

**Stanbic Holdings Plc**

**Annual Report and Financial Statements**

**For the year ended 31 December 2024**

**Stanbic Holdings Plc**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2024**

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**Stanbic Holdings Plc**  
**Corporate information**  
**For the year ended 31 December 2024**

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Chairman:	Joseph L.O. Muganda
Chief Executive:	Patrick Mweheire*
Chief Executive of Stanbic Bank Kenya Limited:	Joshua Oigara
Non-Executive Directors:	Dorcas F. Kombo Peter N. Gethi Rose B. Osoro Wambui K. Mbesa Sabira R. Thakker (appointed 23 July 2024)  * Ugandan
Company Secretary:	Nancy Kiruki P.O. Box 72833 00200 Nairobi, Kenya
Auditor:	Deloitte & Touche LLP Deloitte Place Waiyaki Way, Muthangari P.O. Box 40092 00100, Nairobi, Kenya
Registered Office:	Stanbic Bank Centre Chiromo Road, Westlands P.O. Box 72833 00200 Nairobi, Kenya
Principal Banker:	Stanbic Bank Kenya Limited Chiromo Road, Westlands P.O. Box 72833 00200 Nairobi, Kenya
Ultimate Parent:	Standard Bank Group Limited (South Africa) 9th Floor, Standard Bank Centre 5 Simmonds Street, Johannesburg 2001 P.O.Box 7725, Johannesburg 2000 Johannesburg, South Africa

**Stanbic Holdings Plc**  
**Report of the Directors**  
**For the year ended 31 December 2024**

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**Report of the Directors**

The Directors submit their report together with the audited financial statements for the year ended 31 December 2024, which disclose the state of affairs of Stanbic Holdings Plc (the “Group” or the “Company”).

**Principal activities**

The Group is engaged in the business of banking, bancassurance intermediation, asset management and stock brokerage and is licensed under the Banking Act, Capital Markets Act and Insurance Act. The Company's shares are listed on the Nairobi Securities Exchange.

**Principal risks and uncertainties**

The Group has exposure to various risks from its operations. These are -:

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

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

**Business review and financial performance**

Global economy continued to show signs of gradual recovery, characterised by easing inflation, tapered interest rates, improved supply chains, and an accelerated shift towards sustainable business practices. However, this progress was moderated by ongoing geopolitical tensions, significant electioneering seasons across the globe, and subdued economic growth in key global economies. The global growth continues to recover and is projected to improve to 3.3% in 2025 from an estimate of 3.2% in 2024, supported by strong growth in the United States and India, and improved prospects for growth in the United Kingdom. The main risks to global growth outlook relate to elevated uncertainty on trade policy amid rising tariffs on imports, and further escalation of geopolitical tensions.

The Kenyan economy is estimated to have grown by 4.6% in 2024, 50 basis points below the initial forecast of 5.1% and 100 basis points lower than the 5.6% growth in 2023. This slowdown reflects decelerated growth in some sectors such as manufacturing, construction etc., while agriculture, tourism and general services industries continued to be resilient. Inflation eased to 3% by the end of 2024, down from an average of 6.6% in the previous year, underpinned by lower food and commodity prices, a stable Kenyan shilling, and reduced pump prices.

The Central Bank of Kenya's (CBK) policy rate reduced by a cumulative 225 basis points between July 2024 and February 2025, in an effort to encourage private sector credit growth which remained sluggish closing 2024 at negative 1.4% growth. The CBK usable foreign exchange reserves were at USD 9,201 million (4.7 months of import cover) as of 24 December 2024, which continued to provide adequate cover and a buffer against any short-term shocks in the foreign exchange market. The Kenya shilling remained stable against major international and regional currencies as of 31 December 2024.

The current account deficit is estimated at 3.7% of GDP in 2024 compared to 4.0% of GDP in 2023, reflecting improved goods exports, strong diaspora remittance inflows, and lower oil imports. Goods exports increased by 15.4%, due to higher domestic exports, particularly agricultural commodities, and re-exports. Diaspora remittances and tourist arrivals increased by 18.0% and 14.6%, respectively, in 2024.

As at Q3 2024, the banking sector recorded a 12% growth in pre-tax profits from KShs 177Bn in 2023 to KShs 200bn in September 2024 largely driven by increase in interest income on loans and advances up 25% to KShs 380Bn attributable to the prevailing high interest rates in the market. Profit after Tax (PAT) increased by 15% YoY. Generally, all banks recorded significant growth in interest income driven by higher lending rates as well as higher interest rates on government securities. Similarly, interest expenses shot up as customers demanded a higher return on their deposits to match the rates on government paper.

**Stanbic Holdings Plc**  
**Report of the Directors**  
**For the year ended 31 December 2024**

**Business review and financial performance (continued)**

The banking sector recorded significant growth in interest income driven by higher lending rates as well as higher interest rates on government securities. Similarly, interest expenses shot up as customers demanded a higher return on their deposits to match the rates on government paper.

At the end of Q3 2024, the banking sector net loans and advances to customers dropped 5% from the year ending 31 December 2023.

The Group reported a profit after tax of KShs 13.7Bn, representing 13% increase from the performance for the year ended 31 December 2024.

The Group's performance was driven by improved earning yields from interest income, increased balance sheet quality bolstered by operating costs efficiency. Credit impairment decreased by 50% as a result of increased quality of the loan book in the year and gains from currency appreciation.

Summary results for the year are as follows:

	<b>2024</b>	<b>2023</b>	
	<b>Kshs. billion</b>	<b>Kshs. billion</b>	<b>Change</b>
Total income	39.7	41.3	(3.8%)
Credit impairment charge	3.1	6.2	(50.3%)
Total operating expenses	17.7	18.0	(1.7%)
Profit for the year	13.7	12.2	12.8%
Loans and advances to customers	230.2	260.5	(11.6%)
Non performing loans	23.0	26.5	(13.2%)
Total assets	454.8	459.3	(1.0%)
Deposits from customers	318.2	321.2	(0.9%)
Total equity	75.4	68.6	10.0%
Cost to income ratio	44.5%	43.5%	2.1%

**Stanbic Holdings Plc**  
**Report of the Directors**  
**For the year ended 31 December 2024**

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**Report of the Directors (continued)**

**Dividends**

During the year, the Company paid an interim dividend of KShs 1.84 (2023: 1.15) per ordinary share amounting to KShs 727,391,814 (2023: KShs 454,095,000).

Subject to the approval of the shareholders at the Annual General Meeting to be held on 15 May 2025, the Directors' recommend payment of a final dividend of KShs 18.90 (2023: KShs 14.20) per ordinary share equivalent to a total sum of KShs 7,471,578,958 (2023: KShs 5,613,567,260). The total dividend for the year, therefore, will be KShs 20.74 (2023: KShs 15.35) for every ordinary share amounting to KShs 8,198,970,772 (2023: KShs 6,067,662,260).

**Share capital**

The total number of authorised shares as at 31 December 2024 was 473,684,211 (2023: 473,684,211), ordinary shares of KShs 5 each, with 395,321,638 shares being issued and fully paid up (2023: 395,321,638).

**Directors**

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

**Events subsequent to the end of the reporting period**

Events subsequent to the end of the reporting period have been disclosed under note 49.

**Management by third parties**

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

**Disclosures to auditor**

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

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

**Terms of appointment of auditor**

The term of audit engagement of Deloitte & Touche LLP began in the current financial year following their appointment by the shareholders at the annual general meeting held on 16 May 2024, in accordance with the provisions of Section 721 of the Kenyan Companies Act, 2015.

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

**Approval of financial statements**

The financial statements were approved and authorised for issue by the Board of Directors on 04 March 2025.

By Order of the Board,



Nancy Kiruki  
Company Secretary

Date: 04 March 2025

**Stanbic Holdings Plc**  
**Statement of Directors' responsibilities**  
**For the year ended 31 December 2024**

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The Kenyan Companies Act, 2015 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of its profit or loss for that year. The financial statements comprises the Group and Company statements of financial position as at 31 December 2024, and the Group and Company statements of profit or loss, the Group and Company statements of other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policies and other explanatory information. It also requires the directors to ensure that the Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and the Company; that disclose, with reasonable accuracy, the financial position of the Group and Company and that enable them to prepare financial statements of the Group and the Company that comply with the IFRS® Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and the requirements of the Kenyan Companies Act, 2015. The Directors are also responsible for safeguarding the assets of the Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards as issued by International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015. They also accept responsibility for:

- i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- ii) selecting suitable accounting policies and applying them consistently; and
- iii) making accounting estimates and judgements that are reasonable in the circumstances.

Having made an assessment of the Group's and Company's ability to continue as a going concern, the Directors are not aware of any uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved and authorised for issue by the Board of Directors on 04 March 2025 and signed on its behalf by:

  
**Joseph L.O. Muganda**  
Chairman

  
**Patrick Mweheire**  
Chief Executive

  
**Dorcas F. Kombo**  
Director

Date: 04 March 2025

**Information not subject to audit**

**The Company's Board remuneration policy**

The Company's Board Remuneration Policy is designed to create value for shareholders, clients, employees and communities while retaining and motivating an effective Board of Directors. The guiding principles of the Policy include strategic alignment, objectivity and transparency, competitiveness and responsibility and inclusivity and engagement.

In determining the remuneration fee for Non-Executive Directors, the Board ensures that regular surveys are conducted on the remuneration of Non-Executive Directors on the boards of peer listed companies. The level of remuneration and compensation for Non-Executive Directors (NEDs) must be set to attract independent NEDs who, together with the Board as a whole, encompass a varied range of relevant skills and experience to determine the Company's strategy and oversee implementation.

The NEDs are paid an annual fee and sitting allowance for meetings attended. The remuneration for NEDs is reviewed on an annual basis for approval by the shareholders of the Company at the annual general meeting. The NEDs are to be appropriately reimbursed for expenses such as travel, and subsistence incurred in the performance of their duties.

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

The Chairman of the Board is paid a taxable retainer of KShs. 100,000 per quarter and a sitting allowance of KShs. 180,000. The other members of the Board are paid a taxable retainer of KShs. 75,000 per quarter and a sitting allowance of KShs. 120,000. The Board's retainer is paid quarterly while the sitting allowances are paid for every meeting attended. The Chairman of the Board Audit Committee is paid KShs. 150,000 and the Committee members are paid KShs. 120,000 for every meeting attended.

The members of the Board can access loans and guarantees at the prevailing market rates and conditions.

**Contract of service**

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

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

During the Annual General Meeting held on 16 May 2024 the shareholders approved the payments of directors' fees for the year ended 31 December 2023.

At the Annual General Meeting to be held on 15 May 2025, approval will be sought from shareholders for the directors' fees for the financial year ended 31 December 2024.



Stanbic Holdings Plc  
Directors' remuneration report  
For the year ended 31 December 2024

Information subject to audit

Year ended 31 December 2024 (KShs '000')

Name	Category	Basic pay	Bonus	Pension	Non-cash benefits	Retainer	Sitting allowance	Total Company	Total Group subsidiaries	Total Group
Joseph Muganda	Chairman			-	-	400	1,830	2,230	11,677	13,907
Patrick Mweheire*	Chief Executive	26,657	44,620	7,716	10,100	-	120	89,213	6,287	95,500
Peter Gethi	Non Executive	-	-	-	-	300	1,440	1,740	9,550	11,290
Dorcas Kombo	Non Executive	-	-	-	-	300	1,020	1,320	6,983	8,303
Rose Osoro	Non Executive	-	-	-	-	300	1,830	2,130	9,192	11,322
Sabira Thakker	Non Executive	-	-	-	-	150	240	390	2,467	2,857
Wambui Mbesa	Non Executive	-	-	-	-	300	1,080	1,380	11,454	12,834
<b>Total</b>		<b>26,657</b>	<b>44,620</b>	<b>7,716</b>	<b>10,100</b>	<b>1,750</b>	<b>7,560</b>	<b>98,403</b>	<b>57,610</b>	<b>156,013</b>

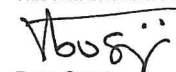
Year ended 31 December 2023 (KShs '000')

Name	Category	Basic pay	Bonus	Pension	Non-cash benefits	Retainer	Sitting allowance	Total Company	Total Group subsidiaries	Total Group
Kitili Mbathi	Chairman			-	-	400	1,200	1,600	11,208	12,808
Patrick Mweheire*	Chief Executive	26,574	34,030	5,856	16,343	-	-	82,803	1,893	84,696
Peter Gethi	Non Executive	-	-	-	-	300	720	1,020	8,491	9,511
Rose Osoro	Non Executive	-	-	-	-	300	1,260	1,560	8,259	9,819
Dorcas Kombo	Non Executive	-	-	-	-	300	1,020	1,320	7,145	8,465
Samuel Gikandi	Non Executive	-	-	-	-	150	360	510	4,046	4,556
Joseph Muganda	Non Executive	-	-	-	-	300	1,200	1,500	7,145	8,645
Wambui Mbesa	Non Executive	-	-	-	-	300	720	1,020	10,285	11,305
<b>Total</b>		<b>26,574</b>	<b>34,030</b>	<b>5,856</b>	<b>16,343</b>	<b>2,050</b>	<b>6,480</b>	<b>91,333</b>	<b>58,472</b>	<b>149,805</b>

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

Approval of Remuneration Report by the Board of directors

This remuneration report was approved by the Board of Directors on 04 March 2025



Rose Osoro  
Chairperson Board Nominations Committee

04 March 2025

## REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF STANBIC HOLDINGS PLC

### Report on the audit of the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Stanbic Holdings Plc (the "Company") and its subsidiaries (together, the "Group") set out on pages 13 to 175, which comprise the consolidated statement of financial position at 31 December 2024 and the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, together with the Company statement of financial position at 31 December 2024, and the Company statements of profit or loss and other comprehensive income, Company statement of changes in equity, and cash flows for the year then ended, and the notes to the financial statements, including material accounting policy information.

In our opinion the accompanying financial statements of Stanbic Holdings Plc give a true and fair view of the financial position of the Group and the Company as at 31 December 2024 and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB), and the requirements of the Kenyan Companies Act, 2015.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other matter*

The financial statements for Stanbic Holdings Plc for the year ended 31 December 2023 were audited by another auditor who expressed an unmodified opinion on those statements on 5 March 2024.





# REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF STANBIC HOLDINGS PLC

## Key audit matters

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

Key audit matter	How our audit addressed the matter
<p><b><i>Estimation of expected credit losses on loans and advances measured at amortised cost</i></b></p> <p>Loans and advances to customers constitute a significant portion of the total assets of Stanbic Holdings Plc. As disclosed in notes 2.6, 3.10, and 4.3, management exercise significant judgment when determining both when and how much to record as loan impairment. This is because a number of significant assumptions and inputs go into the determination of expected credit loss (ECL) impairment amounts on loans and advances to customers as required by IFRS 9 <i>Financial Instruments</i>.</p> <p>The key areas where we identified greater levels of management judgment and therefore increased levels of audit focus in the Group's implementation of IFRS 9 include:</p> <ul style="list-style-type: none"> <li>• The judgments made to determine the categorization (staging) of individual loans and advances accounts in line with IFRS 9. In particular, the identification of a Significant Increase in Credit Risk ("SICR") and Default of the credit impairment triggers for individually assessed loans require consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used;</li> <li>• Identification and measurement of economic scenarios to measure ECLs on a forward-looking basis reflecting a range of future economic conditions; and</li> <li>• Modelling for estimation of ECL parameters: <ul style="list-style-type: none"> <li>• Probabilities of Default (PDs)</li> <li>• Loss Given Default (LGD); and</li> <li>• Exposure at Default (EAD).</li> </ul> </li> <li>• The judgements made around the expected cashflows from collateral and negotiated payments especially on the individually assessed loans and advances from customers.</li> </ul>	<p>Our audit of the impairment of advances included, amongst others, the following audit procedures performed together with the assistance of our internal credit risk specialists and the Group's auditors' credit risk specialists:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the Group's methodology for determining expected credit losses, including enhancements in the year, and evaluated this against the requirements of IFRS 9, Financial Instruments;</li> <li>• Tested the design and implementation of critical controls across all ECL-related processes, particularly the allocation of assets into stages;</li> <li>• On a sample of contracts, we assessed the identification of loans and advances that had experienced a significant increase in credit risk or met the Group's default definition criteria for classification purposes. This was completed by reviewing documentation and credit performance to determine whether the staging of such facilities was in accordance with Group policy and IFRS 9 standards;</li> <li>• Tested the assumptions, inputs and formulae used in the ECL models with the support of our internal credit risk specialists and group auditors' credit risk specialists (including assessing the appropriateness of model design and formulae used, considering alternative modelling techniques and recalculating the Probability of Default, Loss Given Default and Exposure at Default;</li> <li>• We corroborated the assumptions used for the determination of forward-looking information (FLI) in the models;</li> <li>• Tested the data used in the ECL calculation by reconciling to source systems; and</li> <li>• Assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards.</li> </ul>

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE SHAREHOLDERS OF STANBIC HOLDINGS PLC (Continued)**

**Key audit matters (Continued)**

<b>Key audit matter</b>	<b>How our audit addressed the matter</b>
Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of loan impairment provisions is considered a key audit matter.	We concluded that the assumptions and methodology used were reasonable to support the amounts presented in the consolidated financial statements. We also found the models used for the determination of ECL to be appropriate. In addition, the disclosures in the financial statements pertaining to ECL on loans and advances to customers were found to be appropriate.
Because of the significance of these estimates, judgments and the size of loans and advances portfolio, the audit of expected credit losses is considered a key audit matter.	

*Other information*

The directors are responsible for the other information. The other information comprises the corporate information, directors report, directors' remuneration report and statement of directors' responsibilities (but does not include the consolidated and separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

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

When we read the rest of the other information in the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

*Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board and the requirements of the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the 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 or to cease operations, or have no realistic alternative but to do so.



## **REPORT OF THE INDEPENDENT AUDITOR TO THE SHAREHOLDERS OF STANBIC HOLDINGS PLC (Continued)**

### *Auditor's responsibilities for the audit of the 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 judgement and maintain professional scepticism throughout the audit. We also:

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

**REPORT OF THE INDEPENDENT AUDITOR  
TO THE SHAREHOLDERS OF STANBIC HOLDINGS PLC (Continued)**

*Auditor's responsibilities for the audit of the financial statements (Continued)*

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

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

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

**Report on other matters prescribed by the Kenyan Companies Act, 2015**

***Report of the directors***

In our opinion the information given in the report of directors' report on pages 2 to 4 is consistent with the financial statements.

*Directors' remuneration report*

In our opinion, the auditable part of the directors' remuneration report on pages 7 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 is **CPA Charles Munkonge Luo**, Practising certificate No. 2294.

*Charles Luo*

**For and on behalf of Deloitte & Touche LLP  
Certified Public Accountants (Kenya)  
Nairobi**

*4 March 2025*

Group and Company statement of profit or loss

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
	Note	2024 KShs. Million	2023 KShs. Million	2024 KShs. Million	2023 KShs. Million
Interest income	6	48,165	37,942	25	16
Interest expense	7	(23,828)	(12,294)	-	-
<b>Net interest income</b>		<b>24,337</b>	<b>25,648</b>	<b>25</b>	<b>16</b>
Fees and commission revenue	8	6,042	6,670	-	-
Fees and commission expense	9	(1,069)	(1,032)	-	-
<b>Net fees and commission income</b>		<b>4,973</b>	<b>5,638</b>	<b>-</b>	<b>-</b>
Trading revenue	10	7,502	10,247	-	-
Net gain/ (loss) from financial instruments at fair value through profit or loss	11 (a)	2,849	(92)	-	-
Other income	12	114	153	6,352	5,654
Other losses on financial instruments	11 (b)	(32)	(277)	-	-
<b>Trading and other income</b>		<b>10,433</b>	<b>10,031</b>	<b>6,352</b>	<b>5,654</b>
<b>Total income</b>		<b>39,743</b>	<b>41,317</b>	<b>6,377</b>	<b>5,670</b>
Credit impairment losses	23 (e)	(3,099)	(6,236)	-	-
<b>Net income before operating expenses</b>		<b>36,644</b>	<b>35,081</b>	<b>6,377</b>	<b>5,670</b>
Employee benefits expense	13	(9,135)	(8,656)	(166)	(81)
Depreciation and amortisation expense	26,27, 28	(707)	(622)	-	-
Depreciation on right-of use assets	30	(324)	(336)	-	-
Other operating expenses	14	(7,497)	(8,367)	(26)	(27)
Finance costs	15	(10)	(6)	(1)	(1)
<b>Total operating expenses</b>		<b>(17,673)</b>	<b>(17,987)</b>	<b>(193)</b>	<b>(109)</b>
<b>Profit before income tax</b>		<b>18,971</b>	<b>17,094</b>	<b>6,184</b>	<b>5,561</b>
Income tax expense	16	(5,255)	(4,936)	(12)	-
<b>Profit for the year</b>		<b>13,716</b>	<b>12,158</b>	<b>6,172</b>	<b>5,561</b>
<b>Earnings per share</b>					
Basic and diluted (KShs per share)	17	34.70	30.75	15.61	14.07

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

Group and Company statement of other comprehensive income

		GROUP		COMPANY	
		Year ended 31 December		Year ended 31 December	
	Note	2024 KShs. Million	2023 KShs. Million	2024 KShs. Million	2023 KShs. Million
Profit for the year		13,716	12,158	6,172	5,561
Other comprehensive income for the year, net of income tax					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences for foreign operations		(951)	(223)	-	-
Net gains/ (loss) in debt financial assets measured at fair value through other comprehensive income (FVOCI)*	21.2	422	(144)	-	-
Total other comprehensive income for the year, net of income tax		(529)	(367)	-	-
Total comprehensive income for the year		13,187	11,791	6,172	5,561

