Audit Department, which undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Board Risk Committee.

Stress testing

Stress testing and scenario analysis are important components of the Group's and Company's risk assessment processes and are used to assess the financial management capability of the Group and the Company to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors which define the context within which the Group and Company operate. It is intended that stress testing and scenario analysis will help to inform management of:

- the nature and dynamics of the risk profile;
- the identification of potential future risks;
- the robustness of risk management systems and controls;
- adequacy of contingency planning; and
- the effectiveness of risk mitigants.

Details of how the various risks are managed are outlined below:

a) Credit risk

(i) Credit risk overview

Credit risk is the potential for loss due to the failure of a counterparty to meet its obligation to pay the Group and Company. This arises principally from the Group's and Company's loans and advances to customers and other banks and investment securities.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees.

The Group and Company structure the levels of credit risk they undertake by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(i) Credit risk overview continued

Impairment model

The impairment model recognises expected credit losses (ECL) and it applies to all financial debt instruments held at amortised cost, fair value through other comprehensive income (FVOCI), undrawn commitments, letters of credit and financial guarantees.

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month ECL provision is recognised.

Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

Instruments will transfer to stage 2 and a lifetime ECL provision recognised when there has been a significant change in the credit risk compared with what was expected at origination.

Stage 1	Stage 2	Stage 3
• 12-month expected credit loss • Performing	• Lifetime expected credit loss • Performing but has exhibited significant increase in credit risk	• Credit impaired • Non-performing

(ii) Credit quality analysis

For the Corporate, Commercial & Institutional Banking portfolio, exposures are analysed by credit grade (CG), which plays a central role in the quality assessment and monitoring of risk. All loans are assigned a CG, which is reviewed periodically and amended in light of changes in the borrower's circumstances or behaviour. CGs 1 to 12 are assigned to stage 1 and stage 2 (performing) clients or accounts, while CGs 13 and 14 are assigned to stage 3 (defaulted) clients.

Within Consumer, Private & Business Banking where there are a large number of small value loans in credit cards and personal loans portfolios along with medium size loans to a maximum of KShs 100 million under mortgages and Business Banking, a primary indicator of potential impairment is delinquency. An account is considered to be delinquent when payment is not received on the due date. For delinquency reporting purposes, the Group and Company follow industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due.

Mapping of credit quality

The Group uses the following internal risk mapping to determine the credit quality for loans.

Credit quality description	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking
Strong	Credit Grades 1-5	Current loans (neither past due nor impaired)
Satisfactory	Credit Grades 6-11	Loans past due till 29 days
Higher risk	Credit Grade 12	Past due loans 30 days till 90 days
Higher risk	Credit Grade 13 and 14	Past due over 90 days

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

Analysis of financial instruments by stage

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

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

Analysis of financial instruments by stage

Group and Company KShs '000	2020 Banks	Customers Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Customer Total	Undrawn commitments	Financial guarantees & Letters of credit
Stage 1	7,536,798	43,955,513	67,987,077	-	111,942,590	42,064,798	26,888,012
- Strong	-	13,446,240	62,204,440	-	75,650,680	21,394,706	9,525,576
- Satisfactory	7,536,798	30,509,273	5,782,637	-	36,291,910	20,670,092	17,362,436
Stage 2	-	2,674,688	2,889,900	-	5,564,588	6,153,095	2,732,526
- Strong	-	-	895,144	-	895,144	327,359	430,978
- Satisfactory	-	668,672	54,231	-	722,903	4,101,568	1,860,506
- Higher risk	-	2,006,016	1,940,525	-	3,946,541	1,724,168	441,042
Of which (stage 2):							
- Less than 30 days past due	-	-	54,231	-	54,231	-	-
- More than 30 days past due	-	-	2,294,434	-	2,294,434	-	-
Stage 3, credit-impaired financial assets	-	9,137,098	4,075,172	-	13,212,270	-	245,492
Gross balance	7,536,798	55,767,299	74,952,149	-	130,719,448	48,217,893	29,866,030
Stage 1	(3,602)	(75,827)	(892,720)	-	(968,547)	(59,925)	(7,605)
- Strong	-	(36,818)	(624,705)	-	(661,523)	(30,599)	(2,161)
- Satisfactory	(3,602)	(39,009)	(268,015)	-	(307,024)	(29,326)	(5,444)
Stage 2	-	(367,932)	(1,136,317)	-	(1,504,249)	(111,822)	(33,112)
- Strong	-	-	-	-	-	-	(194)
- Satisfactory	-	(47,572)	-	-	(47,572)	(13,576)	(20,108)
- Higher risk	-	(320,360)	(1,136,317)	-	(1,456,677)	(98,246)	(12,810)
Stage 3, credit-impaired financial assets	-	(5,280,241)	(1,442,184)	-	(6,722,425)	-	(12)
Total credit impairment	(3,602)	(5,724,000)	(3,471,221)	-	(9,195,221)	(171,747)	(40,729)
Net carrying value	7,533,196	50,043,299	71,480,928	-	121,524,227	-	-
Stage 1	0.0%	0.2%	1.3%	0.0%	0.9%	0.1%	0.0%
- Strong	0.0%	0.3%	1.0%	0.0%	0.9%	0.1%	0.0%
- Satisfactory	0.0%	0.1%	4.6%	0.0%	0.8%	0.1%	0.0%
Stage 2	0.0%	13.8%	39.3%	0.0%	27.0%	1.8%	1.2%
- Strong	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
- Satisfactory	0.0%	7.1%	0.0%	0.0%	6.6%	0.3%	1.1%
- Higher risk	0.0%	16.0%	58.6%	0.0%	36.9%	5.7%	2.9%
Stage 3, credit-impaired financial assets	0.0%	57.8%	35.4%	0.0%	50.9%	0.0%	0.0%
Cover ratio	0.0%	10.3%	4.6%	0.0%	7.0%	0.4%	0.1%
Net carrying value	7,533,196	50,043,299	71,480,928	-	121,524,227	-	-

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage

The tables overleaf show the financial instruments and off-balance sheet commitments by stage with the total credit impairment against each financial instrument class.

The proportion of financial instruments held within stage 1 remained stable at 94 per cent (2020: 94 per cent). Total stage 1 balances increased by KShs 9.8 billion, of which KShs 3.1 billion is in Balances with Central Bank of Kenya, KShs 4.7 billion in loans and advances to customers, KShs 9.1 billion in group balances, KShs 1.8 billion in financial guarantees and letters of credit, offset by a reduction of KShs 5.1 billion in loans and advances to banks and KShs 3.8 billion in government securities.

Stage 2 and 3 financial instruments are stable at 3 per cent (2020: 3 per cent) each of the Group total.

Group

2021	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	20,076,482	-	20,076,482	-	-	-	-	-	-	20,076,482	-	20,076,482
Loans and advances to banks (amortised cost)	2,431,869	(2,818)	2,429,051	-	-	-	-	-	-	2,431,869	(2,818)	2,429,051
Loans and advances to customers (amortised cost)	116,603,967	(1,142,863)	115,461,104	5,831,423	(1,281,355)	4,550,068	13,746,550	(7,783,132)	5,963,418	136,181,940	(10,207,350)	125,974,590
Government securities held at FVOCI[1]	91,014,905	(321,799)	91,014,905	-	-		-	-		91,014,905	(321,799)	91,014,905
Due from group companies and other related parties	72,005,545	(13,617)	71,991,928	-	-	-	-	-	-	72,005,545	(13,617)	71,991,928
Other assets – un-cleared effects	585,681	-	585,681	-	-	-	-	-	-	585,681	-	585,681
Undrawn commitments[2]	42,399,527	(38,407)		5,107,244	(45,460)		-	-		47,506,771	(83,867)	
Financial guarantees & letters of credit[2]	64,802,756	(9,420)		2,740,590	(6,314)		161,727	(8,985)		67,705,073	(24,719)	
Total	409,920,732	(1,528,924)		13,679,257	(1,333,129)		13,908,277	(7,792,117)		437,508,266	(10,654,170)	

[1] These instruments are held at fair value on the balance sheet. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount".

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of financial instruments by stage continued

Group

2020	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	16,944,010	-	16,944,010	-	-	-	-	-	-	16,944,010	-	16,944,010
Loans and advances to banks (amortised cost)	7,536,798	(3,602)	7,533,196	-	-	-	-	-	-	7,536,798	(3,602)	7,533,196
Loans and advances to customers (amortised cost)	111,942,590	(968,547)	110,974,043	5,564,588	(1,504,249)	4,060,339	13,212,270	(6,722,425)	6,489,845	130,719,448	(9,195,221)	121,524,227
Government securities held at FVOCI[1]	94,852,653	(333,722)	94,852,653	-	-		-	-		94,852,653	(333,722)	94,852,653
Due to group companies and other related parties	62,933,388	(177,264)	62,756,124	-	-	-	-	-	-	62,933,388	(177,264)	62,756,124
Other assets – un-cleared effects	784,000	-	784,000	-	-	-	-	-	-	784,000	-	784,000
Undrawn commitments[2]	42,064,798	(59,925)		6,153,095	(111,822)		-	-		48,217,893	(171,747)	
Financial guarantees & letters of credit[2]	63,057,523	(24,917)		2,732,526	(33,112)		245,492	(12)		66,035,541	(58,041)	
Total	400,115,760	(1,567,977)		14,450,209	(1,649,183)		13,457,762	(6,722,437)		428,023,731	(9,939,597)	

[1] These instruments are held at fair value on the balance sheet. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

[2] These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount".

4. **FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW** continued

(a) **Credit risk** continued

(ii) **Credit quality analysis** continued

Analysis of financial instruments by stage continued

Company

	2021											
	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	20,076,482	-	20,076,482	-	-	-	-	-	-	20,076,482	-	20,076,482
Loans and advances to banks (amortised cost)	2,431,869	(2,818)	2,429,051	-	-	-	-	-	-	2,431,869	(2,818)	2,429,051
Loans and advances to customers (amortised cost)	116,603,967	(1,142,863)	115,461,104	5,831,423	(1,281,355)	4,550,068	13,746,550	(7,783,132)	5,963,418	136,181,940	(10,207,350)	125,974,590
Government securities held at FVOCI[1]	91,014,905	(321,799)	91,014,905	-	-		-	-		91,014,905	(321,799)	91,014,905
Due from group companies and other related parties	72,317,285	(13,617)	72,303,668	-	-	-	-	-	-	72,317,285	(13,617)	72,303,668
Other assets – un-cleared effects	585,681	-	585,681	-	-	-	-	-	-	585,681	-	585,681
Undrawn commitments[2]	42,399,527	(38,407)		5,107,244	(45,460)		-	-		47,506,771	(83,867)	
Financial guarantees & letters of credit[2]	64,802,756	(9,420)		2,740,590	(6,314)		161,727	(8,985)		67,705,073	(24,719)	
Total	410,232,472	(1,528,924)		13,679,257	(1,333,129)		13,908,277	(7,792,117)		437,820,006	(10,654,170)	

[1] These instruments are held at fair value on the balance sheet. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.
[2] These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount".

4. **FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW** continued

(a) **Credit risk** continued

(ii) **Credit quality analysis** continued

Analysis of financial instruments by stage continued

Company

	2020											
	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value	Gross balance	Total credit impairment	Net carrying value
Balances with Central Bank of Kenya	16,944,010	-	16,944,010	-	-	-	-	-	-	16,944,010	-	16,944,010
Loans and advances to banks (amortised cost)	7,536,798	(3,602)	7,533,196	-	-	-	-	-	-	7,536,798	(3,602)	7,533,196
Loans and advances to customers (amortised cost)	111,942,590	(968,547)	110,974,043	5,564,588	(1,504,249)	4,060,339	13,212,270	(6,722,425)	6,489,845	130,719,448	(9,195,221)	121,524,227
Government securities held at FVOCI[1]	94,852,653	(333,722)	94,852,653	-	-		-	-		94,852,653	(333,722)	94,852,653
Due from group companies and other related parties	63,281,892	(177,264)	63,104,628	-	-	-	-	-	-	63,281,892	(177,264)	63,104,628
Other assets – un-cleared effects	784,000	-	784,000	-	-	-	-	-	-	784,000	-	784,000
Undrawn commitments[2]	42,064,798	(59,925)		6,153,095	(111,822)		-	-		48,217,893	(171,747)	
Financial guarantees & letters of credit[2]	63,057,523	(24,917)		2,732,526	(33,112)		245,492	(12)		66,035,541	(58,041)	
Total	400,464,264	(1,567,977)		14,450,209	(1,649,183)		13,457,762	(6,722,437)		428,372,235	(9,939,597)	

[1] These instruments are held at fair value on the balance sheet. The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.
[2] These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount".

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(ii) Credit quality analysis continued

Analysis of loans and advances concentration by sector

Credit concentration risk in Corporate, Commercial & Institutional Banking segment is managed through the use of various concentration dimensions that include industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Consumer, Private & Business Banking segment is managed within exposure limits set for each product segment. These limits are reviewed at least annually and are approved by the responsible business and risk officer and ultimately by the Board in accordance with their delegated authority level.

Group and Company	2021				2020			
KShs '000 On balance sheet	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Business services	52,185	2	150	52,337	723,516	43,873	135	767,524
Manufacturing	21,063,945	690,598	3,497,776	25,252,319	20,395,472	165,799	3,343,477	23,904,748
Wholesale and retail	13,531,199	1,281,201	3,604,719	18,417,119	13,087,604	1,527,811	3,850,862	18,466,277
Transport and communication	9,754,173	1,071,731	244,047	11,069,951	3,799,442	62,980	241,422	4,103,844
Real Estate	1,302,218	21,440	170,667	1,494,325	1,186,349	31,134	197,512	1,414,995
Agriculture	3,847,139	1,076,379	485,353	5,408,871	3,417,423	1,288,582	257,743	4,963,748
Energy and water	5,002,382	8,264	2,358,523	7,369,169	5,576,448	5,771	2,105,499	7,687,718
Others	62,050,726	1,681,808	3,385,315	67,117,849	63,756,336	2,438,638	3,215,620	69,410,594
Total	116,603,967	5,831,423	13,746,550	136,181,940	111,942,590	5,564,588	13,212,270	130,719,448
Loss allowance	(1,142,863)	(1,281,355)	(7,783,132)	(10,207,350)	(968,547)	(1,504,249)	(6,722,425)	(9,195,221)
Carrying amount	115,461,104	4,550,068	5,963,418	125,974,590	110,974,043	4,060,339	6,489,845	121,524,227

Group and Company	2021				2020			
KShs '000 On balance sheet:	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Corporate, Commercial & Institutional Banking	50,486,244	3,640,399	9,482,372	63,609,015	43,955,513	2,674,688	9,137,098	55,767,299
Consumer, Private & Business Banking	66,117,723	2,191,024	4,264,178	72,572,925	67,987,077	2,889,900	4,075,172	74,952,149
	116,603,967	5,831,423	13,746,550	136,181,940	111,942,590	5,564,588	13,212,270	130,719,448

(iii) Collateral held and other credit enhancements

The Group and Company hold collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property, fixed assets such as plant and machinery, marketable securities, bank guarantees and letters of credit.

The Group and Company also enter into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's and Company's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2021 and 2020.

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

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(iii) Collateral held and other credit enhancements continued

Group and Company	2021								
	Net amount outstanding			Collateral			Net exposure		
KShs '000	Total	Stage 2 financial assets	Credit-impaired financial assets	Total	Stage 2 financial assets	Credit-impaired financial assets	Total	Stage 2 financial assets	Credit-impaired financial assets
Corporate, Commercial & Institutional Banking	56,179,908	2,766,094	3,026,877	24,192,964	7,048,559	2,533,362	31,986,944	(4,282,465)	493,515
Consumer, Private & Business Banking	69,794,682	1,783,975	2,936,541	68,574,748	1,501,952	2,361,766	1,219,934	282,023	574,775
Total	125,974,590	4,550,069	5,963,418	92,767,712	8,550,511	4,895,128	33,206,878	(4,000,442)	1,068,290

Group and Company	2020								
	Net amount outstanding			Collateral			Net exposure		
KShs '000	Total	Stage 2 financial assets	Credit-impaired financial assets	Total	Stage 2 financial assets	Credit-impaired financial assets	Total	Stage 2 financial assets	Credit-impaired financial assets
Corporate, Commercial & Institutional Banking	50,043,299	2,306,756	3,856,857	31,769,859	10,164,732	3,716,851	18,273,440	(7,857,976)	140,006
Consumer, Private & Business Banking	71,480,928	1,753,583	2,632,988	66,614,221	1,323,149	2,349,373	4,866,707	430,434	283,615
Total	121,524,227	4,060,339	6,489,845	98,384,080	11,487,881	6,066,224	23,140,147	(7,427,542)	423,621

(iv) Problem credit management

Accounts or portfolios are placed on an early alert report and regularly reviewed by the Credit Issues Committee when they display signs of weakness or financial deterioration for example where there is a rapid decline in the client's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subjected to a dedicated process with oversight involving the Chief Executive Officer, Chief Risk Officer, Senior Credit Officer and Group Special Asset Management ("GSAM"). Account plans are re-evaluated, and remedial actions are agreed and monitored until completed. Remedial actions include, but are not limited to, reviewing structure of facilities, exposure reduction, security enhancement, exit of the accounts or immediate movement of the accounts into the control of GSAM, the specialist recovery unit.

For Consumer, Private & Business Banking facilities (CPBB), Business Banking accounts are placed on Stressed Accounts Monitoring when they become delinquent or when their credit turnovers show a declining trend. The accounts are then transferred to collections team upon further deterioration. On reaching 90 days past due (dpd), the accounts are managed through a foreclosure process. The accounts are regularly reviewed by the Credit Issues Committee with oversight involving the Chief Executive Officer, Chief Risk Officer and Country Credit Head.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(iii) Expected credit loss measurement

Staging of financial instruments

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month ECL is recognised. Instruments will remain in stage 1 until they are repaid, unless they experience significant credit deterioration (stage 2) or they become credit-impaired (stage 3).

ECL for financial assets will transfer from a 12- month basis to lifetime when there is significant increase in credit risk (SICR) compared with what was expected at origination or when they become credit impaired. On transfer to a lifetime basis, the ECL for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date.

SICR is assessed by comparing the risk of default of an exposure at the reporting date with the risk of default at origination (after considering the passage of time). 'Significant' does not mean statistically significant nor is it reflective of the extent of the impact on the Group's and Company's financial statements. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria, the weight of which will depend on the type of product and counterparty.

Instruments are classified as stage 3 when they become credit impaired. Lifetime ECL is recognised for stage 3 assets.

Transfers between stages

Stage 1	Stage 2	Stage 3
• 12-month expected credi loss • Performing	• Lifetime expected credit loss • Performing but significant increase in credit risk (SICR)	• Credit impaired • Non-performing

Assets will transfer from stage 3 to stage 2 when they are no longer considered to be credit impaired.

Assets will not be considered to be credit-impaired only if the customer makes payments such that all arrears have been cleared in line with the original contractual terms.

In addition:

- loans that were subject to forbearance measures must remain current for 12 months before they can be transferred to stage 2 or stage 1 when they are no longer considered to have significant increase in credit risk; and
- Consumer, Private & Business Banking loans that were not subject to forbearance measures must remain current for 180 days before they can be transferred to stage 2 or stage 1.

Assets may transfer to stage 1 if they are no longer considered to have experienced a SICR. This will be immediate when the original PD based transfer criteria are no longer met (and as long as none of the other transfer criteria apply). Where assets were transferred using other measures, the assets will only transfer back to stage 1 when the condition that caused the significant increase in credit risk no longer applies (and as long as none of the other transfer criteria apply).

Approach to determining ECL - inputs, assumptions and estimation techniques

ECL is the discounted product of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD) defined as follows:

- PD is the probability at a point in time that a counterparty will default, calibrated over up to 12 months from the reporting date (stage 1) or over the lifetime of the asset (stage 2) and incorporating the impact of forward-looking economic assumptions that have an effect on credit risk, such as interest rates, unemployment rates and GDP forecasts. PD is estimated at a point in time, that means it will fluctuate in line with the economic cycle.
- LGD refers to the loss that is expected to arise on default, incorporating the impact of forward-looking economic assumptions where relevant, which represents the difference between the contractual cash flows due and those that the Bank expects to receive. The Group and Company estimate LGD based on the history of recovery rates and consider the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
- the history of recovery rates and consider the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.
- EAD refers to the expected balance sheet exposure at the time of default, taking into account the expected change in exposure over the lifetime of the exposure. This incorporates the impact of drawdowns of committed facilities, repayments of principal and interest, amortisation and prepayments, together with the impact of forward-looking economic assumptions where relevant.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

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

ECL is determined by projecting the PD, LGD and EAD for each future month for each exposure or segment. These three components are multiplied together and adjusted for survival (i.e. the exposure has not prepaid or defaulted in an earlier month) effectively calculating ECL for a future month. This is then discounted to the reporting date using the effective interest rate.

For portfolios within Corporate, Commercial & Institutional Banking, and material CPBB portfolios that do not have objective evidence of impairment (Stages 1 and 2), ECLs are determined by estimating the expected cash shortfalls by multiplying the PD with the LGD and the EAD. The ECL is discounted to the reporting date using a rate that approximates the effective interest rate (EIR) of the asset.

Where insufficient information is available for certain small CPBB portfolios for the Group and Company to assess lifetime ECL at individual instrument level, ECL may be measured on a collective basis that considers credit risk information on instrument groups that share similar credit risk characteristics. For smaller, less complex CPBB portfolios, simplified models are used to determine ECL. These use a combination of roll rate and loss rate models.

ECL is estimated based on the shorter of the expected life and the maximum contractual period for which the Group and Company are exposed to credit risk. For Consumer, Private & Business Banking credit cards and Corporate, Commercial & Institutional Banking overdraft facilities however, the Group and Company do not typically enforce the contractual period. As a result, for these instruments, the lifetime of the exposure is based on the period the Group and Company are exposed to credit risk. This period has been determined by reference to the extent to which credit risk management actions curtail the period of exposure. For credit cards, this has resulted in an average life of 12 months. Overdraft facilities have a 22-month lifetime.

The lifetime of drawn and undrawn committed revolving facilities in the Corporate, Commercial & Institutional Banking segments, is set at the residual tenor of the respective facilities. With the exception of overdraft facilities, drawn and undrawn revolving facilities in these client segments do not give rise to credit risk and hence no ECL because the Group and Company have a legal right to revoke the facilities at short notice and has a practice of doing so in response to a SICR.

Forward looking economic information is also included in determining the 12-month and lifetime PD, LGD and EAD as detailed below.

The assumptions underlying the ECL calculation such as the maturity profile of the PDs and how collateral values change etc, are monitored and reviewed on a quarterly basis.

Incorporation of forward-looking information

Multiple forward-looking economic scenarios are incorporated into the range of reasonably possible outcomes, both in respect of determining the PD (and where relevant, the LGD and EAD) and in determining the overall ECL amounts to address the non-linearity characteristic of credit losses. These scenarios are conditioned internal macroeconomic views of the Group and Company.

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

The Multiple Scenario solution consists of three integrated components:

(i) A set of point forecasts, generated by the Scenario Design Team ("SDT"), that sets the internal view of the future macroeconomic environment;

(ii) A set of simulation models, calibrated on historical data, to generate "un-weighted" alternative scenarios; and

(iii) A procedure to ensure that the simulations (component ii above) are plausible given the internal view (component (i) above). The procedure yields probability weights that are attached to the alternative scenarios.

The Multiple Scenario solution generates 50 random scenarios to ensure non-linearity is appropriately reflected. To ensure these scenarios remain plausible, simulated macroeconomic variables have to fall within defined ceilings or floors, which are set by SDT to enable a wide range of reasonably possible scenarios while excluding extreme or implausible scenarios.

The reported ECL is therefore the equally weighted average of the ECL of the 50 simulated scenarios, whose average scenario coincides closely with the central economic scenario. In this way, the methodology both orients the ECL to management view of the economic outlook and incorporates significant dispersion around the management view to account for unforeseen eventualities.

The review and challenge of the macroeconomic forecasts is primarily driven through the activities of the IFRS 9 Expert Panel and the IFRS 9 Impairment Committee.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Incorporation of forward-looking information continued

The table below sets out a representative summary of the economic variables and asset prices that the Group and Company considered most important in the determination of ECL.

	2021			2020		
	Base forecast	Low[5]	High[6]	Base forecast	Low	High
GDP Growth (YoY%)	5.60	5.04	6.16	1.00	0.94	1.15
FX rate (KShs)	109	98	119	111	99	122
Government spending (KShs Billions)	2,916	2,624	3,207	2,475	2,228	2,723
Household income (KShs Billions)	2,383	2,144	2,621	2,165	1,949	2,382
Imports (KShs Billions)	549	494	604	412	371	453
Interest rate - 91 Day TB rate (%)	6.60	5.94	7.26	6.91	6.22	7.60
Consumer price index	219	197	241	204	183	224
Equity index	38	35	42	39	35	43

Credit impaired assets managed by GSAM incorporate forward looking economic assumptions in respect of recovery outcomes identified and are assigned individual probability weightings. These assumptions are not based on Monte Carlo simulation but are informed by the base case.

Significant increase in credit risk

Significant deterioration is assessed by comparing the risk of default at the reporting date to the risk of default at origination. Whether a change in the risk of default is significant or not is assessed using quantitative and qualitative criteria. These quantitative significant deterioration thresholds have been separately defined for each business segment and where meaningful, are consistently applied across business lines.

Corporate, Commercial & Institutional Banking segments

- Quantitative criteria: exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date. The relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 50 - 100 basis points.
- Qualitative criteria: all accounts that have been placed on Early Alert (for non-purely precautionary reasons) are deemed to have experienced a significant increase in credit risk. An account is placed on Early Alert on a non-purely precautionary basis if it exhibits risk or potential weaknesses of a material nature requiring closer monitoring, supervision or attention by management. Weaknesses in such a borrower's account, if left uncorrected, could result in deterioration of repayment prospects and the likelihood of being downgraded. Indicators could include a rapid erosion of position within the industry, concerns over management's ability to manage operations, weak/deteriorating operating results, liquidity strain and overdue balances among other factors.
- All accounts that have been assigned a CG12 rating, equivalent to 'Higher Risk', are deemed to have experienced a significant increase in credit risk (SICR). Accounts rated CG12 are managed by the GSAM unit. The only exception to this is for Sub USD 5m accounts in Corporate, Commercial & Institutional Banking where business Relationship Managers (RMs) will retain responsibility for managing CG12-14 client groups with exposures of less than or equal to USD 5m (sub USD 5m accounts). The Business RMs will continue managing these accounts with the approvals from credit (when client is in CG12) or country business heads via GSAM delegated authority (when client is in CG13/14).

All Corporate, Commercial & Institutional Banking clients are placed on CG12 when they are 30 days past due (dpd) unless they are granted a waiver through a strict governance process.

[5] Represents the 10th percentile in the range used to determine non-linearity

[6] Represents the 90th percentile in the range used to determine non-linearity

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Consumer, Private & Business Banking

- Quantitative criteria: exposures are assessed based on both the absolute and the relative movement in the PD from origination to the reporting date. The relative threshold is a 100 per cent increase in PD and the absolute change in PD is between 50 - 100 basis points.
- Qualitative criteria: accounts that are 30 dpd that have not been captured by the quantitative criteria are considered to have experienced a SICR. For medium and small sized portfolios, which are modelled based on a roll-rate or loss-rate approach, SICR is primarily assessed through the 30 dpd trigger.

Backstop

Across all portfolios, accounts that are 30 or more dpd on contractual payments of principal and/or interest that have not been captured by the criteria above are considered to have experienced a SICR.

Expert credit judgment may be applied in assessing SICR to the extent that certain risks may not have been captured by the models or through the above criteria. Such instances are expected to be rare, for example due to events arising close to the reporting date.

Assessment of credit-impaired assets

Credit-impaired financial assets comprise those assets that have experienced an observed credit event and are in default. Default is the failure to meet the legal obligations of a loan. Default occurs when the obligor is unlikely to pay its credit obligations in full, including where the obligor:

- is more than 90 days past due on payments on any material debt;
- has filed for, or is in the process of filing, or has asked to be placed into bankruptcy; and
- has asked for credit-related modifications of contractual cash flows due to significant financial difficulty (forbearance) where the Bank has granted concessions that it would not ordinarily consider.

Corporate, Commercial & Institutional Banking segments

Credit-impaired accounts are managed by the Group's specialist recovery unit, GSAM which is independent of its main businesses. Where any amount is considered irrecoverable, a stage 3 credit-impairment provision is raised. This stage 3 provision is the difference between the loan carrying amount and the probability weighted present value of estimated future cash flows, reflecting a range of scenarios (typically the best, worst and most likely recovery outcomes). Where the cash flows include realisable collateral, the values used will incorporate the impact of forward-looking economic information.

The individual circumstances of each client are considered when GSAM estimates future cash flows and timing of future recoveries which involve significant judgment. All available sources, such as cash flows arising from operations, selling assets or subsidiaries, realising collateral or payments under guarantees, are considered.

COVID-19 pandemic relief measures

In 2020 , the Central bank of Kenya (CBK) put in place measures to mitigate adverse economic effects on the borrowers from the COVID-19 pandemic. These measures included principal and/or interest moratoria and term extensions and were generally available to eligible borrowers (those that are current or less than 30 days past due). The specific measures were as follows for CPBB;

- 3 months payment Holidays
- Interest repayment only for 6 months and
- Tenor extension not exceeding 12 months.

COVID-19 pandemic related tenor extensions were also made available to Corporate, Commercial & Institutional Banking clients, primarily for periods between 3 to 12 months, if they were expected to return to normal payments within 12 months.

The COVID -19 relief measures expired on 2 March 2021.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Assessment for expected credit losses

The COVID-19 pandemic payment reliefs that were generally available to an industry as a whole and were not borrower-specific in nature did not, on their own, result in an automatic change in stage (that is, individual customers were not considered to have experienced a significant increase in credit risk or an improvement in credit risk) nor were they considered to be forborne.

A customer's stage and past due status reflected their status immediately prior to the granting of the relief, with past due amounts assessed based on the new terms as set out in the temporary payment reliefs.

Following the expiry of the one year period for the emergency measures on the extension and restructuring of loans, the standard procedures for classification and assessment of expected credit losses resumed. If a customer required additional support after the expiry of the initial payment relief period, they were considered at a borrower level, after taking into account their individual circumstances. Depending on the type of subsequent support provided, these customers would be classified within stage 2 or stage 3.

Financial instruments that are not already credit-impaired are originated into stage 1 and a 12-month Expected Credit Loss (ECL) is recognised. Instruments remain in stage 1 until they are repaid, unless they experience significant credit deterioration and move to stage 2 or they become credit-impaired and move to stage 3.

ECL for financial assets will transfer from a 12- month basis to lifetime when there is significant increase in credit risk compared with what was expected at origination or when they become credit impaired. On transfer to a lifetime basis, the ECL for those assets will reflect the impact of a default event expected to occur over the remaining lifetime of the instrument rather than just over the 12 months from the reporting date. Hence there is an increase in ECL provisions once financial assets move from stage 1 to stage 2 and to stage 3.

Impact from temporary changes to loan contractual terms

The granting of COVID-19 payment-related relief measures in may cause a time value of money loss for the Group where interest was not permitted to be compounded (that is, interest charged on interest) or where interest was not permitted to be charged or accrued during the relief period. As set out above, such reliefs did not impact a customer's stage and were not considered to be forborne, even though a time value of money loss may have arisen. As the relief periods were relatively short-term in nature and were a small percentage of the total loans outstanding, this did not result in a material impact for the Group.

Following the expiry of the one-year period for the emergency measures on the extension and restructuring of loans, and the resumption of the standard procedures for classification and assessment of expected credit losses the portfolio that was extended relief measures continues to be monitored with progress as below ;

Consumer, Private & Business Banking (CPBB)

CPBB portfolio under moratoria reduced to KShs 16,428,243,000 at 31 December 2021 compared to KShs 19,686,143,000 at 31 December 2020. This represents 23 per cent of CPBB gross loans and advances to banks and customers (2020: 26 per cent).

Corporate, Commercial & Institutional Banking (CCIB)

Out of approximately KShs 6,973,420,000 subject to payment relief measures at 31 December 2020, KShs 1,694,207,000 remains outstanding at 31 December 2021. This represents 2 per cent of CCIB gross loans and advances to banks and customers (2020: 12 per cent).

Management overlay

Where a model's performance breaches the monitoring thresholds or validation standards, an assessment is completed to determine whether an ECL Post Model Adjustment (PMA) is required to correct for the identified model issue. PMAs will be removed when the models are updated to correct for the identified model issue, or the estimates return to being within the monitoring thresholds.

The unprecedented volatility in the quarterly macroeconomic forecasts seen over 2020 has meant that the Group's IFRS 9 ECL models is now operating outside the boundaries to which they were calibrated. As a result, at 31 December 2020 the Group has made adjustments to the modelled output to remove this volatility to ensure that the resulting ECL remains unbiased and appropriately reflects the Group's credit risks in the current environment. The adjustments are based on a combination of portfolio-level Credit Risk analysis and an evaluation of ECL coverage at an exposure level. These adjustments will be removed once the quarterly macroeconomic forecasts and associated model estimates become less volatile in line with historical norms.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Management overlay continued

Although the amount of loans placed on non-purely precautionary early alert decreased compared to 31 December 2020, this still remains elevated compared to the pre-COVID- 19 period. The impact of the rapid deterioration in the economic environment in 2020 has not yet been fully observed in customers' financial performance and we have not yet seen a significant increase in the level of stage 3 loans relating to COVID-19 pandemic upto 31 December 2021. To take account of the heightened Credit Risk and the continuing uncertainties in the pace and timing of economic recovery, a judgmental overlay has been taken by estimating the impact of further deterioration to the non-purely precautionary early alert portfolio.

As at 31 December 2021, the Group held a KShs 1,129 million (2020: KShs 970 million) management overlay relating to uncertainties as a result of the COVID-19 pandemic that are not captured by the model; KShs 212 million of which relates to Corporate, Commercial & Institutional Banking and KShs 917 million to CPBB. The overlay has been determined after taking account of the post model adjustment.

A number of components contribute to the judgmental overlay for CPBB. Within Business Banking, the Group has evaluated those sectors that have been adversely impacted by COVID-19 pandemic, both through internal credit processes as well as through a 'Voice of Customer' survey to understand how customers have been affected. The Group has also considered the extent to which lockdowns have impacted collections and recoveries, and the extent to which payment reliefs may mask underlying credit risks.

Sensitivity of expected credit loss calculation to macroeconomic variables

The ECL calculation relies on multiple variables and is inherently non-linear and portfolio-dependent, which implies that no single analysis can fully demonstrate the sensitivity of the ECL to changes in the macroeconomic variables. The Group has conducted a series of analyses with the aim of identifying the macroeconomic variables that might have the greatest impact on overall ECL. These encompassed single variable and multi-variable exercises, using simple up/ down variation and extracts from actual calculation data, as well as bespoke scenario design and assessments. The primary conclusion of these exercises is that no individual macroeconomic variable is materially influential. The Group believes this is plausible as the number of variables used in the ECL calculation is large. This does not mean that macroeconomic variables are uninfluential; rather, that the Group believes that consideration of macroeconomics should involve whole scenarios, as this aligns with the multi-variable nature of the calculation.

Grouping of instruments for losses measured on a collective basis

In any decision relating to the raising of provisions, the Group and Company attempt to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

Consumer, Private & Business Banking segment

The core components in determining credit impaired ECL provisions are the value of gross charge off and recoveries. Gross charge off for Unsecured facilities occurs when dpd reaches the specified levels for product type e.g. Personal loans, Credit Cards, Auto loans and Overdrafts at 150dpd, Excess and DRPs at 90dpd.

For Secured facilities upon credit impairment: -

- Provision is raised for the shortfall between the asset carrying amount and the discounted forced sale value (FSV) of the collateral for loans.
- Provision equivalent to the entire outstanding amount is recognised on credit impairment if the title document for the collateral is deficient and the collateral value cannot be realised.
- Provision equivalent to the entire outstanding amount is recognised if the foreclosure and property disposal process for loan has not been completed by 720 dpd.

Recovery of unsecured debt post credit-impairment is recognised based on actual cash collected, either directly from clients or through the sale of defaulted loans to third-party institutions. Release of credit-impairment provisions for secured loans is recognised if the loan outstanding is paid in full (release of full provision), or the provision is higher than the loan outstanding (release of the excess provision).

Grouping of instruments for losses measured on a collective basis

If the loan is paid to current and remains in current for more than 180 days (1 year for forborne loans) the account will be transferred to stage 2. Where insufficient information is available for certain small Consumer, Private & Business Banking portfolios for the Group and Company to assess lifetime ECL at individual instrument level, ECL may be measured on a collective basis that considers credit risk information on instrument groups that share similar credit risk characteristics.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Write-offs

Where it is considered that there is no realistic prospect of recovering a portion of an exposure against which an impairment provision has been raised, that amount is written off.

Modified financial assets

Where the contractual terms of a financial instrument have been modified, and this does not result in the instrument being derecognised, a modification gain or loss is recognised in the income statement representing the difference between the original cash flows and the modified cash flows, discounted at the effective interest rate. The modification gain/loss is directly applied to the gross carrying amount of the instrument.

If the modification is credit related, such as forbearance or where the Group and Company have granted concessions that it would not ordinarily consider, then it will be considered credit-impaired. Modifications that are not credit related will be subject to an assessment of whether the asset's credit risk has increased significantly since origination by comparing the remaining lifetime PD based on the modified terms with the remaining lifetime PD based on the original contractual terms.

Amounts arising from ECL

Loss allowance

The credit impairment recognised in the period is impacted by a variety of factors:

- transfers between stages 1, 2 and 3 due to financial instruments experiencing significant increases in or decreases in credit risk or becoming credit impaired in the period;
- additional impairment for new instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- impact of measurement of ECL due to changes in PD, LGD and EAD arising from refresh of inputs to the model;
- impacts of measurement arising from changes to model and assumptions;
- foreign exchange retranslation for assets held in foreign currency; and
- financial assets derecognised during the period and write-offs of impairment allowances related to assets written-off in the period.

Movement in gross exposures and credit impairment for loans and advances, debt securities, undrawn commitments and financial guarantees

The tables overleaf set out the movement in gross exposures and credit impairment by stage in respect of amortised cost loans to banks and customers, undrawn commitments, financial guarantees and Government securities held at FVOCI.

Methodology

The movement lines within the tables are an aggregation of monthly movements over the year and will therefore reflect the accumulation of multiple trades during the year. The credit impairment charge in the income statement comprises the amounts within the boxes in the table below less recoveries of amounts previously written off. Interest income on stage 3 financial instruments is computed on the net outstanding balance.

The approach for determining the key line items in the tables is set out below.

- Transfers - transfers between stages are deemed to occur at the beginning of a month based on prior month closing balances;
- Net remeasurement from stage changes - the remeasurement of credit impairment provisions arising from a change in stage is reported within the stage that the assets are transferred to. For example, assets transferred into stage 2 are remeasured from a 12 month to a lifetime expected credit loss, with the effect of remeasurement reported in stage 2. For stage 3, this represents the initial remeasurement from specific provisions recognised on individual assets transferred into stage 3 in the year;
- Net changes in exposures - new business written less repayments in the year. Within stage 1, new business written will attract up to 12 months of expected credit loss charges. Repayments of non-amortising loans (primarily within Corporate, Commercial & Institutional Banking) will have low amounts of expected credit loss provisions attributed to them, due to the release of provisions over the term to maturity. In stages 2 and 3, the amounts principally reflect repayments although stage 2 may include new business written where clients are on non-purely precautionary early alert, are a credit grade 12, or when non-investment grade debt securities are acquired;
- Changes in risk parameters - for stages 1 and 2, this reflects changes in the probability of default (PD), loss given default (LGD) and exposure at default (EAD) of assets during the year, which includes the impact of releasing provisions over the term to maturity. It also includes the effect of changes in forecasts of macroeconomic variables during the year. In stage 3, this line represents additional specific provisions recognised on exposures held within stage 3; and
- Changes to ECL models, which incorporates changes to model approaches and methodologies, is not reported as a separate line item as it has an impact over a number of lines and stages.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued
(a) Credit risk continued
(v) Expected credit loss measurement continued

Movement of Government securities held at FVOCI

Group	Stage 1		Stage 2		Stage 3		Total	
KShs '000	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment
At 1 January 2020	97,671,849	(321,749)	-	-	-	-	97,671,849	(321,749)
Additions	77,024,094	58,954	-	-	-	-	77,024,094	58,954
Disposals and maturities	(84,898,096)	(70,927)	-	-	-	-	(84,898,096)	(70,927)
Other movements*	5,054,806	-	-	-	-	-	5,054,806	-
At 31 December 2020	94,852,653	(333,722)	-	-	-	-	94,852,653	(333,722)
Income statement ECL charge		(11,973)		-		-		(11,973)
At 1 January 2021	94,852,653	(333,722)	-	-	-	-	94,852,653	(333,722)
Additions	60,090,951	61,550	-	-	-	-	60,090,951	61,550
Disposals and maturities	(66,918,555)	(49,627)	-	-	-	-	(66,918,555)	(49,627)
Other movements*	2,989,856	-	-	-	-	-	2,989,856	-
At 31 December 2021	91,014,905	(321,799)	-	-	-	-	91,014,905	(321,799)
Income statement ECL release		11,923		-		-		11,923

Government securities are held at fair value on the balance sheet. Therefore, there is no "net carrying amount". The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

Other movements relate to changes in fair value, movement in accrued interest, fair value recycled through income statement and amortisation of discounts and premiums which are disclosed in Note 20, Government securities at FVOCI.

Movement of Government securities held at FVOCI

Company	Stage 1		Stage 2		Stage 3		Total	
KShs '000	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment
At 1 January 2020	96,545,418	(315,966)	-	-	-	-	96,545,418	(315,966)
Additions	77,024,094	58,954	-	-	-	-	77,024,094	58,954
Disposals and maturities	(83,813,696)	(76,710)	-	-	-	-	(83,813,696)	(76,710)
Other movements*	5,096,837	-	-	-	-	-	5,096,837	-
At 31 December 2020	94,852,653	(333,722)	-	-	-	-	94,852,653	(333,722)
Income statement ECL charge		(17,756)		-		-		(17,756)
At 1 January 2021	94,852,653	(333,722)	-	-	-	-	94,852,653	(333,722)
Additions	60,090,951	61,550	-	-	-	-	60,090,951	61,550
Disposals and maturities	(66,918,555)	(49,627)	-	-	-	-	(66,918,555)	(49,627)
Other movements*	2,989,856	-	-	-	-	-	2,989,856	-
At 31 December 2021	91,014,905	(321,799)	-	-	-	-	91,014,905	(321,799)
Income statement ECL release		11,923		-		-		11,923

Government securities are held at fair value on the balance sheet. Therefore, there is no "net carrying amount". The ECL provision in respect of government securities measured at FVOCI is held within the OCI reserve.

Other movements relate to changes in fair value, movement in accrued interest, fair value recycled through income statement and amortisation of discounts and premiums which are disclosed in Note 20, Government securities at FVOCI..