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

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements



Stanbic Holdings Plc  
Financial statements  
As at 31 December 2024

Group and Company statement of financial position

	Note	GROUP		COMPANY	
		As at 31 December		As at 31 December	
		2024 KShs. Million	2023 KShs. Million	2024 KShs. Million	2023 KShs. Million
<b>Assets</b>					
Cash and balances with central banks	19	24,677	25,503	-	-
Financial assets – (FVTPL)	20 (a)	54,649	2,898	-	-
Financial assets – (FVOCI)	21	15,462	19,892	-	-
Financial assets – (amortised cost)	22	29,079	22,555	-	-
Derivative assets	33	2,095	2,250	-	-
Current tax asset	37	1,461	-	9	13
Loans and advances to banks	23 (a)	64,486	95,705	159	216
Loans and advances to customers	23 (b)	230,218	260,509	-	-
Other assets and prepayments	24	10,449	7,608	20	20
Investment in subsidiaries and other investments	25	18	18	18,218	18,218
Property and equipment	26	2,231	2,078	-	-
Right-of-use assets (buildings)	30	693	858	-	-
Right-of-use assets (leasehold land)	27	30	33	-	-
Other intangible assets	28	993	740	-	-
Intangible assets - goodwill	29	9,350	9,350	-	-
Deferred tax asset	38	8,943	9,287	-	-
<b>Total assets</b>		<b>454,834</b>	<b>459,284</b>	<b>18,406</b>	<b>18,467</b>
<b>Equity and liabilities</b>					
<b>Liabilities</b>					
Derivative liabilities	33	2,746	2,570	-	-
Financial liabilities – FVTPL	20 (b)	16,322	14,071	-	-
Current tax liability	37	20	2,192	-	-
Deposits from banks	34 (a)	20,819	26,004	-	-
Deposits from customers	34 (b)	318,193	321,234	-	-
Borrowings	35	10,482	12,713	-	-
Other liabilities and accrued expenses	36	10,140	10,939	264	156
Lease liabilities	31	712	1,007	-	-
<b>Total liabilities</b>		<b>379,434</b>	<b>390,730</b>	<b>264</b>	<b>156</b>
<b>Equity</b>					
Ordinary share capital	32 (b)	1,977	1,977	1,977	1,977
Ordinary share premium	32 (c)	16,897	16,897	16,897	16,897
Other reserves	44	(642)	(1,065)	-	-
Retained earnings		57,168	50,745	(732)	(563)
<b>Total shareholders' equity</b>		<b>75,400</b>	<b>68,554</b>	<b>18,142</b>	<b>18,311</b>
<b>Total equity and liabilities</b>		<b>454,834</b>	<b>459,284</b>	<b>18,406</b>	<b>18,467</b>

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

The financial statements on pages 13 to 175 were approved and authorised for issue by the Board of Directors on 04 March 2025 and signed on its behalf by:

Chairman .....  
Joseph L.O. Muganda

Chief Executive .....  
Patrick Mweheire

Director .....  
Dorcas F. Kombo

**Group statement of changes in equity**

<b>For the year ended 31 December 2024</b>	<b>Note</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Other Reserves</b>	<b>Retained earnings</b>	<b>Total Equity</b>
		<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>At 1 January 2024</b>		<b>1,977</b>	<b>16,897</b>	<b>(1,065)</b>	<b>50,745</b>	<b>68,554</b>
Profit for the year		-	-	-	13,716	13,716
Other comprehensive income, net of tax		-	-	(529)	-	(529)
Transfer of statutory credit risk reserve		-	-	960	(960)	-
Transfer of revaluation reserves		-	-	(8)	8	-
<b>Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group</b>						
2023 final dividend paid	18	-	-	-	(5,614)	(5,614)
2024 interim dividend paid	18	-	-	-	(727)	(727)
<b>Total transactions with owners of the Group</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(6,341)</b>	<b>(6,341)</b>
<b>At 31 December 2024</b>		<b>1,977</b>	<b>16,897</b>	<b>(642)</b>	<b>57,168</b>	<b>75,400</b>

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

Group Statement of changes in equity (continued)

For the year ended 31 December 2023	Note	Share Capital	Share Premium	Other Reserves	Retained earnings	Total Equity
		KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>At 1 January 2023</b>		<b>1,977</b>	<b>16,897</b>	<b>(2,100)</b>	<b>45,424</b>	<b>62,198</b>
Profit for the year		-	-	-	12,158	12,158
Other comprehensive income, net of tax		-	-	(367)	-	(367)
Transfer of statutory credit risk reserve		-	-	1,410	(1,410)	-
Transfer of revaluation reserves		-	-	(8)	8	-
<b>Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group</b>						
2022 final dividend paid	18	-	-	-	(4,981)	(4,981)
2023 interim dividend paid	18	-	-	-	(454)	(454)
<b>Total transactions with owners of the Group</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(5,435)</b>	<b>(5,435)</b>
<b>At 31 December 2023</b>		<b>1,977</b>	<b>16,897</b>	<b>(1,065)</b>	<b>50,745</b>	<b>68,554</b>

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

Company statement of changes in equity

	Note	Attributable to equity holders			Total Equity
		Share Capital	Share Premium	Retained earnings	
Year ended 31 December 2024		KShs Million	KShs Million	KShs Million	KShs Million
At 1 January 2024		1,977	16,897	(563)	18,311
Profit for the year		-	-	6,172	6,172
Contribution and distributions to owners					
2023 final dividend paid	18	-	-	(5,614)	(5,614)
2024 interim dividend paid	18	-	-	(727)	(727)
Total contributions by and distributions to owners		-	-	(6,341)	(6,341)
At 31 December 2024		1,977	16,897	(732)	18,142

	Note	Attributable to equity holders			Total Equity
		Share Capital	Share Premium	Retained earnings	
Year ended 31 December 2023		KShs Million	KShs Million	KShs Million	KShs Million
At 1 January 2023		1,977	16,897	(689)	18,185
Profit for the year		-	-	5,561	5,561
Contribution and distributions to owners					
2022 final dividend paid	18	-	-	(4,981)	(4,981)
2023 interim dividend paid	18	-	-	(454)	(454)
Total contributions by and distributions to owners		-	-	(5,435)	(5,435)
At 31 December 2023		1,977	16,897	(563)	18,311

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

Group and Company statement of cashflows

	Note	Group		Company	
		2024 KShs Million	2023* KShs Million	2024 KShs. Million	2023 KShs Million
<b>Cash flows from operating activities</b>	39 (a)	(492)	3,956	6,184	5,561
Interest received		43,267	36,277	-	-
Interest paid		(24,633)	(13,860)	-	-
Income tax paid	37 (a)	(8,723)	(6,173)	(8)	(3)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>9,419</b>	<b>20,200</b>	<b>6,176</b>	<b>5,558</b>
<b>Changes in operating assets and liabilities:</b>					
Net change in loans and advances to customers		31,653	(31,966)	-	-
Net change in financial assets – FVOCI		(6,972)	10,024	-	-
Net change in financial assets – FVTPL		(52,159)	(1,633)	-	-
Net change in cash reserve requirements		2,157	(3,696)	-	-
Net change in other assets and prepayments		(2,841)	(1,507)	-	(1)
Net change in deposits from banks		(4,119)	(13,931)	-	-
Net change in other liabilities and accrued expenses		(799)	40	108	36
Net change in deposits from customers		(2,204)	49,670	-	-
Net change in financial liabilities – FVTPL		2,251	6,070	-	-
<b>Net cash (used in)/ generated from operating activities</b>		<b>(23,614)</b>	<b>33,271</b>	<b>6,284</b>	<b>5,593</b>
<b>Cash flows from investing activities:</b>					
Net change in financial assets – at amortised cost		(6,524)	3,734	-	-
Acquisition		(16,276)	-	-	-
Proceeds from sales		9,752	3,734	-	-
Additions to property and equipment	26	(674)	(615)	-	-
Additions to intangible assets	28	(505)	(122)	-	-
Proceeds from sale of property and equipment		24	15	-	-
<b>Net cash (used in)/ generated from investing activities</b>		<b>(7,679)</b>	<b>3,012</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>					
Dividends paid	18	(6,341)	(5,435)	(6,341)	(5,435)
Payment of lease liabilities	31	(415)	(476)	-	-
<b>Net cash used in financing activities</b>		<b>(6,756)</b>	<b>(5,911)</b>	<b>(6,341)</b>	<b>(5,435)</b>
<b>Net (decrease)/ increase in cash and cash equivalents</b>		<b>(38,049)</b>	<b>30,372</b>	<b>(57)</b>	<b>158</b>
Effect of exchange rate changes		(2,919)	2,483	-	-
Cash and cash equivalents at start of year		102,044	69,189	216	58
<b>Cash and cash equivalents at end of year</b>	39 (b)	<b>61,076</b>	<b>102,044</b>	<b>159</b>	<b>216</b>

\*Comparative figures are reclassified. Refer to note 2.24

The notes on pages 20 to 175 form an integral part of these consolidated and separate financial statements

**Stanbic Holdings Plc**  
**Financial statements**  
**For the year ended 31 December 2024**

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**Notes**

**1 General information**

Stanbic Holdings Plc is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The address of its registered office is

Stanbic Bank Centre  
Chiromo Road, Westlands  
P.O. Box 72833  
00200 Nairobi GPO

The Company's shares are listed on the Nairobi Securities Exchange (NSE).

Principal activities of the Group are providing financial services including banking, insurance agency and stock brokerage. The Group is licensed under the Kenyan Banking, Capital Markets, retirement benefit and insurance Acts to provide these services.

The financial statements for the year ended 31 December 2024 were approved and authorised for issue by the Board of Directors on 04 March 2025. The financial statements comprise the Group and Company statements of financial position as at 31 December 2024, and the Group and Company statements of profit or loss, the Group and Company statements of other comprehensive income, the Group and Company statements of changes in equity and the Group and Company statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of material accounting policies and other explanatory information. Neither the entity's owners nor others have the power to amend the financial statements after issue. For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position and the profit and loss account by the statement of profit or loss, in these financial statements.

**2 Summary of Material accounting policies**

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

**a) Basis of preparation**

The annual financial statements (AFS) are prepared in accordance with IFRS<sup>(R)</sup> Accounting Standards as issued by the International Accounting Standards Board (IASB), its interpretations adopted by the IASB, and the Kenyan Companies Act, 2015. The financial statements have been prepared using the accrual basis of accounting except for cash flow information. The annual financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Fair value through other comprehensive income (FVOCI) financial assets, financial assets and liabilities at fair value through profit or loss and liabilities for cash-settled and equity-settled share-based payment arrangements (accounting policy 2.7).

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

- purchases and sales of financial assets under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned are recognised and derecognised using trade date accounting (accounting policy 2.6);
- property and equipment and intangible assets are accounted for using the cost model except for revaluation of buildings that arose from the merger between the former CfC Bank and Stanbic Bank in 2008 (accounting policy 2.8 and 2.9);
- the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities on a net basis (accounting policy 2.6); and

**Notes (Continued)**

**2 Summary of material accounting policies (continued)**

**a) Basis of preparation (continued)**

- hyperinflation - the South Sudan economy has been considered hyperinflationary. Accordingly, the results, cash flows and financial position of the South Sudan Branch, have been expressed in terms of the measuring unit prevailing at the reporting date. Refer to accounting policy 2.22.

**Use of estimates**

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

**b) Functional and presentation currency**

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

**c) Changes in accounting policies and disclosures**

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

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

<b>Standards and amendments</b>	<b>Key requirements</b>	<b>Effective date</b>
<b>Lack of Exchangeability (Amendments to IAS 21) (issued in August 2023)</b>	The amendments contain guidance to specify when a currency is exchangeable and how to determine the exchange rate when it is not. The amendments are not expected to have a material impact on the Group's financial statements.	01 January 2025
<b>Amendments to IFRS 9 and IFRS 7: Classification and Measurement of Financial Instruments (issued in May 2024)</b>	<p>The amendments include a new requirement to permit an entity to deem a financial liability that is settled using an electronic payment system to be discharged before the settlement date if specified criteria are met; and provide clarifications regarding assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features, financial assets with non-recourse features and investments in contractually linked instruments.</p> <p>The IASB also amended the disclosure requirements relating to investments in equity instruments designated at fair value through other comprehensive income and added disclosure requirements for financial instruments with contingent features that do not relate directly to basic lending risks and costs. The amendments will be applied prospectively. The amendments are not expected to have a material impact on the Group's financial statements.</p>	01 January 2026



Notes (Continued)

2 Summary of Material accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

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

Standards and amendments	Key requirements	Effective date
<b>IFRS 18 Presentation and Disclosure in Financial Statements (issued in April 2024)</b>	<p>The standard replaces IAS 1 Presentation of Financial Statements. The standard introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new.</p> <p>It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes.</p> <p>Narrow-scope amendments have been made to IAS 7 Statement of Cash Flows, which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards.</p> <p>The Group is currently working to identify all impacts the amendments will have on the Group's financial statements and notes to the financial statements.</p>	01 January 2027
<b>IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued in May 2024)</b>	<p>The IASB issued IFRS 19 that permits eligible subsidiaries to use IFRS Accounting Standards with reduced disclosures. Applying IFRS 19 will reduce the costs of preparing subsidiaries' financial statements while maintaining the usefulness of the information for users of their financial statements. When a parent company prepares consolidated financial statements that comply with IFRS Accounting Standards, its subsidiaries are required to report to the parent using IFRS Accounting Standards. However, for their own financial statements, subsidiaries are permitted to use IFRS Accounting Standards, the IFRS for SMEs Accounting Standard or national accounting standards. Subsidiaries are eligible to apply IFRS 19 if they do not have public accountability and their parent company applies IFRS Accounting Standards in their consolidated financial statements. A subsidiary does not have public accountability if it does not have equities or debt listed on a stock exchange and does not hold assets in a fiduciary capacity for a broad group of outsiders. The Group is in the planning phase of determining the impact on the annual financial statements of its qualifying subsidiaries. IFRS 19 will however, not be applicable to the Group's annual financial statements as the Group's equity instruments are publicly traded.</p>	01 January 2027



Notes (Continued)

2 Summary of Material accounting policies (continued)

c) Changes in accounting policies and disclosures (continued)

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

Standards and amendments	Key requirements	Effective date
<b>IFRS S1 and IFRS S2 (issued in June 2023)</b>	<p>In June 2023 the ISSB issued its first two IFRS sustainability disclosures standards. IFRS S1 prescribes how companies prepare and report their sustainability-related financial disclosures. IFRS S1 sets out the general requirements for a company to disclose information about its sustainability related risk and opportunities that is useful to users in making decisions relating to providing resources to the company. IFRS S1 also integrates and builds on the recommendations of the Task Force on Climate-related Financial Disclosures (TFCD). IFRS S1 was developed to achieve more consistent, complete, comparable and verifiable information about companies' exposure to and management of sustainability-related risks and opportunities.</p> <p>IFRS S2 sets out the requirements for companies to disclose information about their climate-related risks and opportunities, while building on the requirements of IFRS S1. The ISSB developed IFRS S2 to achieve more consistent, complete, comparable and verifiable information about a company's climate-related risks and opportunities.</p> <p>IFRS S1 and IFRS S2 are effective for annual reporting periods beginning on or after 1 January 2024, but mandatory application of the ISSB standards will depend on each jurisdiction's endorsement or regulatory processes.</p> <p>Institute of Certified Public Accountants of Kenya (ICPAK) have issued a three phase approach roadmap for the adoption of IFRS sustainability disclosure standards in Kenya.</p> <p><b>Phase 1</b>- Voluntary adopters as from 1 January 2024.</p> <p><b>Phase 2</b> - Mandatory adoption as from 1 January 2027 for Public Interest Entities (PIEs); 1 January 2028 for Non-PIEs (Large Enterprises); and 1 January 2029 for Non-PIEs (SMEs).</p> <p><b>Phase 3</b> - Public Sector Entities to be determined by ICPAK.</p> <p>The Group through the Sustainability office is currently assessing the impact of the two standards.</p>	<p>Voluntary - 01 January 2024</p> <p>Mandatory 01 January 2027</p>

**Notes (Continued)**

**2 Summary of Material accounting policies (continued)**

**c) Changes in accounting policies and disclosures (continued)**

**(ii) Adoption of new and amended standards effective for the current period**

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2024. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

**Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback** - The amendments added requirements explaining how an entity accounts for a sale and leaseback after the date of the transaction. The amendments added to the existing sale and leaseback requirements in IFRS 16 and did not change the accounting for leases, other than those arising in a sale and leaseback transaction. The amendments specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments had no material impact on the Group's financial statements.

**Amendments to IAS 1 - Classification of Liabilities as Current or Non-current** - The first amendment clarifies how to classify debt and other liabilities as current or non-current. The objective of the amendment is aimed to promote consistency in applying the requirements by helping entities determine whether debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current. The amendment also includes clarifying the classification requirements for debt an entity might settle by converting it into equity.

The second amendment to IAS 1 requires a company to classify debt as non-current only if the company can avoid settling the debt in the 12 months after the reporting date. However, a company's ability to do so is often subject to complying with covenants. For example, a company might have long-term debt that could become repayable within 12 months if the company fails to comply with covenants in that 12-month period. The amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require a company to disclose information about these covenants in the notes to the financial statements and the aim of the amendments therefore is to improve the information companies provide about long-term debt with covenants. The amendments have been applied retrospectively and are not expected to have a material impact on the Group's financial statements. The amendments had no material impact on the Group's financial statements.

**Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7**

The amendments introduce new disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The amendments had no material impact on the Group's financial statements.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.1 Consolidation**

**(i) Subsidiaries**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured to its fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability that is a financial instrument and within the scope of IFRS 9 'Financial Instruments' are recognised in profit or loss in accordance with IFRS 9. Other contingent consideration that is not within the scope of IFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

**Notes (continued)**

**2 Summary of Material accounting policiess (continued)**

**2.1 Consolidation (continued)**

**(i) Subsidiaries (continued)**

**Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

**Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is measured to its fair value at the date when control is lost, with any resulting gain or loss recognised in profit or loss.

The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

**2.2 Translation of foreign currencies**

**(i) Transactions and balances**

Foreign currency transactions are translated into the respective Functional Currencies of group entities at exchange rates prevailing at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated using the exchange rate at the transaction date, and those measured at fair value are translated at the exchange rate at the date that the fair value was determined. Exchange rate differences on non-monetary items are accounted for based on the classification of the underlying items. Foreign exchange gains and losses on equities (debt) classified as held to collect and sell financial assets are recognised in Other Comprehensive Income(OCI) whereas the exchange differences on equities and debt that are classified as held at fair value through profit or loss are reported as part of the fair value gain or loss in profit or loss.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.2 Translation of foreign currencies (continued)**

***(ii) Foreign operations***

On consolidation, the assets and liabilities of foreign operations are translated into Kenya Shillings at the rate of exchange prevailing at the reporting date and their statements of profit or loss and other comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

On the partial disposal of a subsidiary that includes a foreign operation, a proportionate share of the balance of the foreign currency translation reserve is transferred to the non-controlling interests. For all other partial disposals of a foreign operation, the proportionate share of the balance of the foreign currency translation reserve is reclassified to profit or loss.

On disposal (where a change in ownership occurs and control is lost) of a foreign operation, the relevant amount in the foreign currency translation reserve is reclassified to profit or loss at the time at which the profit or loss on disposal of the foreign operation is recognised.

These gains and losses are recognised in profit or loss either on disposal of a foreign operation or partial disposal (a reduction in ownership interest in a foreign operation other than a disposal) of an associate or joint venture that includes a foreign operation.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation are translated at the closing rate. Exchange differences are recognised in OCI.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.3 Net interest income**

Interest income and expense (with the exception of those borrowing costs that are capitalised – refer to accounting policy 2.10 – Capitalisation of borrowing costs) are recognised in profit or loss on an accrual basis using the effective interest method for all interest-bearing financial instruments, except for those classified at fair value through profit or loss which are included under trading income and:

- a) purchased or originated credit impaired (POCI) for which the original credit adjusted effective interest rate is applied to the amortised cost of the financial asset; and
- b) financial assets that are not "POCI" that have subsequently become impaired for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e. net of expected credit losses) in subsequent reporting periods.

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial assets or, where appropriate, a shorter period to the net carrying amount of the financial asset or liability.

Direct incremental transaction costs incurred and origination fees received, including loan commitment fees, as a result of bringing margin-yielding assets or liabilities into the statement of financial position, are capitalised to the carrying amount of financial instruments that are not at fair value through profit or loss and amortised as interest income or expense over the life of the asset or liability as part of the effective interest rate.

When a financial asset is classified as stage 3 impaired, interest income is calculated on the amortised cost based on the original effective interest rate. The contractual interest income on the gross exposure is suspended and is only recognised in credit impairments when the financial asset is reclassified out of stage 3.

Dividends received on preference share investments classified as debt form part of the Group's lending activities and are included in interest income.

**2.4 Non-interest revenue**

**a) Net fee and commission revenue**

Fee and commission revenue, including transaction fees, investment management fees, sales commissions, knowledge based and client administration fees, electronic banking fees, foreign service fees, documentation and administration fees, brokerage commission and placement fees are recognised as the related services are performed. Loan commitment fees for loans that are not expected to be drawn down are recognised on a straight-line basis over the commitment period. Loan syndication fees, where the Group does not participate in the syndication or participates at the same effective interest rate for comparable risk as other participants, are recognised as revenue when the syndication has been completed. Syndication fees that do not meet these criteria are capitalised as origination fees and amortised as interest income.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.4 Non-interest revenue (continued)**

**a) Net fee and commission revenue (continued)**

The fair value of issued financial guarantee contracts on initial recognition is amortised as income over the term of the contract.

Fee and commission expense included in net fee and commission revenue are mainly transaction and service fees relating to financial instruments, which are expensed as the services are received. Expenditure is recognised as fee and commission expenses where the expenditure is linked to the production of fee and commission revenue.

**b) Trading revenue**

Trading revenue comprises all gains and losses from changes in the fair value of trading assets and liabilities, together with related interest income, expense and dividends.

**c) Other income**

Other income includes gains and losses on equity instruments designated at fair value through profit or loss, dividends relating to those financial instruments, and remeasurement gains and losses from contingent consideration on disposals and purchases. Other income also includes proceeds on sale of property, plant and equipment.

**d) Revenue sharing agreements with related companies**

Revenue sharing agreements with related companies includes the allocation of revenue from transfer pricing agreements between the group's legal entities. The service payer makes payment to service sellers for services rendered. All agreements of a revenue sharing nature are presented in the statement of profit or loss as follows:

- The service payer in the agreement recognises, to the extent the charge is less than revenue from the agreement, the charge to the service sellers within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent that the revenue allocation to service sellers within the group is greater than the available revenue from the agreement, the charge above the available revenue is recognised within other operating expenses.
- The service seller in the agreement recognises, to the extent the allocation is made out of available revenue of the service payer, the revenue from the service payer within the statement of profit or loss line item revenue sharing agreements with related companies. To the extent the revenue is not received from the service payer's available revenue, such revenue is recognised as a fee and commission revenue.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.5 Cash and cash equivalents**

Cash and cash equivalents as referred to in the statement of cash flows comprise cash on hand, balances with central banks, Treasury and other eligible bills and amounts due from banks on demand or with an original maturity of three months or less, net of amounts due to other banks on demand or with an original maturity of three months or less. These are subject to insignificant risk of changes in their fair value.