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Movement of loans and advances to customers

Group and Company	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
At 1 January 2020	120,603,631	(756,868)	119,846,763	3,660,915	(652,426)	3,008,489	12,269,630	(6,434,540)	5,835,090	136,534,176	(7,843,834)	128,690,342
Transfers to stage 1	5,689,345	(157,935)	5,531,410	(5,689,345)	157,935	(5,531,410)	-	-	-	-	-	-
Transfers to stage 2	(32,169,579)	121,895	(32,047,684)	32,355,198	(129,451)	32,225,747	(185,619)	7,556	(178,063)	-	-	-
Transfers to stage 3	-	-	-	(3,914,064)	262,733	(3,651,331)	3,914,064	(262,733)	3,651,331	-	-	-
Net change in exposures	17,819,193	(382,394)	17,436,799	(20,880,638)	133,777	(20,746,861)	(794,658)	(364,044)	(1,158,702)	(3,856,103)	(612,661)	(4,468,764)
Net remeasurement from stage changes	-	(41,163)	(41,163)	-	(504,064)	(504,064)	-	(1,511,107)	(1,511,107)	-	(2,056,334)	(2,056,334)
Changes in models	-	250,348	250,348	-	(740,774)	(740,774)	-	(571,103)	(571,103)	-	(1,061,529)	(1,061,529)
Write-offs	-	-	-	-	-	-	(2,570,296)	2,127,781	(442,515)	(2,570,296)	2,127,781	(442,515)
Discount unwind	-	-	-	-	-	-	-	361,546	361,546	-	361,546	361,546
Exchange translation differences	-	(2,430)	(2,430)	32,522	(31,979)	543	579,149	(75,781)	503,368	611,671	(110,190)	501,481
At 31 December 2020	111,942,590	(968,547)	110,974,043	5,564,588	(1,504,249)	4,060,339	13,212,270	(6,722,425)	6,489,845	130,719,448	(9,195,221)	121,524,227
Income statement ECL charge	-	(173,209)	-	-	(1,111,061)	-	-	(2,446,254)	-	-	(3,730,524)	-
Recoveries of amounts previously written off	-	-	-	-	-	-	-	364,044	-	-	364,044	-
Total credit impairment charge	-	(173,209)	-	-	(1,111,061)	-		(2,082,210)	-	-	(3,366,480)	-
At 1 January 2021	111,942,590	(968,547)	110,974,043	5,564,588	(1,504,249)	4,060,339	13,212,270	(6,722,425)	6,489,845	130,719,448	(9,195,221)	121,524,227
Transfers to stage 1	2,342,622	(942,040)	1,400,582	(2,342,622)	942,040	(1,400,582)	-	-	-	-	-	-
Transfers to stage 2	(15,472,191)	236,634	(15,235,557)	15,472,191	(261,427)	15,210,764	-	24,793	24,793	-	-	-
Transfers to stage 3	-	-	-	(3,384,125)	124,456	(3,259,669)	3,384,125	(124,456)	3,259,669	-	-	-
Net change in exposures	17,639,862	(382,931)	17,256,931	(9,697,026)	75,045	(9,621,981)	(1,495,278)	763,912	(731,366)	6,447,558	456,026	6,903,584
Net remeasurement from stage changes	-	787,098	787,098	-	(121,671)	(121,671)	-	(1,226,359)	(1,226,359)	-	(560,932)	(560,932)
Changes in models	-	122,572	122,572	-	(504,524)	(504,524)	-	(1,759,220)	(1,759,220)	-	(2,141,172)	(2,141,172)
Write-offs	-	-	-	-	-	-	(1,602,709)	1,270,646	(332,063)	(1,602,709)	1,270,646	(332,063)
Exchange translation differences	151,084	4,351	155,435	218,417	(31,025)	187,392	248,142	(10,023)	238,119	617,643	(36,697)	580,946
At 31 December 2021	116,603,967	(1,142,863)	115,461,104	5,831,423	(1,281,355)	4,550,068	13,746,550	(7,783,132)	5,963,418	136,181,940	(10,207,350)	125,974,590
Income statement ECL (charge)/release	-	526,739	-	-	(551,150)	-	-	(2,221,667)	-	-	(2,246,078)	-
Recoveries of amounts previously written off	-	-	-	-		-	-	463,361	-	-	463,361	-
Total credit impairment (charge)/release	-	526,739	-	-	(551,150)	-	-	(1,758,306)	-	-	(1,782,717)	-

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Movement of loans to banks

Group and Company	Stage 1			Stage 2			Stage 1			Total		
KShs '000	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
At 1 January 2020	7,737,018	(2,562)	7,734,456	-	-	-	-	-	-	7,737,018	(2,562)	7,734,456
Net change in exposures	(168,547)	(9,545)	(178,092)	-	-	-	-	-	-	(168,547)	(9,545)	(178,092)
Changes in risk parameters	-	8,908	8,908	-	-	-	-	-	-	-	8,908	8,908
Exchange translation differences	(31,673)	(403)	(32,076)	-	-	-	-	-	-	(31,673)	(403)	(32,076)
At 31 December 2020	7,536,798	(3,602)	7,533,196	-	-	-	-	-	-	7,536,798	(3,602)	7,533,196
Income statement ECL charge	-	(637)	-	-	-	-	-	-	-	-	(637)	-
At 1 January 2021	7,536,798	(3,602)	7,533,196	-	-	-	-	-	-	7,536,798	(3,602)	7,533,196
Net change in exposures	(5,108,006)	(8,717)	(5,116,723)	-	-	-	-	-	-	(5,108,006)	(8,717)	(5,116,723)
Changes in risk parameters	-	9,520	9,520	-	-	-	-	-	-	-	9,520	9,520
Exchange translation differences	3,077	(19)	3,058	-	-	-	-	-	-	3,077	(19)	3,058
At 31 December 2021	2,431,869	(2,818)	2,429,051	-	-	-	-	-	-	2,431,869	(2,818)	2,429,051
Income statement ECL release	-	803	-	-	-	-	-	-	-	-	803	-

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Movement in balances due from group companies and other related parties

Group	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
At 1 January 2020	31,808,343	(9,118)	31,799,225	-	-	-	-	-	-	31,808,343	(9,118)	31,799,225
Net change in exposures	31,125,045	(168,146)	30,956,899	-	-	-	-	-	-	31,125,045	(168,146)	30,956,899
At 31 December 2020	62,933,388	(177,264)	62,756,124	-	-	-	-	-	-	62,933,388	(177,264)	62,756,124
Income statement ECL charge	-	(168,146)	-	-	-	-	-	-	-	-	(168,146)	-
At 1 January 2021	62,933,388	(177,264)	62,756,124	-	-	-	-	-	-	62,933,388	(177,264)	62,756,124
Net change in exposures	9,072,157	163,647	9,235,804	-	-	-	-	-	-	9,072,157	163,647	9,235,804
At 31 December 2021	72,005,545	(13,617)	71,991,928	-	-	-	-	-	-	72,005,545	(13,617)	71,991,928
Income statement ECL release	-	163,647	-	-	-	-	-	-	-	-	163,647	-

Company	Stage 1			Stage 2			Stage 3			Total		
KShs '000	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net	Gross balance	Total credit impairment	Net
At 1 January 2020	33,127,452	(9,118)	33,118,334	-	-	-	-	-	-	33,127,452	(9,118)	33,118,334
Net change in exposures	30,154,440	(168,146)	29,986,294	-	-	-	-	-	-	30,154,440	(168,146)	29,986,294
As at 31 December 2020	63,281,892	(177,264)	63,104,628	-	-	-	-	-	-	63,281,892	(177,264)	63,104,628
Income statement ECL charge	-	(168,146)	-	-	-	-	-	-	-	-	(168,146)	-
At 1 January 2021	63,281,892	(177,264)	63,104,628	-	-	-	-	-	-	63,281,892	(177,264)	63,104,628
Net change in exposures	9,035,393	163,647	9,199,040	-	-	-	-	-	-	9,035,393	163,647	9,199,040
As at 31 December 2021	72,317,285	(13,617)	72,303,668	-	-	-	-	-	-	72,317,285	(13,617)	72,303,668
Income statement ECL release	-	163,647	-	-	-	-	-	-	-	-	163,647	-

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Movement of undrawn commitments, financial guarantees and letters of credit

Group and Company	Stage 1		Stage 2		Stage 3		Total	
KShs '000	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment	Gross balance	Total credit impairment
At 1 January 2020	82,987,630	(95,531)	13,537,696	(80,166)	397,553	(20)	96,922,879	(175,717)
Transfers to stage 1	16,382,081	(160,961)	(16,382,081)	160,961	-	-	-	-
Transfers to stage 2	(25,861,315)	45,541	25,862,815	(45,541)	(1,500)	-	-	-
Transfers to stage 3	-	-	(1,562)	-	1,562	-	-	-
Net change in exposures	29,900,738	(131,482)	(15,378,410)	-	(275,425)	-	14,246,903	(131,482)
Net remeasurement from stage changes	-	77,127	-	(51,036)	-	-	-	26,091
Changes in risk parameters	-	171,681	-	(105,114)	-	8	-	66,575
Exchange translation differences	1,713,187	8,784	1,247,163	(24,039)	123,302	-	3,083,652	(15,255)
At 31 December 2020	105,122,321	(84,841)	8,885,621	(144,935)	245,492	(12)	114,253,434	(229,788)
Income statement ECL (charge)/ release	-	117,326	-	(156,150)	-	8	-	(38,816)
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Total credit impairment (charge)/ release	-	117,326	-	(156,150)	-	8	-	(38,816)
At 1 January 2021	105,122,321	(84,841)	8,885,621	(144,935)	245,492	(12)	114,253,434	(229,788)
Transfers to stage 1	4,208,495	(59,709)	(4,208,495)	59,709	-	-	-	-
Transfers to stage 2	(7,947,009)	26,574	7,947,009	(26,574)	-	-	-	-
Transfers to stage 3	-	-	-	10,310	-	(10,310)	-	-
Net change in exposures	5,855,479	(9,994)	(4,763,689)	-	(83,356)	-	1,008,434	(9,994)
Net remeasurement from stage changes	-	10,330	-	(74,645)	-	-	-	(64,315)
Changes in risk parameters	-	63,746	-	122,725	-	1,344	-	187,815
Exchange translation differences	(37,003)	6,068	(12,612)	1,635	(409)	(7)	(50,024)	7,696
At 31 December 2021	107,202,283	(47,826)	7,847,834	(51,775)	161,727	(8,985)	115,211,844	(108,586)
Income statement ECL release	-	64,082	-	48,080	-	1,344	-	113,506
Recoveries of amounts previously written off	-	-	-	-	-	-	-	-
Total credit impairment release	-	64,082	-	48,080	-	1,344	-	113,506

These are off-balance sheet instruments. Only the ECL is recorded on-balance sheet as a financial liability and therefore there is no "net carrying amount". ECL allowances on off-balance sheet instruments are held as liability provisions to the extent that the drawn and undrawn components of loan exposures can be separately identified. Otherwise they will be reported against the drawn component.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(a) Credit risk continued

(v) Expected credit loss measurement continued

Other financial assets

Certain financial assets do not share the same characteristics as typical loan portfolios, hence specific ECL models' considerations apply to the following:

Balances with Central Bank of Kenya and other assets

Balances with Central Bank of Kenya and other assets will attract no ECL due to the immaterial risk of impairment and short dated maturity of the respective amounts.

Debt securities

Debt securities consist of corporate and government bonds, certificates of deposit, convertible bonds, credit and structured notes and asset backed securities. ECL on these positions are calculated in a manner consistent with loans as set out above with the exception of asset backed securities.

PDs on asset backed securities are determined using both external credit ratings as published by ratings agencies and internally generated PDs. Ratings agencies credit ratings typically already take into account the loss characteristics of a portfolio and hence LGDs on asset backed securities portfolios are assumed to be 100%. Like other assets EADs on asset backed securities are the full amortised cost amount of the respective instruments at the reporting date. SICR is also assessed in a similar way to Corporate, Commercial & Institutional Banking exposures.

The table below shows other financial assets financial assets that have not attracted ECL.

Group and Company	2021 KShs '000	2020 KShs '000
Balances with Central Bank of Kenya	20,076,482	16,944,010
Government and other securities held at FVTPL	4,601,367	4,948,175
Derivative financial instruments	465,879	738,526

(b) Settlement risk

The Group's and Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Group and Company mitigate this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Traded Credit Risk (TCR).

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to banks and customers. The amount of credit risk is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group and Company further limit their exposures to credit losses in the event of default by entering into master netting agreements with certain market counterparties. Exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

(c) Liquidity risk

Liquidity risk is the risk that the Group and Company do not have sufficient financial resources to meet their obligations and commitments as they fall due, or can only access these financial resources at excessive cost. The Group's and Company's approach to managing liquidity risk is to ensure, as far as possible, that they will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's and Company's reputation.

The Group and Company manage liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

ALCO is responsible for ensuring that the Group and Company are self-sufficient and are able to meet all their obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Group policy, and maintaining a Country Recovery Plan (CRP) which addresses both Liquidity and Capital Crisis.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(c) Liquidity risk continued

The Group liquidity risk management framework requires limits to be set for prudent liquidity management. These limits are on:

- the mismatch in local and foreign currency behavioural cash flows;
- the level of wholesale borrowing to ensure that the size of this funding is proportional to the local market and the Group's operations;
- commitments, both on and off the statement of financial position, to ensure there are sufficient funds available in the event of drawdown on these commitments;
- the advances to deposits ratio to ensure that commercial advances are funded by stable sources;
- the amount of medium term funding to support the asset portfolio; and
- the amount of local currency funding sourced from foreign currency sources.

In addition, the Group prescribes a liquidity stress scenario that assumes accelerated withdrawal of deposits over a period of time. The Group has to ensure that cash inflows exceed outflows under such a scenario.

All limits are reviewed at least annually, and more frequently if required, to ensure that they are relevant given market conditions and business strategy. Compliance with limits is monitored independently by Treasury Risk (TR). Limit excesses are escalated and approved under a delegated authority structure and reviewed by ALCO.

In addition, regular reports to the ALCO include the following:

- information on the concentration and profile of debt maturities; and
- depositor concentration report to monitor reliance on large depositors.

The Group and Company maintain a portfolio of High Quality Liquid Assets (HQLA), principally government securities, which can be realised, repurchased or used as collateral in the event that there is a need for liquidity in a crisis. In addition, liquidity and Solvency crisis management plans (CRP) are maintained by the Group and Company and are reviewed and approved annually. The liquidity and Capital/Solvency crisis management plan lays out trigger points and actions in the event of a liquidity and or Capital crisis to ensure that there is an effective response by senior management.

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of liquidity risk.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest bearing liabilities as they mature are important factors in assessing the liquidity of the Group and Company and their exposure to changes in interest rates and exchange rates.

A substantial portion of the Group's and Company's assets are funded by customer deposits made up of current and savings accounts and other deposits. These customer deposits, which are widely diversified by type and maturity, represent a stable source of funds. Lending is normally funded by liabilities in the same currency. ALCO monitors trends in the statement of financial position and ensures that any concerns that might impact the stability of these deposits are addressed effectively. ALCO also reviews balance sheet plans to ensure that asset growth plans are matched by growth in the relevant funding base.

The Group and Company also maintain significant levels of marketable securities either for compliance with statutory requirements or as prudential investments of surplus funds.

A key measure of liquidity risk is the ratio of net liquid assets to deposit liabilities. The Central Bank of Kenya requires banks to maintain a statutory minimum ratio of 20% of liquid assets to all its deposit liabilities.

For this purpose, liquid assets comprise cash and balances with Central Bank of Kenya, net loans and advances with banks and treasury bonds and bills.

Deposit liabilities comprise deposits from customers and other liabilities that have matured or maturing within 91 days.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(c) Liquidity risk continued

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

Company	2021 %	2020 %
At 31 December	77	72
Average for the year	72	68
Highest for the year	77	72
Lowest for the year	67	63

The Group and Company also monitor on a regular basis the advances to deposits ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advance to deposit ratio (less than 1) demonstrates that customer deposits exceed customer loans resulting from the emphasis placed on generating a high level of stable funding from customers.

The advances to deposits ratio at the end of the reporting period was as follows:

	2021 KShs '000	2020 KShs '000
Total loans and advances to customers	125,974,590	121,524,227
Total customer accounts	265,469,114	256,497,530
Advances-to-deposits ratio	48%	47%

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Group KShs '000	2021 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Assets									
Cash and balances with Central Bank of Kenya	23,700,451	-	-	-	-	-	-	-	23,700,451
Derivative financial instruments	465,879	-	-	-	-	-	-	-	465,879
Loans and advances to banks	2,429,051	-	-	-	-	-	-	-	2,429,051
Loans and advances to customers	35,106,803	6,472,764	10,021,236	861,832	639,911	4,381,836	51,384,972	63,293,979	172,163,333
Investment securities	3,749,169	14,192,655	16,583,241	5,892,286	5,670,472	17,832,586	22,791,391	24,971,965	111,683,765
Other assets – un-cleared effects	585,681	-	-	-	-	-	-	-	585,681
Due from group companies and other related parties	37,442,315	13,360,620	7,383,586	6,231,239	-	-	9,542,483	-	73,960,243
Total assets	103,479,349	34,026,039	33,988,063	12,985,357	6,310,383	22,214,422	83,718,846	88,265,944	384,988,403
Liabilities									
Deposits from banks	383,214	-	-	-	-	-	-	-	383,214
Deposits from customers	247,217,001	6,964,818	4,734,366	3,851,328	2,509,855	559,626	25,031	10,861	265,872,886
Derivative financial instruments	359,808	-	-	-	-	-	-	-	359,808
Due to group companies and other related parties	-	-	-	-	-	-	6,826,103	2,842,154	9,668,257
Other liabilities - bills payable	650,718	-	-	-	-	-	-	-	650,718
- lease liability	3,704	-	-	-	-	60,310	278,652	61,562	404,228
Total liabilities	248,614,445	6,964,818	4,734,366	3,851,328	2,509,855	619,936	7,129,786	2,914,577	277,339,111
Net liquidity gap	(145,135,096)	27,061,221	29,253,697	9,134,029	3,800,528	21,594,486	76,589,060	85,351,367	107,649,292

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Group KShs '000	2020 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Assets									
Cash and balances with Central Bank of Kenya	20,619,064	-	-	-	-	-	-	-	20,619,064
Derivative financial instruments	738,526	-	-	-	-	-	-	-	738,526
Loans and advances to banks	7,386,993	133,019	13,184	-	-	-	-	-	7,533,196
Loans and advances to customers	30,629,748	7,713,533	4,553,564	1,822,499	1,039,067	4,429,592	51,987,288	72,630,371	174,805,662
Investment securities	4,497,416	15,645,256	17,314,436	19,150,021	12,173,860	8,598,404	19,203,302	12,175,533	108,758,228
Other assets – un-cleared effects	784,000	-	-	-	-	-	-	-	784,000
Due from group companies and other related parties	19,566,986	24,048,724	3,827,544	3,282,893	5,473,972	-	10,198,363	-	66,398,482
Total assets	84,222,733	47,540,532	25,708,728	24,255,413	18,686,899	13,027,996	81,388,953	84,805,904	379,637,158
Liabilities									
Deposits from banks	453,628	-	-	-	-	-	-	-	453,628
Deposits from customers	232,395,789	7,135,411	5,693,073	6,024,766	5,211,891	690,445	53,320	7,591	257,212,286
Derivative financial instruments	647,839	-	-	-	-	-	-	-	647,839
Due to group companies and other related parties	3,557,471	-	1,094,932	-	-	-	4,404,996	2,212,432	11,269,831
Other liabilities - bills payable	316,885	-	-	-	-	-	-	-	316,885
- lease liability	-	-	-	-	-	149,042	438,298	-	587,340
Total liabilities	237,371,612	7,135,411	6,788,005	6,024,766	5,211,891	839,487	4,896,614	2,220,023	270,487,809
Net liquidity gap	(153,148,879)	40,405,121	18,920,723	18,230,647	13,475,008	12,188,509	76,492,339	82,585,881	109,149,349

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Company KShs '000	2021 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Assets									
Cash and balances with Central Bank of Kenya	23,700,451	-	-	-	-	-	-	-	23,700,451
Derivative financial instruments	465,879	-	-	-	-	-	-	-	465,879
Loans and advances to banks	2,429,051	-	-	-	-	-	-	-	2,429,051
Loans and advances to customers	35,106,803	6,472,764	10,021,236	861,832	639,911	4,381,836	51,384,972	63,293,979	172,163,333
Investment securities	3,749,169	14,192,655	16,583,241	5,892,286	5,670,472	17,832,586	22,791,391	24,971,965	111,683,765
Other assets – un-cleared effects	585,681	-	-	-	-	-	-	-	585,681
Due from group companies and other related parties	37,754,055	13,360,620	7,383,586	6,231,239	-	-	9,542,483	-	74,271,983
Total assets	103,791,089	34,026,039	33,988,063	12,985,357	6,310,383	22,214,422	83,718,846	88,265,944	385,300,143
Liabilities									
Deposits from banks	383,214	-	-	-	-	-	-	-	383,214
Deposits from customers	247,217,001	6,964,818	4,734,366	3,851,328	2,509,855	559,626	25,031	10,861	265,872,886
Derivative financial instruments	359,808	-	-	-	-	-	-	-	359,808
Due to group companies and other related parties	753,319	-	330,263	-	-	-	6,826,103	2,842,154	10,751,839
Other liabilities - bills payable	650,718	-	-	-	-	-	-	-	650,718
- lease liability	3,704	-	-	-	-	60,310	278,652	61,562	404,228
Total liabilities	249,367,764	6,964,818	5,064,629	3,851,328	2,509,855	619,936	7,129,786	2,914,577	278,422,693
Net liquidity gap	(145,576,675)	27,061,221	28,923,434	9,134,029	3,800,528	21,594,486	76,589,060	85,351,367	106,877,450

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(c) Liquidity risk continued

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date.

Company KShs '000	2020 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Assets									
Cash and balances with Central Bank of Kenya	20,619,064	-	-	-	-	-	-	-	20,619,064
Derivative financial instruments	738,526	-	-	-	-	-	-	-	738,526
Loans and advances to banks	7,386,993	133,019	13,184	-	-	-	-	-	7,533,196
Loans and advances to customers	30,629,748	7,713,533	4,553,564	1,822,499	1,039,067	4,429,592	51,987,288	72,630,371	174,805,662
Investment securities	4,497,416	15,645,256	17,314,436	19,150,021	12,173,860	8,598,404	19,203,302	12,175,533	108,758,228
Other assets - un-cleared effects	784,000	-	-	-	-	-	-	-	784,000
Due from group companies and other related parties	18,611,466	24,048,724	3,827,544	3,282,893	5,473,972	-	10,198,363	-	65,442,962
Total assets	83,267,213	47,540,532	25,708,728	24,255,413	18,686,899	13,027,996	81,388,953	84,805,904	378,681,638
Liabilities									
Deposits from banks	453,628	-	-	-	-	-	-	-	453,628
Deposits from customers	232,395,789	7,135,411	5,693,073	6,024,766	5,211,891	690,445	53,320	7,591	257,212,286
Derivative financial instruments	647,839	-	-	-	-	-	-	-	647,839
Due to group companies and other related parties	4,696,804	-	1,092,000	-	-	-	4,404,997	2,212,432	12,406,233
Other liabilities - bills payable	311,656	-	-	-	-	-	-	-	311,656
- lease liability	-	-	-	-	-	149,042	438,298	-	587,340
Total liabilities	238,505,716	7,135,411	6,785,073	6,024,766	5,211,891	839,487	4,896,615	2,220,023	271,618,982
Net liquidity gap	(155,238,503)	40,405,121	18,923,655	18,230,647	13,475,008	12,188,509	76,492,338	82,585,881	107,062,656

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(c) Liquidity risk continued

The table below analyses contingent liabilities and commitments into relevant maturity groupings based on the earliest calling period at the reporting date to the contractual maturity date.

Group and Company KShs '000	2021 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Financial guarantees	829,818	3,375,298	7,178,040	3,760,559	8,966,279	14,990,428	9,467,232	10,160,616	58,728,270
Letters of credit	3,159,998	3,453,874	2,353,022	9,910	-	-	-	-	8,976,804
Undrawn commitments	322,186	327,277	1,382,754	565,814	318,056	246,655	1,932,499	42,411,529	47,506,770
Total guarantees and commitments	4,312,002	7,156,449	10,913,816	4,336,283	9,284,335	15,237,083	11,399,731	52,572,145	115,211,844

Group and Company KShs '000	2020 One month or less	Between one month and three months	Between three months and six months	Between six months and nine months	Between nine months and one year	Between one year and two years	Between two years and five years	More than five years and undated	Total
Financial guarantees	152,760	2,570,222	9,195,466	4,958,927	7,195,039	9,049,794	12,267,229	10,183,979	55,573,416
Letters of credit	2,627,764	5,392,771	1,579,875	284,556	577,159	-	-	-	10,462,125
Undrawn commitments	312,936	643,099	1,092,026	761,488	235,018	294,565	2,050,844	42,827,918	48,217,894
Total guarantees and commitments	3,093,460	8,606,092	11,867,367	6,004,971	8,007,216	9,344,359	14,318,073	53,011,897	114,253,435

Customer deposits up to three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long-term nature.

Liquidity risk arises in the general funding of the Group's and Company's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate time-frame.

The Group and Company have access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group and Company strive to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities.

The Group and Company continually assess liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group and Company strategy.

In addition, the Group and Company hold a portfolio of liquid assets as part of its liquidity risk management strategy.

(d) Market risk

The Group and Company recognise market risk as the risk of loss arising from changes in market prices and rates. The Group's and Company's exposure to market risk arises principally from customer-driven transactions. The objective of the Group's and Company's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The primary categories of market risk for the Group and Company are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- Foreign Exchange Rate Risk: arising from changes in currency exchange rates and implied volatilities on foreign exchange options;
- Commodity Risk: arising from changes in commodity prices and implied volatilities on commodity options; covering energy, precious metals, base metals and agriculture as well as commodity baskets; and
- Equity Risk: arising from changes in the prices of equities, equity indices, equity baskets and implied volatilities on related options.

The Board approves the Group's and Company's risk appetite for market risk. Subject to the risk appetite set for market risk, the Group Risk Committee sets Group-level market risk limits and stress loss triggers.

Treasury Risk Management (TRM) function approves all the other market risk limits within delegated authorities, monitors exposures against these limits and reports to the Executive Risk Committee (ERC). The ERC provides adequate oversight of the Group's and Company's market risk exposures.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

TRM co-ordinates the limit review process. Typically, the main limit review is concluded in the first two months of the year, and an additional, light touch review is performed at mid year, ordinarily to accommodate business changes that have occurred in the first half.

Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to Value at Risk (VaR) as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to a one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of the underlying values or amounts involved.

Sensitivity analysis

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

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 per cent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

The Group and Company applies two VaR methodologies:

Historical simulation: involves the revaluation of all existing positions to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors and the majority of specific (credit spread) risk VaR.

Monte Carlo simulation: this methodology is similar to historical simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for some of the specific (credit spread) risk VaR in relation to idiosyncratic exposures in credit markets.

In both methods a historical observation period of one year is chosen and applied.

VaR is calculated as the exposure as at close of business. Intra-day risk levels may vary from those reported at the end of the day.

The Group and Company recognise that there are limitations to the VaR methodology. These limitations include the fact that the historic data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group and Company perform regular backtesting, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR model.

Losses beyond the 97.5 per cent confidence interval are not captured by a VaR calculation, which therefore gives no indication of the size of unexpected losses in these situations. To manage the risk arising from such events, which the VaR methodology does not fully capture, Traded Risk (TR) complements the VaR measurement by weekly stress testing of market risk exposures to highlight the potential risk that may arise from extreme market events that are rare but plausible.

Stress testing is an integral part of the market risk management framework and considers both historical market events and forward-looking scenarios. A consistent stress-testing methodology is applied to trading and non-trading books.

One basis point change in the yield curve will have the following impact on profit before tax and equity.

Group and Company	2021 Actual KShs '000	Average KShs '000	High KShs '000	Low KShs '000	2020 Actual KShs '000	Average KShs '000	High KShs '000	Low KShs '000
Foreign exchange risk	14,437	9,127	23,294	2,337	10,262	10,143	18,608	3,256
Interest rate risk	81,577	115,152	145,760	67,749	134,636	157,811	217,233	74,922
Rates trading	13,938	20,272	44,434	8,173	12,834	21,320	50,571	3,689
Total	109,952	144,551	213,488	78,259	157,732	189,274	286,412	81,867

One basis point change in the yield curve will have the following impact on equity.

	2021 Actual KShs '000	Average KShs '000	High KShs '000	Low KShs '000	2020 Actual KShs '000	Average KShs '000	High KShs '000	Low KShs '000
Foreign exchange risk	10,106	6,389	16,306	1,636	7,183	7,100	13,026	2,279
Interest rate risk	57,104	80,606	102,032	47,424	94,245	110,468	152,063	52,445
Rates trading	9,757	14,190	31,104	5,721	8,984	14,924	35,400	2,582
Total	76,967	101,185	149,442	54,781	110,412	132,492	200,489	57,306

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

(i) Interest rate risk

The Group and Company are exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on their financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table below are the Group's and Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

Group	2021							
KShs'000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL	11.70	-	-	157	660,486	3,920,065	20,659	4,601,367
Derivative financial instruments	-	-	-	-	-	-	465,879	465,879
Loans and advances to banks	4.20	2,197,568	-	-	-	-	231,483	2,429,051
Loans and advances to customers	9.30	34,705,086	6,375,356	11,145,612	42,092,296	31,656,240	-	125,974,590
Government securities held at FVOCI	10.20	2,493,516	13,844,984	26,680,918	33,709,100	14,286,387	-	91,014,905
Other assets – un-cleared effects	-	-	-	-	-	-	585,681	585,681
Due from group companies and other related parties	1.30	23,810,098	13,350,096	13,599,434	7,600,000	-	13,632,300	71,991,928
		63,206,268	33,570,436	51,426,121	84,061,882	49,862,692	38,636,453	320,763,852
LIABILITIES								
Deposits from banks	0.20	383,214	-	-	-	-	-	383,214
Deposits from customers	3.30	61,911,629	6,878,797	10,741,706	539,695	6,129	185,391,158	265,469,114
Derivative financial instruments	-	-	-	-	-	-	359,808	359,808
Other financial liabilities – Bills payable	-	-	-	-	-	-	650,718	650,718
Due to group companies and other related parties	0.20	-	-	-	6,789,000	-	2,842,154	9,631,154
		62,294,843	6,878,797	10,741,706	7,328,695	6,129	189,243,838	276,494,008
Interest rate sensitivity gap		911,425	26,691,639	40,684,415	76,733,187	49,856,563	(150,607,385)	44,269,844

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

(i) Interest rate risk continued

Group	2020							
KShs'000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	-	5,501,282	-	-	-	-	15,117,782	20,619,064
Government and other securities held at FVTPL	10.26	-	1,979,913	102	79,557	2,782,538	106,065	4,948,175
Derivative financial instruments	-	-	-	-	-	-	738,526	738,526
Loans and advances to banks	6.28	7,349,995	-	-	-	-	183,201	7,533,196
Loans and advances to customers	9.58	18,608,082	10,988,828	6,794,643	40,664,912	37,469,535	6,998,227	121,524,227
Government securities held at FVOCI	9.64	3,944,000	15,441,800	46,428,800	21,221,950	7,000,000	816,103	94,852,653
Other assets – un-cleared effects	-	-	-	-	-	-	784,000	784,000
Due from group companies and other related parties	1.50	10,844,021	24,023,892	12,557,612	7,600,000	-	7,730,599	62,756,124
		46,247,380	52,434,433	65,781,152	69,566,419	47,252,073	32,474,503	313,755,965
LIABILITIES								
Deposits from banks	0.51	453,628	-	-	-	-	-	453,628
Deposits from customers	3.67	64,221,279	7,259,592	16,593,612	167,307	2,329	168,253,411	256,497,530
Derivative financial instruments	-	-	-	-	-	-	647,839	647,839
Other financial liabilities – Bills payable	-	-	-	-	-	-	316,885	316,885
Due to group companies and other related parties	0.30	-	-	1,092,349	4,368,000	2,184,000	3,564,638	11,208,987
		64,674,907	7,259,592	17,685,961	4,535,307	2,186,329	172,782,773	269,124,869
Interest rate sensitivity gap		(18,427,527)	45,174,841	48,095,196	65,031,112	45,065,744	(140,308,270)	44,631,096

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

(i) Interest rate risk continued

2021

Company KShs'000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	23,700,451	23,700,451
Government and other securities held at FVTPL	11.70	-	-	157	660,486	3,920,065	20,659	4,601,367
Derivative financial instruments	-	-	-	-	-	-	465,879	465,879
Loans and advances to banks	4.20	2,197,568	-	-	-	-	231,483	2,429,051
Loans and advances to customers	9.30	34,705,086	6,375,356	11,145,612	42,092,296	31,656,240	-	125,974,590
Government securities held at FVOCI	10.20	2,493,516	13,844,984	26,680,918	33,709,100	14,286,387	-	91,014,905
Other assets – un-cleared effects	-	-	-	-	-	-	585,681	585,681
Due from group companies and other related parties	1.30	23,810,098	13,350,096	13,599,434	7,600,000	-	13,944,040	72,303,668
		63,206,268	33,570,436	51,426,121	84,061,882	49,862,692	38,948,193	321,075,592
LIABILITIES								
Deposits from banks	0.20	383,214	-	-	-	-	-	383,214
Deposits from customers	3.30	61,911,629	6,878,797	10,741,706	539,695	6,129	185,391,158	265,469,114
Derivative financial instruments	-	-	-	-	-	-	359,808	359,808
Other financial liabilities – Bills payable	-	-	-	-	-	-	650,718	650,718
Due to group companies and other related parties	0.20	753,319	-	330,263	6,789,000	-	2,842,154	10,714,736
		63,048,162	6,878,797	11,071,969	7,328,695	6,129	189,243,838	277,577,590
Interest rate sensitivity gap		158,106	26,691,639	40,354,152	76,733,187	49,856,563	(150,295,645)	43,498,002

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

(i) Interest rate risk continued

2020

Company KShs'000	Weighted average effective interest rate (%)	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	-	5,501,281	-	-	-	-	15,117,783	20,619,064
Government and other securities held at FVTPL	10.26	-	1,979,913	102	79,557	2,782,538	106,065	4,948,175
Derivative financial instruments	-	-	-	-	-	-	738,526	738,526
Loans and advances to banks	6.28	7,349,995	-	-	-	-	183,201	7,533,196
Loans and advances to customers	9.58	18,608,082	10,988,828	6,794,643	40,664,912	37,469,535	6,998,227	121,524,227
Government securities held at FVOCI	9.64	3,944,000	15,441,800	46,428,800	21,221,950	7,000,000	816,103	94,852,653
Other assets – un-cleared effects	-	-	-	-	-	-	784,000	784,000
Due from group companies and other related parties	1.50	11,192,381	23,373,772	12,558,463	7,600,000	-	8,380,012	63,104,628
		46,595,739	51,784,313	65,782,008	69,566,419	47,252,073	33,123,917	314,104,469
LIABILITIES								
Deposits from banks	0.51	453,628	-	-	-	-	-	453,628
Deposits from customers	3.67	64,221,279	7,259,592	16,593,612	167,307	2,329	168,253,411	256,497,530
Derivative financial instruments	-	-	-	-	-	-	647,839	647,839
Other financial liabilities – Bills payable	-	-	-	-	-	-	316,885	316,885
Due to group companies and other related parties	0.30	-	-	1,092,349	4,368,000	2,184,000	3,564,638	11,208,987
		64,674,907	7,259,592	17,685,961	4,535,307	2,186,329	172,782,773	269,124,869
Interest rate sensitivity gap		(18,079,168)	44,524,721	48,096,047	65,031,112	45,065,744	(139,658,856)	44,979,600

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(d) Market risk continued

(ii) Currency rate risk

The Group and Company operate wholly within Kenya and its assets and liabilities are translated to the local currency. The Group and Company maintain trade with the main shareholder and other correspondent banks.

The various foreign currencies to which the Group and Company are exposed to are summarised below:

Group and Company

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

	2020				
KShs '000	USD	Euro	GBP	Other	Total
ASSETS					
Cash, deposits and advances to banks	4,504,704	577,151	498,935	221,133	5,801,923
Loans and advances to customers	28,771,553	3,425,721	723,338	-	32,920,612
Other assets	89,286	-	291	-	89,577
Due from group companies and other related parties	45,902,373	4,315,071	3,827,522	447,671	54,492,637
Total	79,267,916	8,317,943	5,050,086	668,804	93,304,749
LIABILITIES					
Deposits from banks	178,029	15,858	-	-	193,887
Deposits from customers	77,953,866	8,259,001	5,472,526	426,301	92,111,694
Other liabilities	245,643	87,911	21,297	25,084	379,935
Due to group companies and other related parties	8,480,829	-	-	4,462	8,485,291
Total	86,858,367	8,362,770	5,493,823	455,847	101,170,807
Net statement of financial position exposure	(7,590,451)	(44,827)	(443,737)	212,957	(7,866,058)

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(e) Operational risk

The Group and Company define operational risk as the potential for loss resulting from inadequate or failed internal processes and systems, human error, or from the impact of external events (including legal risks)". It is inherent in the Group carrying out business and can be impacted from a range of operational risks.

Operational risks arise from the broad scope of activities carried out across the Group and Company. To address this, we aim to achieve effective control design standards for all activities and benchmark practices against industry standards and regulatory requirements.

Operational risk profile

In 2021, the Group has implemented a refreshed Framework to continue to enhance the management of operational risk, ensuring risk is managed within Risk Appetite and we continue to deliver services to our clients.

The Group has continued to provide a stable level of service to clients during the period of COVID-19 and adapted swiftly to changes in operations brought by the pandemic. As a result of the changes in internal and external operating environment due to COVID-19, particular areas of focus are Fraud, Information & Cyber Security, Privacy, Conduct and Resilience.

Operational Risk events and losses

The operational risk profile is the Group's and Company's overall exposure to operational risk, at a given point in time, covering all applicable operational risk sub-types. The operational risk profile comprises both operational risk events and losses that have already occurred and the current exposures to operational risks.

The significant losses recorded during the year were financial crime risk related due to mobile and internet banking external fraud events.

The Group's and Company's profile of operational loss events in 2021 and 2020 is summarised in the table below. It shows the percentage distribution of gross operational losses by Basel business lines.

	% Loss	
Distribution of Operational Losses by Basel business line	2021	2020
Agency services	0.0	0.0
Commercial Banking	0.4	0.3
Corporate Finance	0.0	0.0
Corporate Items	0.0	0.7
Payment and Settlements	0.0	0.8
Consumer, Private & Business Banking	99.6	98.2
Retail Brokerage	0.0	0.0
Trading and Sales	0.0	0.0
	100.0	100.0

The Group's and Company's profile of operational loss events in 2021 and 2020 is also summarised in the table below. It shows the percentage distribution of gross operational losses by Basel event type.

	% Loss	
Distribution of Operational Losses by Basel event type	2021	2020
Business disruption and system failures	0.0	0.7
Clients products and business practices	0.1	1.4
Damage to physical assets	0.0	0.0
Employment practices and workplace safety	0.3	0.0
Execution delivery and process management	70.9	14.1
External fraud	13.2	83.8
Internal fraud	15.5	0.0
	100.0	100.0

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(e) Operational risk continued

Other principal risks

Losses arising from our other principal risks (Compliance, Conduct, Reputational, Information and Cyber Security and Financial Crime) would be captured under operational losses.

Operational risk management principles

The Group and Company allocates responsibilities for the management of operational risk and this is outlined in the Operational Risk Type Framework (ORTF). The ORTF is built on a risk-based approach which requires that risk management plans, processes, activities, and resource allocations are determined in accordance with the level of risk. Existing and future levels of operational risks must be maintained within the approved risk appetite of the Group and Company. Business strategy and planning must consider and address operational risks at the point of strategic choices and/or decision making. This should also include consideration of the impact of decisions on the design and operational effectiveness of the related system of controls.

Roles and Responsibilities

The ORTF considers processes and tools that are forward-looking – they should be repeatable, sustainable and anticipate future needs. The first line, when formulating business strategy and planning, must consider and address Operational Risk at the point of strategic choices and / or decision making. This should also include consideration of the impact of decisions on the design and operational effectiveness of the related system of controls.

The ORTF reinforces clear accountability for managing risk throughout the Group and Company, and delegates second line of defence responsibilities to identified subject matter experts. For each Operational Risk sub-type, the expert sets policies for the organisation to comply with, and provides guidance, oversight and challenge over the activities of the Group and Company. They ensure that key risk decisions are only taken by individuals with the requisite skills, judgment, and perspective to ensure that the risk/return objectives of the Group and Company are met.

The ORTF is periodically reviewed, at a minimum annually, or earlier if triggered by any material change in circumstances.

Mitigation

The ORTF sets out the Group and Company overall approach to the management of Operational Risk in line with the Operational Risk Appetite of the Group and Company. Risk appetite and scenarios are forward looking and are used strategically to help planning and business management. This is supported by Risk and Control Self-Assessment (RCSA) which is a top-down, complete and consistent approach to risks and controls management process.

The RCSA process involves objective assessments of risks based on client impact and likelihood, more focus on material risks, more thinking on control design rather than simply testing, and tools to allow the Company to prioritise actions.

When an operational risk event occurs, rapid escalation and root-cause reviews are tracked to completion. People are skilled and rewarded for good risk management behaviour. The data and system encourage good risk management behaviour. Second line independent review is risk-based and proportionate.

Operational risk governance

The Executive Risk Committee (ERC) provides oversight of operational risk management across the Group and Company. It is supported by the Financial Crime Risk Committee, Information and Cyber Security Working Group and the Business and Function Operational Risk Forums, which oversee risks arising from Financial Crime, Information and Cyber Security, Businesses and Functions respectively. ERC and the business and function operational risk forums receive regular reports on the respective operational risk profiles.

Monitoring

To deliver services to clients and to participate in the financial services sector, the organisation runs processes which are exposed to operational risks. It prioritises and manages risks which are significant to clients and to the financial services sectors. Control indicators are regularly monitored to determine the residual risk the Group and Company is exposed to. The residual risk assessments and reporting of events form the Operational Risk profile of the Group and Company. The completeness of the Operational Risk profiles ensures appropriate prioritisation and timeliness of risk decisions, including risk acceptances with treatment plans for risks that exceed acceptable thresholds. The Board is informed on adherence to the Operational Risk Appetite through metrics reported for selected risks. These metrics are monitored, and escalation thresholds are devised based on the materiality and significance of the risk. These Operational Risk Appetite metrics are consolidated on a regular basis and reported at relevant Group and Company committees. This provides senior management with the relevant information to inform their risk decisions.

Stress testing

Stress testing and scenario analysis are used to assess capital requirements for operational risks. This approach considers the impact of extreme but plausible scenarios on the Operational Risk profile of the Group and Company. Several scenarios have been identified to test the robustness of the Group and Company's processes and assess the potential impact on the Group and Company. These scenarios include anti-money laundering, sanctions, information and cyber security and external fraud.

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(f) Capital review

The Company defines capital risk as the potential of insufficient level or composition of capital to support our normal activities. The capital review provides an analysis of the Company's capital position and requirements.

Capital summary

The Company's capital position is managed within the Board approved risk appetite. This requires that the Company should maintain a strong capital position including the maintenance of management buffers sufficient to support its strategic aims.

Regulatory capital

The Central Bank of Kenya sets and monitors capital requirements for all banks.

The objective of the Central Bank of Kenya is to ensure that a bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile; and
- promotes public confidence in the bank.

In implementing current capital requirements, the Central Bank of Kenya requires a bank to maintain at all times:

- a core capital of not less than 8.00% of its total deposit liabilities;
- a core capital of not less than 10.50% of total risk weighted assets, plus risk weighted off-balance sheet items; and
- a total capital of not less than 14.50% of its total risk weighted assets, plus risk weighted off-balance sheet items.

In addition, a bank must maintain a minimum core capital of KShs 1,000 million.

Capital is segregated into core capital (Tier 1) and supplementary capital (Tier 2).

Core capital includes ordinary share capital, irredeemable preference share capital, capital contribution reserve, share premium and retained earnings after deductions for goodwill and intangible assets.

Supplementary capital includes 25% of revaluation reserves of property and equipment and the statutory credit risk reserve.

Risk weighted assets are arrived at using a framework of four weights applied to both on-balance sheet and off-balance sheet items to reflect the relative risk of each asset and counterparty

Company	2021 KShs '000	2020 KShs '000
Core (Tier 1) capital instruments and reserves		
Share capital and share premium	9,961,680	9,961,680
Retained earnings	32,566,322	31,208,789
Capital contribution reserve	1,823,673	1,823,673
	44,351,675	42,994,142
Tier 1 regulatory adjustments		
Goodwill on acquired intangible (Note 28)	(1,112,111)	(1,112,111)
Acquired intangible (Note 28)	-	(184,626)
Deferred tax asset	(2,417,167)	(2,457,372)
Core (Tier 1) capital	40,822,397	39,240,033
Supplementary (Tier 2) capital instruments and reserves		
Revaluation reserves (25%)	222,322	224,905
Statutory credit risk reserve	1,249,844	969,283
Subordinated debt	4,375,133	5,241,600
Supplementary (Tier 2) capital	5,847,299	6,435,788
Total capital	46,669,696	45,675,821
Risk weighted assets		
Credit risk	166,890,944	158,072,241
Market risk	29,103,092	24,465,081
Operational risk	66,759,568	64,713,312
Total risk weighted assets	262,753,604	247,250,634
Deposits from customers	265,469,114	256,497,530

4. FINANCIAL RISK MANAGEMENT AND CAPITAL REVIEW continued

(f) Capital review continued

(g) Regulatory capital continued

Capital ratios	CBK minimum	2021	2020
	%	%	%
Tier 1 capital	10.50	15.54	15.87
Total capital	14.50	17.76	18.47
Tier 1 to total deposits	8.00	15.38	15.30

Capital planning

On an annual basis, strategic business and capital plans are drawn up covering a five-year horizon and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of the different components of capital are maintained to support our strategy and business plans.

Capital planning takes the following into account:

- current regulatory capital requirements;
- demand for capital due to business growth, and potential market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Company's risk, performance and capital.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by TRM and Credit, and is subject to review by the ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group and Company to particular operations or activities, it is not the sole basis used for decision-making. Account is also taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's and Company's longer term strategic objectives. The Company's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

5. SEGMENTAL INFORMATION

The Group's segmental reporting is in accordance with *IFRS 8 Operating Segments* and is reported consistently with the internal performance framework and as presented to the Group's Executive Management Committee. The Executive Management Committee is the Chief Operating Decision Maker (CODM) and monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

Following the Group's change in organisational structure, effective 1 January 2021, the composition of the reportable segments has been amended to reflect the new structure. As such there are now two reportable segments;

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

Activities not directly related to a client segment are included in Central and other items. These mainly include treasury activities and Corporate Centre costs. Corporate Centre costs represent stewardship and central management services roles and activities that are not directly attributable to business operations.

The Group allocates central costs (excluding Corporate Centre costs) relating to client segments using appropriate business drivers and these are reported within operating expenses. The Group evaluates segmental performance on the basis of profit or loss before tax.

The analysis reflects how the client segments are managed internally. This is described as the Management view.

The changes above require comparative periods to be restated.