**2.6 Financial instruments**

***(i) Initial recognition and measurement***

All financial instruments are measured initially at fair value plus directly attributable transaction costs and fees, except for those financial instruments that are subsequently measured at fair value through profit or loss where such transaction costs and fees are immediately recognised in profit or loss. Financial instruments are recognised (derecognised) on the date the group commits to purchase (sell) the instruments (trade date accounting).



**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Financial assets**

Financial assets are classified under each of the categories below and their carrying amounts are disclosed in Note 40.

<b>Nature</b>	
<b>Amortised cost</b>	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> <li>• held within a business model whose objective is to hold the debt instrument (financial asset) in order to collect contractual cash flows; and</li> <li>• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ul> <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.</p>
<b>Fair value through other comprehensive income (FVOCI)</b>	<p>A debt instrument that meets both of the following conditions (other than those designated at fair value through profit or loss):</p> <ul style="list-style-type: none"> <li>• Held within a business model in which the debt instrument (financial asset) is managed to both collect contractual cash flows and sell financial assets; and</li> <li>• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.</li> </ul> <p>This assessment includes determining the objective of holding the asset and whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are not considered de minimis and are inconsistent with a basic lending arrangement, the financial asset is classified as fair value through profit or loss - default.</p> <p>Equity financial assets which are not held for trading and are irrevocably elected (on an instrument-by-instrument basis) to be presented at fair value through OCI.</p>
<b>Held-for-trading</b>	<p>Those financial assets acquired principally for the purpose of selling in the near term (including all derivative financial assets) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.</p>
<b>Designated at fair value through profit or loss (FVTPL)</b>	<p>Financial assets are designated to be measured at fair value to eliminate or significantly reduce an accounting mismatch that would otherwise arise.</p>
<b>Fair value through profit or loss - default</b>	<p>Financial assets that are not classified into one of the above mentioned financial asset categories.</p>

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

(ii) Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classifications as follows:

<b>Amortised cost</b>	Amortised cost using the effective interest method with interest recognised in interest income, less any expected credit impairment losses which are recognised as part of credit impairment charges.
	Directly attributable transaction costs and fees received are capitalised and amortised through interest income as part of the effective interest rate.
<b>Fair value through other comprehensive income (FVOCI)</b>	<b>Debt instrument:</b> Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When a debt financial asset is disposed of, the cumulative fair value adjustments, previously recognised in OCI, are reclassified to the other gains and losses on financial instruments within non-interest revenue. Expected credit impairments losses are recognised as part of credit impairment charges. However, for these FVOCI debt instruments the expected credit loss is recognised in OCI and does not reduce the carrying amount of the financial asset in the statement of financial position. Interest income on a debt financial asset is recognised in interest income in terms of the effective interest rate method. Dividends received are recognised in interest income within profit or loss.
	<b>Equity instrument:</b> Fair value, with gains and losses recognised directly in the fair value through OCI reserve. When equity financial assets are disposed of, the cumulative fair value adjustments in OCI are reclassified within reserves to retained earnings.  Dividends received on equity instruments are recognised in other revenue within noninterest revenue.
<b>Held-for-trading</b>	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
<b>Designated at fair value through profit or loss</b>	Fair value gains and losses (including interest and dividends) on the financial asset are recognised in the income statement as income from financial instruments at fair value through profit or loss.
<b>Fair value through profit or loss - default</b>	<b>Debt instruments</b> – Fair value gains and losses (including interest and dividends) on the financial asset recognised in the income statement as part of other gains and losses on financial instruments within non-interest revenue. <b>Equity instruments</b> – Fair value gains and losses on the financial asset recognised in the income statement as income from financial instruments at fair value through profit or loss. Dividends received on equity instruments are recognised in other revenue within non-interest revenue.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Financial assets (continued)**

**Impairment of financial assets**

Expected credit losses (ECL) are recognised on debt financial assets classified as at either amortised cost or fair value through OCI, financial guarantee contracts that are not designated at fair value through profit or loss as well as loan commitments that are neither measured at fair value through profit or loss nor are used to provide a loan at a below market interest rate.

The measurement basis of the ECL of a financial asset includes assessing whether there has been a Significant Increase in Credit Risk (SICR) at the reporting date which includes forward-looking information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. The measurement basis of the ECL, which is set out in the table that follows, is measured as the unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and forward-looking information.

<b>Stage 1</b>	A 12-month ECL is calculated for financial assets which are neither credit-impaired on origination nor for which there has been a SICR.
<b>Stage 2</b>	A lifetime ECL allowance is calculated for financial assets that are assessed to have displayed a SICR since origination and are not considered low credit risk.
<b>Stage 3 (credit impaired assets)</b>	A lifetime ECL is calculated for financial assets that are assessed to be credit impaired. The following criteria are used in determining whether the financial asset is impaired: <ul style="list-style-type: none"> <li>• default (as defined below)</li> <li>• significant financial difficulty of borrower and/or modification</li> <li>• probability of bankruptcy or financial reorganisation</li> <li>• disappearance of an active market due to financial difficulties.</li> </ul>

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

The key components of the impairment methodology are described as follows:

<b>Significant increase in credit risk</b>	At each reporting date, the Group assesses whether the credit risk of its exposures has increased significantly since initial recognition by considering the change in the risk of default occurring over the expected life of the financial asset. Credit risk of exposures which are overdue for more than 30 days are also considered to have increased significantly.
<b>Low credit risk</b>	Exposures are generally considered to have a low credit risk where there is a low risk of default, the exposure has a strong capacity to meet its contractual cash flow obligations and adverse changes in economic and business conditions may not necessarily reduce the exposure's ability to fulfil its contractual obligations.
<b>Default</b>	The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets: <ul style="list-style-type: none"> <li>• significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);</li> <li>• a breach of contract, such as default or delinquency in interest and/or principal</li> <li>• disappearance of active market due to financial difficulties;</li> <li>• it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;</li> <li>• where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider;</li> <li>• Exposures which are overdue for more than 90 days are also considered to be in default.</li> </ul>
<b>Forward-looking information</b>	Forward-looking information is incorporated into the Group's impairment methodology calculations and in the Group's assessment of SICR. The Group includes all forward looking information which is reasonable and available without undue cost or effort. The information will typically include expected macro-economic conditions and factors that are expected to impact portfolios or individual counterparty exposures.
<b>Write-off</b>	Financial assets are written off when there is no reasonable expectation of recovery. Financial assets which are written off may still be subject to enforcement activities.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Financial assets (continued)**

**ECLs are recognised within the statement of financial position as follows:**

<b>Financial assets measured at amortised cost (including loan commitments)</b>	Recognised as a deduction from the gross carrying amount of the asset (group of assets). Where the impairment allowance exceeds the gross carrying amount of the asset (group of assets), the excess is recognised as a provision within other liabilities.
<b>Off-balance sheet exposures (excluding loan commitments)</b>	Recognised as a provision within other liabilities.
<b>Financial assets measured at fair value through OCI</b>	Recognised in the fair value reserve within equity. The carrying amount of the financial asset is recognised in the statement of financial position at fair value.

**Reclassification**

Reclassifications of debt financial assets are permitted when, and only when, the Group changes its business model or managing financial assets, in which case all affected financial assets are reclassified. Reclassifications are accounted for prospectively from the date of reclassification as follows:

- Financial assets that are reclassified from amortised cost to fair value are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in other gains and losses on financial instruments;
- The fair value of a financial asset that is reclassified from fair value to amortised cost becomes the financial asset's new carrying amount;
- Financial assets that are reclassified from amortised cost to fair value through OCI are measured at fair value at the date of reclassification with any difference in measurement basis being recognised in OCI;
- The fair value of a financial asset that is reclassified from fair value through OCI to amortised cost becomes the financial asset's new carrying amount with the cumulative fair value adjustment recognised in OCI being recognised against the new carrying amount;
- The carrying amount of financial assets that are reclassified from fair value through profit or loss to fair value through OCI remains at fair value;
- The carrying amount of financial assets that are reclassified from fair value through OCI to fair value through profit or loss remains at fair value, with the cumulative fair value adjustment in OCI being recognised in the statement of profit or loss at the date of reclassification.

Notes (continued)

2 Summary of Material accounting policies (continued)

2.6 Financial instruments (continued)

Financial liabilities

Nature	
<b>Held-for-trading</b>	Those financial liabilities incurred principally for the purpose of repurchasing in the near term (including all derivative financial liabilities) and those that form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
<b>Designated at fair value through profit or loss</b>	Financial liabilities are designated to be measured at fair value in the following instances to eliminate or significantly reduce an accounting mismatch that would otherwise arise where; <ul style="list-style-type: none"> <li>the financial liabilities are managed and their performance evaluated and reported on a fair value basis</li> <li>the financial liability contains one or more embedded derivatives that significantly modify the financial liability's cash flows.</li> </ul>
<b>Amortised cost</b>	All other financial liabilities not included in the above categories.

Subsequent measurement

Subsequent to initial measurement, financial liabilities are classified in their respective categories and measured at either amortised cost or fair value as follows:

<b>Held-for-trading</b>	Fair value, with gains and losses arising from changes in fair value (including interest and dividends) recognised in trading revenue.
<b>Designated at fair value through profit or loss</b>	Fair value, with gains and losses arising from changes in fair value (including interest and dividends but excluding fair value gains and losses attributable to own credit risk) are recognised in the other gains and losses on financial instruments as part of non-interest revenue.  Fair value gains and losses attributable to changes in own credit risk are recognised within OCI, unless this would create or enlarge an accounting mismatch in which case the own credit risk changes are recognised within trading revenue.
<b>Amortised cost</b>	Amortised cost using the effective interest method recognised in interest expense.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Derecognition and modification of financial assets and liabilities**

Financial assets and liabilities are derecognised in the following instances:

	<b>DERECOGNITION</b>	<b>MODIFICATION</b>
<b>Financial assets</b>	<p>Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired, or where the Group has transferred its contractual rights to receive cash flows on the financial asset such that it has transferred substantially all the risks and rewards of ownership of the financial asset. Any interest in the transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.</p> <p>The Group enters into transactions whereby it transfers assets, recognised in its statement of financial position, but retains either all or a portion of the risks or rewards of the transferred assets. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfers of assets with the retention of all or substantially all risks and rewards include securities lending and repurchase agreements.</p> <p>When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, similar to repurchase transactions. In transactions where the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset, the asset is derecognised if control over the asset is lost. The rights and obligations retained in the transfer are recognised separately as assets and liabilities as appropriate. In transfers where control over the asset is retained, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.</p> <p>When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors: Change in currency of the loan, Introduction of an equity feature, change in counterparty and whether the modification is such that the instrument would no longer meet the SPPI criterion. If the modification does not result in cash flows that are substantially different, as set out below, then it does not result in derecognition.</p>	<p>Where an existing financial asset or liability is replaced by another with the same counterparty on substantially different terms, or the terms of an existing financial asset or liability are substantially modified, such an exchange or modification is treated as a derecognition of the original asset or liability and the recognition of a new asset or liability at fair value, including calculating a new effective interest rate, with the difference in the respective carrying amounts being recognised in other gains and losses on financial instruments within non-interest revenue. The date of recognition of a new asset is consequently considered to be the date of initial recognition for impairment calculation purposes.</p> <p>If the terms are not substantially different for financial assets or financial liabilities, the Group recalculates the new gross carrying amount by discounting the modified cash flows of the financial asset or financial liability using the original effective interest rate. The difference between the new gross carrying amount and the original gross carrying amount is recognised as a modification gain or loss within credit impairments (for distressed financial asset modifications) or in other gains and losses on financial instruments within non-interest revenue (for all other modifications).</p>
<b>Financial liabilities</b>	<p>Financial liabilities are derecognised when the financial liabilities' obligation is extinguished, that is, when the obligation is discharged, cancelled or expires.</p>	<p>See modification for financial assets in the previous page.</p>

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Financial guarantee contracts and loan commitments below market interest rate**

A financial guarantee contract is a contract that requires the group (issuer) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee.

A loan commitment is described in IFRS 9 as a firm commitment to provide credit under specified terms and conditions. It is a binding promise from a lender that a specified amount of loan or line of credit will be made available to the named borrower at a certain interest rate, during a certain period and, usually, for a certain purpose. Loan commitments at a below market interest rate are initially recognised when the group and company become party to the irrevocable commitment at fair value.

Financial guarantee contracts are initially recognised at fair value, which is generally equal to the premium received, and then amortised over the life of the financial guarantee. Financial guarantee contracts (that are not designated at fair value through profit or loss) are subsequently measured at the higher of the:

- ECL calculated for the financial guarantee or loan commitment; or
- unamortised premium

***Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a currently enforceable legal right to set-off the recognised amounts and there is an intention to settle the asset and the liability on a net basis, or to realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the counterparties to the transaction.

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

***Derivative and embedded derivatives***

A derivative is a financial instrument whose fair value changes in response to an underlying variable provided in the case if the underlying is not specific to a party to the contract, requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors and is settled at a future date.

In the normal course of business, the Group enters into a variety of derivative transactions for both trading and hedging purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation, credit, commodity and equity exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of commodities and equities.

Derivatives are initially recognised at fair value. Derivatives are classified as held-for-trading with all changes in fair value being recognised within trading revenue. This includes forward contracts to purchase or sell commodities, where net settlement occurs or where physical delivery occurs and the commodities are held to settle another derivative contract. All derivative instruments are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.



**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.6 Financial instruments (continued)**

**Financial guarantee contracts (continued)**

**Derivative and embedded derivatives (continued)**

In terms of IFRS 9, embedded derivatives included in hybrid instruments, where the host is a financial asset, are assessed in terms of the accounting policy on financial assets. In all other instances (being non-financial host contracts and financial liabilities), the embedded derivatives are treated and disclosed as separate derivatives when their economic characteristics and risks are not closely related to those of the host contract, the terms of the embedded derivative are the same as those of a stand-alone derivative and the combined contract is not measured at fair value through profit or loss. The host contract is accounted for and measured applying the relevant Group accounting policy. The method of recognising fair value gains and losses on derivatives designated as a hedging instrument depends on the nature of the hedging relationship.

***Sale and repurchase agreements and lending of securities***

Securities sold subject to linked repurchase agreements (Repos) are reclassified in the statement of financial position as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral. The liability to the counterparty is included under deposit and current accounts or trading liabilities, as appropriate.

Securities purchased under agreements to resell (reverse repurchase agreements), at either a fixed price or the purchase price plus a lender's rate of return, are recorded as loans and included under trading assets or loans and advances, as appropriate.

For repurchase and reverse repurchase agreements measured at amortised cost, the difference between the purchase and sales price is treated as interest and amortised over the expected life using the effective interest method.

Securities lent to counterparties are retained in the annual financial statements. Securities borrowed are not recognised in the annual financial statements unless sold to third parties. In these cases, the obligation to return the securities borrowed is recorded at fair value as a trading liability.

Income and expenses arising from the securities borrowing and lending business are recognised over the period of the transactions.

**2.7 Fair value**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date under current market conditions.

When a price for an identical asset or liability is not observable, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability at measurement date.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.7 Fair value (continued)**

For financial instruments, where the fair value of the financial instrument differs from the transaction price, the difference is commonly referred to as day one profit or loss. Day one profit or loss is recognised in profit or loss immediately where the fair value of the financial instrument is either evidenced by comparison with other observable current market transactions in the same instrument, or is determined using valuation models with only observable market data as inputs.

Day one profit or loss is deferred where the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument, or determined using valuation models that utilise non-observable market data as inputs. The timing of the recognition of deferred day one profit or loss is determined individually depending on the nature of the instrument and availability of market observable inputs. It is either amortised over the life of the instrument, deferred until the instrument's fair value can be determined using market observable inputs, or realised through settlement.

Subsequent to initial recognition, fair value is measured based on quoted market prices or dealer price quotations for the assets and liabilities that are traded in active markets and where those quoted prices represent fair value at the measurement date.

If the market for an asset or liability is not active or the instrument is unlisted, the fair value is determined using other applicable valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market related discount rate at the reporting date for an asset or liability with similar terms and conditions.

If an asset or a liability measured at fair value has both a bid and an ask price, the price within the bid-ask spread that is most representative of fair value is used to measure fair value.

The Group has elected the portfolio exception to measure the fair value of certain groups of financial assets and financial liabilities. This exception permits a group of financial assets and financial liabilities to be measured at fair value on a net basis. This election is applied where the Group:

- manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the Group's documented risk management or investment strategy;
- provides information on that basis about the group of financial assets and financial liabilities to the Group's key management personnel; and
- is required to or has elected to measure those financial assets and financial liabilities at fair value at the end of each reporting period.

Fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement.

**2.8 Property and equipment**

Equipment and owner-occupied properties, furniture, vehicles and other tangible assets are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Where significant parts of an item of property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.8 Property and equipment (continued)**

Costs that are subsequently incurred are included in the asset's related carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Expenditure, which does not meet these criteria, is recognised the statement of profit or loss as incurred.

Owner-occupied properties are held for use in the supply of services or for administrative purposes.

Property and equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to their residual values. Land is not depreciated. Leasehold buildings are depreciated over the shorter of the lease period or their useful lives.

The revaluation reserve in equity arose from revaluation of the Stanbic Bank Centre, Chiromo Road office at the point where CfC Bank and Stanbic Bank merged.

The estimated useful lives of tangible assets are typically as follows;

<b>Class</b>	<b>Depreciation period</b>
Buildings	40 years
Motor vehicles	4-5 years
Computer equipment	3-5 years
Office equipment	5-10 years
Furniture and fittings	5-13 years

Work in progress is not depreciated.

There has been no significant change to the estimated useful lives and depreciation methods from those applied in the previous financial year.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognising of the item is included in the statement of profit or loss in the year the asset is derecognised.

The assets' residual values, useful lives and the depreciation method applied are reviewed, and adjusted prospectively if appropriate, at each financial year end.

**2.9 Intangible assets**

**Goodwill**

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Company's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the Group's Cash-generating Units (CGU), or groups of CGUs that are expected to benefit from the synergies of the combination.

Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is assessed at the operating segment level.

Note 29, sets out the major cash generating unit to which goodwill has been allocated.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.9 Intangible assets (continued)**

**Goodwill (continued)**

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. An impairment loss is recognised whenever the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to a CGU and then to reduce the carrying amount of other assets in the CGU on a pro rata basis. The carrying amount of these other assets may, however, not be reduced below the higher of the CGU's fair value less costs of disposal and its value in use. Any impairment recognised on goodwill is not subsequently reversed.

**Computer software**

Costs associated with developing or maintaining computer software programmes and the acquisition of software licences are generally recognised as an expense as incurred. However, direct computer software development costs that are clearly associated with an identifiable and unique system, which will be controlled by the Group and have probable future economic benefits beyond one year, are recognised as intangible assets. Capitalisation is further limited to development costs where the Group is able to demonstrate its intention and ability to complete and use the software, the technical feasibility of the development, and the availability of resources to complete the development, how the development will generate probable future economic benefits and the ability to reliably measure costs relating to the development. Direct costs include software development, employee costs and an appropriate portion of relevant overheads.

Expenditure subsequently incurred on computer software is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

Direct computer software development costs recognised as intangible assets are amortised on the straight-line basis at rates appropriate to the expected useful lives of the assets (2 to 10 years) from the date that the assets are available for use, and are carried at cost less accumulated amortisation and accumulated impairment losses. The carrying amount of capitalised computer software is reviewed annually and is written down when impaired.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted prospectively, if necessary.

**2.10 Borrowing costs**

Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds. Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss.

**2.11 Impairment of non-financial assets**

Non-financial assets are reviewed for impairment at each reporting date and tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised in profit or loss for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Fair value less costs of disposal is determined by ascertaining the current market value of an asset and deducting any costs related to the realisation of the asset. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets that cannot be tested individually are grouped at the lowest levels for which there are separately identifiable cash inflows from continuing use (CGUs). Impairment test also can be performed on a single asset when the fair value less costs of disposal or the value in use can be determined reliably. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.11 Impairment of non-financial assets (continued)**

An impairment loss is reversed through profit or loss only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Further disclosures relating to impairment of non-financial assets are also provided in the following notes:

- Property and equipment see note 26, note 2.8
- Intangible assets see note 28, note 2.9
- Disclosure on significant assumptions see note 3
- Right-of-use assets (leasehold land) see note 27
- Right-of-use assets (buildings) see note 30
- Intangible assets - goodwill see note 29 and 3.12

**2.12 Accounting for leases**

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

***Group as lessee***

On the commencement date of each lease (excluding leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value) the Group recognises a right-of-use asset and a lease liability.

The lease liability is measured at the present value of the lease payments that are not paid on that date. The lease payments include fixed payments, variable payments that depend on an index or a rate, amounts expected to be payable under residual value guarantees, and the exercise price of a purchase option if the Group is reasonably certain to exercise that option. The lease payments are discounted at the interest rate implicit in the lease. If that rate cannot be readily determined, the Group's incremental borrowing rate is used.

For leases that contain non-lease components, the Group allocates the consideration payable to the lease and non-lease components based on their relative stand-alone components.

The right-of-use asset is initially measured at cost comprising the initial measurement of the lease liability, any lease payments made on or before the commencement date, any initial direct costs incurred, and an estimate of the costs of restoring the underlying asset to the condition required under the terms of the lease.

Subsequently the lease liability is measured at amortised cost, subject to remeasurement to reflect any reassessment, lease modifications, or revised fixed lease payments.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, adjusted for any remeasurement of the lease liability. Depreciation is calculated using the straight-line method to write down the cost of each asset to its residual value over its estimated useful life. If ownership of the underlying asset is not expected to pass to the Group at the end of the lease term, the estimated useful life would not exceed the lease term.

For leases with a term, on commencement, of 12 months or less and leases for which the underlying asset is of low value, the total lease payments are recognised in profit or loss on a straight-line basis over the lease period.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.12 Accounting for leases (continued)**

***Group as lessee (continued)***

**Termination of leases**

When the group or lessor terminates or cancels a lease, the right of use asset and lease liability are derecognised. On derecognition of the right of use asset and lease liability, any difference is recognised as a derecognition gain or loss in profit or loss.

**Reassessment and modification of leases**

When the Group reassesses the terms of any lease (i.e. it re-assesses the probability of exercising an extension or termination option) or modifies the terms of a lease without increasing the scope of the lease or where the increased scope is not commensurate with the stand-alone price, it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the applicable rate at the date of reassessment or modification. The carrying amount of lease liability is similarly revised when the variable element of future lease payments dependent on a rate or index is revised.

For reassessments to the lease terms, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, if the carrying amount of the right of use asset is reduced to zero any further reduction in the measurement of the lease liability is recognised in profit or loss.