5. SEGMENTAL INFORMATION continued

Income statement for the years ended 31 December 2021 and 2020

Group	2021				2020			
KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
Net interest income	5,094,063	8,639,991	4,676,812	18,410,866	5,150,864	8,600,031	5,012,332	18,763,227
Non funded income	5,502,580	4,288,937	100,119	9,891,636	4,433,601	3,459,794	32,342	7,925,737
Operating income	10,596,643	12,928,928	4,776,931	28,302,502	9,584,465	12,059,825	5,044,674	26,688,964
Operating expenses	(6,069,140)	(7,622,735)	(500,908)	(14,192,783)	(6,447,504)	(8,957,058)	(281,935)	(15,686,497)
Operating profit before impairment losses	4,527,503	5,306,193	4,276,023	14,109,719	3,136,961	3,102,767	4,762,739	11,002,467
Impairment (losses)/release on financial instruments	(1,008,218)	(693,472)	208,852	(1,492,838)	(395,010)	(2,986,852)	(204,190)	(3,586,052)
Impairment losses on intangible assets	(2,480)	(16,348)	-	(18,828)	(551)	(19,084)	(722)	(20,357)
Profit before taxœ	3,516,805	4,596,373	4,484,875	12,598,053	2,741,400	96,831	4,557,827	7,396,058

Company	2021				2020			
KShs '000	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total	Corporate, Commercial & Institutional Banking	Consumer, Private & Business Banking	Central & other items	Total
Net interest income	5,094,063	8,639,991	4,649,775	18,383,829	5,150,864	8,600,031	4,981,530	18,732,425
Non funded income	5,502,580	2,632,943	847,256	8,982,779	4,433,601	2,197,450	686,413	7,317,464
Operating income	10,596,643	11,272,934	5,497,031	27,366,608	9,584,465	10,797,481	5,667,943	26,049,889
Operating expenses	(6,069,140)	(7,147,225)	(497,073)	(13,713,438)	(6,447,504)	(8,710,959)	(260,923)	(15,419,386)
Operating profit before impairment losses	4,527,503	4,125,709	4,999,958	13,653,170	3,136,961	2,086,522	5,407,020	10,630,503
Impairment (losses)/release on financial instruments	(1,008,218)	(693,472)	208,852	(1,492,838)	(395,010)	(3,013,852)	(182,973)	(3,591,835)
Impairment losses on intangible assets	(2,480)	(16,348)	-	(18,828)	(551)	(19,084)	(722)	(20,357)
Profit before tax	3,516,805	3,415,889	5,208,810	12,141,504	2,741,400	(946,414)	5,223,325	7,018,311

5. SEGMENTAL INFORMATION continued

Statement of financial position at 31 December 2021 and 31 December 2020

Group KShs'000	2021 Corporate, Commercial & Institutional Banking	2021 Consumer, Private & Business Banking	2021 Central & other items	2021 Total	2020 Corporate, Commercial & Institutional Banking	2020 Consumer, Private & Business Banking	2020 Central & other items	2020 Total
Total assets employed	60,306,394	69,802,389	204,763,155	334,871,938	56,313,460	71,492,823	197,798,787	325,605,070
Of which: loans and advances to customers	56,179,908	69,794,682	-	125,974,590	50,043,299	71,480,928	-	121,524,227
Total liabilities employed	135,983,150	138,043,303	7,631,379	281,657,832	125,891,841	140,153,721	8,669,470	274,715,032
Of which: customer deposits	130,332,258	135,136,856	-	265,469,114	119,008,860	137,488,670	-	256,497,530
Other segment items:								
Depreciation and amortisation	681,803	754,196	53,974	1,489,973	597,059	675,412	236,112	1,508,583
Capital expenditure	979,689	809,529	305,432	2,094,650	125,183	976,230	583,714	1,685,127

Company KShs'000	2021 Corporate, Commercial & Institutional Banking	2021 Consumer, Private & Business Banking	2021 Central & other items	2021 Total	2020 Corporate, Commercial & Institutional Banking	2020 Consumer, Private & Business Banking	2020 Central & other items	2020 Total
Total assets employed	60,306,394	69,794,018	205,011,074	335,111,486	56,313,460	71,482,053	198,077,344	325,872,857
Of which: loans and advances to customers	56,179,908	69,794,682	-	125,974,590	50,043,299	71,480,928	-	121,524,227
Total liabilities employed	135,983,150	138,043,303	8,605,638	282,632,091	125,891,341	140,153,721	9,609,165	275,654,227
Of which: customer deposits	130,332,258	135,136,856	-	265,469,114	119,008,860	137,488,670	-	256,497,530
Other segment items:								
Depreciation and amortisation	681,803	754,196	53,974	1,489,973	597,059	675,412	236,112	1,508,583
Capital expenditure	979,689	809,529	305,432	2,094,650	125,183	976,230	583,714	1,685,127

6. NET INTEREST INCOME

Accounting policy

Interest income and expense for financial assets held at either FVOCI or amortised cost, and interest expense on all financial liabilities held at amortised cost is recognised in the income statement using the effective interest method.

Interest income and expense on financial instruments held at FVTPL is recognised within net interest income using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the expected life of the instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of a financial liability. When calculating the effective interest rate for financial instruments other than credit impaired assets, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but does not consider the expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs that are directly attributable to the acquisition, issue or disposal of the financial asset or financial liability, expected credit losses (for stage 3 instruments) and all other premiums or discounts.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Where the Group is a lessee and the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable. Interest expense on the lease liability is recognised in net interest income.

	Group 2021 KShs '000	Group 2020 KShs '000	Company 2021 KShs '000	Company 2020 KShs '000
Loans and advances to banks	1,335,050	1,852,868	1,335,050	1,852,868
Loans and advances to customers	11,473,585	11,951,381	11,473,585	11,951,381
Government securities at FVOCI	9,153,619	9,568,618	9,153,619	9,555,744
Accrued on impaired assets[1]	322,297	361,546	322,297	361,546
Interest income	22,284,551	23,734,413	22,284,551	23,721,539
Deposits from banks	91,949	82,533	91,949	82,533
Deposits from customers	3,520,146	4,571,947	3,547,183	4,589,875
Subordinated debt	206,894	247,615	206,894	247,615
Interest expense on IFRS 16 lease liabilities	54,696	69,091	54,696	69,091
Interest expense	3,873,685	4,971,186	3,900,722	4,989,114
Net interest income	18,410,866	18,763,227	18,383,829	18,732,425

[1] The current year balance relates to interest earned on impaired assets as required by IFRS 9 Financial Instruments Recognition and Measurement. The prior year balance related to unwind of discount on impaired assets.

7. NET FEE AND COMMISSION INCOME

Accounting policy

Fees and commissions charged for services provided by the Group are recognised as or when the service is completed, or significant act performed.

Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or financial liability are included in the measurement of the effective interest rate.

Loan syndication fees are recognised as revenue when the syndication has been completed and the Group retained no part of the loan packagœe for itself or retained a part at the same effective interest rate as for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the related services are performed.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

The Group can act as trustee or in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. The assets and income arising thereon are excluded from these financial statements, as they are not assets and income of the Group.

The Group applies the following practical expedients:

- information on amounts of transaction price allocated to unsatisfied (or partially unsatisfied) performance obligations at the end of the reporting period is not disclosed as almost all fee-earning contracts have an expected duration of less than one year;
- promised consideration is not adjusted for the effects of a significant financing component as the period between the Group providing a service and the customer paying for it is expected to be less than one year; and
- incremental costs of obtaining a fee-earning contract are recognised upfront in 'Fees and commission expense' rather than amortised, if the expected term of the contract is less than one year.

The determination of the services performed for the customer, the transaction price, and when the services are completed depends on the nature of the product with the customer. The main considerations on income recognition by product are as follows:

Transaction Banking

The Group recognises fee income associated with transactional trade and cash management at the point in time the service is provided. The Group recognises income associated with trade contingent risk exposures (such as letters of credit and guarantees) over the period in which the service is provided. Payment of fees is usually received at the same time the service is provided. In some cases, letters of credit and guarantees issued by the Group have annual upfront premiums, which are amortised on a straight-line basis to fee income over the year.

Financial Markets and Corporate Finance

The Group recognises fee income at the point in time the service is provided. Fee income is recognised for a significant non-lending service when the transaction has been completed and the terms of the contract with the customer entitle the Group to the fee. Fees are usually received shortly after the service is provided.

Syndication fees are recognised when the syndication is complete. Fees are generally received before completion of the syndication, or within 12 months of the transaction date.

Securities services include custody services, fund accounting and administration, and broker clearing. Fees are recognised over the period the custody or fund management services are provided, or as and when broker services are requested.

7. NET FEE AND COMMISSION INCOME continued

Accounting policy continued

Wealth Management

Upfront consideration on bancassurance agreements is amortised straight-line over the contractual term. Commissions for bancassurance activities are recorded as they are earned through sales of third-party insurance products to customers. These commissions are received within a short time frame of the commission being earned. Target-linked fees are accrued based on percentage of the target achieved, provided it is assessed as highly probable that the target will be met. Cash payment is received at a contractually specified date after achievement of a target has been confirmed. Upfront and trailing commissions for managed investment placements are recorded as they are confirmed. Income from these activities is relatively even throughout the period, and cash is usually received within a short time frame after the commission is earned.

Retail Products

The Group recognises most income at the point in time the Group is entitled to the fee, since most services are provided at the time of the customer's request. Credit card annual fees are recognised at the time the fee is received since there are contractual circumstances under which fees are waived, so income recognition is constrained until the uncertainties associated with the annual fee are resolved. The Group defers the fair value of reward points on its credit card reward programmes, and recognises income and costs associated with fulfilling the reward at the time of redemption.

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Fee and commissions income	6,429,720	5,538,848	4,773,726	4,274,770
Of which:				
Trust and other fiduciary activities	1,189,442	1,059,713	1,189,442	1,059,713
Others	5,240,278	4,479,135	3,584,284	3,215,057
Fee and commissions expense	(993,498)	(1,006,553)	(993,498)	(1,005,624)
Of which:				
Trust and other fiduciary activities	(1,805)	(1,086)	(1,805)	(1,086)
Others	(991,693)	(1,005,467)	(991,693)	(1,004,538)
Net fee and commission income	5,436,222	4,532,295	3,780,228	3,269,146

7. NET FEE AND COMMISSION INCOME continued

Group

KShs '000	2021 Corporate, Commercial & Institutional Banking	2021 Consumer, Private & Business Banking	2021 Central & Other Items	2021 Total	2020 Corporate, Commercial & Institutional Banking	2020 Consumer, Private & Business Banking	2020 Central & Other Items	2020 Total
Transaction Banking	862,964	35,119	-	898,083	821,218	31,229	-	852,447
Trade	368,992	35,119	-	404,111	407,621	31,229	-	438,850
Cash Management	493,972	-	-	493,972	413,597	-	-	413,597
Financial Markets	1,504,758	-	-	1,504,758	1,213,230	-	-	1,213,230
Lending & Portfolio Management	108,099	-	-	108,099	191,237	-	-	191,237
Wealth Management	-	1,655,994	-	1,655,994	-	1,263,149	-	1,263,149
Retail products	-	1,240,882	-	1,240,882	-	1,004,132	-	1,004,132
Treasury	20,405	-	-	20,405	-	-	-	-
Others	8,001	-	-	8,001	6,064	2,036	-	8,100
Net fee and commission income	2,504,227	2,931,995	-	5,436,222	2,231,749	2,300,546	-	4,532,295

Company

KShs '000	2021 Corporate, Commercial & Institutional Banking	2021 Consumer, Private & Business Banking	2021 Central & Other Items	2021 Total	2020 Corporate, Commercial & Institutional Banking	2020 Consumer, Private & Business Banking	2020 Central & Other Items	2020 Total
Transaction Banking	862,964	35,119	-	898,083	821,218	31,229	-	852,447
Trade	368,992	35,119	-	404,111	407,621	31,229	-	438,850
Cash Management	493,972	-	-	493,972	413,597	-	-	413,597
Financial Markets	1,504,758	-	-	1,504,758	1,213,230	-	-	1,213,230
Lending & Portfolio Management	108,099	-	-	108,099	191,237	-	-	191,237
Wealth Management	-	-	-	-	-	-	-	-
Retail products	-	1,240,882	-	1,240,882	-	1,004,132	-	1,004,132
Treasury	20,405	-	-	20,405	-	-	-	-
Others	8,001	-	-	8,001	6,064	2,036	-	8,100
Net fee and commission income	2,504,227	1,276,001	-	3,780,228	2,231,749	1,037,397	-	3,269,146

8. NET TRADING INCOME

Accounting policy

Gains and losses arising from changes in the fair value of financial instruments held at fair value through profit or loss are recorded in net trading income in the period in which they arise. This includes contractual interest receivable or payable.

Income is recognised from the sale and purchase of trading positions, margins on market making and customer business and fair value changes.

When the initial fair value of a financial instrument held at fair value through profit or loss relies on unobservable inputs, the difference between the initial valuation and the transaction price is amortised to net trading income as the inputs become observable or over the life of the instrument, whichever is shorter. Any unamortised 'day one' gain is released to net trading income if the transaction is terminated.

Foreign exchange gains and losses on monetary items are recognised in net trading income.

	Group and Company 2021 KShs '000	Group and Company 2020 KShs '000
Gains less losses on foreign currency transactions	3,770,297	2,606,810
Other trading profits - FVTPL	532,630	723,426
Net trading income	4,302,927	3,330,236

9. DIVIDEND INCOME

Accounting policy

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

Company	2021 KShs '000	2020 KShs '000
Standard Chartered Investment Services Limited	695,364	543,927
Standard Chartered Bancassurance Intermediary Limited (formerly Standard Chartered Insurance Agency Limited)	51,773	80,168
	747,137	624,095

10. OTHER OPERATING INCOME

Accounting policy

Operating lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

On disposal of fair value through other comprehensive income debt instruments, the cumulative gain or loss recognised in other comprehensive income is recycled to the profit or loss in other operating income/expense.

On disposal of property and equipment, the difference between the consideration and the carrying amount of the asset is recognised as a gain or loss on the sale of the asset.

	Group 2021 KShs '000	Group 2020 KShs '000	Company 2021 KShs '000	Company 2020 KShs '000
Other operating income includes:				
Gains on disposal of FVOCI securities	128,593	101,235	128,593	109,454
Fair value reserve reclassified from OCI	(45,561)	(77,506)	(45,561)	(59,086)
Expected credit loss on investments securities at FVOCI reclassified from OCI	(24,946)	(8,918)	(24,946)	(4,776)
Net gains on disposal of FVOCI debt instruments	58,086	14,811	58,086	45,592
Rental income from operating lease assets	35,651	35,699	35,651	35,699
Profit on sale of property and equipment	736	557	736	557
Gain on lease modification	51,917	12,290	51,917	12,290
Other	6,097	(151)	6,097	(151)
Other operating income	152,487	63,206	152,487	93,987

11. OPERATING EXPENSES

Accounting policy

Short-term employee benefits: Salaries are recognised over the period in which the employees provide the service. A liability is recognised for the amount expected to be paid if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably. Variable compensation is included within share-based payments costs and wages and salaries.

Pension costs: Contributions to the defined contribution pension scheme are recognised in the income statement when payable. For the defined benefit plan, net interest expense, service costs and expenses are recognised in the income statement. Further details are provided in note 34.

Share-based compensation: The Group's employees participate in equity-settled and cash-settled share-based payment compensation plans operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries. Participating employees are awarded ordinary shares in Standard Chartered PLC in accordance with the terms and conditions of the relevant scheme. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. For deferred share awards granted as part of an annual performance award, the expense is recognised over the period from the start of the performance period to the vesting date. For example, the expense for awards granted in 2021 in respect of 2020 performance, which vest in 2022-2024, is recognised as an expense over the period from 1 January 2020 to the vesting dates in 2022-2024. For all other awards, the expense is recognised over the period from the date of grant to the vesting date.

11. **OPERATING EXPENSES** continued

Accounting policy continued

In addition, employees have the choice of opening a three-year or five-year savings contract under the All Employee Share Save plan. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered PLC.

The price at which they may purchase shares is at a discount of up to twenty per cent on the share price at the date of invitation. There are no performance conditions attached to options granted under the All Employee Share Save plan.

For equity-settled awards, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options at the date of the grant, which excludes the impact of any non-market vesting conditions (for example, profitability and growth targets). The fair value of equity instruments granted is based on market prices, if available, at the date of grant. In the absence of market prices, the fair value of the instruments is estimated using an appropriate valuation technique, such as binomial option pricing model. Non-market vesting conditions are included in assumptions about the number of options that are expected to vest.

At each reporting date, the estimate of the number of options that are expected to vest is revised. The impact of the revision of original estimates, if any, is recognised in the income statement, and a corresponding adjustment to equity over the remaining vesting period. Forfeitures prior to vesting attributable to factors other than the failure to satisfy a non-market vesting condition are treated as a cancellation and the remaining unamortised charge is debited to the income statement at the time of cancellation.

Deferred cash awards: Cash-settled awards are revalued at each reporting date and a liability recognised on the statement of financial position for all unpaid amounts, with any changes in fair value charged or credited to staff costs in the income statement until the awards are exercised. Where forfeitures occur prior to vesting that are attributable to factors other than a failure to satisfy a market-based performance condition, the cumulative charge incurred up to the date of forfeiture is credited to the income statement.

Termination benefits: Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Provisions: A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability.

Depreciation: The accounting policy on depreciation is as disclosed in note 26.

Other expenses: Other expenses are recognised in the income statement where no future economic benefits are expected.

Significant accounting estimates and judgments

The fair value of equity-settled share options is estimated through the use of option valuation models; which require inputs such as risk-free interest rate, expected dividends, expected volatility and the expected option life and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by Standard Chartered PLC however have a number of features that make them incomparable to such trade options. Using different input estimates or models could produce different option values, which would result in the recognition of higher or lower expense.

	Group		Company	
	2021	2020	**2021**	2020
Staff costs	**KShs '000**	KShs '000	**KShs '000**	KShs '000
Salaries and wages	**5,194,706**	5,345,419	**5,107,679**	5,261,581
Contributions to defined contribution plan	**563,075**	621,838	**554,024**	612,502
Increase in retirement benefit obligations (Note 34)	**39,046**	57,074	**39,046**	57,074
Redundancy costs	**214,071**	1,348,977	**214,037**	1,342,151
Employee share-based payments expenses	**24,708**	6,941	**24,656**	6,803
Deferred cash awards	**25,468**	26,062	**25,468**	26,062
Other staff costs	**475,994**	450,861	**469,548**	448,000
	6,537,068	7,857,172	**6,434,458**	7,754,173

11. **OPERATING EXPENSES** continued

Accounting policy continued

	Group and Company	
	2021	2020
The number of employees at the year-end was:	**No.**	No.
Management	**959**	1,079
Unionisable	**107**	146
Other	**54**	55
	1,120	1,280

	Group		Company	
	2021	2020	**2021**	2020
Premises and equipment expenses	**KShs '000**	KShs '000	**2021**	KShs '000
Rental of premises	**91,924**	73,982	**91,924**	73,982
Rental of computers and equipment	**167,917**	142,660	**167,917**	142,357
Electricity	**72,115**	75,171	**72,115**	75,171
Premises restructuring expenses	**42,001**	366,709	**42,001**	366,709
Premises restructuring expenses provision release	**(225,075)**	-	**(225,075)**	-
Other premises and equipment expenses	**277,042**	270,821	**274,440**	267,333
	425,924	929,343	**423,322**	925,552

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

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

	Group and Company	
	2021	2020
Depreciation and amortisation	**KShs '000**	KShs '000
Depreciation on property, equipment and right-of-use asset (Note 26)	**553,947**	715,471
Amortisation of intangible assets (Note 27)	**936,026**	793,112
	1,489,973	1,508,583

12. **PROFIT BEFORE TAX**

	Group		Company	
	2021	2020	**2021**	2020
	KShs '000	KShs '000	**KShs '000**	KShs '000
Profit before tax is arrived at after charging:				
Depreciation on property and equipment (Note 26)	**553,947**	715,471	**553,947**	715,471
Amortisation of intangible assets (Note 27)	**936,026**	793,112	**936,026**	793,112
Directors' emoluments - Fees	**21,354**	18,205	**21,354**	18,205
- Other	**243,230**	159,415	**243,230**	159,415
Auditors remuneration	**21,390**	21,390	**21,390**	21,390
And after crediting:				
Gain on lease modification	**51,917**	12,290	**51,917**	12,290
Gain on sale of property and equipment	**736**	557	**736**	557

13. TAX

Accounting policy

Income tax expense comprises current and change in deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income. The Group has determined that interest and penalties related to income taxes do not meet the definition of income taxes and therefore has accounted for them under IFRIC 23 *Uncertainty Of Income Tax Treatments* and has recognised the related expenses in operating expenses.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received having considered the uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

(ii) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Significant accounting estimates and judgments

- determining the Group's tax charge for the year involves estimation and judgment on the potential outcome, which includes an interpretation of tax laws. These judgments take account of external advice where appropriate;
- the Group provides for current tax liabilities at the best estimate of the amount that is expected to be paid to the tax authority where an outflow is probable; and
- the recoverability of the Group's deferred tax asset is based on management's judgment of the availability of future taxable profits against which the deferred tax assets will be utilised.

13. TAX continued

(iii) Income tax

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Current year's tax at 30% (2020: 25%)	3,324,417	2,824,847	2,975,600	2,585,423
Adjustment in respect of current income tax of prior years	(100,142)	202,170	(128,054)	190,614
	3,224,275	3,027,017	2,847,546	2,776,037
Deferred tax charge/(credit) at 30% (Note 28)	329,939	(1,071,376)	313,422	(1,087,227)
Income tax expense	3,554,214	1,955,641	3,160,968	1,688,810

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

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Accounting profit before tax	12,598,053	7,396,058	12,141,504	7,018,311
Computed tax using the applicable corporation tax rate at 30% (2020: 25%)	3,779,415	1,849,014	3,642,451	1,598,554
Tax exempt income	(237,851)	(116,814)	(461,992)	(116,814)
Non-deductible expenses	199,527	179,276	195,298	177,103
Adjustment in respect of				
Current income tax of prior years	(100,142)	202,170	(128,054)	190,614
Deferred tax of prior years	(86,735)	24,669	(86,735)	24,669
Effects of change in rate of tax[1]	-	(182,674)	-	(185,316)
Income tax expense	3,554,214	1,955,641	3,160,968	1,688,810

For the year ended 31 December 2020, the corporation tax was reduced from 30% to 25%, as part of the COVID-19 pandemic relief measures put in place by the Kenya Government. Corporation tax for the year was computed at 25%. The 30% corporation tax rate was reinstated with effect from 1 January 2021.

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

Current tax	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Current Tax Assets at 1 January	441,196	1,091,528	340,116	1,025,901
Current Tax Liabilities at 1 January	-	-	-	-
Net Current tax at 1 January	441,196	1,091,528	340,116	1,025,901
Movements in income statement	(3,324,417)	(2,824,847)	(2,975,600)	(2,585,423)
Adjustment in respect of prior years' current income tax	100,142	(202,170)	128,054	(190,614)
Taxes Paid	3,429,043	2,376,685	3,146,130	2,090,252
Net Current Tax balance at 31 December	645,964	441,196	638,700	340,116
Current Tax Assets at 31 December	1,007,877	441,196	913,568	340,116
Current Tax Liabilities at 31 December	(361,913)	-	(274,868)	-
Total	645,964	441,196	638,700	340,116

14. EARNINGS PER ORDINARY SHARE

Accounting policy

Basic earnings per ordinary share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding, excluding own shares held. Diluted earnings per ordinary share is calculated by dividing the basic earnings, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares, excluding own shares held.

The Group measures earnings per share on the profit or loss attributable to ordinary equity holders. Where the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively.

The calculation of Group basic earnings per share at 31 December 2021 and 2020 is based on the profit attributable to ordinary shareholders of KShs 8,875,839,000 (2020: KShs 5,272,417,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2020: 377,850,589).

The calculation of Company basic earnings per share at 31 December 2021 and 2020 is based on the profit attributable to ordinary shareholders of KShs 8,812,536,000 (2020: KShs 5,161,501,000) and a weighted average number of ordinary shares outstanding during the year of 377,850,589 (2020: 377,850,589).

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Profit for the year attributable to equity holders	9,043,839	5,440,417	8,980,536	5,329,501
Dividend on non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares	(168,000)	(168,000)	(168,000)	(168,000)
Profit for the year attributable to ordinary shareholders	8,875,839	5,272,417	8,812,536	5,161,501
Basic and diluted - Weighted average number of shares (thousands)	377,851	377,851	377,851	377,851
Basic and diluted earnings per ordinary share (KShs)	23.49	13.95	23.32	13.66

15. DIVIDENDS

Accounting policy

Dividends on ordinary shares and preference shares classified as equity are recognised in equity in the year in which they are declared, and, in respect of the final dividend, have been approved by the shareholders.

In determining if dividends are distributable, and the level of dividends declared, the Board considers a number of factors which include but are not limited to the:

- amount of distributable reserves;
- capital requirements of the Group (see note 4 (f)); and
- level of cash investment projections to achieve the Group's strategy.

	Company	
	2021 KShs '000	2020 KShs '000
Dividends – Ordinary shares	5,289,909	3,967,431
Dividends – Preference shares	84,690	168,000
	5,374,599	4,135,431
The movement in dividend is as follows:		
At 1 January	4,135,431	5,237,349
Dividend proposed		
Ordinary shares - interim 2021	1,889,254	-
Preference shares - interim 2021	83,310	-
Ordinary shares - final 2021/2020	5,289,909	3,967,431
Preference shares - final 2021/2020	84,690	168,000
Dividend paid		
Ordinary shares - final 2020/2019	(3,967,431)	(2,576,330)
Preference shares - final 2020/2019	(168,000)	(84,690)
Ordinary shares - interim 2021	(1,889,254)	-
Preference shares - interim 2021	(83,310)	-
Dividend adjustment	-	(2,576,329)
At 31 December	5,374,599	4,135,431

15. DIVIDENDS continued

Accounting policy continued

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.

At the Annual General Meeting to be held on 26 May 2022 a final dividend in respect of the year ended 31 December 2021 of KShs 14.00 (2020: KShs 10.50) per ordinary share of KShs 5.00 is to be proposed. One interim dividend of KShs 5.00 (2020: Nil) for every ordinary share of KShs 5.00 was declared on 15 November 2021 and paid on 28 December 2021. This will bring the total dividend for the year to KShs 19.00 (2020: KShs 10.50) per ordinary share of KShs 5.00.

At the Annual General Meeting to be held on 26 May 2022, a final dividend in respect of the year ended 31 December 2021 of KShs 84,690,411 (2020: KShs 168,000,000) for the preference shares is to be proposed. An interim dividend of KShs 83,309,589 (2020: Nil) was declared on 15 November 2021 and paid on 28 December 2021. This will bring the total dividend for the year to KShs 168,000,000 (2020: KShs 168,000,000).

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

Payment of dividends is subject to withholding tax at the rate of 5% for residents and 15% for non-resident shareholders.

16. CASH AND BALANCES WITH CENTRAL BANK OF KENYA

Accounting policy

Cash and cash equivalents comprise cash on demand and unrestricted balances with the Central Bank of Kenya and balances with less than three months' maturity from the date of acquisition, including treasury bills and other eligible bills and loans and advances to banks.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

	Group and Company	
	2021 KShs '000	2020 KShs '000
Cash on hand	3,623,969	3,675,054
Balances with Central Bank of Kenya		
-Restricted balances (Cash Reserve Ratio)	11,383,670	11,183,961
-Unrestricted balances	8,692,812	5,760,049
	23,700,451	20,619,064

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. At 31 December 2021, the Cash Reserve Ratio requirement was 4.25% (2020: 4.25%) of all deposits. These funds are available for use by the Company in its day-to-day operations in a limited way provided that on any given day this balance does not fall below the 3.00% requirement and provided that the overall average in the month is at least 4.25% (2020: 4.25%).

17. GOVERNMENT AND OTHER SECURITIES HELD AT FVTPL

Accounting policy

Securities are treasury bills and bonds, debt securities and equity securities acquired principally for the purpose of selling in the short-term. Refer to note 3 Financial assets and liabilities for the accounting policy.

The change in the carrying amount of government and other securities is as shown below:

	Group and Company			
2021	Treasury bonds KShs '000	Treasury bills KShs '000	Equity shares KShs '000	Total KShs '000
At 1 January	2,946,656	1,979,913	21,606	4,948,175
Additions	22,416,874	-	-	22,416,874
Disposals and maturities	(20,819,287)	(2,000,000)	-	(22,819,287)
Exchange difference	-	-	(947)	(947)
Changes in fair value	36,465	20,087	-	56,552
At 31 December	4,580,708	-	20,659	4,601,367
2020				
At 1 January	1,938,728	-	18,354	1,957,082
Additions	21,424,778	2,000,000	-	23,424,778
Disposals and maturities	(20,525,550)	-	-	(20,525,550)
Exchange difference	-	-	3,252	3,252
Changes in fair value	108,700	(20,087)	-	88,613
At 31 December	2,946,656	1,979,913	21,606	4,948,175

The weighted average effective interest rate on government securities mandatorily held at FVTPL at 31 December 2021 was 11.25% (2020: 10.26%)

18. DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

Changes in fair value of any derivative instruments not qualifying for hedge accounting are recognised immediately in the income statement. Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. For derivative financial instruments traded in active markets, quoted market prices for identical financial assets or financial liabilities that the entity has access to are used. For all other financial instruments which do not have an observable price in an active market, fair value is measured using valuation techniques. Valuation techniques maximise the use of observable inputs and minimise the use of unobservable inputs. The gain or loss on re-measurement to fair value is recognised immediately in the income statement.

The Group uses the following derivative instruments:

Forward foreign exchange contracts

Forward foreign exchange contracts represent commitments to purchase foreign and domestic currency, including undelivered spot transactions. Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency or a financial instrument at a future date at a specified price, established in an organised financial market.

The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency swaps and interest rate swaps

Currency swaps and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate or floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

18. DERIVATIVE FINANCIAL INSTRUMENTS continued

Accounting policy continued

Foreign currency options and interest rate options

Foreign currency options and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer i.e. over-the-counter (OTC). The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks.

The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

The types of derivatives used by the Group are set out below.

These tables analyse the notional principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	Group and Company					
	2021			2020		
Derivatives	Notional principal amounts KShs '000	Assets KShs '000	Liabilities KShs '000	Notional principal amounts KShs '000	Assets KShs '000	Liabilities KShs '000
Foreign exchange derivative contracts:						
Forward foreign exchange contracts	43,319,417	243,610	93,340	52,743,244	367,659	218,301
Currency swaps and options	9,281,047	50,725	85,413	4,287,165	38,757	77,098
	52,600,464	294,335	178,753	57,030,409	406,416	295,399
Interest rate derivative contracts:						
Interest rate swaps, forward agreements and options	3,230,094	171,544	181,055	3,413,831	332,110	352,440
Total derivatives	55,830,558	465,879	359,808	60,444,240	738,526	647,839

19. LOANS AND ADVANCES TO BANKS AND CUSTOMERS

Accounting policy

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

	Group and Company	
	2021 KShs '000	2020 KShs '000
Gross loans and advances to banks	2,431,869	7,536,798
Expected credit loss	(2,818)	(3,602)
	2,429,051	7,533,196
Gross loans and advances to customers	136,181,940	130,719,448
Expected credit loss (Note 4(a) (v))	(10,207,350)	(9,195,221)
	125,974,590	121,524,227
Total loans and advances to banks and customers	128,403,641	129,057,423

The weighted average effective interest rate on loans and advances to banks at 31 December 2021 was 6.75% (2020: 6.28%).

The weighted average effective interest rate on loans and advances to customers at 31 December 2021 was 8.95% (2020: 9.58%).

19. LOANS AND ADVANCES TO BANKS AND CUSTOMERS continued

(a) Net impairment losses on financial instruments:

The table below summarises the net impairment losses to the income statement against the financial instruments subject to impairment:

	Group and Company	Group	Company
	2021	2020	
	KShs '000	KShs '000	KShs '000
Loans and advances to customers	1,782,717	3,366,480	3,366,480
Loans and advances to banks	(803)	637	637
Amounts due from group companies	(163,647)	168,146	168,146
FVOCI investment securities	(11,923)	11,973	17,756
Financial guarantees and loan commitments	(113,506)	38,816	38,816
At 31 December	1,492,838	3,586,052	3,591,835

(b) Maturity term classification

	Group and Company	
	2021	2020
	KShs '000	KShs '000
Repayable on demand	38,243,812	33,469,430
Less than 3 months	13,591,220	13,842,433
3 months to 1 year	11,145,612	6,917,770
1 to 5 years	42,092,296	42,280,831
5 to 10 years	14,199,828	13,496,291
Over 10 years	16,909,172	20,712,693
Gross loans and advances at 31 December	136,181,940	130,719,448

20. GOVERNMENT SECURITIES HELD AT FVOCI

Accounting policy

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

	Group and Company	
	2021	2020
	KShs '000	KShs '000
Treasury bonds - FVOCI	57,733,096	42,591,084
Treasury bills - FVOCI	33,281,809	52,261,569
At 31 December	91,014,905	94,852,653

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

	Group and Company	Group	Company
	2021	2020	2020
	KShs '000	KShs '000	KShs '000
At 1 January	94,852,653	97,671,849	96,545,418
Additions	60,090,951	77,024,094	77,024,094
Disposals and maturities	(66,918,555)	(84,898,096)	(83,813,696)
Changes in fair value	(845,227)	431,200	376,318
Fair value recycled through income statement	(45,561)	(77,506)	(59,086)
Movement in accrued interest	381,700	106,208	134,629
Amortisation of discounts and premiums	3,498,944	4,594,904	4,644,976
At 31 December	91,014,905	94,852,653	94,852,653

The weighted average effective interest rate on treasury bonds at 31 December 2021 was 11.01% (2020: 9.86%) and on treasury bills was 8.61% (2020: 8.36%).

20. GOVERNMENT SECURITIES HELD AT FVOCI continued

There were no treasury bills under repurchase agreements outstanding at 31 December 2021 and 2020. There were no money market bonds as at 31 December 2021 (2020: nil).

At 31 December 2021, unamortised premiums on investment securities amounted to KShs 304 million (2020: KShs 250 million) and unamortised discounts amounted to KShs 1,184 million (2020: KShs 2,067 million).

21. OTHER ASSETS

Accounting policy

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

	Group		Company	
	2021	2020	2021	2020
	KShs '000	KShs '000	KShs '000	KShs '000
Un-cleared effects	585,681	784,000	585,681	784,000
Prepayments	287,428	232,257	287,428	232,257
Other receivables	3,016,422	1,760,512	2,955,613	1,718,466
At 31 December	3,889,531	2,776,769	3,828,722	2,734,723

Un-cleared effects consist of items in transit to/from other banks through the Central Bank of Kenya's clearing system. These items generally clear by end of the next business day.

Other receivables mainly consist of suspense accounts. All other receivables are current, non-interest bearing and have a short dated maturity tenure.

22. GROUP COMPANY BALANCES

Accounting policy

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

	Group		Company	
	2021	2020	2021	2020
Due from group companies and other related parties	KShs '000	KShs '000	KShs '000	KShs '000
Amounts due from group companies	72,005,545	62,933,388	72,317,285	63,281,892
Less loss allowance (Note 4(a)(v))	(13,617)	(177,264)	(13,617)	(177,264)
At 31 December	71,991,928	62,756,124	72,303,668	63,104,628
Due to group companies and other related parties				
Amounts due to group companies	9,631,154	11,208,987	9,631,154	11,208,987
Amounts due to subsidiaries	-	-	1,083,582	957,817
At 31 December	9,631,154	11,208,987	10,714,736	12,166,804

Included in amounts due to group companies is an amount of US$ 60 million (KShs 6,801 million) (2020: US$ 60 million (KShs 6,564 million)) relating to subordinated debt made up of three amounts of US$ 20 million each advanced on 30 December 2013, 22 December 2014 and 19 August 2016, respectively. The subordinated debts are unsecured 10-year loan capital issued by Standard Chartered PLC to enhance the Company's capital base (Tier 2 capital) but can be recalled after five years and 1 day at the option of both parties.

The subordinated debts are unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Company has the obligation to settle the subordinated debts in certain circumstances as set out in the contractual agreement. The interest on the subordinated debts are referenced to the LIBOR. The weighted average effective interest rate at 31 December 2021 on the subordinated debts was 3.14% (2020: 4.50%).

The weighted average effective interest rate at 31 December 2021 on amounts due from group companies was 1.18% (2020: 3.66%) and on amounts due to group companies was 4.92% (2020: 5.54%).

Amounts due to subsidiaries relate to cash held in current and term deposit accounts on behalf of the Company's subsidiaries. The weighted average effective interest rate on the term deposits was 7.00% (2020: 7.00%).

23. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

Accounting policy

Subsidiaries are entities which the Company controls. The Company controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the investee. The assessment of power is based on the Company's practical ability to direct the relevant activities of the entity unilaterally for the Company's own benefit and is subject to re-assessment if and when one or more of the elements of control change. Subsidiaries are fully consolidated from the date on which the Company effectively obtains control. They are de-consolidated from the date that control ceases, and where any interest in the subsidiary remains, this is re-measured to its fair value and the change in carrying amount is recognised in the income statement.

In the Company's financial statements, investments in subsidiaries are held at cost less impairment. Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated in the Group accounts.

The following subsidiaries are wholly owned by the Company:

Company	Status	2021 KShs '000	2020 KShs '000
Standard Chartered Investment Services Limited	Active	20,000	20,000
Standard Chartered Financial Services Limited	Non-trading	120,241	120,241
Standard Chartered Bancassurance Intermediary Limited (formerly Standard Chartered Insurance Agency Limited)	Active	5,000	1,000
Standard Chartered Kenya Nominees Limited	Non-trading	2	2
At 31 December		**145,243**	141,243

The investment in the above undertakings is measured at cost less accumulated impairment losses. All the subsidiaries are incorporated in Kenya. The group has assessed the investment in subsidiaries for impairment and have determined that the investment is not impaired (2020: nil)

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

	Company	
Investments in subsidiary undertakings	2021 KShs '000	2020 KShs '000
At 1 January	141,243	141,243
Additions	4,000	-
At 31 December	**145,243**	141,243

24. BUSINESS COMBINATION

Accounting policy

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the income statement.

The accounting policy on recognition of goodwill is as disclosed in Note 27.

On 31 October 2010, Standard Chartered Bank Kenya Limited (SCBKL) acquired the custody business of Barclays Bank of Kenya Limited (BBKL). The business was acquired for KShs 1,883 million representing the value of revenue streams of the local customer relationships acquired. No other assets and liabilities other than customer relationships were acquired.

In addition to the purchase price paid by SCBKL, Standard Chartered PLC paid GBP £14,133,404 (KShs 1,824 million) in respect of the value that BBKL's custody clients provide across the Pan-African network covered by the Barclays Bank PLC's Africa custody business as a whole. This represents the value deemed to arise as a result of revenue streams from regional and global customer relationships acquired. In effect, the purchase price paid for by Standard Chartered PLC is deemed to be a capital contribution.

The revenue streams from all the customer relationships, both local and global, will therefore accrue to SCBKL and as such the value of the intangible is significantly higher than the purchase price paid locally.

The fair value of the customer relationships acquired were determined by discounting the future cash flows expected to be generated over the useful life determined to be 11 years.

24. BUSINESS COMBINATION continued

The calculation of the acquired intangible asset was based on the following key assumptions:

- cash flows were projected based on past experience, actual operating results, and budgets and forecasts approved by management up to 2014. Management forecasts projected revenue growth rates greater than long-term GDP growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles. Cash flow projections were extrapolated forward up to 2021 using steady long-term estimated GDP growth rates; and
- the cash flows were discounted using a pre-tax discount rate of 17.50% which reflected the prevailing market rates appropriate for this business at the date of the transaction.

The key assumptions described above may change as economic and market conditions change. Management believes that reasonable possible change in any of the key assumptions on which the fair value of the intangible has been based will not cause the carrying amounts to exceed their recoverable amount.

The intangible asset arising from the acquisition is as follows:

	Group and Company KShs '000
Purchase consideration:	
Cash paid by SCBKL	1,883,365
Cash paid by Standard Chartered PLC (capital contribution)	1,823,673
Total purchase consideration	3,707,038
Less: Fair value of identifiable assets acquired	-
Intangible assets acquired: customer relationships	3,707,038
Deferred tax liability recognised on business combination	(1,112,111)
Total identifiable net assets	2,594,927
Goodwill on acquisition (Note 27)	1,112,111

Contribution from the acquisition:	2021 KShs '000	2020 KShs '000
Operating income	2,413,738	2,012,336
Profit before tax	2,068,191	1,620,117

The goodwill is attributable mainly to the customer relationships acquired, value of the acquired work force and leveraged synergies within the Pan-African businesses and geographies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill is wholly attributable to the Securities Services department of the Group and Company.

25. NON-CURRENT ASSET HELD FOR SALE

Accounting policy

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. For classification as non-current asset held for sale, the following criteria must be met;

- the asset must be available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets and its sale must be highly probable;
- appropriate level of management must be committed to a plan to sell the asset;
- an active programme to locate a buyer and complete the plan must have been initiated;
- the asset actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell.

For non-financial assets, fair value takes into account the highest and best use either on a standalone basis or in combination with other assets or other assets and liabilities. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies.

25. NON-CURRENT ASSET HELD FOR SALE continued

Non -current assets held for sale are not depreciate or amortised. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in the income statement. Gains are not recognised in excess of any cumulative impairment loss. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be recognised.

	Freehold land and buildings	
Group and Company	2021 KShs '000	2020 KShs '000
At 1 January	222,000	-
Transfer from property and equipment (Note 26)	-	222,000
At 31 December	222,000	222,000

The outstanding balance of the non-current asset held for sale relates to Treasury Square branch located at Mombasa Island. This is freehold property classified as commercial property and gazetted as a Heritage site.

The property has been placed on the market with the sale expected within the 2022 financial year.

The asset of KShs 222 million (2020: KShs 222 million) is classified under the Central and other items portion of the operating segment report in Note 5. The property was designated as held for sale in June 2020. Due to the impact of COVID-19 management has not been able to sell the asset within one year from the date of the initial sale decision. As the circumstances were beyond the Group's control, in line with the Group's accounting policy the asset has been retained as held for sale at 31 December 2021. Management remains committed to sell the property.

26. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

Accounting policy

Freehold land and buildings and buildings on leasehold land subsequently measured using the revaluation model are initially recognised at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and impairment losses.

All other property and equipment are stated at cost less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Subsequent costs are included in the assets carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

At each reporting date, the assets' residual values and useful lives are reviewed and adjusted, if appropriate, including assessing for indicators of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is written down to the recoverable amount. Gains and losses on disposals are included in the income statement. In addition, the depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

Repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly branches and offices. Freehold land is not depreciated although it is subject to impairment testing.

Leasehold land is recognised as an asset and amortised over the lease period.

Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- buildings on freehold land – up to 50 years;
- buildings on leasehold land – life of lease up to 50 years;
- Leasehold land – life of lease;
- fixtures, fittings and equipment – 3-10 years;
- automated teller machines (ATMs) – 7 years;
- computers – 3 - 5 years; and
- motor vehicles – 3 years.

When parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Freehold land and buildings are revalued every three years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax is recognised in other comprehensive income and presented in the revaluation reserve within equity.

26. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS continued

Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to the income statement.

Revaluation surpluses are not distributable.

Excess depreciation is the difference between the depreciation charge for the year based on the revalued amount and the original cost of the related property. On an annual basis, the amount relating to the excess depreciation net of deferred tax is transferred from revaluation reserves to retained earnings to recognise the use of the property and equipment.

Non-depreciable items

These are items that have not yet been brought to the location and/or condition necessary for it to be capable of operating in the manner intended by management. In the event of partially completed construction work that has necessitated advance or progress payments, or work-in-progress, depreciation will only commence when the work is complete. Fixed assets are classified as work-in-progress if it is probable that future economic benefits will flow to the Group and the cost can be measured reliably.

Amounts held within work-in-progress that are substantially complete, in common with other fixed assets, are assessed for impairment.

Derecognition

The carrying amount of an item of property and equipment shall be derecognised:

- on disposal; or
- when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property and equipment shall be included in the income statement when the item is derecognised.

Leases classified as right-of-use assets under IFRS 16

Where the Group is a lessee of a right-of-use asset, the leased assets are capitalised and included in property and equipment with a corresponding liability to the lessor recognised in other liabilities, in accordance with the Group's leased assets accounting policy in Note 33.

Significant accounting estimates and judgments

- critical estimates are made by management in determining the useful life for property and equipment; and
- certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

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

26. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS continued

	Group and Company				
			Right-of-use assets		
2020	Premises KShs '000	Equipment & motor vehicles KShs '000	Leased land KShs '000	Leased premises KShs '000	Total KShs '000
Cost or valuation					
At 1 January	4,783,881	2,859,788	277,578	826,620	8,747,867
Additions	202,419	229,919	-	148,022	580,360
Disposals and fully depreciated assets written off	(106,889)	(98,886)	-	(285,502)	(491,277)
Revaluation surplus	191,236	-	-	-	191,236
Transfers to assets held for sale	(230,000)	-	-	-	(230,000)
At 31 December	4,840,647	2,990,821	277,578	689,140	8,798,186
Depreciation					
Accumulated at 1 January	2,394,079	2,243,369	42,875	173,598	4,853,921
Charge for the year	326,020	197,830	2,927	188,694	715,471
Depreciation written back on revaluation	(58,035)	-	-	-	(58,035)
Attributable to assets sold, transferred or written off	(96,148)	(98,166)	-	(144,799)	(339,113)
Transfers to assets held for sale	(8,000)	-	-	-	(8,000)
Accumulated at 31 December	2,557,916	2,343,033	45,802	217,493	5,164,244
Net book amount at 31 December	2,282,731	647,788	231,776	471,647	3,633,942

Included in property and equipment at 31 December 2021 are assets with a gross value of KShs 6,185,319,000 (2020: KShs 2,555,865,000) which are fully depreciated but still in use. The notional depreciation charge on these assets for the year would have been KShs 1,883,420,000 (2020: KShs 902,300,000).

There were no idle assets as at 31 December 2021 and 2020.

Capital work-in-progress relates to the branch optimisation project that was ongoing during the year.

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

Freehold land and buildings are revalued every 3 years.

In the opinion of the directors, the fair value of the freehold land and buildings has not changed significantly since the revaluation at 30 September 2020.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year ended 31 December 2021 (2020: Nil).

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

	Group and Company	
	2021 KShs '000	2020 KShs '000
Cost	616,061	616,061
Accumulated depreciation	(171,623)	(155,603)
Carrying amount	**444,438**	**460,458**

26. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS continued

The major land and building properties owned by the Group comprise:

- StandardChartered@Chiromo located at Westlands, Nairobi. This is a leasehold property classified as a commercial property which hosts the Group's Head Office within a seven-storey modern building. The property sits on 1.880 acres.
- Kenyatta Avenue Branch located at Kenyatta Avenue, Nairobi. This is a leasehold property classified as a commercial property and gazetted as a Heritage site. It consists of a two-storey building at the junction of Kenyatta Avenue and Wabera Street in Nairobi. The property sits on 0.34435 acres.
- Nyeri Branch located in Nyeri Town. This is a leasehold property classified as a commercial property and gazetted as a Heritage site. It is located in the historic area of Nyeri town. The property consists of a single-storey Branch with a two-storey residential house sitting on 0.4101 acres.
- Nanyuki Branch in Nanyuki Town. This is a leasehold property classified as a commercial property and consists of a single-storey building on the main Nanyuki – Meru Highway. The property sits on 0.17218 acres.