For lease modifications that are not accounted for as a separate lease, an equivalent adjustment is made to the carrying amount of the right of use asset, with the revised carrying amount being depreciated over the revised lease term. However, for lease modifications that decrease the scope of the lease the carrying amount of the right of use asset is decreased to reflect the partial or full termination of the lease, with any resulting difference being recognised in profit or loss as a gain or loss relating to the partial or full termination of the lease.

When the group modifies the terms of a lease resulting in an increase in scope and the consideration for the lease increases by an amount commensurate with a stand-alone price for the increase in scope, the group accounts for these modifications as a separate new lease.

This accounting treatment equally applies to leases which the group elected the short-term lease exemption and the lease term is subsequently modified.

**2.13 Provisions, contingent assets and contingent liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Provisions are determined by discounting the expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the liability.

The increase in provision due to passage of time is recognised as an expense.

Where there are a number of similar obligations, the probability that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Although the likelihood of outflow for any one item may be small, it may well be probable that some outflow of resources will be needed to settle the class of obligations as a whole.

Provisions for legal claims are recognised on a prudent basis for the estimated cost for all legal claims that have not been settled or reached conclusion at the reporting date. In determining the provision management considers the probability and likely settlement (if any). Reimbursements of expenditure to settle the provision are recognised when and only when it is virtually certain that the reimbursement will be received.

A provision for restructuring is recognised when the Group has approved a detailed formal plan, and the restructuring either has commenced or has been announced publicly. Future operating costs or losses are not provided for.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.13 Provisions, contingent assets and contingent liabilities (continued)**

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Contingent assets are not recognised in the annual financial statements but are disclosed when, as a result of past events, it is probable that economic benefits will flow to the Group, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the Group's control.

Contingent liabilities include certain guarantees, other than financial guarantees, and letters of credit.

Contingent liabilities are not recognised in the annual financial statements but are disclosed in the notes to the annual financial statements unless they are remote.

**2.14 Taxation**

**(i) Direct tax**

Current tax includes all domestic and foreign taxes based on taxable profits and capital gains tax. Current tax is determined for current period transactions and events and deferred tax is determined for future tax consequences. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination (relating to a measurement period adjustment where the carrying amount of the goodwill is greater than zero), or items recognised directly in equity or in OCI.

Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. They are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is not recognised for the following temporary differences:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits or losses; and
- investments in subsidiaries, associates and jointly controlled arrangements (excluding mutual funds) where the group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Current and deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.14 Taxation (continued)**

***(ii) Indirect tax***

Indirect taxes, including non-recoverable VAT, skills development levies and other duties for banking activities, are recognised in profit or loss and included in administrative expenses.

**2.15 Employee benefits**

***(i) Defined contribution plans***

The Group operates a number of defined contribution plans, based on a percentage of pensionable earnings funded by both employer companies and employees. The assets of which are generally held in separate trustee-administered funds.

Contributions to these plans are recognised as an expense in profit or loss in the periods during which services are rendered by employees.

The Group and its employees also contribute to the National Social Security Fund. These contributions are determined by local statutes and the Group's contributions are charged to profit or loss in the year which they relate to. Refer to note 13.

***(ii) Termination benefits***

Termination benefits are recognised as an expense when the Group is committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

***(iii) Short-term benefits***

Short-term benefits consist of salaries, accumulated leave payments, profit share, bonuses and any non-monetary benefits such as medical aid contributions.

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus plans or accumulated leave if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

**2.16 Dividends**

Dividends in ordinary shares are charged to equity in the period in which they are declared.

**2.17 Equity**

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

***(i) Share issue costs***

Incremental external costs directly attributable to a transaction that increases or decreases equity are deducted from equity, net of related tax. All other share issue costs are expensed.



**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.17 Equity (continued)**

***(ii) Dividends on ordinary shares***

Dividends are recognised in equity in the period in which they are declared. Distributions declared after the reporting date are disclosed in the distributions note.

Proposed dividends are presented within retained earnings until they have been ratified at an Annual General Meeting. They are disclosed under note 18.

**2.18 Earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary share shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares, if any.

**2.19 Equity-linked transactions**

***Equity compensation plans***

The Group operates both equity-settled and cash-settled share-based compensation plans.

The fair value of equity-settled share options is determined on the grant date and accounted for as staff costs over the vesting period of the share options, with a corresponding increase in the share-based payment reserve. Non-market vesting conditions, such as the resignation of employees and retrenchment of staff, are not considered in the valuation but are included in the estimate of the number of options expected to vest. At each reporting date, the estimate of the number of options expected to vest is reassessed and adjusted against profit or loss and equity over the remaining vesting period.

On vesting of share options, amounts previously credited to the share-based payment reserve are transferred to retained earnings through an equity transfer. On exercise of equity-settled share options, proceeds received are credited to share capital and premium.

Share-based payments settled in cash are accounted for as liabilities at fair value until settled. The liability is recognised over the vesting period and is revalued at every reporting date and on settlement. Any changes in the liability are recognised in profit or loss.

**2.20 Segment reporting**

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. The group's identification of segments and the measurement of segment results is based on the group's internal reporting to the chief operating decision makers, comprising of the executive committee.

Transactions between segments are priced at market-related rates.

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.21 Fiduciary activities**

The Group commonly engages in trust or other fiduciary activities that result in the holding or placing of assets on behalf of individuals, trusts, post-employment benefit plans and other institutions. These assets and the income arising directly thereon are excluded from these annual financial statements as they are not assets of the Group. However, fee income earned and fee expenses incurred by the Group relating to the Group's responsibilities from fiduciary activities are recognised in profit or loss.

**2.22 Hyperinflation**

The South Sudan economy was classified as hyperinflationary from 1 January 2016. Accordingly, the results, cash flows and financial position of Stanbic South Sudan Branch were expressed in terms of the measuring unit at the reporting date. The results, cash flows and financial position were also expressed in terms of the measuring unit at the reporting date for the previous period.

As the presentation currency of the Group is that of a non-hyperinflationary economy, comparative amounts were not adjusted for changes in the price level or exchange rates in the period. The prior period adjustments related to non-monetary items and differences arising on translation of comparative amounts were accounted for directly in retained earnings. The carrying amounts of non-monetary assets and liabilities were adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year in prior period.

The carrying amounts of non-monetary assets and liabilities are adjusted to reflect the change in the general price index from the date of acquisition to the end of the reporting year. On initial application of hyperinflation, prior year gains and losses are recognised directly in equity. Gains or losses on the net monetary position are recognised in profit or loss. All items recognised in the income statement are restated by applying the change in the general price index from the dates when the items of income and expenses were initially earned or incurred.

At the beginning of the first year of application, the components of equity, except retained earnings, are restated by applying a general price index from the dates the components were contributed or otherwise arose. These restatements are recognised directly in equity as an adjustment to opening retained earnings. Restated retained earnings are derived from all other amounts in the restated statement of financial position. At the end of the first year and in subsequent years, all components of equity are restated by applying a general price index from the beginning of the year or the date of contribution, if later. All items in the statement of cash flows are expressed in terms of the general price index at the end of the reporting year.

Gains or losses on the net monetary position are recognised in profit or loss within trading revenue (Note 10).

**Notes (continued)**

**2 Summary of Material accounting policies (continued)**

**2.23 Letters of Credit Acceptances**

Letters of credit acceptances arise in two ways:

***(i) Issuing Bank***

At initial recognition where the Group is the issuing bank, it recognises a contingent liability for the amount that it may be required to pay out to the confirming bank or beneficiary should the terms and conditions underlying the contract be met.

On the date that all terms and conditions underlying the contract are met, the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the applicant. Concurrently, the Group recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary or the confirming bank, depending on the structure of the arrangement.

***(ii) Confirming Bank***

At initial recognition where the Group is the confirming bank, it recognises the amount that it may be required to pay out to the beneficiary should the terms and conditions underlying the contract be met. The Group concurrently recognises a contingent asset for the amount that the issuing bank may be entitled to receive.

On the date that all terms and conditions underlying the contract are met the Group recognises a financial asset (at fair value) on the statement of financial position as part of loans and advances for the contractual right to receive cash from the issuing bank and concurrently recognises a financial liability (at fair value) on the statement of financial position as part of deposits for the contractual obligation to deliver cash to the beneficiary.

**2.24 Statement of cash flows comparatives**

In the prior year, the statement of cash flows was presented in accordance with the indirect method with the profit before income tax being used as a starting point for presenting operating cash flows. However, adjustment for expected credit impairment losses was included in the net changes in financial assets. In order to enhance the current year's presentation, management decided to separately adjust for the expected credit impairment losses in arriving at the cash flows from operating activities before changes in operating assets and liabilities. This enhancement has a nil impact on the aggregate "net cash generated from operating activities" for the year ended 31 December 2023. In addition the group has included the gross inflows and outflows relating to investments held at amortised cost to enhance presentation, this did not impact the net cash flows from investing activities and represented the prior figures accordingly.

**Notes (continued)**

**3 Critical accounting estimates and judgements in applying accounting policies**

In preparing the financial statements, estimates and judgement are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances.

Unless otherwise stated, no material changes to assumptions have occurred during the year.

**3.1 Going concern**

The Group's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**3.2 Impairment of financial assets carried at fair value through OCI (FVOCI)**

The Group reviews its debt securities classified as FVOCI investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

**3.3 Impairment of financial assets at amortised cost**

The Group reviews its debt securities classified as amortised cost investments at each reporting date to assess whether they are impaired. This requires similar judgements as applied to the individual assessment of loans and advances.

**3.4 Fair value of financial instruments**

In terms of IFRS Accounting Standards, the Group is either required to or elects to measure a number of its financial assets and financial liabilities at fair value, being the price that would, respectively, be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market between market participants at the measurement date. Regardless of the measurement basis, the fair value is required to be disclosed, with some exceptions, for all financial assets and financial liabilities. Fair value is a market-based measurement and uses the assumptions that market participants would use when pricing an asset or liability under current market conditions. When determining fair value it is presumed that the entity is a going concern and is not an amount that represents a forced transaction, involuntary liquidation or a distressed sale. Information obtained from the valuation of financial instruments is used to assess the performance of the group and, in particular, provides assurance that the risk and return measures that the Group has taken are accurate and complete.

**Valuation process**

The Group's valuation control framework governs internal control standards, methodologies and procedures over its valuation processes, which include:

Prices quoted in an active market: The existence of quoted prices in an active market represents the best evidence of fair value. Where such prices exist, they are used in determining the fair value of financial assets and financial liabilities.

Notes (continued)

3.4 Fair value of financial instruments (continued)

Valuation process (continued)

**Valuation techniques:** Where quoted market prices are unavailable, the group establishes fair value using valuation techniques that incorporate observable inputs, either directly, such as quoted prices, or indirectly, such as those derived from quoted prices, for such assets and liabilities. Parameter inputs are obtained directly from the market, consensus pricing services or recent transactions in active markets, whenever possible. Where such inputs are not available, the group makes use of theoretical inputs in establishing fair value (unobservable inputs). Such inputs are based on other relevant input sources of information and incorporate assumptions that include prices for similar transactions, historic data, economic fundamentals, and research information, with appropriate adjustments to reflect the terms of the actual instrument being valued and current market conditions. Changes in these assumptions would affect the reported fair values of these financial instruments. Valuation techniques used for financial instruments include the use of financial models that are populated using market parameters that are corroborated by reference to independent market data, where possible, or alternative sources, such as, third-party quotes, recent transaction prices or suitable proxies. The fair value of certain financial instruments is determined using industry standard models such as, discounted cash flow analysis and standard option pricing models. These models are generally used to estimate future cash flows and discount these back to the valuation date. For complex or unique instruments, more sophisticated modelling techniques may be required, which require assumptions or more complex parameters such as correlations, prepayment spreads, default rates and loss severity.

**Valuation adjustments:** Valuation adjustments are an integral part of the valuation process. Adjustments include, but are not limited to: credit spreads on illiquid issuers; implied volatilities on thinly traded instruments; correlation between risk factors; prepayment rates; other illiquid risk drivers. In making appropriate valuation adjustments, the group applies methodologies that consider factors such as bid-offer spreads, liquidity, counterparty and own credit risk. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit or loss provisions in accordance with IFRS Accounting Standards.
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing exposure on a regular basis.

**Validation and control:** All financial instruments carried at fair value, regardless of classification, and for which there are no quoted market prices for that instrument, are fair valued using models that conform to international best practice and established financial theory. These models are validated independently by the Group's model validation unit and formally reviewed and approved by the market risk methodologies committee. This control applies to both off-the-shelf models, as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the Group's market risk unit. Such price validation is performed on at least a monthly basis, but daily where possible given the availability of the underlying price inputs. Independent valuation comparisons are also performed and any significant variances noted are appropriately investigated. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to model, are carefully validated and tabled at the monthly price validation forum to ensure that these are reasonable and used consistently across all entities in the group. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed on a monthly basis at the market risk, asset and liability committees.

**Portfolio exception:** The group has, on meeting certain qualifying criteria, elected the portfolio exception which allows an entity to measure the fair value of certain groups of financial assets and financial liabilities on a net basis similar to how market participants would price the net risk exposure at the measurement date.

The total amount of the change in fair value estimated using valuation techniques not based on observable market data that was recognised in profit or loss for the year ended 31 December 2024 was a profit of KShs nil (2023: KShs ...)

Additional disclosures on fair value measurements of financial instruments are set out in notes 2.7 and 4.6.

**Notes (continued)**

**3 Critical accounting estimates and judgements in applying accounting policies (continued)**

**3.5 Development costs**

The Group capitalises software development costs for an intangible assets in accordance with the accounting policy detailed in note 2.9. Initial capitalisation of costs is based on management's judgment that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone and where the Group is able to demonstrate its intention and ability to complete and use the software.

**3.6 Share-based payment**

The Group has a number of cash and equity-settled share incentive schemes which are issued to qualifying employees based on the rules of the schemes. The Group uses the Black-Scholes option pricing model to determine the fair value of awards on grant date for its equity-settled share incentive schemes. The valuation of the Group's obligation with respect to its cash-settled share incentive scheme obligations is determined with reference to the SBG share price, which is an observable market input. In determining the expense to be recognised for both the cash and equity-settled share schemes, the Group estimates the expected future vesting of the awards by considering staff attrition levels. The Group also makes estimates of the future vesting of awards that are subject to non-market vesting conditions by taking into account the probability of such conditions being met. Refer to note 45 for further details regarding the carrying amount of the liabilities arising from the Group's cash-settled share incentive schemes and the expenses recognised in the statement of profit or loss.

**3.7 Income taxes**

The Group is subject to direct taxation in two jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the quantum of taxes that may be due. Where the final tax determination is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions, disclosed in note 37 and note 38, respectively, in the period in which such determination is made.

**Deferred tax assets**

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and on-going developments will determine the recognition of deferred tax. The most significant management assumption is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets.

Note 38 summarises the details of the carrying amount of the deferred tax assets. Accounting policy 2.14 provides further detail regarding the Group's deferred tax accounting policy.

**3.8 Hyperinflation**

The Group's South Sudan Branch is registered and operates in South Sudan. The economy of South Sudan was assessed to be hyperinflationary, effective 1 January 2016. The branch exited hyperinflation accounting in the year ended 31 December 2023. Hyperinflation accounting was reinstated in 2024 and have been applied for the year ending 31 December 2024.

**Notes (continued)**

**3.8 Hyperinflation (continued)**

The Group exercises significant judgement in determining the onset of hyperinflation in countries in which it operates and whether the functional currency of its branches is the currency of a hyperinflationary economy.

Various characteristics of the economic environment of each country are taken into account. These characteristics include, but are not limited to, whether:

- The general population prefers to keep its wealth in non-monetary assets or in a relatively stable foreign currency;
- Prices are quoted in a relatively stable foreign currency;
- Sales or purchase prices take expected losses of purchasing power during a short credit period into account;
- Interest rates, wages and prices are linked to a price index; and
- The cumulative inflation rate over three years is approaching, or exceeds, 100%.

Following management's assessment, the Bank's South Sudan Branch has been accounted for as an entity operating in a hyperinflationary economy. The results, cash flows and financial position have been expressed in terms of the measuring units' current at the reporting date.

The general price indices used in adjusting the results, cash flows and financial position of the Branch are set out below:

The general price index used as published by the National Bureau of Statistics of South Sudan is as follows:

Date	Base year	General price	Inflation rate
31 December 2024	2023	28,020.90	102.19%
31 December 2023	2022	7,942.68	91.79%

The impact of adjusting the Group's results for the effects of hyperinflation is set out below:

	2024 KShs Million	2023 KShs Million
<b>Impact on statement of profit or loss</b>		
Profit for the year before hyperinflation	13,805	-
Net monetary loss*	(89)	-
Profit for the year after hyperinflation	13,716	-

\* The loss in monetary value arises out of restatement of non-monetary assets and liabilities in the statement of financial position and statement of profit or loss of the South Sudan Branch.

**3.9 Provisions**

The accounting policy for provisions is set out in accounting policy 2.13. The principal assumptions taken into account in determining the value at which provisions are recorded at, in the Group's statement of financial position, include determining whether there is an obligation as well as assumptions about the probability of the outflow of resources and the estimate of the amount and timing for the settlement of the obligation.

The probability of an event of a significant nature occurring will be assessed by management and, where applicable, consultation with the Group's legal counsel. In determining the amount and timing of the obligation once it has been assessed to exist, management exercises its judgement by taking into account all available information, including that arising after the reporting date up to the date of the approval of the financial statements.

**Notes (continued)**

**3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers**

During the current reporting period models have been enhanced but no material changes to assumptions have occurred.

In preparing the financial statements, estimates and assumptions are made that could materially affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of future events. The estimates and judgements below have remained unchanged unless otherwise stated. The following represents the most material key management assumptions applied in preparing these financial statements.

**ECL measurement period**

**Personal and Private Banking (PPB) and Business and Commercial Banking clients (BCB)**

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The impact of the lifetime loss given default (LGD) workout, being an increase in the lifetime period over which subsequent cures and re-defaults are considered.
- The IFRS 9 requirement to hold ECL on unutilised loan commitments, notably pertaining to PPB and BCB's card and other lending portfolios.

**Corporate and Investment Banking (CIB)**

- The ECL measurement period at a minimum, is equal to the 12-month ECL of the financial asset or for the remaining tenor of the financial asset if the remaining lifetime is less than 12 months.
- A loss allowance for full lifetime ECL is required for a financial asset if the credit risk of that financial instrument has increased significantly since initial recognition.
- The requirement to hold ECL on unutilised loan commitments has been included, where appropriate, within this classification.

**Treasury**

For debt securities in the treasury portfolio, external rating agency credit grades are used. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by the rating agency. Refer to 4.3.4 (b) for Group's rating method.

**Significant increase in credit risk (SICR) and low credit risk**

A lifetime ECL requirement for all exposures for which there has been SICR. This included the impact of the LGD work out, being an increase in the life time period over which subsequent cures and re-defaults are considered. The requirement to hold ECL on off-balance sheet exposures has been included where appropriate within this classification.

To determine whether a client's credit risk has increased significantly since origination, the group would need to determine the extent of the change in credit risk using the table below:

Group master rating scale band	SICR trigger (from origination)
SB 1 – 12	Low credit risk
SB 13 – 20	3 rating or more
SB 21 – 25	1 rating or more

**Personal and Private Banking (PPB) and Business and Commercial Banking (BCB)**

In accordance with IFRS 9, all exposures are assessed to determine whether there has been SICR at the reporting date, in which case an impairment provision equivalent to the lifetime expected loss is recognised. SICR thresholds, which are behaviour score based, are derived for each portfolio vintage of exposures with similar credit risk and are calibrated over time to determine which exposures reflect deterioration relative to the originated population and consequently reflect an increase in credit risk.



**Notes (continued)**

**3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)**

**Personal and Private Banking (PPB) and Business and Commercial Banking (BCB) (continued)**

The Group also determines an appropriate transfer rate of exposures from stage 1 to stage 2 by taking into account the expected levels of arrears status for similar exposures. The SICR thresholds are reviewed regularly to ensure that they are appropriately calibrated to identify SICR throughout the life of the exposure and consequently facilitate appropriate impairment coverage.

Where behaviour scores are not available, historical levels of delinquency are applied in determining whether there has been SICR. For all exposures, IFRS 9's rebuttable presumption of 30 days past due as well as exposures classified as either debt review or as 'watch-list' are used to classify exposures within stage 2.

Forward looking economic expectations are included in the ECL by adjusting the probability of default (PD), LGD and SICR. Adjustments are made based on the Group's macro-economic outlook, using models that correlate these parameters with macro-economic variables. Where modelled correlations are not viable or predictive, adjustments are based on expert judgement to predict the outcomes based on the Group's macro-economic outlook expectations.

**CIB**

The Group uses a 25-point master rating scale to quantify the credit risk for each exposure. On origination, each client is assigned a credit risk grade within the Group's 25-point master rating scale. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data for the applicable portfolio. These credit ratings are evaluated at least annually or more frequently as appropriate.

CIB exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined ratings' migration thresholds or, when a contractual payment becomes more than 30 days overdue (IFRS 9's rebuttable presumption), the exposure is classified within stage 2. These pre-defined ratings' migration thresholds have been determined based on historic default experience which indicate that higher rated risk exposures are more sensitive to SICR than lower risk exposures. Based on an analysis of historic default experience, exposures that are classified by the Group's master rating scale as investment grade are assessed for SICR at each reporting date but are considered to be of a low credit risk for IFRS 9 purposes.

Forward looking economic expectations are incorporated in CIB's client ratings. The client rating thus reflects the expected client risk for the Group's expectation of future economic and business conditions. Further adjustments, based on point-in-time market data, are made to the PDs assigned to each risk grade to produce PDs and ECL representative of existing market conditions.

**Forward looking expectations**

- The Group Economics' Research team determines the macroeconomic outlook and a Group view of commodities over a planning horizon of at least three years. The outlook is provided to the legal entity's Chief Financial and Value Officer for review and asset and liability committee for approval.
- Macroeconomic outlooks take into account various variables such as gross domestic product, central bank policy interest rates, inflation, exchange rates and treasury bill rates.
- Narratives for each of the country economic outlooks, being bear, base and bull cases, are compiled and typically include consideration of the country's economic background, sovereign risk, foreign exchange risk, financial sector, liquidity and monetary policy stance.
- Probabilities are assigned to each of the bear, base and bull cases based on primary macroeconomic drivers and are reviewed monthly.
- The forward looking economic expectations are updated on a bi-annual basis or more regularly when deemed appropriate.

**Notes (continued)**

**3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)**

**Main macroeconomic factors**

The following table shows the main macroeconomic factors used to estimate the forward-looking impact on the ECL provision of financial assets. Each scenario, namely base, bear and bull scenario, is presented for each identified time period.

	31 December 2024			31 December 2023		
Macroeconomic factors	Base	Bear	Bull	Base	Bear	Bull
Inflation	3.7	6.3	3.3	7.4	8.1	7.0
Policy rate	11.0	11.0	9.5	10.5	11.0	10.0
3m Tbill rate	10.7	17.3	9.3	16.1	18.1	14.1
6m Tbill rate	11.5	17.9	9.9	16.2	18.8	15.0
Exchange rate (USD/KES)	129.1	152.7	118.9	156.2	161.0	153.5
Real GDP	5.4	3.6	7.6	5.5	4.1	6.9
Sovereign Rating	B-	B-	B-	B	B	B

**PPB and BCB**

Adjustments to the PD and LGD, based on forward looking economic expectations at the reporting date resulted in the requirement to hold higher credit impairments.

**CIB**

Negligible impact as CIB's client ratings, typically included forward looking expectations.

**Lifetime LGD work out**

Increased lifetime period over which subsequent cures and re-defaults are considered resulted in higher credit impairments for credit-impaired financial assets.

**Notes (continued)**

**3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)**

**Write off policy**

An impaired loan is written off once all reasonable attempts at collection have been made and there is no economic benefit expected from attempting to recover the balance outstanding. The following criteria must be met before a financial asset can be written off:

- the financial asset has been in default for the period defined for the specific product (i.e. vehicle and asset finance, mortgage loans, etc.) which is deemed sufficient to determine whether the entity is able to receive any further economic benefit from the impaired loan; and
- at the point of write-off, the financial asset is fully impaired (i.e. 100% allowance) with the expectation that the probability of recovery is nil and this probability is not expected to change in the future.

As an exception to the above requirements, where the exposure is secured (or for collateralised structures), the impaired loan can only be written off once the collateral has been realised. Post-realisation of the collateral, the shortfall amount can be written off if it meets the second requirement listed above. The shortfall amount does not need to meet the first requirement to be written off.

Partial write-off of an asset occurs when the Group gives a concession to a debtor such that a part of the loan will not be recovered. In this case, the part that will not be recovered is written off.

For CIB products, write-offs are assessed on a case-by-case basis and approved by CIB credit governance committee based on the individual facts and circumstances.

**Curing**

Continuous assessment is required to determine whether the conditions that led to a financial asset being considered to be credit impaired (i.e. stage 3) still exist. Distressed restructured financial assets that no longer qualify as credit impaired remain within stage 3 for a minimum period of six months (i.e. six full consecutive monthly payments per the terms and conditions). However, in the case of financial assets with quarterly or longer dated repayment terms, the classification of a financial asset out of stage 3 may be made subsequent to an evaluation by the Group's CIB or PPB and BCB Credit Governance Committee (as appropriate), such evaluation will take into account qualitative factors in addition to compliance with payment terms and conditions of the agreement. Qualitative factors include compliance with covenants and compliance with existing financial asset terms and conditions.

Where it has been determined that a financial asset no longer meets the criteria for significant increase in credit risk, when compared to the credit rating at initial recognition, the financial asset will be moved from stage 2 (lifetime expected credit loss model) back to stage 1 (12-month expected credit loss model) prospectively. In retail portfolios, a rehabilitation period of at least 6 months (subsequent to a customer repaying all outstanding facilities) would be needed for the customer's internal rating to decrease back to its rating scale at initial recognition and move from stage 2 to stage 1 accordingly.

**Notes (continued)**

**3.10 Expected credit loss (ECL) on financial assets - IFRS 9 drivers (continued)**

Out of the above factors that drive the ECL, the most significant source of uncertainty is credit ratings allocated to counterparties which drive this assigned probability of default. The PDs in turn incorporate assessment for significant increase in credit risk, default risk assessment, forward looking information and probability weighted scenarios. At 31 December 2024, had the average credit ratings for all counterparties shifted one notch down expected credit losses would have increased by KShs 491,626,968 (2023: KShs 484,252,481) higher where if the credit ratings had improved by one notch the expected credit losses would have decreased by KShs 589,316,449 (2023: KShs 593,398,790).

**Off-balance sheet exposures – bankers’ acceptances, guarantees and letters of credit**

The requirement to hold ECL on off-balance sheet financial instruments, such as guarantees and letters of credit, resulted in a requirement to hold additional credit impairment provisions.

**3.11 Credit impairment losses on loans and advances**

**Specific loan impairments**

Non-performing loans include those loans for which the Group has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more. Management’s estimates of future cash flows on individually impaired loans are based on historical loss experience for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Where the net present value of estimated cash flows to differ by +/-1%, the impairment loss is to be estimated at KShs 47,441,460 higher or KShs 47,441,460 lower (2023: KShs 78,104,330 higher or KShs 78,104,330 lower) respectively.

**3.12 Impairment of goodwill**

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy 2.9. Information on key assumptions used to determine the value in use and impairment testing for CGUs containing goodwill is included in Note 29.

**Notes (continued)**

**4 Financial risk management**

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity risk;
- Market risks; and
- Operational risks (encompasses systems, people and processes).

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established various committees, including the Asset and Liability (ALCO), Credit and Operational Risk committees, which are responsible for developing and monitoring risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors of the Group on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit and Risk Committees are responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Committees are assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

By their nature, the Group's activities are principally related to the use of financial instruments including derivatives. The Group accepts deposits from customers at both fixed and floating rates, and for various periods, and seeks to earn above-average interest margins by investing these funds in high quality assets. The Group seeks to increase these margins by consolidating short-term funds and lending for longer periods at higher rates, while maintaining sufficient liquidity to meet all claims that might fall due. The Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units.

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

**Notes (continued)**

**4 Financial risk management (continued)**

The Group also seeks to raise its interest margins by obtaining above-average margins, net of allowances, through lending to commercial and retail borrowers with a range of credit standing. Such exposures involve not just on-statement of financial position loans and advances; the Group also enters into guarantees and other commitments such as letters of credit and performance, and other bonds.

The Group also trades in financial instruments where it takes positions in traded and over-the-counter instruments to take advantage of short-term market movements in bonds, currency and interest rate. The Board places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day market positions.

Foreign exchange and interest rate exposures associated with derivatives are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

**4.1 Capital management- Company**

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may limit the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings less cash and cash equivalents.

**4.2 Capital management- Group**

The Group's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- to comply with the capital requirements set by the regulators, Central Bank of Kenya and Capital Market Authority;
- to safeguard the Group's (and its subsidiaries) ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

It uses two approaches of measuring capital for capital management.

**a) Economic capital assessment**

Economic capital is the Group's internal measure of required capital and it incorporates granular risk assessments and portfolio concentration effects that may be absent from the regulatory capital assessment process. Stanbic aggregates the individual risk type economic capital measurements conservatively assuming no inter-risk diversification. Economic capital is compared to Available Financial Reserves (AFR) to perform an assessment of capital adequacy based on internal measures.

**b) Regulatory capital assessment**

The Group's main subsidiary, Stanbic Bank Kenya Limited, monitors the adequacy of its capital using ratios established by the Central Bank of Kenya (CBK), which ratios are broadly in line with those of the Group for International Settlements (BIS).

These ratios measure capital adequacy by comparing the Group's eligible capital with its statement of financial position assets, off-balance-sheet commitments and market and other risk positions at weighted amounts to reflect their relative risk.

The risk-based approach applies to both on and off-statement of financial position items. The focus of this approach is credit risk, interest rate risk, market risk, operational risk, concentration risk and underlying collateral risk.

**Notes (continued)**

**4 Financial risk management (continued)**

**b) Regulatory capital assessment (continued)**

The assets are weighted according to broad categories, each being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 35%, 50%, and 100%) are applied.

The Group's key subsidiary (Stanbic Bank Kenya Limited) is required at all times to maintain:

- A minimum level of regulatory capital of KShs 1 billion as at 31 December 2024 (2023: KShs 1 billion);
- A core capital (tier 1) of not less than 10.5% (2023: 10.5%) of total risk weighted assets plus risk weighted off-statement of financial position items;
- A core capital (tier 1) of not less than 8% (2023: 8%) of its total deposit liabilities; and
- A total capital (tier 1 + tier 2) of not less than 14.5% (2023: 14.5%) of its total risk weighted assets plus risk adjusted off statement of financial position items.

Off-balance sheet credit related commitments and forwards are converted to credit risk equivalents using credit conversion factors, designed to convert these items into statement of financial position equivalents. The resulting credit equivalent amounts are then weighted for credit risk using the same percentages as for statement of financial position assets.

Tier 1 capital consists of shareholders' equity comprising paid up share capital, share premium and retained earnings less intangible assets, deferred tax asset, goodwill and investments in subsidiary institutions and equity instruments of other institutions. Tier 2 capital includes the Bank's qualifying term subordinated debt and regulatory loan loss reserves and cannot exceed tier 1 capital. Regulatory loan loss reserves qualifying as tier 2 capital cannot exceed 1.25% of the risk weighted assets total value.

Notes (continued)

4 Financial risk management (continued)

4.2 Capital management- Group (continued)

c) Regulatory capital assessment - Stanbic Bank Kenya Limited

Stanbic Bank Kenya Limited, which is the Group's key subsidiary, had the following capital adequacy levels:

	2024 KShs Million	2023 KShs Million
<b>Tier 1 capital (Core capital)</b>		
Share capital	3,412	3,412
Share premium	3,445	3,445
Retained earnings	51,359	47,119
Less: Deferred tax asset	(3,078)	(3,865)
<b>Total Tier 1 capital (Core capital)</b>	<b>55,138</b>	<b>50,111</b>
<b>Tier 2 capital</b>		
Regulatory credit risk reserve	2,370	1,410
Qualifying subordinate liabilities	10,482	12,681
<b>Total Tier 2 capital</b>	<b>12,852</b>	<b>14,091</b>
<b>Total capital (Tier 1 + Tier 2)</b>	<b>67,990</b>	<b>64,202</b>
<b>Risk - weighted assets</b>		
Operational risk	60,675	48,379
Market risk	10,796	4,081
Credit risk on-statement of financial position	262,638	287,381
Credit risk off-statement of financial position	35,969	47,075
<b>Total risk - weighted assets</b>	<b>370,078</b>	<b>386,916</b>
<b>Capital adequacy ratios</b>		
Core capital / total deposit liabilities	17.1%	15.1%
Minimum statutory ratio	<b>8.0%</b>	<b>8.0%</b>
Core capital / total risk - weighted assets	14.9%	13.0%
Minimum statutory ratio	<b>10.5%</b>	<b>10.5%</b>
Total capital / total risk - weighted assets	18.4%	16.6%
Minimum statutory ratio	<b>14.5%</b>	<b>14.5%</b>



**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk**

Credit risk is the risk of loss arising out of failure of client counterparties to meet their financial or contractual obligations when due.

Credit risk is composed of counterparty risk (including primary, pre-settlement risk, issuer and settlement risk) and concentration risk. These risk types are defined as follows:

- **Counterparty risk:** The risk of credit loss to the Group as a result of failure by a counterparty to meet its financial and/or contractual obligations to the Group as they fall due.
- **Credit concentration risk:** The risk of loss to the Group as a result of excessive build-up of exposure to a specific counterparty or counterparty group, an industry, market, product, financial instrument or type of security, or geography, or a maturity. This concentration typically exists where a number of counterparties are engaged in similar activities and have similar characteristics, which could result in their ability to meet contractual obligations being similarly affected by changes in economic or other conditions.

**4.3.1 Governance committees**

The primary governance committees overseeing credit risk are the Board Credit Risk Committee (BCRC) and Credit Risk Management Committee (CRMC). These committees are responsible for credit risk and credit concentration risk decision-making, and delegation thereof to Credit officers and committees within defined parameters.

Credit risk management is governed by the Group's overall credit policy guidelines. Respective Credit Risk Management Divisions, which report into the BCC, are responsible for the implementation of these guidelines, which cover compliance with prescribed sanctioning authority levels, avoidance of a high concentration of credit risk and regular review of credit limits. Limits on facilities to counter-parties are governed by internal restraints, which restrict large exposures in relation to the Group's capital.

The Group has set in place comprehensive resources, expertise and controls to ensure efficient and effective management of credit risk.

**4.3.2 General approach to managing credit risk**

The Group's credit risk comprises mainly wholesale and retail loans and advances, together with the counterparty credit risk arising from derivative contracts entered into with our clients and market counterparties.

The Group manages credit risk through:

- maintaining strong culture of responsible lending and a robust risk policy and control framework;
- identifying, assessing and measuring credit risk clearly and accurately across the Group, from the level of individual facilities up to the total portfolio;
- defining, implementing and continually re-evaluating our risk appetite under actual and scenario conditions;
- monitoring the Group's credit risk relative to limits; and
- ensuring that there is expert scrutiny and independent approval of credit risks and their mitigation.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3.2 General approach to managing credit risk**

Primary responsibility for credit risk management resides with the Group's business lines. This is complemented with an independent credit risk function embedded within the business units, which is in turn supported by the overarching group risk function.

Impairment provisions are provided for losses that have been incurred or expected at the reporting date. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration of the Group's portfolio, could result in losses that are different from those provided for at the reporting date. Management, therefore, carefully manages its exposure to credit risk.

The exposure to any one borrower including banks is further restricted by sub-limits covering on - and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees, but a significant portion is personal lending where no such facilities can be obtained.

**4.3.3 Management reporting**

A number of reports are prepared as management information on credit risk. Various analysis of the data are done and a variety of reports are prepared on a monthly and quarterly basis. Some of these reports include:

- Quarterly Board Credit Committee Report;
- Quarterly Board Audit Committee Report;
- Quarterly Board Risk Committee Report;
- Monthly Credit Risk Management Committee Report;
- Regulatory returns;
- Half-year results; and
- Annual financial statements.

These reports are distributed to management and regulators, and are available for inspection by authorised personnel.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.4 Credit risk measurement**

**a) Loans and advances including loan commitments and guarantees**

The estimation of credit exposure is complex and requires the use of models, as the value of a product varies with changes in market variables, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties.

The Group has developed models to support the quantification of the credit risk. These rating and scoring models are in use for all key credit portfolios and form the basis for measuring default risks. All models are managed under model development and validation policies that set out the requirements for model governance structures and processes, and the technical framework within which model performance and appropriateness is maintained. The models are developed using internal historical default and recovery data. In low default portfolios, internal data is supplemented with external benchmarks and studies. Models are assessed frequently to ensure on-going appropriateness as business environments and strategic objectives change, and are recalibrated semi-annually using the most recent internal data.

In measuring credit risk of loans and advances to customers and to banks at a counter-party level, the Group reflects three components:

- (i) the 'probability of default' by the client or counter-party on its contractual obligations;
- (ii) current exposures to the counter-party and its likely future development, from which the Group derives the 'exposure at default'; and
- (iii) the likely recovery ratio on the defaulted obligations (the 'loss given default').

**Probability of default (PD)**

The Group uses a 25-point master rating scale to quantify the credit risk for each borrower as illustrated in the table on page 67. Ratings are mapped to PDs by means of calibration formulae that use historical default rates and other data from the applicable portfolio. The Group distinguishes between through-the-cycle PDs and point-in-time PDs, and utilises both measures in decision-making and in managing credit risk exposures.

**Loss given default (LGD)**

Loss given default measures are a function of customer type, product type, seniority of loan, country of risk and level of collateralisation. LGDs are estimated based on historic recovery data per category of LGD. A downturn LGD is used in the estimation of the capital charge and reflects the anticipated recovery rates and macroeconomic factors in a downturn period.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.4 Credit risk measurement (continued)**

**Exposure at default (EAD)**

Exposure at default captures the impact of potential draw-downs against unutilised facilities and changes in counterparty risk positions due to changes in market prices. By using historical data, it is possible to estimate the average utilisation of limits of an account when default occurs, recognising that customers may use more of their facilities as they approach default.

**b) Debt securities**

These represents financial and derivative assets. For debt securities, external rating such as Standard & Poor's rating or their equivalents are used by Group Treasury for managing of the credit risk exposures as supplemented by the Group's own assessment through the use of internal rating tools.

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.4 Credit risk measurement (continued)

Relationship between the bank master rating and external ratings					
Core Banking system rating scale	Moody's Investor Services	Standard & Poor's	Fitch	Grading	Credit Quality
1 - 4	Aaa, Aa1, Aa2, Aa3	AAA, AA+, AA, AA-	AAA, AA+, AA, AA-	Investment grade	Normal monitoring
5 - 7	A1, A2, A3	A+, A, A-	A+, A, A-		
8 - 12	Baa1, Baa2, Baa3	BBB+, BBB, BBB-	BBB+, BBB, BBB-		
13 - 20	Ba1, Ba2, Ba3, B1, B2, B3	BB+, BB, BB-, B+, B, B-	BB+, BB, BB-, B+, B, B-	Sub-investment grade	Close monitoring
21 - 25	Caa1, Caa2, Caa3, Ca	CCC+, CCC, CCC-	CCC+, CCC, CCC-		
Default	C	D	D	D	D

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.5 Risk limit control and mitigation policies**

The Group manages, limits and controls concentrations of credit risk wherever they are identified – in particular, to individual counterparties and banks, industries and countries.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Such risks are monitored on a revolving basis and subject to an annual or more frequent review, when considered necessary. Limits on the level of credit risk by product, industry sector and country are approved quarterly by the Board of Directors.

The exposure to any one borrower including banks and brokers is further restricted by sublimit covering on-balance sheet and off-balance sheet exposures, and daily delivery risk limits in relation to trading items such as forward foreign exchange contracts. Actual exposures against limits are monitored daily.

Lending limits are reviewed in light of changing market and economic conditions and periodic credit reviews and assessments of probability of default.

Some other specific control and mitigation measures are outlined below:

**a) Credit tailored to customer profile**

There is a clear distinction between the fundamental credit characteristics of the Group's customer base. This customer base is managed according to the following market segments:

- Corporate and Investment Banking (CIB)
- Business and Commercial Banking (BCB) ; and
- Personal and Private Banking (PPB)

**Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios**

Corporate, sovereign and bank borrowers include Kenyan and international companies, sovereigns, local government entities, bank financial institutions, non-bank financial institutions and public sector entities. The entities include large companies as well as small and medium enterprises that are managed on a relationship basis. Creditworthiness is assessed based on a detailed individual assessment of the financial strength of the borrower. Exposure is usually in the form of short and long-term loans and advances but may include exposures arising from derivative contracts. In these sectors, credit risk management is characterised by a close working relationship between the counter-party, the customer relationship team and an independent credit evaluation manager. The credit evaluation manager bases his lending decision on an in-depth knowledge of the counterparty and the industry in which it operates, as well as an assessment of the creditworthiness of the counter-party based on a review of the audited financial statements and underlying risk parameters.

CIB believes that the use of sophisticated modelling techniques combined with an in-depth knowledge and understanding of each client is essential in properly assessing the credit risk, both initially and on an on-going basis, of each counterparty with whom it deals.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.5 Risk limit control and mitigation policies (continued)**

**a) Credit tailored to customer profile (continued)**

**Corporate and Investment Banking (CIB): Corporate, sovereign and bank portfolios (continued)**

To this end, CIB uses software developed by third party vendors, which is widely used by the banking industry globally in its credit management process. Expected default frequencies are an important tool in the formal credit assessment process of both new and existing business, and also form the basis for monitoring changes in counterparty credit quality on a day to day basis. Expected default frequencies will continue to be a vital component of credit risk management as the Group continues to improve credit processes and increases focus on portfolio credit management.

**Personal and Private Banking, and Business and Commercial Banking (PPB and BCB): Retail portfolio**

Retail mortgage exposures relate to mortgage loans to individuals and are a combination of both drawn and undrawn EADs. Qualifying retail revolving exposure (QRRE) relate to cheque accounts, credit cards and evolving personal loans and products, and include both drawn and undrawn exposures. Retail other covers other branch lending and vehicle finance for retail, retail small and retail medium enterprise portfolios. Branch lending includes both drawn and undrawn exposures, while vehicle and asset finance only has drawn exposures.

Internally developed behavioural scorecards are used to measure the anticipated performance for each account. Mapping of the behaviour score to a PD is performed for each portfolio using a statistical calibration of portfolio-specific historical default experience. The behavioural scorecard PDs are used to determine the portfolio distribution on the master rating scale. Separate LGD models are used for each product portfolio and are based on historical recovery data. EAD is measured as a percentage of the credit facility limit and is based on historical averages. EAD is estimated per portfolio and per portfolio-specific segment, using internal historical data on limit utilisation.

**b) Financial covenants (for credit related commitments and loan books)**

The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments, as most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.5 Risk limit control and mitigation policies (continued)**

**c) Master netting arrangements**

The Group further restricts its exposure to credit losses by entering into master netting arrangements with counterparties with which it undertakes a significant volume of transactions. Master netting arrangements do not generally result in an offset of assets and liabilities in the statement of financial position, as transactions are either usually settled on a gross basis or under most netting agreements the right of set off is triggered only on default. However, the credit risk associated with favourable contracts is reduced by a master netting arrangement to the extent that if a default occurs, all amounts with the counterparty are terminated and settled on a net basis. The Group's overall exposure to credit risk on derivative instruments subject to master netting arrangements can change substantially within a short period, as it is affected by each transaction subject to the arrangement.

**d) Derivatives**

For derivative transactions, the Group typically uses internationally recognised and enforceable International Swaps and Derivatives Association (ISDA) agreements, with a credit support annexure, where collateral support is considered necessary. Other credit protection terms may be stipulated, such as limitations on the amount of unsecured credit exposure acceptable, collateralisation if mark-to-market credit exposure exceeds acceptable limits, and termination of the contract if certain credit events occur, for example, downgrade of the counterparty's public credit rating.

**e) Collateral**

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The main types of collateral taken are:

<b>Business and Commercial Banking and Personal and Private Banking (BCB &amp; PPB)</b>	
Mortgage lending	First ranking legal charge over the property financed.
Vehicle and asset finance	Joint registration of vehicles.
Other loans and advances	Debentures over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

<b>Corporate and Investment Banking</b>	
Corporate lending	All assets debenture over the company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and company guarantees.

Longer-term finance and lending to corporate entities is generally secured; revolving individual credit facilities are generally unsecured. In addition, in order to minimise possible credit loss, the Group seeks additional collateral from the counter-party as soon as impairment indicators are noticed for the relevant individual loans and advances.



**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.5 Risk limit control and mitigation policies (continued)**

**e) Collateral (continued)**

Collateral held as security for financial assets other than loans and advances is determined by the nature of the instrument. Debt securities, treasury and other eligible bills are generally unsecured, with the exception of asset-backed securities and similar instruments, which are secured by portfolios of financial instruments.