The table below summarises the assumptions made in the revaluation of the property

	Valuation technique	Significant unobservable inputs	Range (weighted average)	Sensitivity of the input to fair value
Kenyatta Avenue Branch	Market Comparable Approach	estimated market rental value	KShs 38 million per year	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 24 million.
Standard Chartered@ Chiromo	-Cost approach -Sale comparable approach -Investment approach	estimated market rental value	KShs 196 million per year	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 138 million.
Nyeri Branch	-Depreciated replacement cost approach -Market comparison approach -Income approach	Market comparable prices	KShs 175 million to KShs 193 million	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 8.5 million.
Nanyuki Branch	-Depreciated replacement cost approach -Market comparison approach -Income approach	Market comparable prices	KShs 18 to KShs 50 million	5% increase or decrease would result in an increase/(decrease) in fair value of KShs 1 million.

27. GOODWILL AND INTANGIBLE ASSETS

Accounting policy

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired business at the date of acquisition.

Goodwill included in intangible assets is assessed at each reporting date for impairment and carried at cost less any accumulated impairment losses. Detailed calculations are performed based on discounting expected pre-tax cash flows of the relevant cash generating units (CGUs) and discounting these at an appropriate discount rate, the determination of which requires the exercise of judgment. Goodwill is allocated to CGUs for the purpose of impairment testing. CGUs represent the lowest level within the Group at which the goodwill is monitored for internal reporting purposes. These are smaller than the Group's reportable segments (as set out in Note 5).

Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Significant accounting estimates and judgments

The carrying amount of goodwill is based on the extent of judgments including the basis of assumptions and forecasts used for determining cash flows for CGUs, headroom availability, and sensitivities of the forecasts to reasonably possible changes in assumptions. The Group undertakes an annual assessment to evaluate whether the carrying value of goodwill on the statement of financial position is impaired. The estimation of future cash flows and the level to which they are discounted is inherently uncertain and requires significant judgment and is subject to potential change over time.

The carrying amount of acquired intangibles is based on the extent of judgments including the basis of assumptions and forecasts used for determining future cash flows, period over which cash flows are expected to be generated and sensitivities of the forecasts to reasonably possible changes in assumptions. The estimation of future cash flows, the level to which they are discounted, and the estimated useful life is inherently uncertain and requires significant judgment.

27. GOODWILL AND INTANGIBLE ASSETS continued

Acquired intangibles and computer software

At the date of acquisition of a business, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired (as set out in Note 24). These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity and are amortised on the basis of their expected useful lives. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct costs of the development of separately identifiable internally generated software are capitalised where it is probable that future economic benefits attributable to the assets will flow from its use (internally generated software). These costs include salaries and wages, materials, service providers and contractors, and directly attributable overheads. Costs incurred in the ongoing maintenance of software are expensed immediately when incurred. Internally generated software is amortised over each asset's useful life to a maximum of a 10 year time period.

For capitalised software, judgment is required to determine which costs relate to research (and therefore expensed) and which costs relate to development (capitalised). Further judgment is required to determine the technical feasibility of completing the software such that it will be available for use. Estimates are used to determine how the software will generate probable future economic benefits, these estimates include; cost savings, income increases, balance sheet improvements, improved functionality or improved asset safeguarding.

On an annual basis software assets' residual values and useful lives are reviewed, including assessing for indicators of impairment. Indicators of impairment include loss of business relevance, obsolescence of asset, exit of the business to which the software relates, technological changes, change in use of the asset, reduction in useful life, plans to reduce usage or scope.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the income statement in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement.

	Group and Company							
	2021				2020			
KShs '000	Goodwill	Acquired intangible asset	Computer software	Total	Goodwill	Acquired intangible asset	Computer software	Total
Cost								
At 1 January	1,112,111	3,707,038	3,413,888	8,233,037	1,112,111	3,707,038	2,334,835	7,153,984
Additions	-	-	1,830,703	1,830,703	-	-	1,104,767	1,104,767
Impairment	-	-	(55,123)	(55,123)	-	-	(20,357)	(20,357)
Amounts written off	-	-	-	-	-	-	(5,357)	(5,357)
At 31 December	1,112,111	3,707,038	5,189,468	10,008,617	1,112,111	3,707,038	3,413,888	8,233,037
Amortisation							-	
At 1 January	-	3,522,412	1,687,633	5,210,045	-	3,315,625	1,106,665	4,422,290
Amortisation	-	184,626	751,400	936,026	-	206,787	586,325	793,112
Impairment	-	-	(36,295)	(36,295)	-	-	-	-
Amounts written off	-	-	-	-	-	-	(5,357)	(5,357)
At 31 December	-	3,707,038	2,402,738	6,109,776	-	3,522,412	1,687,633	5,210,045
Net book value	1,112,111	-	2,786,730	3,898,841	1,112,111	184,626	1,726,255	3,022,992

27. GOODWILL AND INTANGIBLE ASSETS continued

Acquired intangibles comprise:

	Group and Company	
	2021 KShs '000	2020 KShs '000
Customer relationships	-	184,626
Carrying amount at 31 December	-	184,626

As at 31 December 2021, assets with a gross value of KShs 977,175,000 (2020: KShs 798,969,000) are fully amortised but still in use. The notional amortisation charge for the year on these assets would have been KShs 325,725,000 (2020: KShs 266,323,000).

There were no idle assets as at 31 December 2021 and 2020.

The goodwill is wholly attributable to the Securities Services department of the Company. The directors having assessed the goodwill are of the opinion that the goodwill was not impaired at the reporting date (2020: Nil).

During the year, the Group fully impaired software with carrying amount of KShs 18,828,000 (costs of KShs 55,123,000 and accumulated amortisation of KShs 36,295,000) (2020: KShs 20,357,000). The impairment was necessitated by decommissioning of certain computer software.

The recoverable amounts were calculated based on their value in use. Value in use was determined by discounting the future cash flows expected to be generated from the continuing use of the unit. Unless indicated otherwise, value in use in 2021 was determined similarly as in 2020. The calculation of the value in use was based on the following key assumptions:

- cash flows were projected based on past experience, actual operating results and budgets and forecasts approved by management up to 2018. Management forecasts projected revenue growth rates greater than long-term Gross Domestic Product (GDP) growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles. Cash flow projections were extrapolated forward up to 2021 using steady long-term estimated GDP growth rates.
- the cash flows were discounted using a pre-tax discount rate of 17.50% which reflected the prevailing market rates appropriate for this business on the date of the transaction.

The key assumptions described above may change as economic and market conditions change. The directors believe that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the unit to decline below the carrying amount.

28. DEFERRED TAX

Accounting policy

Refer to Note 13 Tax for the accounting policy.

The net deferred tax assets at 31 December 2021 and 2020 are attributable to the following:

	Group			
2021:	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	189,101	4,449	-	193,550
- adjustment in respect to deferred tax in prior years	-	(5,158)	-	(5,158)
Acquired intangible asset	(55,388)	55,388	-	-
ECL on stage 1 and 2 financial instruments	952,803	(191,588)	-	761,215
ECL on stage 3 financial instruments	392,354	187,714	-	580,068
- adjustment in respect to deferred tax in prior years	-	91,893	-	91,893
Revaluation surplus	(340,536)	4,428	-	(336,108)
Fair value reserve - FVOCI	(396,409)	-	267,237	(129,172)
Accrued interest	134,683	(54,951)	-	79,732
Right-of-use assets	81,273	60,217	-	141,490
Other provisions				
- current year	1,529,211	(445,304)	3,576	1,087,483
Retirement benefit obligations	49,114	(37,027)	2,404	14,491
Total	2,536,206	(329,939)	273,217	2,479,484

28. DEFERRED TAX continued

2020:	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	128,879	60,222	-	189,101
- adjustment in respect to deferred tax in prior years	(19,945)	19,945	-	-
Acquired intangible asset	(117,424)	62,036	-	(55,388)
ECL on stage 1 and 2 financial instruments	504,971	447,832	-	952,803
ECL on stage 3 financial instruments	293,397	98,957	-	392,354
Revaluation surplus	(271,783)	3,928	(72,681)	(340,536)
Fair value reserve - FVOCI	(290,301)	-	(106,108)	(396,409)
Accrued interest	206,025	(71,342)	-	134,683
Right-of-use assets	(3,471)	84,744	-	81,273
Other provisions				
- current year	502,919	1,029,885	(3,593)	1,529,211
- adjustment in respect to deferred tax in prior years	628,402	(628,402)	-	-
Retirement benefit obligations	80,218	(36,429)	5,325	49,114
Total	1,641,887	1,071,376	(177,057)	2,536,206

Company

2021:	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	110,043	23,572	-	133,615
- adjustment in respect to deferred tax in prior years	-	(5,158)	-	(5,158)
Acquired intangible asset	(55,388)	55,388	-	-
ECL on stage 1 and 2 financial instruments	952,803	(191,588)	-	761,215
ECL on stage 3 financial instruments	392,354	187,714	-	580,068
- adjustment in respect to deferred tax in prior years	-	91,893	-	91,893
Revaluation surplus	(340,536)	4,428	-	(336,108)
Fair value reserve - FVOCI	(396,409)	-	267,237	(129,172)
Accrued interest	134,683	(54,951)	-	79,732
Right-of-use assets	81,273	60,217	-	141,490
Other provisions				
- current year	1,529,435	(447,910)	3,576	1,085,101
Retirement benefit obligations	49,114	(37,027)	2,404	14,491
Total	2,457,372	(313,422)	273,217	2,417,167

28. DEFERRED TAX continued

2020:	At 1 January KShs '000	Recognised in the income statement current year KShs '000	Recognised in other comprehensive income KShs '000	At 31 December KShs '000
Property and equipment				
- current year	35,687	74,356	-	110,043
- adjustment in respect to deferred tax in prior years	(19,945)	19,945	-	-
Acquired intangible asset	(117,424)	62,036	-	(55,388)
ECL on stage 1 and 2 financial instruments	504,971	447,832	-	952,803
ECL on stage 3 financial instruments	293,397	98,957	-	392,354
Revaluation surplus	(271,783)	3,928	(72,681)	(340,536)
Fair value reserve	(301,240)	-	(95,169)	(396,409)
Accrued interest	206,025	(71,342)	-	134,683
Right-of-use assets	(3,471)	84,744	-	81,273
Other provisions				
- current year	517,147	1,017,615	(5,327)	1,529,435
- adjustment in respect to deferred tax in prior years	614,415	(614,415)	-	-
Retirement benefit obligations	80,218	(36,429)	5,325	49,114
Total	1,537,997	1,087,227	(167,852)	2,457,372

29. DEPOSITS FROM BANKS

Accounting policy

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

	Group and Company	
	2021 KShs '000	2020 KShs '000
Balances from local banks	109,570	164,664
Balances from foreign banks	273,644	288,964
At 31 December	383,214	453,628

The weighted average effective interest rate on deposits from banks at 31 December 2021 was 2.67% (2020: 3.48%)

30. DEPOSITS FROM CUSTOMERS

Accounting policy

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

	Group and Company	
	2021 KShs '000	2020 KShs '000
(a) Maturity profile		
Payable on demand	243,239,592	232,383,182
Payable within 3 months or less	10,889,490	7,072,742
Payable after 3 months	11,340,032	17,041,606
At 31 December	265,469,114	256,497,530
(b) Product classification		
Current and demand accounts	201,189,036	188,933,612
Savings deposits	29,322,949	28,589,979
Time deposits	23,701,885	31,881,376
Other	11,255,244	7,092,563
At 31 December	265,469,114	256,497,530

The weighted average effective interest rate on interest bearing deposits from customers at 31 December 2021 was 4.38% (2020: 4.60%).

31. OTHER LIABILITIES

Accounting policy

Refer to Note 3 on Financial assets and liabilities for the accounting policy for financial liabilities and Note 33 on Leased assets for the accounting policy for leases.

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Financial liabilities at amortised cost				
Bills payable	650,718	316,885	650,718	316,885
Lease liability	364,068	528,992	364,068	528,992
Total financial liabilities at amortised cost	1,014,786	845,877	1,014,786	845,877
Non – financial liabilities				
Dividends payable	239,936	262,105	239,936	262,105
ECL on undrawn commitments	108,586	229,788	108,586	229,788
Other payables	4,057,044	4,405,561	4,034,766	4,386,939
Total non – financial liabilities	4,405,566	4,897,454	4,383,288	4,878,832
At 31 December	5,420,352	5,743,331	5,398,074	5,724,709

Other payables mainly include items relating to employee related accruals, un-cleared payments and trade payable.

32. CONTINGENT LIABILITIES AND COMMITMENTS

Accounting policy

Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events, that are not recognised because either an outflow of economic benefits is not probable or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

Where the Group undertakes to make payment on behalf of its customers for guarantees issued, such as performance bonds or as irrevocable letters of credit as part of the Group's Transaction Banking business for which an obligation to make a payment has not arisen at the reporting date, those are included in these financial statements as contingent liabilities.

(a) Trade ccontigents

The table below shows the contract or underlying principal amounts of unmatured off-balance sheet transactions at the balance sheet date. The contract or underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Group and Company	
	2021 KShs '000	2020 KShs '000
Financial guarantees and trade credits		
Financial guarantees, trade and irrevocable letters of credit	67,705,074	66,035,541
Commitments		
Undrawn formal standby facilities, credit lines and other commitments to lend		
One year and over	38,981,346	38,452,471
Less than one year	8,525,424	9,758,702
Unconditionally cancellable	-	6,721
At 31 December	47,506,770	48,217,894

32. CONTINGENT LIABILITIES AND COMMITMENTS continued

Nature of contingent liabilities

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customer's default.

Letters of credit commit the Company to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The Company expects most acceptances to be presented and reimbursement by the customer is almost immediate.

(b) Legal and regulatory matters

Accounting policy

Where appropriate, the Group recognises a provision for liabilities when it is probable that an outflow of economic resources embodying economic benefits will be required and for which a reliable estimate can be made of the obligation. The uncertainties inherent in legal and regulatory matters affect the amount and timing of any potential outflows with respect to which provisions have been established.

Four of the significant claims are described below:

(i) In the ordinary course of business, the Company is a defendant in a case in which a former customer was awarded damages amounting to KShs 251 million by the Court of Appeal of the Republic of Kenya. The directors, having considered the award and obtained appropriate legal advice, challenged the ruling of the Court of Appeal of the Republic of Kenya at the Common Market for East and Southern Africa (COMESA) Court of Justice. At an initial hearing, the COMESA court ruled, among others, that no execution should be levied in respect of the award granted by the Court of Appeal of the Republic of Kenya, pending the final determination of the case.

In June 2006, management withdrew the case from the COMESA Court of Justice and filed for a review at the Court of Appeal of the Republic of Kenya with an expectation that the Court of Appeal of the Republic of Kenya would review its earlier decision. A ruling was delivered in 2016 in favour of the Company on its application to set aside the KShs 251 million judgment.

The Court of Appeal found that there was a failure of justice in the 2002 Court of Appeal ruling and the appeal against the Company's favourable judgment shall be heard afresh in the Court of Appeal. The plaintiff filed an appeal to the Supreme Court. The Supreme Court, in a unanimous decision, upheld the Company's submissions that in the circumstances of this case, there was no justifiable fault in the Court of Appeal setting aside its judgment and re-opening the Appeal for a fresh hearing. The Court further held that the issues raised in the appeal were noble and required input from the Supreme Court. Consequently, the appeal before the Supreme Court was dismissed with each party bearing its own costs.

The effect of this decision is that the Court of Appeal will now proceed to hear and determine the appeal afresh.

(ii) A pension matter where the Company was sued by over 629 ex-employees. The claimants filed a lawsuit against the trustees of the pension fund and the Company for a claim of KShs 14.6 billion on grounds that the lumpsum benefits paid to them, close to 20 years ago following their retrenchment, were miscalculated. The claimants are yet to provide the particulars of the claim to the court. The pension payments were computed based on professional advice.

(iii) A claim by a former customer and is made up of two cases. The customer had defaulted on his borrowings and the Company attempted to realise the securities held for the borrowings. The customer sued the Company in this matter alleging that the Company did not account for some KShs 55 million deposited in the customer's account. The effect of this case was to stop the Company from realising the securities. The customer reported the matter to the Anti-Banking Fraud Unit and recently applied to the High Court in a Constitutional Petition to compel the Director of Public Prosecutions to prosecute the Company. The application was declined but the customer has filed Notice of Appeal.

(iv) A claim where the plaintiff sued the Company and Standard Chartered Estates Management (SCEM) Limited, a former wholly owned subsidiary of the Company, in 2003 seeking compensation for losses incurred after the plaintiff engaged SCEM Limited to manage their flower farm in 1996.

In addition, the Group has some on-going matters with the Kenya Revenue Authority. As at 31 December 2021, the directors have not made provisions for tax demand letters as they are of the view, based on advice received, that these amounts are not payable.

33. LEASES

Accounting policy

The Group assesses whether a contract is a lease in scope of this policy by determining whether the contract gives it the right to use a specified underlying physical asset for a lease term greater than 12 months, unless the underlying asset is of low value.

Where the Group is a lessee and the lease is deemed in scope, it recognises a liability equal to the present value of lease payments over the lease term, discounted using the incremental borrowing rate applicable. The liability is recognised in 'other liabilities'. A corresponding right-of-use asset equal to the liability, adjusted for any lease payments made at or before the commencement date, is recognised in 'property and equipment'- Note 26. The lease term includes any extension options contained in the contract that the Group is reasonably certain it will exercise.

The Group subsequently depreciates the right-of-use asset using the straight-line method over the lease term and measures the lease liability using the effective interest method. Depreciation on the asset is recognised in operating expenses – Note 11 under depreciation and amortisation and interest on the lease liability is recognised in net interest income – Note 6.

Where the Group is a lessor and the lease is deemed in scope, the Group keeps the underlying asset on balance sheet at its carrying value, except that initial direct costs incurred in negotiating and arranging the operating lease are added to the carrying amount of the underlying asset. The Group measures the underlying asset in accordance with its normal accounting policy e.g. IAS 16 for property and equipment.

The Group recognises income from the lessee on a straight-line basis, as disclosed in 'other operating income' in Note 10.

Significant estimates and judgments

The significant estimates and judgments in determining lease balances are the determination of whether the Group is reasonably certain that it will exercise extension options or termination present in lease contracts. A remeasurement is performed when extension of a lease is confirmed.

A remeasurement of the lease liability and right-of-use asset is also done when there is;

- a change in future lease payment amounts due to market review;
- a change in future lease payment due to change in occupied floor space; and
- a change in expected lease term.

The significant estimates were the determination of incremental borrowing. the Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease.

The Group estimates the IBR using observable inputs has adopted Government bond rates as the benchmark rate for incremental borrowing.

Short term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low value assets and short-term leases, including leases of IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Right-of-use assets	Group and Company					
	2021			2020		
KShs '000	Leased land	Leased premises	Total	Leased land	Leased premises	Total
At 1 January	231,776	471,647	703,423	234,703	653,022	887,725
Additions[1]	-	109,044	109,044	-	148,022	148,022
Disposals	-	(225,800)	(225,800)	-	(285,502)	(285,502)
Depreciation charge for the year (Note 26)	(2,927)	(142,502)	(145,429)	(2,927)	(188,694)	(191,621)
Depreciation on disposals	-	108,844	108,844	-	144,799	144,799
At 31 December	228,849	321,233	550,082	231,776	471,647	703,423

[1] Includes lease modifications of KShs 8,808,000 (2020: KShs 3,276,000).

33. LEASES continued

Set out below are the carrying amounts of lease liabilities (included under 'Other liabilities' in note 31) and the movements during the year:

	Group and Company	
	2021 KShs '000	2020 KShs '000
At 1 January	528,992	716,639
Additions	101,384	158,220
Cancellations	(142,404)	(170,895)
Modifications	19,126	(77,126)
Interest on lease liabilities (Note 6)	54,696	69,091
Payment of lease liability interest	(54,696)	(69,091)
Payment of lease liability principal	(143,030)	(97,846)
At 31 December	364,068	528,992

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

	Group and Company			
	2021		2020	
	Leased land KShs '000	Leased premises KShs '000	Leased land KShs '000	Leased premises KShs '000
Interest on lease payments (Note 6)	-	54,696	-	69,091
Expenses relating to short-term property leases	-	98,644	-	73,982
Expenses relating to low value non-property leases	-	167,441	-	126,385
Amounts recognised in statement of cashflows				
Lease liability payments	-	(197,726)	-	(166,937)

The Group acts as lessor of office space. These leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases. Rental income recognised by the Group during the year is disclosed in note 10 other operating income.

The tale below shows the Group's future minimum rental receivable under non-cancellable operating leases.

	Group and Company	
	2021 KShs '000	2020 KShs '000
Within 1 year	-	-
After 1 year but less than 5 years	30,385	27,373
After 5 years	42,892	67,143
Total rent receivable	73,277	94,516

Maturity analysis

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

	Group and Company				
2021	One year or less KShs '000	Between one year and two years KShs '000	Between two years and five years KShs '000	More than five years KShs '000	Total KShs '000
Other liabilities – lease liabilities	3,704	60,310	278,652	61,562	404,228
2020					
Other liabilities – lease liabilities	24,148	32,020	332,938	198,234	587,340

34. RETIREMENT BENEFIT OBLIGATIONS

Standard Chartered Bank Kenya Limited operates a defined contribution scheme for all full time permanent employees and a defined benefit scheme for pensioners and deferred pensioners who existed as at 31 December 1998.

The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

Both schemes are governed by the *Retirement Benefits Act, 1997.* This requires that an actuarial valuation be carried out at least every 3 years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2018 by an independent qualified actuary. However, the Company's actuary did a review for the year ended 31 December 2021. The review was consistent with previous valuations performed using the projected unit credit method.

Accounting policy

For the defined benefit plan, the liability recognised in the statement of financial position is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using an interest rate equal to the yield on government securities that have a term to maturity approximating to the term of the related pension liability.

Actuarial gains and losses that arise are recognised in shareholders' equity and presented in the statement of other comprehensive income in the period they arise. The Group determines the net interest expense on the net defined liability for the year by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability, taking into account any changes in the net defined benefit liability during the year as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plan are recognised in the income statement.

When the defined benefit calculation results in a benefit to the Group, the recognised asset is limited to the total of any unrecognised past service costs and the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to the plan. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. When the benefits of a plan are improved, the portion of the increased benefit related to past service by employees is recognised in the income statement on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the income statement.

For the defined contribution plan, the Group pays contributions into a separate privately administered pension plan on a contractual basis, and such amounts are charged to operating expenses. The Group has no further payment obligations once the contributions have been paid.

The employees and the Group also contribute to the National Social Security Fund, a national retirement scheme. Contributions are determined by local statutes and the Group's contributions are charged to operating expenses in the year to which they relate.