**Valuation of collateral**

The Group has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuers are required to provide the Group with professional indemnity to cover the Group in cases of professional negligence relating to their valuations. The Group ensures that all properties used as collateral are adequately insured during the term of the loan. Valuation reports on properties are valid for three years after which the property and equipment is revalued.

The table on the following page shows the financial effect that collateral has on the Group's maximum exposure to credit risk. The table includes collateral that management takes into consideration in the management of the Group's exposures to credit risk. All on- and off-balance sheet exposures that are exposed to credit risk, including non-performing loans, have been included. Collateral includes:

- Financial securities that have a tradable market, such as shares and other securities;
- Physical items, such as property, plant and equipment; and
- Financial guarantees and intangible assets.

Netting agreements, which do not qualify for offset under IFRS Accounting Standards but which are nevertheless enforceable, are included as part of the Group's collateral for risk management purposes. All exposures are presented before the effect of any impairment provisions. There has been no change in the collateral policy during the year.

In the retail portfolio, 67% (2023: 79%) is fully collateralized. The total average collateral coverage for all retail mortgage exposures above 50% collateral coverage category is 100% (2023: 100%). Of the Group's total exposure, 39% (2023: 17%) is unsecured and mainly reflects exposures to well-rated corporate counterparties, bank counterparties and sovereign entities. The total amount of collateral for credit impaired loans amounted to KShs. 22,991,131,000 (2023: KShs.25,195,189,000).

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.5 Risk limit control and mitigation policies (continued)

e) Collateral (continued)

31 December 2024						Collateral coverage - Total		
	Total exposure	Unsecured exposure	Secured exposure	Netting agreements	Secured exposure after netting	Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Asset class</b>								
Corporate	150,077	21,113	128,964	-	128,964	-	128,964	-
Sovereign	42,181	42,181	-	-	-	-	-	-
Loans and advances to banks	64,498	64,498	-	-	-	-	-	-
Group	59,421	59,421	-	-	-	-	-	-
Other banks	5,077	5,077	-	-	-	-	-	-
Retail	97,947	21,113	76,834	-	76,834	-	76,834	-
Retail mortgage	36,365	-	36,365	-	36,365	-	36,365	-
Other retail	61,582	21,113	40,469	-	40,469	-	40,469	-
<b>Total</b>	<b>354,703</b>	<b>148,905</b>	<b>205,798</b>	<b>-</b>	<b>205,798</b>	<b>-</b>	<b>205,798</b>	<b>-</b>
<b>Less: Impairments for loans and advances</b>	<b>(17,970)</b>							
<b>Total exposures</b>	<b>336,733</b>							

31 December 2023						Collateral coverage - Total		
	Total exposure	Unsecured exposure	Secured exposure	Netting agreements	Secured exposure after netting	Greater than 0% to 50%	Greater than 50% to 100%	Greater than 100%
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Asset class</b>								
Corporate	171,222	48	171,174	-	171,174	-	171,174	-
Sovereign	45,345	45,345	-	-	-	-	-	-
Loans and advances to banks	95,706	95,706	-	-	-	-	-	-
Group	90,578	90,578	-	-	-	-	-	-
Other banks	5,128	5,128	-	-	-	-	-	-
Retail	108,501	21,938	86,563	-	86,563	-	86,563	-
Retail mortgage	40,416	-	40,416	-	40,416	-	40,416	-
Other retail	68,085	21,938	46,147	-	46,147	-	46,147	-
<b>Total</b>	<b>420,774</b>	<b>163,037</b>	<b>257,737</b>	<b>-</b>	<b>257,737</b>	<b>-</b>	<b>257,737</b>	<b>-</b>
<b>Less: Impairments for loans and advances</b>	<b>(19,300)</b>							
<b>Total exposure</b>	<b>401,474</b>							

The Group holds collateral on loans and advances. The table above represents the collateral cover held on various types of loans and advances. Other deposits and margin balances held against off balance sheet facilities are included in other liabilities in Note 36 (a).

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.5 Risk limit control and mitigation policies (continued)**

**e) Collateral (continued)**

**Foreclosed collateral**

Assets foreclosed as at the end of the year comprise saloon vehicles, prime movers and trailers, which had been financed by the Group under Vehicle and Asset Finance (VAF) and residential property financed under personal markets. As at the year end, the Group had taken possession of the following:

<b>Nature of assets</b>	<b>2024 KShs Million</b>	<b>2023 KShs Million</b>
Residential property	853	614
Assets financed under VAF	188	243
	<b>1,041</b>	<b>857</b>

It is the Group's policy to dispose of foreclosed properties on the open market, at market value. The proceeds are used to reduce or repay the outstanding claim. In general, the Group does not occupy foreclosed properties for business use.

**Renegotiated financial assets**

Renegotiated loans and advances are exposures which have been refinanced, rescheduled, rolled over or otherwise modified following weaknesses in the counterparty's financial position, and where it has been judged that normal repayment will likely continue after the restructure. The renegotiations resulted in the continuation of the original financial asset, with no gain or loss recognised as a consequence of the restructuring. The table below show the carrying amount of financial assets whose term have been renegotiated, by class.

	<b>2024 KShs Million</b>	<b>2023 KShs Million</b>
Vehicle and asset finance	135	87
Other loans and advances	2,663	2,606
	<b>2,798</b>	<b>2,693</b>

**4.3.6 Default and provisioning policy**

The Group's definition of default has been aligned to its internal credit risk management definitions and approaches. Whilst the specific determination of default varies according to the nature of the product, it is generally determined (aligned to the BASEL definition) as occurring at the earlier of:

- where, in the Group's view, the counterparty is considered to be unlikely to pay amounts due on the due date or shortly thereafter.
- when the counterparty is past due for more than 90 days (or, in the case of overdraft facilities in excess of the current limit).

**Notes (continued)**

**4 Financial risk management (continued)**

**4.3 Credit risk (continued)**

**4.3.6 Default and provisioning policy (continued)**

A financial asset is considered to be in default when there is objective evidence of impairment. The following criteria are used in determining whether there is objective evidence of impairment for financial assets or groups of financial assets as per IFRS 9:

- significant financial difficulty of borrower and/or modification (i.e. known cash flow difficulties experienced by the borrower);
- a breach of contract, such as default or delinquency in interest and/or principal payments;
- disappearance of active market due to financial difficulties;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- where the Group, for economic or legal reasons relating to the borrower's financial difficulty, grants the borrower a concession that the Group would not otherwise consider.

Exposures which are overdue for more than 90 days are also considered to be in default.

**4.3.7 Credit quality**

**a) Maximum exposure to credit risk before collateral held or other credit enhancements**

Financial instruments whose carrying amounts represent the maximum exposure to credit risk without taking account of any collateral held or other credit enhancements are disclosed in Note 19 to 24. The Directors are confident in the ability to continue to control and sustain minimal exposure of credit risk to the Group resulting from both the loan and advances portfolio and debt securities based on the following:

- 58% of the total maximum exposure is derived from loans and advances to customers (2023: 69%); 26% represents investments in debt securities (2023: 11%);
- 88% of the loans and advances portfolio is categorised in the top two grades of the internal rating system (2023: 89%);
- 84% of the loans and advances portfolio are considered to be Stage 1 (2023: 81%); and
- 99.9% of all the debt securities, which the Bank has invested in, are issued by the Central Bank of Kenya (2023: 99.6%).

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

Year ended 31 December 2024	Gross Carrying amount  KShs Million	SB 1 - 12		SB 13 - 20		SB 21- 25		Default		Total gross carrying amount of default exposures  KShs Million	Securities and expected recoveries on default exposures  KShs Million	Interest in suspense on default exposures  KShs Million	Statement of Financial Position expected credit loss on default exposures  KShs Million	Gross default coverage  %	Non-performing exposures  %
		Stage 1  KShs Million	Stage 2  KShs Million	Stage 1  KShs Million	Stage 2  KShs Million	Stage 1  KShs Million	Stage 2  KShs Million	Stage 3  KShs Million	Purchased/ originated credit impaired  KShs Million						
Loans and advances to customers															
PPB	59,858	26,879	-	13,664	5,647	4,661	1,942	7,065	-	7,065	1,313	504	5,248	81%	12%
Mortgage loans	35,644	19,921	-	6,095	5,232	-	760	3,636	-	3,636	2,069	113	1,454	43%	10%
Vehicle and asset finance	5,008	1,672	-	2,041	62	-	161	1,072	-	1,072	792	52	228	26%	21%
Card debtors	882	-	-	717	-	-	133	32	-	32	6	-	26	81%	4%
Other loans and advances	18,324	5,286	-	4,811	353	4,661	888	2,325	-	2,325	(1,554)	339	3,540	167%	13%
BCB	36,897	-	-	21,318	-	-	6,727	8,852	-	8,852	4,606	594	3,652	48%	24%
Mortgage loans	722	-	-	561	-	-	161	-	-	-	-	-	-	0%	0%
Vehicle and asset finance	7,320	-	-	6,410	-	-	910	-	-	-	(115)	-	115	0%	0%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	28,855	-	-	14,347	-	-	5,656	8,852	-	8,852	4,721	594	3,537	47%	31%
CIB	151,302	46,398	-	84,382	10,885	2,592	1	7,044	-	7,044	1,681	1,206	4,157	76%	5%
Corporate	151,302	46,398	-	84,382	10,885	2,592	1	7,044	-	7,044	1,681	1,206	4,157	76%	5%
	248,057	73,277	-	119,364	16,532	7,253	8,670	22,961	-	22,961	7,600	2,304	13,057	67%	9%
Loans and advances to banks															
Bank	64,651	63,299	-	1,281	71	-	-	-	-	-	-	-	-	0%	0%
Gross carrying amount	312,708	136,576	-	120,645	16,603	7,253	8,670	22,961	-	22,961	7,600	2,304	13,057	61%	7%
Less: Total expected credit losses for loans and advances	(17,851)														
Net carrying amount of loans & advances measured at amortised cost	294,857														

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

The table below shows the credit quality by class of loans and advances, based on the Group's credit rating system:

Year ended 31 December 2023	Gross Carrying amount  KShs Million									Total gross carrying amount of default exposures  KShs Million	Securities and expected recoveries on default exposures  KShs Million	Interest in suspense on default exposures  KShs Million	Balance sheet expected credit loss on default exposures  KShs Million	Gross default coverage  %	Non-performing exposures  %
		SB 1 - 12		SB 13 - 20		SB 21- 25		Default							
		Stage 1	Stage 2	Stage 1	Stage 2	Stage 1	Stage 2	Stage 3	Purchased/ori ginated credit impaired						
		KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million						
Loans and advances to customers															
PPB	61,471	-	-	45,126	-	-	9,879	6,466	-	6,466	503	715	5,248	92%	11%
Mortgage loans	31,294	-	-	19,245	-	-	8,030	4,019	-	4,019	2,147	418	1,454	47%	13%
Vehicle and asset finance	3,405	-	-	2,960	-	-	314	131	-	131	(99)	2	228	176%	4%
Card debtors	777	-	-	595	-	-	142	40	-	40	14	-	26	65%	5%
Other loans and advances	25,995	-	-	22,326	-	-	1,393	2,276	-	2,276	(1,559)	295	3,540	168%	9%
BCB	44,974	-	-	25,418	-	-	8,214	11,342	-	11,342	7,032	658	3,652	38%	25%
Mortgage loans	328	-	-	250	-	-	78	-	-	-	-	-	-	0%	0%
Vehicle and asset finance	7,173	-	-	5,737	-	-	598	838	-	838	662	61	115	21%	12%
Card debtors	-	-	-	-	-	-	-	-	-	-	-	-	-	0%	0%
Other loans and advances	37,473	-	-	19,431	-	-	7,538	10,504	-	10,504	6,370	597	3,537	39%	28%
CIB	173,279	74,903	-	88,089	1,183	293	152	8,659	-	8,659	3,183	1,319	4,157	63%	5%
Corporate	173,279	74,903	-	88,089	1,183	293	152	8,659	-	8,659	3,183	1,319	4,157	63%	5%
	279,724	74,903	-	158,633	1,183	293	18,245	26,467	-	26,467	10,718	2,692	13,057	60%	9%
Loans and advances to banks															
Bank	95,705	83,446	-	11,616	643	-	-	-	-	-	-	-	-	0%	0%
Gross carrying amount	375,429	158,349	-	170,249	1,826	293	18,245	26,467	-	26,467	10,718	2,692	13,057	54%	7%
Less: Total expected credit losses for loans and advances	(19,216)								-						
Net carrying amount of loans & advances measured at amortised cost	356,213														

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2024	Gross Carrying amount KShs Million	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
		Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 3 KShs Million	Purchased/originated credit impaired KShs Million
<b>Financial assets measured at amortised cost</b>									
Sovereign	29,198	17,776	8,827	2,595	-	-	-	-	-
<b>Gross carrying amount</b>	<b>29,198</b>	<b>17,776</b>	<b>8,827</b>	<b>2,595</b>					
Less: Total expected credit losses (Note 22.1)	(119)								
<b>Net carrying amount of financial assets measured at amortised costs</b>	<b>29,079</b>								

<b>Financial assets at fair value through OCI</b>									
Corporate	-	-	-	-	-	-	-	-	-
Sovereign	15,476	15,476	-	-	-	-	-	-	-
<b>Gross carrying amount</b>	<b>15,476</b>	<b>15,476</b>	<b>-</b>	<b>-</b>					
Add: Fair value reserve relating to fair value adjustments (before the ECL balance) (Note 21.1)	(14)								
<b>Net carrying amount of financial assets measured at fair value through OCI</b>	<b>15,462</b>								

The Banks credit policies requires that financial instruments which experience more than 3 notches downgrade since inception be reviewed for significant increase in credit risk(SICR). The part of sovereign exposures classified as stage 2 in the table above were assessed over four years time. The sovereign rating has since been revised resulting in a 3 notch downgrade. This is also in line with external credit ratings against ratings of the sovereign

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2023	Gross Carrying amount KShs Million	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
		Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 3 KShs Million	Purchased/originated credit impaired KShs Million
<b>Financial assets measured at amortised cost</b>									
Sovereign	22,639	2,995	16,597	3,047	-	-	-	-	-
<b>Gross carrying amount</b>	<b>22,639</b>	<b>2,995</b>	<b>16,597</b>	<b>3,047</b>					
Less: Total expected credit losses	(84)								
<b>Net carrying amount of financial assets measured at amortised costs</b>	<b>22,555</b>								

<b>Financial assets at fair value through OCI</b>									
Corporate	162	-	-	162	-	-	-	-	-
Sovereign	19,736	18,695	1,041	-	-	-	-	-	-
<b>Gross carrying amount</b>	<b>19,898</b>	<b>18,695</b>	<b>1,041</b>	<b>162</b>					
Add: Fair value reserve relating to fair value adjustments (before the ECL balance)	(6)								
<b>Net carrying amount of financial assets measured at fair value through OCI</b>	<b>19,892</b>								



Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

b) Credit quality by class (continued)

Year ended 31 December 2024	Gross Carrying amount KShs Million	SB 1 - 12		SB 13 - 20		SB 21- 25		Default	
		Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 1 KShs Million	Stage 2 KShs Million	Stage 3 KShs Million	Purchased/originated credit impaired KShs Million
<b>Off-balance sheet exposure</b>									
Letters of credit and bankers' acceptances	3,480	-	-	3,225	101	154	-	-	-
Guarantees	76,364	58,632	-	16,071	1,500	2	-	159	-
Unutilised facilities	19,345	16,152	86	3,107	-	-	-	-	-
<b>Gross carrying amount</b>	<b>99,189</b>	<b>74,784</b>	<b>86</b>	<b>22,403</b>	<b>1,601</b>	<b>156</b>	<b>-</b>	<b>159</b>	<b>-</b>
Less: Total expected credit lossess	(62)								
<b>Net carrying amount of off-balance sheet exposure</b>	<b>99,127</b>								

<b>Off-balance sheet exposure</b>									
<b>Year ended 31 December 2023</b>									
Letters of credit and bankers' acceptances	30,976	1,014	-	29,942	20	-	-	-	-
Guarantees	65,303	50,246	-	13,416	1,600	2	-	39	-
Unutilised facilities	16,794	1,812	-	14,896	78	6	-	2	-
<b>Gross carrying amount</b>	<b>113,073</b>	<b>53,072</b>	<b>-</b>	<b>58,254</b>	<b>1,698</b>	<b>8</b>	<b>-</b>	<b>41</b>	<b>-</b>
Less: Total expected credit lossess	(93)								
<b>Net carrying amount of off-balance sheet exposure</b>	<b>112,980</b>								

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

c) Ageing analysis of Stage 2 financial assets

Loans and advances less than 90 days past due are not considered credit impaired unless other information is available to indicate the contrary.

The table below shows the ageing of financial assets that are past due at the reporting date but not credit impaired, per class.

	Performing (Early arrears)			Non - performing		Total
	1 to 29 days	30 to 59 days	60 to 89 days	90 to 180 days	More than 180 days	
31 December 2024	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>PPB</b>	<b>4,678</b>	<b>1,354</b>	<b>1,020</b>	-	-	<b>7,052</b>
Mortgage lending	2,929	822	727	-	-	4,478
Vehicle and asset finance	634	75	36	-	-	745
Other loans and advances	1,115	457	257	-	-	1,829
<b>BCB</b>	<b>4,341</b>	<b>3,743</b>	<b>3,208</b>	-	-	<b>11,292</b>
Mortgage lending	187	2,984	-	-	-	3,171
Vehicle and asset finance	1,416	280	55	-	-	1,751
Other loans and advances	2,738	479	3,153	-	-	6,370
<b>Corporate and Investment Banking</b>	<b>2,786</b>	-	-	-	-	<b>2,786</b>
Corporate lending	2,786	-	-	-	-	2,786
<b>Total recognised financial instruments</b>	<b>11,805</b>	<b>5,097</b>	<b>4,228</b>	-	-	<b>21,130</b>

Notes (continued)

4 Financial risk management (continued)

4.3 Credit risk (continued)

4.3.7 Credit quality (continued)

c) Ageing analysis of past due but not impaired financial assets (continued)

The table below shows the ageing of financial assets that are past due at the reporting date but not credit impaired, per class.

31 December 2023	Performing (Early arrears)			Non - performing		Total KShs Million
	1 to 29 days KShs Million	30 to 59 days KShs Million	60 to 89 days KShs Million	90 to 180 days KShs Million	More than 180 days KShs Million	
<b>PPB</b>	<b>5,559</b>	<b>1,239</b>	<b>732</b>	-	-	<b>7,530</b>
Mortgage lending	3,592	800	471	-	-	<b>4,863</b>
Vehicle and asset finance	520	89	19	-	-	<b>628</b>
Other loans and advances	1,447	350	242	-	-	<b>2,039</b>
<b>BCB</b>	<b>11,219</b>	<b>430</b>	<b>693</b>	-	-	<b>12,342</b>
Mortgage lending	4,006	-	-	-	-	<b>4,006</b>
Vehicle and asset finance	1,075	170	53	-	-	<b>1,298</b>
Other loans and advances	6,138	260	640	-	-	<b>7,038</b>
<b>Corporate and Investment Banking</b>	<b>6,946</b>	-	<b>3</b>	-	-	<b>6,949</b>
Corporate lending	6,946	-	3	-	-	<b>6,949</b>
<b>Total recognised financial instruments</b>	<b>23,724</b>	<b>1,669</b>	<b>1,428</b>	-	-	<b>26,821</b>

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk**

Market risk is the risk of a change in market value, earnings (actual or effective) or future cash-flows of a portfolio of financial instruments (including commodities), caused by moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these measures.

**4.4.1 Governance committees**

The Group's policy is that all trading activities are undertaken within the Group's trading operations. The Board grants general authority to take on market risk exposure to the Group's Assets and Liabilities Committee (ALCO).

Market risk management process is required to measure, monitor and control market risk exposures. The Group manages market risk through following four principles.

**i) Identification of market risks in the trading and banking books**

This process entails analysis of new business plans, new products, new pricing models, new risk models and regular reviews by Market Risk staff of financial and management accounts balance sheets, income statements, and portfolio structure hierarchies, accounting classification and accounting elections, jointly with financial control, Risk Self Assessments jointly with operational risk, price testing reports and profit and loss decomposition reports.

**ii) Measurement of market risk**

Measurement of market risks deals specifically and separately with normal market conditions and stress market conditions. Measurement of trading exposures under stress market conditions is effected by subjecting the portfolios to stress testing, e.g. historical scenarios, hypothetical scenarios on individual asset classes and across different asset classes. In order to highlight 'points of weakness' and identify particular sources of trading book exposure vulnerability, these stress tests capture the effects of abnormal movements in market variables (yield curves including basis curves, volatility surfaces, spot and/or rate moves, credit spread curves, recovery rate sensitivities, etc.).

**iii) Management of market risk**

The Group manages market risk through a specification of risk appetite in form of market risk limits. It uses a suite of risk measurement techniques, including Value at Risk (VaR), Stress Value at Risk (SVar), stress testing, stop loss triggers, back-testing and specific business unit and product controls.

**iv) Reporting of market risk**

Market Risk has reporting procedures that highlight for attention within Market Risk or by management all forms of exposures i.e. limit breaches or other reports that will periodically be required to submit to different stakeholders e.g. Local ALCO, Local Board, Shareholders, Rating agencies, Central Bank of Kenya and Internal Capital Adequacy Assessment Process (ICAAP) stakeholders.

The market risk function is independent of trading operations and it is accountable to ALCO. It is responsible for identifying, measuring, managing, controlling and reporting market risk as outlined in the market risk governance standard, with support from the central market risk function. The market risk function also has the ability to set individual trader mandates. Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk management unit to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**4.4.2 Market risk exposure on banking operations**

Banking-related market risk exposure principally involves the management of the potential adverse effect of interest rate movements on net interest income and the economic value of equity that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities. They include endowment risk, repricing risk, basis risk, optionality risk and yield curve risk. The Group's approach to managing Interest Rate Risk in Banking Book (IRRBB) is governed by applicable regulations and is influenced by the competitive environment in which the Bank operates. Treasury and Capital Management team monitors banking book interest rate risk together with the country ALCO.

**4.4.3 Approved regulatory capital approaches**

The Group applies the Standardised approach for calculating market risk capital. The standardised method uses a "building block" approach, with the capital charge for each risk category calculated separately.

Market risk qualifying assets includes interest rate risk assets in the trading book and foreign currency risk assets throughout the Group.

**4.4.4 Trading book market risk**

Trading book market risk is represented by financial instruments held on the trading book, arising out of normal global markets' trading activity.

**4.4.5 Approach to managing market risk in the trading book**

The Stanbic Bank policy is that all trading activities are undertaken within the Group's trading operations. The market risk functions are independent of trading operations and accountable to ALCO. All Value at Risk (VaR) and stressed VaR (SVaR) limits require prior approval from ALCO. The market risk functions have the authority to set limits at a lower level.

Market risk teams are responsible for identifying, measuring, managing, monitoring and reporting market risk as outlined in the market risk governance standard.

Exposures and excesses are monitored and reported daily. Where breaches in limits and triggers occur, actions are taken by market risk functions to move exposures back in line with approved market risk appetite, with such breaches being reported to management and ALCO.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**4.4.5 Approach to managing market risk in the trading book (continued)**

**a) VaR and SVaR**

The Group uses the historical VaR and SVaR approach to quantify market risk under normal conditions and under stressed conditions.

For risk management purposes VaR is based on 250 days of unweighted recent historical data, a holding period of one day and a confidence level of 95%. The historical VaR results are calculated in four steps:

- Calculate 250 daily market price movements based on 250 days' historical data.
- Calculate hypothetical daily profit or loss for each day using these daily market price movements.
- Aggregate all hypothetical profits or losses for day one across all positions, giving daily hypothetical profit or loss, and then repeat for all other days.
- VaR is the 95th percentile selected from the 250 days of daily hypothetical total profit or loss.

Daily losses exceeding the VaR are likely to occur, on average, 13 times in every 250 days.

SVaR uses a similar methodology to VaR, but is based on a period of financial stress and assumes a 10-day holding period and a 99% confidence interval.

Where the Group has received internal model approval, the market risk regulatory capital requirement

is based on VaR and SVaR, both of which use a confidence level of 99% and a 10-day holding period.

Limitations of historical VaR are acknowledged globally and include:

- The use of historical data as a proxy for estimating future events may not encompass all potential events, particularly those which are extreme in nature.
- The use of a one-day holding period assumes that all positions can be liquidated or the risk offset in one day. This may not fully reflect the market risk arising at times of severe illiquidity, when a one-day holding period may be insufficient to liquidate.
- The use of a 95% confidence level, by definition, does not take into account losses that might occur beyond this level of confidence.
- VaR is calculated on the basis of exposures outstanding at the close of business and, therefore, does not necessarily reflect intraday exposures.
- VaR is unlikely to reflect loss potential on exposures that only arise under significant market moves.

**Trading book portfolio characteristics**

**VaR for the year under review**

Trading book market risk exposures arise mainly from residual exposures from client transactions and limited trading for the group's own account. In general, the group's trading desks have run increased levels of market risk throughout the year for all asset classes when compared to 2023 aggregate normal VaR, and aggregate SVaR.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.5 Approach to managing market risk in the trading book (continued)

a) VaR and SVaR (continued)

Normal VaR Exposures

31 December 2024	Normal VaR (KShs 'million')			
Desk name	Maximum*	Minimum*	Average	Closing
FX trading	96	3	17	22
Money market trading	33	4	16	9
Fixed income trading	25	5	13	13
Diversification benefits*	-	-	(16)	(17)
<b>Total trading</b>	<b>88</b>	<b>9</b>	<b>30</b>	<b>27</b>
Money market banking(FVOCI)	16	5	9	15

31 December 2023	Normal VaR (KShs 'million')			
Desk name	Maximum*	Minimum*	Average	Closing
FX trading	71	2	19	27
Money market trading	22	4	11	4
Fixed income trading	7	1	3	5
Diversification benefits*	-	-	(8)	(6)
<b>Total trading</b>	<b>65</b>	<b>13</b>	<b>25</b>	<b>30</b>
Money market banking(FVOCI)	16	5	9	15

SVaR Exposures

31 December 2024	SVaR (KShs 'million')			
Desk name	Maximum*	Minimum*	Average	Closing
FX trading	286	28	110	88
Money market trading	250	16	125	117
Fixed income trading	179	23	88	54
Diversification benefits*	-	-	(121)	(98)
<b>Total Trading</b>	<b>351</b>	<b>84</b>	<b>202</b>	<b>161</b>
Money market banking(FVOCI)	134	66	92	84

31 December 2023	SVaR (KShs 'million')			
Desk name	Maximum*	Minimum*	Average	Closing
FX trading	168	22	71	116
Money market trading	122	16	69	18
Fixed income trading	78	22	34	23
Diversification benefits*	-	-	(69)	(38)
<b>Total Trading</b>	<b>156</b>	<b>61</b>	<b>105</b>	<b>119</b>
Money market banking(FVOCI)	156	63	98	98

\* The maximum and minimum VaR and sVaR figures reported for each desk do not necessarily occur on the same day. As a result, the aggregate VaR and sVaR will not equal the sum of the individual desk VaR and sVaR values.

\* Diversification benefit is the benefit of measuring the VaR and sVaR of the trading portfolio as a whole, that is, the difference between the sum of the individual desk VaRs and sVaRs, and the VaR and sVaR of the whole trading portfolio.

Back-testing

The Group back-tests its VaR models to verify the predictive ability of the VaR calculations and ensure the appropriateness of the models within the inherent limitations of VaR. Back-testing compares the daily hypothetical profit and losses under the one-day buy and hold assumption to the prior day's calculated VaR. In addition, VaR is tested by changing various model parameters, such as confidence intervals and observation periods to test the effectiveness of risk-mitigation instruments.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**4.4.5 Approach to managing market risk in the trading book (continued)**

**b) Stop-loss triggers**

Stop-loss triggers are used to protect the profitability of the trading desks, and are monitored by market risk on a daily basis. The triggers constrain cumulative or daily trading losses through acting as a prompt to a review or close-out positions.

**c) Stress tests**

Stress testing provides an indication of the potential losses that could occur under extreme but plausible market conditions, including where longer holding periods may be required to exit positions. Stress tests comprise individual market risk factor testing, combinations of market factors per trading desk and combinations of trading desks using a range of historical and hypothetical simulations. Daily losses experienced during the year ended 31 December 2024 did not exceed the maximum tolerable losses as represented by the Group's stress scenario limits.

**d) Specific business unit and product controls**

Other market risk limits and controls specific to individual business units include permissible instruments, concentration of exposures, gap limits, maximum tenor, stop-loss triggers, price validation and balance sheet substantiation.

**4.4.6 Foreign exchange risk**

**Definition**

The Group's primary exposures to foreign currency risk arise as a result of the translation effect on the Group's net assets in foreign operations, intragroup foreign-denominated debt and foreign denominated cash exposures and accruals.

**Approach to managing foreign currency risk**

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Asset and Liability Committee sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily risk according to existing legislation, and accounting parameters. It takes into account naturally offsetting risk positions and manages the Group's residual risk by means of forward exchange contracts, currency swaps and option contracts.



**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**4.4.6 Foreign exchange risk (continued)**

**Approach to managing foreign currency risk (continued)**

The repositioning of the currency profile is a controlled process based on underlying economic views of the relative strength of currencies. The Group does not ordinarily hold open exposures of any significance with respect to the banking book.

Gains or losses on derivatives are reported in profit or loss.

The table below summarises the Group's exposure to foreign exchange risk at 31 December 2024.

Included in the table are the Group's financial instruments at carrying amounts, categorised by currency (all amounts expressed in millions of Kenya Shillings):

<b>At 31 December 2024</b>	<b>USD</b>	<b>GBP</b>	<b>EUR</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and bank balances with banks abroad	11,380	266	3,160	965	<b>15,771</b>
Loans and advances	66,061	672	3,849	16	<b>70,598</b>
Investment in government securities	26,005	-	-	-	<b>26,005</b>
Balances due from group companies	59,646	3,964	4,395	703	<b>68,708</b>
Other foreign currency assets	1,276	1	-	161	<b>1,438</b>
<b>Total foreign currency denominated financial assets</b>	<b>164,368</b>	<b>4,903</b>	<b>11,404</b>	<b>1,845</b>	<b>182,520</b>
<b>Liabilities</b>					
Amounts due to banking institutions abroad	8,387	-	2,090	-	<b>10,477</b>
Deposits	120,860	4,913	10,497	928	<b>137,198</b>
Borrowings	10,482	-	-	-	<b>10,482</b>
Balances due to group companies	9,147	15	206	23	<b>9,391</b>
Other foreign currency liabilities	7,015	18	294	1,358	<b>8,685</b>
<b>Total foreign currency denominated financial liabilities</b>	<b>155,891</b>	<b>4,946</b>	<b>13,087</b>	<b>2,309</b>	<b>176,233</b>
<b>Net on balance sheet financial position</b>	<b>8,477</b>	<b>(43)</b>	<b>(1,683)</b>	<b>(464)</b>	<b>6,287</b>
<b>Off balance sheet net notional position</b>	<b>(8,100)</b>	<b>92</b>	<b>2,018</b>	<b>161</b>	<b>(5,829)</b>
<b>Overall net position</b>	<b>377</b>	<b>49</b>	<b>335</b>	<b>(303)</b>	<b>458</b>

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**4.4.6 Foreign exchange risk (continued)**

<b>At 31 December 2023</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Others</b>	<b>Total</b>
<b>Assets</b>					
Cash and bank balances with banks abroad	12,851	646	1,660	2,454	<b>17,611</b>
Loans and advances	82,820	268	7,321	26	<b>90,435</b>
Investment in Government Securities	3,062	-	-	-	<b>3,062</b>
Balances due from group companies	87,014	4,035	6,577	688	<b>98,314</b>
Other foreign currency assets	1,302	18	1	450	<b>1,771</b>
<b>Total foreign currency denominated financial assets</b>	<b>187,049</b>	<b>4,967</b>	<b>15,559</b>	<b>3,618</b>	<b>211,193</b>
<b>Liabilities</b>					
Amounts due to banking institutions abroad	9,154	-	3,659	-	<b>12,813</b>
Deposits	137,754	4,870	11,822	2,135	<b>156,581</b>
Borrowings	12,710	-	-	-	<b>12,710</b>
Balances due to group companies	12,840	28	102	-	<b>12,970</b>
Other foreign currency liabilities	5,863	9	475	1,795	<b>8,142</b>
<b>Total foreign currency denominated financial liabilities</b>	<b>178,321</b>	<b>4,907</b>	<b>16,058</b>	<b>3,930</b>	<b>203,216</b>
<b>Net on balance sheet financial position</b>	<b>8,728</b>	<b>60</b>	<b>(499)</b>	<b>(312)</b>	<b>7,977</b>
<b>Off balance sheet net notional position</b>	<b>(9,323)</b>	<b>6</b>	<b>1,136</b>	<b>(63)</b>	<b>(8,244)</b>
<b>Overall net position</b>	<b>(595)</b>	<b>66</b>	<b>637</b>	<b>(375)</b>	<b>(267)</b>

The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. The Board sets limit on the level of exposure by currency and in aggregate for both overnight and intraday positions, which are monitored daily. The table indicates the extent to which the Group was exposed to currency risk as at 31 December on its monetary assets and liabilities denominated in foreign currency. It shows the sensitivity analysis for each currency to which the bank has significant exposure and the effect of the change in exchange rate on the income statement. Percentage exchange rate changes represent the average of the largest 1 and 10 days increase/decrease for the year.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.6 Foreign exchange risk (continued)

Year ended 31 December 2024	Increase in currency rate in % 2024	Effect on profit before tax 2024 KShs Million	Effect on equity 2024 KShs Million	Decrease in currency rate in % 2024	Effect on profit before tax 2024 KShs Million	Effect on equity 2024 KShs Million
Currency						
USD	10.00%	38	27	(10.00%)	(38)	(27)
GBP	10.00%	5	4	(10.00%)	(5)	(4)
EUR	10.00%	34	24	(10.00%)	(34)	(24)
Year ended 31 December 2023	Increase in currency rate in % 2023	Effect on profit before tax 2023 KShs Million	Effect on equity 2023 KShs Million	Decrease in currency rate in % 2023	Effect on profit before tax 2023 KShs Million	Effect on equity 2023 KShs Million
Currency						
USD	12.26%	(73)	(51)	(10.59%)	63	44
GBP	7.87%	5	4	(12.98%)	(9)	(6)
EUR	8.09%	51	36	(9.22%)	(59)	(41)

4.4.7 Interest rate risk

Interest rate risk in the banking book (IRRBB)

These are risks that have an impact on net interest income that arise from structural interest rate risk caused by the differing repricing characteristics of banking assets and liabilities.

IRRBB is further divided into the following sub risk types:

- **Repricing risk:** timing differences in the maturity (fixed rate) and repricing (floating rate) of assets and liabilities.
- **Yield curve risk:** shifts in the yield curves that have adverse effects on the Group's income or underlying economic value.
- **Basis risk:** hedge price not moving in line with the price of the hedged position. Examples include bonds/swap basis, futures/ underlying basis.
- **Optionality risk:** options embedded in Group asset and liability portfolios, providing the holder with the right, but not the obligation, to buy, sell, or in some manner alter the cash flow of an instrument or financial contract.
- **Endowment risk:** exposure arising from the net differential between interest rate insensitive assets such as non-earning assets, interest rate insensitive liabilities such as non-paying liabilities, and equity.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.4 Market risk (continued)**

**Approach to managing IRRBB**

Banking book-related market risk exposure principally involves managing the potential adverse effect of interest rate movements on banking book earnings (net interest income and banking book mark-to-market profit or loss) and the economic value of equity.

The Group's approach to managing IRRBB is governed by applicable regulations and is influenced by the competitive environment in which the Group operates. The Group's Treasury and Capital Management team monitors banking book interest rate risk operating under the oversight of ALCO.

The Treasury team is responsible for measuring the impact on earnings and economic value as well as monitoring and reporting against the stated limits and guidelines to the various entity ALCO and board committees.

**Measurement**

The analytical techniques used to quantify IRRBB include both earnings- and valuation-based measures. The analysis takes account of embedded optionality such as loan prepayments and accounts where the account behaviour differs from the contractual position.

The results obtained from forward-looking dynamic scenario analyses, as well as Monte Carlo simulations, assist in developing optimal hedging strategies on a risk-adjusted return basis.

Desired changes to a particular interest rate risk profile are achieved through the restructuring of on-balance sheet repricing or maturity profiles, or through derivative overlays.

**Limits**

Interest rate risk limits are set in relation to changes in forecast banking book earnings and the economic value of equity. Economic value of equity sensitivity is calculated as the net present value of aggregate asset cash flows less the net present value of aggregate liability cash flows.

All assets, liabilities and derivative instruments are allocated to gap intervals based on either their repricing or maturity characteristics. Assets and liabilities for which no identifiable contractual repricing or maturity dates exist are allocated to gap intervals based on behavioural profiling.

**Hedging of endowment risk**

IRRBB is predominantly the consequence of endowment exposures, being the net effect of non-rate sensitive assets less non-rate sensitive liabilities and equity.

The endowment risk is hedged using liquid instruments as and when it is considered opportune. Where permissible, hedge accounting is adopted using the derivatives. The interest rate view is formulated through ALCO processes, following meetings of the monetary policy committees, or notable market developments.

Non-endowment IRRBB (repricing, yield curve, basis and optionality) is managed within the treasury and the global markets portfolios.

The table below indicates the KShs equivalent sensitivity of the Bank's banking book earnings (net interest income and banking book mark-to-market profit or loss) and other comprehensive income (OCI) given a parallel yield curve shock. A floor of 0% is applied to all interest rates under the decreasing interest rate scenario. Hedging transactions are taken into account while other variables are kept constant.

Notes (continued)

4 Financial risk management (continued)

4.4 Market risk (continued)

4.4.7 Interest rate risk (continued)

Hedging of endowment risk (continued)

	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehen sive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
Currency	2024 KShs Million	2024 KShs Million	2024 KShs Million	2024 KShs Million	2024 KShs Million	2024 KShs Million
KShs	250	946	(30)	(200)	(984)	24
Others*	100	1	-	(100)	-	-

	Increase in basis points	Sensitivity of net interest income	Sensitivity of other comprehen sive income	Decrease in basis points	Sensitivity of net interest income	Sensitivity of other comprehensive income
Currency	2023 KShs Million	2023 KShs Million	2023 KShs Million	2023 KShs Million	2023 KShs Million	2023 KShs Million
KShs	250	1,445	(88)	(200)	(1,107)	70
Others*	100	3	-	(100)	(4)	-

The above will have the same impact on equity.

\* These are any other currencies held by the Group not denominated in KShs.

4.5 Liquidity risk

Liquidity risk arises when the Group, despite being solvent, is unable to maintain or generate sufficient cash resources to meet its payment obligations as they fall due, or can only do so on materially disadvantageous terms. This inability to maintain or generate sufficient cash resources may arise where counterparties who provide the Group with short-term funding withdraw or do not rollover that funding, or normally liquid assets become illiquid as a result of a generalised disruption in asset markets.

The nature of banking and trading activities results in a continuous exposure to liquidity risk. The Group manages liquidity in accordance with applicable regulations and within Group's risk appetite. The Bank's liquidity risk management governance framework supports the measurement and management of liquidity at various levels to ensure that all payment obligations can be met by the Group under both normal and stressed conditions. Liquidity risk management ensures that the Group has the appropriate amount, diversification and tenor of funding and liquidity to support its asset base at all times.

The Bank's liquidity risk management framework differentiates between:

- **Tactical (shorter-term) risk management:** managing intra-day liquidity positions and daily cash flow requirements, and monitoring adherence to prudential and internal requirements and setting deposit rates as informed by ALCO.

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

- **Structural (long-term) liquidity risk management:** ensuring a structurally sound statement of financial position, a diversified funding base and prudent term funding requirements.
- **Contingent liquidity risk management:** monitoring and managing early warning liquidity indicators while establishing and maintaining contingency funding plans, undertaking regular liquidity stress testing and scenario analysis, and setting liquidity buffers in accordance with anticipated stress events.

**Governance committees**

The primary governance committee overseeing this risk is the Group Asset Liability Committee (ALCO), which is chaired by the Chief Executive. There is independent risk oversight of all liquidity limits and guidelines by Market Risk, Finance and Central Asset Liability Management units. ALCO reports to the Board Risk Committee.

**Approach to managing liquidity risk**

There is a sound and robust liquidity management process to measure, monitor and manage liquidity exposures. The following elements are incorporated as part of a cohesive liquidity management process:

*a) Maintaining a structurally sound statement of financial position;*

With actual cash flows typically varying significantly from the contractual position, behavioural profiling is applied to assets, liabilities and off-balance sheet commitments with an indeterminable maturity or drawdown period, as well as to certain liquid assets. Behavioural profiling assigns probable maturities based on historical customer behaviour. This is used to identify significant additional sources of structural liquidity in the form of liquid assets and core deposits, such as current and savings accounts, which exhibit stable behaviour despite being repayable on demand or at short notice.

Structural liquidity mismatch analysis are performed regularly to anticipate the mismatch between payment profiles of balance sheet items, in order to highlight potential risks within the Group's defined liquidity risk thresholds.

*b) Foreign currency liquidity management;*

A specific number of indicators are observed in order to monitor changes in market liquidity as well as the impacts on liquidity as a result of movements in exchange rates. Foreign currency loans and advances are restricted to the availability of foreign currency deposits.

*c) Ensuring the availability of sufficient contingency liquidity;*

Funding markets are evaluated on an on-going basis to ensure appropriate Group funding strategies are executed depending on the market, competitive and regulatory environment. The Group employs a diversified funding strategy.

*d) Preserving a diversified funding base;*

Concentration risk limits are used within the Group to ensure that funding diversification is maintained across products, sectors, and counterparties. Primary funding sources are in the form of deposits across a spectrum of retail and wholesale clients, as well as long-term capital.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.5 Liquidity risk (continued)**

*e) Undertaking regular liquidity stress testing;*

Stress testing and scenario analysis are based on hypothetical as well as historical events. These are conducted on the funding profiles and liquidity positions of the Group. The crisis impact is typically measured over a two month period, as this is considered the most crucial time horizon for a liquidity event. Anticipated on- and off-balance sheet cash flows are subjected to a variety of Group-specific and systemic stresses and scenarios to evaluate the impact of unlikely but plausible events on liquidity positions. The results are assessed against the liquidity buffer and contingency funding plans to provide assurance as to the Group's ability to maintain sufficient liquidity under adverse conditions.

*f) Maintaining adequate liquidity contingency plans or liquidity buffer;*

Portfolios of highly marketable securities over and above regulatory and stress testing requirements are maintained as protection against unforeseen disruptions in cash flows. These portfolios are managed within ALCO defined limits on the basis of diversification and liquidity.

*g) Short-term and long-term cash flow management;*

Active liquidity and funding management is an integrated effort across a number of functional areas. Short-term cash flow projections are used to plan for and meet the day-to-day requirements of the business, including adherence to prudential and internal requirements.

The Group's long term funding strategy is derived from the projected net asset growth which includes consideration of Personal Private Banking, Business Commercial Banking, Insurance and Asset Management, and Corporate and Investment Banking asset classes, capital requirements, the maturity profile of existing wholesale funding and anticipated changes in the retail deposit base. Funding requirements and initiatives are assessed in accordance with ALCO requirements for diversification, tenure and currency exposure, as well as the availability and pricing of alternative liquidity sources.

Liquidity contingency plans are designed to, as far as possible, protect stakeholder interests and maintain market confidence in the event of a liquidity crisis. The plans incorporate an extensive early warning indicator process supported by a clear and decisive crisis response strategy. Early warning indicators cover bank-specific and systemic crises and are monitored according to assigned frequencies and tolerance levels.

Crisis response strategies are formulated for the relevant crisis management structures and address internal and external communications and escalation processes, liquidity generation management actions and operations, and heightened and supplementary information requirements to address the crisis event.

The cumulative impact of the above elements is monitored on a monthly basis by the Group's ALCO and the process is underpinned by a system of extensive internal and external controls. In periods of increased volatility, the frequency of meetings is increased as required to facilitate appropriate and timely management action.

To ensure integrity of the process there is use of application of purpose built technology, documented processes and procedures; independent oversight by risk management and regular independent reviews and evaluations of the effectiveness of the system. The total amount of liquidity held is adequate to meet all internal stress tests as well as regulatory requirements.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.5 Liquidity risk (continued)**

**Exposure to liquidity risk**

The key measure by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, 'net liquid assets' includes cash and cash equivalents and financial investment debt securities for which there is an active and liquid market less any deposits from Groups. Details of the reported Group's key subsidiary, Stanbic Bank Kenya Limited, ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	<b>2024</b> %	<b>2023</b> %
<b>At 31 December</b>	<b>50.5</b>	40.3
Average for the year	<b>51.1</b>	41.4
Maximum for the year	<b>55.9</b>	47.2
Minimum for the year	<b>46.7</b>	35.8
Statutory minimum requirement	<b>20.0</b>	20.0

The tables below present the remaining contractual maturities of the Group's non-derivative financial liabilities; it includes a maturity analysis for financial assets that the Group holds as part of managing liquidity risk – e.g. financial assets that are expected to generate cash inflows to meet cash outflows on financial liabilities.