Significant accounting estimates and judgments

There are many factors that affect the measurement of retirement benefit obligations as it requires the use of assumptions which are inherently uncertain. The assumptions include, inflation rates, discount rate and expected return on assets. The sensitivity of the liabilities to changes in these assumptions is shown in the Note below.

34. RETIREMENT BENEFIT OBLIGATIONS continued

The amount included in the statement of financial position arising from the Group's obligation in respect of the defined benefit scheme is as follows:

	Group and Company	
	2021 KShs '000	2020 KShs '000
Fair value of plan assets	776,410	670,288
Present value of funded obligations	(808,687)	(834,005)
Retirement benefit obligations at 31 December	(32,277)	(163,717)
Plan assets consist of the following:		
Government bonds and bills	664,927	515,526
Corporate bonds	-	-
Other assets	111,483	154,762
	776,410	670,288
Movement in plan assets		
Fair value of plan assets at 1 January	670,288	568,208
Expected return on plan assets	93,944	79,587
Benefits paid by the plan	(140,127)	(138,395)
Employer contributions	178,500	178,500
Recognised actuarial losses	(20,940)	(7,632)
Administrative expenses paid	(5,255)	(9,980)
Fair value of plan assets at 31 December	776,410	670,288
Movement in retirement benefit obligations		
Retirement benefit obligations at 1 January	834,005	835,602
Interest cost	97,735	96,681
Past service cost	30,000	30,000
Benefits paid by the plan	(140,127)	(138,395)
Recognised actuarial losses	(12,926)	10,117
Present value of funded obligations	808,687	834,005
The net charge recognised in the income statement is as follows:		
Interest cost	(97,735)	(96,681)
Expected return on plan assets	93,944	79,587
Past service cost	(30,000)	(30,000)
Administrative expenses paid	(5,255)	(9,980)
Total charge included in staff costs (Note 11)	(39,046)	(57,074)

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

	Group and Company	
	2021	2020
	KShs '000	KShs '000
At 1 January	(163,717)	(267,394)
Employer contributions	178,500	178,500
Charge to the income statement	(39,046)	(57,074)
Recognised in other comprehensive income	(8,014)	(17,749)
At 31 December	(32,277)	(163,717)

Historical information	2021 KShs '000	2020 KShs '000	2019 KShs '000	2018 KShs '000	2017 KShs '000
Fair value of plan assets	776,410	670,288	568,207	603,730	655,099
Present value of funded obligations	(808,687)	(834,005)	(835,603)	(818,905)	(819,470)
Retirement benefit obligations	(32,277)	(163,717)	(267,396)	(215,175)	(164,371)

34. RETIREMENT BENEFIT OBLIGATIONS continued

Key assumptions

The principal actuarial assumptions used at the reporting date were:

	2021 % pa	2020 % pa
Discount rate	13.50	12.80
Expected return on plan assets	13.50	12.80
Future pension increases	-	-

The overall expected long term rate of return on the assets is 13.50% (2020: 12.80%) based on the portfolio as a whole and not on the sum of returns on the individual assets.

These assumptions are likely to change in the future and this will affect the value placed on the liabilities. For example, changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions constant, would have affected the defined obligation by the amounts shown below:

	2021		2020	
	Increase KShs '000	Decrease KShs '000	Increase KShs '000	Decrease KShs '000
Discount rate (-1% movement)	34,305	-	37,400	-
Discount rate (+1% movement)	-	32,554	-	35,400
Future mortality (longevity of member aged 60 increasing by 1 year)	-	18,868	54,700	-

Although this analysis does not look at simultaneous changes in the assumptions, it does provide an approximation of the sensitivity to the main assumptions. While changes in other assumptions would also have an impact, the effect would not be as significant.

35. SHARE CAPITAL AND RESERVES

Accounting policy

Share capital issued is classified as equity when there is no contractual obligation to transfer cash, other financial assets or issue a variable number of own equity instruments. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends are recognised in equity in the period in which they are declared.

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary or is redeemable but only at the Company's option. Dividends on preference share capital classified as equity are recognised in equity in the period in which they are declared.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if the dividend payments are not discretionary. Dividends thereon are recognised in the income statement as interest expense.

Group and Company

(a) Share capital

Authorised

The authorised share capital of the Company at 31 December 2021 was KShs 2,169 million (2020: KShs 2,169 million) made up of 377,850,589 (2020: 377,850,589) ordinary shares of KShs 5.00 each and 56 million (2020: 56 million) non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares of KShs 5.00 each.

All shares rank equally with regard to the Company's residual assets, except that preference shareholders have priority over ordinary shareholders but participate only to the extent of the face value of the shares plus any accrued dividends.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company, subject to any rights or restrictions for the time being attached to any class or classes of shares. Holders of preference shares receive non-cumulative discretionary dividends on the preference shares at the rate of 6% per annum on the issue price of KShs 50.00 per share. Preference shares do not carry the right to vote.

35. SHARE CAPITAL AND RESERVES continued

	2021			2020		
Authorised, issued and fully paid	Number of ordinary shares	Number of preference shares	Authorised share capital	Number of ordinary shares	Number of preference shares	Authorised share capital
	'000	'000	KShs '000	'000	'000	KShs '000
At 1 January	377,851	56,000	2,169,253	343,511	56,000	1,997,553
Increase	-	-	-	34,340		171,700
At 31 December	377,851	56,000	2,169,253	377,851	56,000	2,169,253

	Ordinary shares			Preference shares			
KShs'000	Share capital	Share premium	Total	Share capital	Share premium	Total	Total
At 1 January 2020	1,717,553	5,272,427	6,989,980	280,000	2,520,000	2,800,000	9,789,980
Shares issued	171,700	-	171,700	-	-	-	171,700
At 31 December 2020	1,889,253	5,272,427	7,161,680	280,000	2,520,000	2,800,000	9,961,680
At 31 December 2021	**1,889,253**	**5,272,427**	**7,161,680**	**280,000**	**2,520,000**	**2,800,000**	**9,961,680**

The shareholders at 31 December 2021 and 31 December 2020 that had large holdings were as follows:

At 31 December 2021

Name	Number of shares ('000)	%
1. Standard Chartered Holdings (Africa) BV	279,195	73.89
2. Shawmut Limited	3,884	1.03
3. Standard Chartered Kenya Nominees – A/C KE004667	2,507	0.66
4. Standard Chartered Nominees – RESD A/C KE11450	1,883	0.50
5. Kenya Commercial Bank Nominees Limited – A/C 915B	1,631	0.43
6. Standard Chartered Africa Limited	1,597	0.42
7. Standard Chartered Nominees – RESD A/C KE11401	1,295	0.34
8. Old Mutual Life Assurance Company Limited	1,202	0.32
9. ICEA Lion Life Assurance Company Limited – Pooled	1,189	0.31
10. Standard Chartered Nominees RESD A/C KE11443	1,128	0.30
11. Others	82,340	21.80
	377,851	100.00

At 31 December 2020

1. Standard Chartered Holdings (Africa) BV	279,195	73.89
2. Standard Chartered Kenya Nominees – A/C KE004667	4,286	1.13
3. Shawmut Limited	3,884	1.03
4. Stanbic Nominees Limited A/C NR5551514	2,035	0.54
5. Standard Chartered Nominees – RESD A/C KE11450	1,883	0.50
6. Kenya Commercial Bank Nominees Limited – A/C 915B	1,631	0.43
7. Standard Chartered Africa Limited	1,597	0.42
8. Standard Chartered Nominees – RESD A/C KE11401	1,295	0.34
9. Old Mutual Life Assurance Company Limited	1,252	0.33
10. Standard Chartered Nominees RESD A/C KE11443	1,128	0.30
11. Others	79,665	21.09
	377,851	100.00

35. SHARE CAPITAL AND RESERVES continued

The distribution of shareholders as at 31 December 2021 and 2020 was as follows:

	2021			2020		
Share range	Number of shareholders	Shares held ('000)	%	Number of shareholders	Shares held ('000)	%
Less than 500	10,248	1,914	0.51	9,931	1,842	0.49
501 to 5,000	19,960	29,476	7.80	19,768	29,004	7.68
5,001 to 10,000	525	3,729	0.99	439	3,038	0.80
10,001 to 100,000	620	18,599	4.92	534	16,185	4.29
100,001 to 1,000,000	126	28,621	7.57	119	29,595	7.83
Above 1,000,000	10	295,512	78.21	10	298,187	78.91
Total	31,489	377,851	100	30,801	377,851	100

(a) Share premium

These reserves arose when the shares of the Company were issued at a price higher than the nominal (par) value. These will be applied towards capital in future.

	Group and Company	
	2021	2020
At 1 January and 31 December	KShs '000	KShs '000
Ordinary shares	5,272,427	5,272,427
Preference shares	2,520,000	2,520,000
Total	7,792,427	7,792,427

(b) Capital contribution reserve

Capital contribution reserve comprises capital contributions provided to the Group by shareholders that are not intended by either party to be repaid and includes capital contribution on the acquisition of the custody business and increases in equity arising from share-based payment awards granted to the Group's employees.

(c) Revaluation reserve

Revaluation reserve is from the periodic revaluation of freehold land and buildings. The carrying amounts of these assets are adjusted to the revaluations. Revaluation surpluses are not distributable.

(d) Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of Government securities at FVOCI including impairment losses, until the investment is derecognised.

(e) Statutory credit risk reserve

Where impairment losses required by legislation or regulations exceed those calculated under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory credit risk reserve and accounted for as an appropriation of retained profits. These reserves are not distributable.

36. STATEMENT OF CASH FLOWS

a) Adjustments for non-cash items and other adjustments included within income statement

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Depreciation of property and equipment	553,947	715,471	553,947	715,471
Amortisation of intangible assets	936,026	793,112	936,026	793,112
Profit on sale of property and equipment	(736)	(557)	(736)	(557)
Lease modification	51,917	12,290	51,917	12,290
Impairment of intangible assets	18,828	20,357	18,828	20,357
Retirement benefit obligations	39,046	57,074	39,046	57,074
Expected credit loss on FVOCI financial instruments	(11,923)	11,973	(11,923)	17,756
Share based payments allocated	87,323	61,591	87,323	61,591
At 31 December	1,674,428	1,671,311	1,674,428	1,677,094

b) Change in operating assets

	Group 2021	Group 2020	Company 2021	Company 2020
Balances with Central Bank of Kenya				
– Cash Reserve Ratio	(199,709)	694,360	(199,709)	694,360
Government and other securities held at FVTPL	346,808	(2,987,841)	346,808	(2,987,841)
Derivative financial instruments	272,647	71,055	272,647	71,055
Loans and advances to customers	(4,450,363)	7,166,114	(4,450,363)	7,166,114
Investment securities	2,946,960	3,169,640	2,946,960	2,006,746
Amounts due from group companies	(1,041,434)	(9,517,500)	(1,041,434)	(9,517,500)
Other assets	(1,112,762)	719,485	(1,093,999)	753,974
At 31 December	(3,237,853)	(684,687)	(3,219,090)	(1,813,092)

c) Change in operating liabilities

	Group 2021	Group 2020	Company 2021	Company 2020
Deposits from customers	8,971,584	28,064,015	8,971,584	28,064,015
Derivative financial instruments	(288,031)	44,623	(288,031)	44,623
Due to group subsidiaries	-	-	125,765	242,858
Due to group companies and other related parties	(855,000)	1,563,000	(855,000)	1,563,000
Defined benefit obligations	(178,500)	(178,500)	(178,500)	(178,500)
Other liabilities	(223,954)	(103,009)	(227,610)	(102,536)
At 31 December	7,426,099	29,390,129	7,548,208	29,633,460

d) Analysis of the balance of cash and cash equivalents

	Group 2021	Group 2020	Company 2021	Company 2020
Cash on hand	3,623,969	3,675,054	3,623,969	3,675,054
Unrestricted cash balances with Central Bank of Kenya	8,692,812	5,760,049	8,692,812	5,760,049
Loans and advances to banks	2,429,051	7,533,196	2,429,051	7,533,196
Deposits from banks	(383,214)	(453,628)	(383,214)	(453,628)
Due from group companies and other related parties	50,792,494	42,598,124	51,104,234	42,946,628
Due to group companies and other related parties	(2,842,154)	(3,564,987)	(2,842,154)	(3,564,987)
At 31 December	62,312,958	55,547,808	62,624,698	55,896,312

37. ASSETS PLEDGED AS SECURITY

As at 31 December 2021, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities.

38. FIDUCIARY ACTIVITIES

Accounting policy

Assets held for clients in an agency or fiduciary capacity by the Group are not assets of the Group and are not included in the statement of financial position.

The Group holds asset security documents on behalf of customers. These securities are held by the Security Services department of the Company. The assets held comprise of deposits, government securities, debentures, title deeds, quoted and unquoted shares.

	Group		Company	
	2021 KShs '000	2020 KShs '000	2021 KShs '000	2020 KShs '000
Value of asset security documents held on behalf of customers	1,093,673,488	1,017,004,200	415,424,453	402,134,430

39. RELATED PARTY TRANSACTIONS

In the ordinary course of business, transactions are entered into with Standard Chartered PLC, the ultimate holding company and other companies related to Standard Chartered Bank Kenya Limited through common shareholding.

	Group					Company				
2021	Interest income KShs '000	Interest expense KShs '000	Net fee and commission income KShs '000	Recharges KShs '000	Trade Contingents KShs '000	Interest income KShs '000	Interest expense KShs '000	Net fee and commission income KShs '000	Recharges KShs '000	Trade Contingents KShs '000
Standard Chartered PLC	783,200	247,397	237,694	1,360,970	6,789,930	783,200	247,397	237,694	1,360,970	6,789,930
Other group companies	22,545	18,366	3,765	2,804,853	24,793,120	22,545	45,442	3,765	2,500,050	24,793,120
	805,745	265,763	241,459	4,165,823	31,583,050	805,745	292,839	241,459	3,861,020	31,583,050
2020										
Standard Chartered PLC	861,305	266,366	176,109	1,563,733	4,316,009	861,305	266,366	176,109	1,563,733	4,316,009
Other group companies	84,621	31,286	(16,864)	2,158,176	26,129,277	84,621	49,802	(16,864)	2,011,888	26,129,277
	945,926	297,652	159,245	3,721,909	30,445,286	945,926	316,168	159,245	3,575,621	30,445,286

Group companies provide support services for which they recharge the costs incurred at the country of origin. The value of the services provided has been included in the total expenditure of the Group or Company.

The transactions are at transfer pricing agreements.

The related party balances at 31 December 2021 and 2020 are shown in Note 23.

39. RELATED PARTY TRANSACTIONS continued

Directors and officers

Details of directors' remuneration is disclosed in the Directors' remuneration report.

IAS 24 *'Related party disclosures'* requires the following additional information for key management compensation. Key management comprises executive directors and persons discharging managerial responsibilities of the Company.

	Group and Company	
	2021 KShs '000	2020 KShs '000
Salaries and other employee benefits	561,710	498,622

Transactions with directors and others

During the year, the number of key management staff was 15 (2020: 16).

At 31 December 2021, balances relating to deposits from directors, employees and associates amounted to KShs 669,418,000 (2020: KShs 925,383,000).

The interest expense paid during the year on deposits from directors, employees and associates amounted to KShs 4,836,000 (2020: KShs 5,066,000).

Included in loans and advances to customers are the following amounts:

	Group and Company	
Loans and advances to directors, employees and their associates	2021 KShs '000	2020 KShs '000
At start of the year	6,730,924	7,113,567
Amounts advanced during the year	1,378,660	1,715,873
Amounts repaid during the year	(1,527,211)	(2,098,516)
At end of the year	6,582,373	6,730,924
Loans and advances to directors or companies controlled by directors or their families	76,112	47,149
Loans and advances to employees	6,506,261	6,683,775
	6,582,373	6,730,924
Collateral	6,501,610	6,294,994

The interest income earned during the year on loans and advances to directors, employees and associates amounted to KShs 403,258,000 (2020: KShs 418,898,000).

The above loans and advances were given on commercial terms and conditions.

None of the loans and advances above are impaired at 31 December 2021 (2020: Nil).

Transactions with Standard Chartered Pension Schemes

The Company has also entered into transactions with Standard Chartered Kenya Pension Fund (SCKPF) and Standard Chartered Staff Retirement Benefits Scheme 2006 (SCKSRBS 2006). At 31 December 2021, deposits from SCKPF and SCKSRBS 2006 amounted to KShs 77,106,000 (2020: KShs 54,665,000).

40. HOLDING COMPANY

The ultimate holding company of Standard Chartered Bank Kenya Limited is Standard Chartered PLC, which is a limited liability company incorporated and domiciled in Great Britain.

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled. Trading assets and liabilities including derivatives have been classified to mature and/or be repaid within 12 months, regardless of the actual contractual maturities of the products. With regard to loans and advances to customers, the Bank uses the same basis of expected repayment behaviour that was used for estimating the EIR. Issued debt reflects the contractual coupon amortisation.

	Group			Company		
2021	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cash and balances with Central Bank of Kenya	23,700,451	-	23,700,451	23,700,451	-	23,700,451
Government and other securities held at FVTPL	157	4,601,210	4,601,367	157	4,601,210	4,601,367
Derivative financial instruments	465,879	-	465,879	465,879	-	465,879
Loans and advances to banks	2,429,051	-	2,429,051	2,429,051	-	2,429,051
Loans and advances to customers	52,224,628	73,749,962	125,974,590	52,224,628	73,749,962	125,974,590
Government securities held at FVOCI	43,019,418	47,995,487	91,014,905	43,019,418	47,995,487	91,014,905
Current tax assets	1,007,877	-	1,007,877	913,568	-	913,568
Other assets	3,889,531	-	3,889,531	3,828,722	-	3,828,722
Due from group companies and other related parties	50,759,628	21,232,300	71,991,928	50,759,628	21,544,040	72,303,668
Investment in subsidiary	-	-	-	-	145,243	145,243
Assets classified as held for sale	222,000	-	222,000	222,000	-	222,000
Property, plant and equipment	-	3,196,034	3,196,034	-	3,196,034	3,196,034
Goodwill and intangible assets	-	3,898,841	3,898,841	-	3,898,841	3,898,841
Deferred tax assets	-	2,479,484	2,479,484	-	2,417,167	2,417,167
Total Assets	177,718,620	157,153,318	334,871,938	177,563,502	157,547,984	335,111,486
Liabilities						
Deposits from banks	383,214	-	383,214	383,214	-	383,214
Deposits from customers	79,532,132	185,936,982	265,469,114	79,532,132	185,936,982	265,469,114
Derivative financial instruments	359,808	-	359,808	359,808	-	359,808
Other liabilities	5,420,352	-	5,420,352	5,398,074	-	5,398,074
Due to group companies and other related parties	2,842,154	6,789,000	9,631,154	3,925,736	6,789,000	10,714,736
Current tax liabilities	361,913	-	361,913	274,868	-	274,868
Retirement benefit obligations	32,277	-	32,277	32,277	-	32,277
Total liabilities	88,931,850	192,725,982	281,657,832	89,906,109	192,725,982	282,632,091

41. MATURITY ANALYSIS OF ASSETS AND LIABILITIES continued

	Group			Company		
2020	Within 12 months	After 12 months	Total	Within 12 months	After 12 months	Total
Assets	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Cash and balances with Central Bank of Kenya	20,619,064	-	20,619,064	20,619,064	-	20,619,064
Government and other securities held at FVTPL	1,979,913	2,968,262	4,948,175	1,979,913	2,968,262	4,948,175
Derivative financial instruments	738,526	-	738,526	738,526	-	738,526
Loans and advances to banks	7,533,196	-	7,533,196	7,533,196	-	7,533,196
Loans and advances to customers	50,747,690	70,776,537	121,524,227	50,747,690	70,776,537	121,524,227
Government securities held at FVOCI	65,814,600	29,038,053	94,852,653	65,814,600	29,038,053	94,852,653
Current tax assets	441,196	-	441,196	340,116	-	340,116
Other assets	2,776,769	-	2,776,769	2,734,723	-	2,734,723
Due from group companies and other related parties	47,773,321	14,982,803	62,756,124	48,121,322	14,983,306	63,104,628
Investment in subsidiary	-	-	-	-	141,243	141,243
Assets classified as held for sale	222,000	-	222,000	222,000	-	222,000
Property, plant and equipment	-	3,633,942	3,633,942	-	3,633,942	3,633,942
Goodwill and intangible assets	-	3,022,992	3,022,992	-	3,022,992	3,022,992
Deferred tax assets	-	2,536,206	2,536,206	-	2,457,372	2,457,372
Total Assets	198,646,275	126,958,795	325,605,070	198,851,150	127,021,707	325,872,857
Liabilities						
Deposits from banks	453,628	-	453,628	453,628	-	453,628
Deposits from customers	88,241,790	168,255,740	256,497,530	88,241,790	168,255,740	256,497,530
Derivative financial instruments	647,839	-	647,839	647,839	-	647,839
Other liabilities	5,743,331	-	5,743,331	5,724,709	-	5,724,709
Due to group companies and other related parties	1,092,000	10,116,987	11,208,987	2,049,817	10,116,987	12,166,804
Retirement benefit obligations	163,717	-	163,717	163,717	-	163,717
Total liabilities	96,342,305	178,372,727	274,715,032	97,281,500	178,372,727	275,654,227

42. EVENTS AFTER YEAR END

The COVID-19 pandemic continued to affect the Group, countries and businesses at the time of issuing these financial statements. The directors having assessed, the Group's ability to continue a going concern as noted in Noted 2 (g), have determined that the Group's operations will continue despite the disruption caused by the pandemic. The directors have also assessed that:

- No adjusting events or conditions existed at the reporting date affecting the financial statements.
- The going concern status of the Group will not be affected by this event in the foreseeable future and the Company will continue to operate as a going concern. The Group's management and directors are closely monitoring the economic developments in the key markets and sectors including undertaking scenario analysis. This enables management and directors to take appropriate actions where necessary, including enhanced monitoring, amending the Company's risk appetite and/or reducing limits and exposures.

It is reasonably possible, based on existing knowledge, that outcomes within the next financial period that are different from the judgments and assumptions used, could require a material adjustment to the carrying amounts of the assets or liabilities reported in these financial statements. The directors and management will continue to monitor the measures taken by the Government of Kenya and adjust the Group's business strategies and plans accordingly.

There have been no material revisions to the nature and estimates of amounts reported after period end. However, the effects of COVID-19 pandemic have required judgments and estimates to be made, including:

- Determining which information obtained subsequent to period end provides evidence of conditions that existed as at the end of the reporting period ('adjusting events after the reporting period') and which do not ('non-adjusting events after the reporting period').

Estimates of expected credit losses attributable financial instruments, including the incorporation of forward-looking information to supplement historical credit loss rates.

In 2021, we held the first hybrid Standard Chartered Naiorbi Marathon

2,500 elite athlete runners took part in the physical marathon on a new route overlooking the Nairobi National Park. 5,600 individuals across the world participated in the virtual marathon.

We promoted the marathon as a sustainable marathon, encouraging virtual participants to run in green spaces. All the participants who completed the marathon received a tree seedling to plant at their place of choice. Through this initiative, over 5,000 seedlings were distributed in the community.

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