The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.



Notes (continued) R49,456.00 R4,999.00

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities - Group

	Carrying value	Gross nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing After 5 years
	2024	2024	2024	2024	2024	2024	2024	2024
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Non- derivative financial assets</b>								
Cash and balances to banks	24,677	24,677	24,677	-	-	-	-	-
Financial assets at FVTPL	54,649	55,759	-	3,756	21,959	19,571	5,778	4,695
Financial assets at FVOCI	15,462	19,193	-	-	8,897	9,269	1,027	-
Financial assets at amortised cost	29,079	30,255	-	-	4,915	4,866	9,499	10,975
Loans and advances to banks	64,486	67,930	5,494	13,076	13,918	16,692	18,750	-
Loans and advances to customers	230,218	326,972	28,854	5,392	27,843	32,352	200,164	32,367
Other assets	8,239	8,239	8,239	-	-	-	-	-
	<b>426,810</b>	<b>533,025</b>	<b>67,264</b>	<b>22,224</b>	<b>77,532</b>	<b>82,750</b>	<b>235,218</b>	<b>48,037</b>
<b>Derivative assets:</b>	<b>2,095</b>							
- Inflows		(4,439)	-	(2,876)	(1,563)	-	-	-
- Outflows		19,293	-	3,736	15,557	-	-	-
	<b>2,095</b>	<b>14,854</b>	<b>-</b>	<b>860</b>	<b>13,994</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Non- derivative financial liabilities</b>								
Amounts due to other banks	(20,819)	(20,453)	(4,114)	(7,417)	(528)	(120)	(8,274)	-
Customer deposits	(318,193)	(324,341)	(166,366)	(53,515)	(14,238)	(83,269)	(6,952)	(1)
Financial liabilities at FVTPL	(16,322)	(16,914)	-	(5,686)	(4,285)	(921)	(3,138)	(2,884)
Borrowings	(10,482)	(15,617)	-	(153)	(767)	(921)	(7,364)	(6,412)
Other liabilities	(7,568)	(7,568)	(7,568)	-	-	-	-	-
	<b>(373,384)</b>	<b>(384,893)</b>	<b>(178,048)</b>	<b>(66,771)</b>	<b>(19,818)</b>	<b>(85,231)</b>	<b>(25,728)</b>	<b>(9,297)</b>
<b>Derivative liabilities:</b>	<b>(2,746)</b>							
- Inflows		(20,897)	-	(6,279)	(14,786)	25	143	-
- Outflows		2,009	-	1,921	211	(14)	(107)	(2)
	<b>(2,746)</b>	<b>(18,888)</b>	<b>-</b>	<b>(4,358)</b>	<b>(14,575)</b>	<b>11</b>	<b>36</b>	<b>(2)</b>

Notes (continued)

4 Financial risk management (continued)

4.5 Liquidity risk (continued)

Maturity analysis for financial assets and financial liabilities (continued)- Group

	Carrying value	Gross nominal inflow/(outflow)	Redeemable on demand	Maturing within 1 month	Maturing after 1 month but within 6 months	Maturing after 6 months but within 12 months	Maturing after 12 months but within 5 years	Maturing After 5 years
	2023	2023	2023	2023	2023	2023	2023	2023
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Non- derivative financial assets</b>								
Cash and balances to banks	25,503	25,503	25,503	-	-	-	-	-
Financial assets at FVTPL	2,898	5,233	-	5	318	321	4,370	219
Financial assets at FVOCI	19,892	20,279	-	-	13,487	580	6,212	-
Financial assets at amortised cost	22,555	27,929	-	8	7,871	3,889	8,557	7,604
Loans and advances to banks	95,705	97,277	5,037	49,207	17,381	20,841	3,849	962
Loans and advances to customers	260,509	408,011	32,518	6,771	34,655	40,625	251,638	41,804
Other assets	5,906	5,906	5,906	-	-	-	-	-
	<b>432,968</b>	<b>590,138</b>	<b>68,964</b>	<b>55,991</b>	<b>73,712</b>	<b>66,256</b>	<b>274,626</b>	<b>50,589</b>
<b>Derivative assets:</b>	<b>2,250</b>							
- Inflows	-	(10,577)	-	(1,977)	(5,671)	(2,926)	(3)	-
- Outflows	-	28,992	-	3,961	16,422	8,609	-	-
	<b>2,250</b>	<b>18,415</b>	<b>-</b>	<b>1,984</b>	<b>10,751</b>	<b>5,683</b>	<b>(3)</b>	<b>-</b>
<b>Non- derivative financial liabilities</b>								
Amounts due to other banks	(26,004)	(26,462)	(16,021)	(318)	(1,543)	(21)	(8,559)	-
Customer deposits	(321,234)	(325,338)	(192,147)	(102,685)	(9,551)	(6,895)	(14,060)	-
Financial liabilities at FVTPL	(14,071)	(10,547)	-	(1,353)	(2,558)	(1,338)	(4,607)	(691)
Borrowings	(12,713)	(16,943)	-	(230)	(1,149)	(1,379)	(11,028)	(3,157)
Other liabilities	(8,110)	(8,110)	(8,110)	-	-	-	-	-
	<b>(382,132)</b>	<b>(387,400)</b>	<b>(216,278)</b>	<b>(104,586)</b>	<b>(14,801)</b>	<b>(9,633)</b>	<b>(38,254)</b>	<b>(3,848)</b>
<b>Derivative liabilities:</b>	<b>(2,570)</b>							
- Inflows	-	(40,304)	-	(4,954)	(27,250)	(8,212)	101	11
- Outflows	-	10,875	-	2,011	4,652	4,212	-	-
	<b>(2,570)</b>	<b>(29,429)</b>	<b>-</b>	<b>(2,943)</b>	<b>(22,598)</b>	<b>(4,000)</b>	<b>101</b>	<b>11</b>

**Stanbic Holdings Plc**  
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**Notes (continued)**

**4 Financial risk management (continued)**

**4.5 Liquidity risk (continued)**

**Maturity analysis for financial assets and financial liabilities (continued)**

The amounts in the table above have been compiled as follows:

Type of financial	Basis on which amounts are compiled
Non-derivative financial liabilities and financial assets	Undiscounted cash flows which include interest payments.
Issued financial guarantee contracts, and unrecognised loan commitments	Earliest possible contractual maturity. For issued financial guarantee contracts, maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.
Derivative financial liabilities and financial assets held for risk management purpose	Contractual undiscounted cash flows. The amounts shown are the gross nominal inflows and outflows for derivatives that have simultaneous gross settlement (e.g. forward exchange contracts and currency swaps) and the net amounts for derivatives that are net settled.

As part of the management of liquidity risk arising from financial liabilities, the Group holds liquid assets comprises cash and cash equivalents and debt securities issued by sovereigns which can be readily sold to meet liquidity requirements. In addition the Group maintains lines of credit with other banks and holds unencumbered assets eligible for use as collateral with central bank.

The table below analyses the Company's non-derivative financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts, as the impact of discounting is not significant.

**COMPANY**

**At 31 December 2024**

Cash and balances to banks  
Other liabilities

<b>0-3 MONTHS</b>
<b>KShs Million</b>
159
(264)
<b>(105)</b>

**At 31 December 2023**

Cash and balances to banks  
Other liabilities

216
(156)
<b>60</b>

**4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar**

The following table sets out the impact of offset, as well as financial assets and financial liabilities that are subject to enforceable master netting arrangement or similar agreement, irrespective of whether they have been offset in accordance with IAS 32, as required by IFRS 7.13C disclosure requirements. The gross amounts of financial asset and financial liabilities and their net amounts disclosed in the table below have been measured in the statement of financial position on the following bases:

- Derivative asset and liabilities – fair value;
- Loans and advances – amortised cost; and
- Customer deposits – amortised cost.

**Notes (continued)**

**4 Financial risk management (continued)**

**4.6 Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements (continued)**

As at 31 December 2024, the Group had cash margins of KShs 1,770,942,358 (2023: KShs 2,339,196,128) held as collateral against loans and advances to customers. Therefore, the credit facilities secured by cash margins can be settled at net.

The ISDA\* and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the bank or the counterparties following other predetermined events. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and the liabilities simultaneously.

The Group receives collateral in the form of cash in respect of lending.

The table below sets out the nature of agreement, and the types of rights relating to items which do not qualify for offset but that are subject to a master netting arrangement or similar agreement.

<b>Financial instrument</b>	<b>Nature of agreement</b>	<b>Basis on which amounts are compiled</b>
Derivative assets and liabilities	ISDA*	The agreement allows for offset in the event of default.
Trading assets and trading liabilities	Global master repurchase agreements	The agreement allows for offset in the event of default.
Loans and advances to banks	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.
Deposits and current accounts	Banking Act	In the event of liquidation or bankruptcy, offset shall be enforceable subject to meeting Banking Act requirements.

IFRS 9 Financial Instruments: requires financial assets and financial liabilities to be offset and the net amount presented in the statement of financial position when, and only when, the Group has a current legally enforceable right to set off recognised amounts, as well as the intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

*\* An ISDA master agreement is a standard agreement used in over-the-counter derivatives transactions. The ISDA Master Agreement, published by the International Swaps and Derivatives Association (ISDA), is a document that outlines the terms applied to a derivatives transaction between two parties.*

**Notes (continued)**

**4 Financial risk management (continued)**

**4.7 Interest rate benchmarks and reference interest rate reform**

The Financial Stability Board had initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets.

During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The ICE Benchmark Administration Limited (IBA) had adopted a two-stage approach for the cession of the USD LIBOR rates with the one week and two month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, one month, three month, six month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the Group is exposed to will predominantly be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). In certain instances, other suitable rates are used, such as Central Bank Policy Rates.

The Group undertook amendments to most Financial Instruments with contractual terms indexed to IBORs such that they incorporated new benchmark rates thus replacing the LIBOR rates by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON).

During the 2020 financial year, the SARB indicated its intention to move away from JIBAR and has subsequently identified the successor rate as the South African Rand Overnight Index Average Rate (ZARONIA) based on 5 years of back testing results. The new ZARONIA rate was published for observation during 2022 and was formally endorsed as the successor rate in 2023. The official announcement of the cessation of JIBAR as a reference rate is expected in 2025, allowing the ZARONIA market to develop in derivative and cash products during 2024 and 2025. The cessation date of JIBAR as a reference rate is expected at the end of 2026 based on the current industry timelines.

The Group transitioned all IBOR linked contracts to risk free rates as of 31 December 2024.

The IBOR reform exposed the Group to various risks, which the steering committee has been managing and monitoring closely. These risks include but are not limited to the following:

- i) Model risk – risk of the valuation models used within the Group not being able to cater for the changes in the intended manner.
- ii) Legal risk – risk of being non-compliant to the agreements previously agreed with clients.
- iii) Operational risk – risk of the Group's systems not being able to accommodate for the changes to the interest rates as agreed.
- iv) Financial risk – risk of not appropriately pricing the deals which will result in a transfer of value between the Group and clients.
- v) Compliance/regulatory risk – risk that the Group is exposed to regulatory sanctions due to failing to meet the regulatory expectations in relation to the transition.
- vi) Reputational risk – the risk to the Group's reputation from failing to adequately prepare for the transition.

**Notes (continued)**

**4.7 Financial risk management (continued)**

**4.7 Interest rate benchmarks and reference interest rate reform (Continued)**

- vi) Conduct risk – risk that arises when transitioning existing contracts linked to IBORs as value-transfer may occur, or clients may be transitioned to inferior rates or on unfair contractual terms, or in circumstances where they do not fully appreciate the impact of the transition or the alternatives available to them.

**Financial instruments impacted by the reform which are yet to transition**

	<b>USD LIBOR 2024 KShs million</b>	<b>USD LIBOR 2023 KShs million</b>
<b>Total assets subject to IBOR reform</b>	-	<b>2,147</b>
Derivative Assets <sup>1</sup>	-	-
Financial assets – (FVTPL)	-	100
Loans and Advances <sup>2</sup>	-	2,047
<b>Total liabilities subject to IBOR reform</b>	-	<b>(3,359)</b>
Derivative Liabilities <sup>1</sup>	-	-
Deposits and debt funding	-	-
Borrowings	-	(3,259)
Financial liabilities – FVTPL	-	(100)
<b>Total off balance sheet exposures subject to IBOR reform</b>	-	-
Off balance sheet items	-	-

<sup>1</sup> These balances represent the notional amount directly impacted by the IBOR reform. Where the derivatives have both pay and receive legs with exposure to the benchmark reform such as cross currency swaps, the notional amount is disclosed for both legs.

<sup>2</sup>Gross carrying amount excluding allowances for expected credit losses (ECL).

**4.8 Climate-related emerging risks**

The Group recognises the scale of the present and future expected environmental, social and economic impacts of climate change. In support of Kenya and South Sudan's fair-share contribution to the Paris Agreement goal of limiting global warming to less than 1.5°C above pre-industrial levels by 2050, the Group has committed to achieving net zero carbon emissions from its own operations for newly built facilities, for existing facilities, and from its portfolio of financed emissions.

Exposure to the risks associated with climate change arise for the Group both in respect of its own activities and operations, but more materially through the transmission of climate risks into credit, market, reputational and other risk exposures from lending to, investing in and otherwise transacting with clients and counterparties.

The Group recognises transition and physical climate risk across all operations, with varying levels of intensity. Physical climate risk includes the risk of financial loss arising through increasing severity and frequency of weather events such as storms, floods and fires, droughts and other physical hazards. Physical climate risk also includes chronic longer-term changes in climate, such as changing precipitation patterns, rising sea levels and average temperature rises.

**Notes (continued)**

**4.8 Climate-related emerging risks (continued)**

Transition risk includes the risk of financial loss arising through changes associated with microeconomic (individual and corporate level) and macroeconomic (economy and country level) adjustments made in transitioning to a lower carbon emissions economy and business operating model. Such drivers include changes in policies, legislation and regulations to reduce emissions and support decarbonisation, changes due to technology improvements that support transition to a lower carbon economy, changes in market demand for products and services that support or delay the transition, and reputational risks associated with changing customer preferences. The current and future expected costs, including for possible stranded assets that do not deliver an economic return because of changes associated with a transition to a lower carbon economy, are higher for clients and counterparties of the Group that operate in sectors that are more vulnerable to these transition risk drivers

**Governance**

The Group climate policy guides both the management of exposures to businesses in sectors that are vulnerable to climate-related risks and the direction of finance towards qualifying transactions that seek to address energy poverty, achieve fair employment opportunities, and support the just transition to net zero. The board and its committees are responsible for overseeing both the implementation of the group's climate policy and supporting sector-specific strategies for driving sustainable and transition finance, and the management of climate-related financial risks associated with the group's lending and investing activities, wherever they are identified.

The board and its supporting committees are responsible for:

- Overseeing implementation of the Climate Policy including monitoring of progress made to meet targets
- Reviewing outputs of internal scenario analysis and regulatory climate risk stress tests, as well as other
- Assessing executive performance in relation to climate policy commitments and targets.

The Group risk and conduct committee (RCC), chaired by the chief risk officer, oversees financial and non-financial related risk, including climate-related risk. RCC is responsible for overseeing the embedment of climate-related risk-identification, classification, analysis, monitoring and reporting in the enterprise-wide risk management system. The Group RCC assesses composition of the group's portfolio including for lending to sectors more vulnerable to climate-related risks, the implications thereon of stressed scenarios (including going forward for climate-related risk scenarios) and sets concentration limits or thresholds of portfolios and risk appetite indicator guidelines for group. The refinement of quantified limits and thresholds for exposures to climate-related risks is ongoing across impacted portfolios.

**Strategy**

The Group supports a just energy transition that prioritises environmental sustainability in a manner that creates work opportunities and social inclusion, addresses Kenya and South Sudan's energy poverty and acknowledges their very limited contribution to global emissions. As part of the efforts to achieve this transition, the Group has committed to reducing its financed emissions while responsibly managing its exposure to fossil fuels, specifically where there is a national level energy transition roadmap that supports cleaner fuels.

The Group has adopted a phased and progressive approach to understanding its climate risk exposures, designing sector-specific strategies and setting appropriate targets to reduce exposures and maximise opportunities. The Group has undertaken a rigorous process of research, internal consultation and expert engagement designed to develop a clear understanding of risks and opportunities in each sector, set appropriate strategies and to determine appropriate targets to manage portfolio risk and maximise opportunity.

**Notes (continued)**

**4.8 Climate-related emerging risks (continued)**

**Strategy (continued)**

The first phase included the identification of five client sectors that face material climate-related risk and opportunity, namely: agriculture, gas, oil thermal coal and renewable energy. The Group's climate policy sets targets and commitments in respect of these sectors. The second phase extended targets and commitments to the residential real estate, commercial real estate and short-term insurance sectors. The climate policy includes additional sectors, and sets out the group's plans to develop targets for the reduction of financed emissions in relation to specific sectors.

The climate policy is a group-wide policy with application across all legal entities in the Group. The Group's approach to climate risk and opportunities is primarily sector-led, with business teams developing their climate targets, commitments and climate risk appetite as part of their sector-specific business strategies.

**Risk management**

The climate risk team in Group sustainability program is driving the establishment of standards for climate data management and assurance. The Group continues refining data and reporting structures within which our counterparties and their activities are classified. The objective, is to enhance sector classifications to more accurately reflect the extent to which the sectors are, or may be, vulnerable to climate-related risks. This will support reporting for climate metric purposes, as well as the Group's internal and external portfolio-level scenario analysis.

Our capacity to identify and assess climate-related risks using scenario analysis continues to improve. The Group invested in new Group-wide climate risk analytics technology in 2024 and partnered with a global ratings, research and data provider to significantly enhance our ability to measure, model, manage and report our climate-related risk exposure. Using data on the locations of our clients' climate sensitive operations and assets, as well as information on the nature of their sensitivity to transition risk, we are now better able to estimate the credit and market risk-related impacts of transition and physical risks in our banking and trading portfolios. Analysis in 2024 included:

- Carbon emissions modelling.
- Physical risk impacts scores and damage rates.
- Scenario specific climate adjusted probabilities of default and loss given default.
- Value impact assessments for traded instruments.

**Transition risks**

- Exposure to policy risk over the medium to long term associated with uncertain long-term demand for fossil fuels, especially coal, and other high emitting sectors. Key drivers for this risk include expected policy actions such as more onerous carbon-pricing regulations to limit emissions on business activities. Such action could lead to higher risks of stranded assets and the related financial risks for the group arising from an impairment in value of clients' operating assets pledged as collateral and leading therefore to an increase in the probability risk of client defaults.
- Market risk primarily over the short to medium term related to changing client expectations for greener products and services, potentially impacting on some of our clients' future business opportunities. Likewise, expectations from investors will also adjust to an appetite for lower financed emissions, applying pressure on the group to align with low emissions pathways.
- Higher reputational risk including in the immediate short-term arising from negative stakeholder sentiment and adverse media coverage related to support of projects or activities with negative impacts on the climate, including oil and gas related infrastructure projects.



**Notes (continued)**

**4.8 Climate-related emerging risks (continued)**

**Physical risks**

Acute physical risks such as more frequent and more intense extreme weather events, pose a risk to the Group's own operations and those of its customers in sectors the group has identified as being vulnerable, including agriculture and others. Chronic physical risks such as rising average temperatures and changing precipitation patterns over the medium to long term, that lead to heat stress, droughts, higher wildfire risks and water shortages, may impact the group's clients in affected sectors including mining, industrial, manufacturing and agriculture through water shortages, labour productivity, economic output and occupational health.

**Opportunities**

The Group continues to work with its clients and partners to help them address their climate impacts, lower their emissions and improve their resilience. The Group continues to expand its offering of sustainability linked lending solutions, green and social bonds. The Group supports sustainable agricultural practices that promote reduced carbon emissions and improved resilience to climate risk.

**Metrics and targets**

In setting its targets for reducing exposure concentrations to affected sectors, setting future origination goals and driving its offerings, the group referenced the NGFS Net Zero 2050 scenario, publicly available national research and statistics, including electricity planning forecasts (where available) and internal economic forecasts and research obtained from credible external sources. Detailed information in this regard can be found in the Group's climate-related disclosures report and the climate policy.

**Notes (continued)**

**5 Segment information**

The Group is required to disclose information to the users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates in compliance with IFRS 8.

An operating segment is a component of the Group engaged in business activities, whose operating results are reviewed regularly by management in order to make decisions about resources to be allocated to segments and assessing segment performance. Identification of segments and the measurement of segment results is based on the Group's internal reporting to management.

Management has determined the operating segments based on the reports reviewed by the Group's Chief Executive (CE) with the assistance of the Group's Leadership Council (KLC) and the Asset and Liability Committee (ALCO). Management considers the business from client turnover perspective.

The Group's operating model is client led and structured around segments, namely: Personal & Private Banking (PPB), Business & Commercial Banking (BCB), Corporate & Investment Banking (CIB) and Insurance & Asset Management (IAM).

Business unit reporting evolves to reflect changes in reporting responsibility for individual cost centres and divisions across the group. This is in line with Group reporting and decision-making reports.

The geographical spread (across borders) is also used as a part of performance analysis. The Group's main subsidiary (Stanbic Bank Kenya Limited) operates one Branch in the Republic of South Sudan.

**Insurance and Asset Management (IAM)**

The Insurance & Asset Management (IAM) business unit offers partnerships for the sale of the Group's insurance agency offerings within the Group's banking sales channels. Its clients, who range from individual customers to corporate and institutional clients, can leverage Group's extensive market leading range of propositions and services to help build and protect their wealth and lifestyle.

**Personal & Private Banking (PPB)**

PPB provides banking services to individual customers and small to medium sized enterprises. The products offered include:

- (i) Mortgage Lending – provides residential accommodation loans to individual customers.
- (ii) Instalment Sales and Finance Leases – comprises two areas, instalment finance in the consumer market, mainly vehicles, and secondly, finance of vehicles and equipment in the business market.
- (iii) Card Products – provides card facilities to individuals and businesses.
- (iv) Transactional and Lending Products – transactions in products associated with the various points of contact channels such as Automated Teller Machines (ATMs), Internet, and branches. This includes deposit taking activities, electronic banking, cheque accounts and other lending products.

**Business and Commercial Banking (BCB)**

The BCB business unit provides broad based client solutions for a wide spectrum of small and medium-sized businesses as well as large commercial enterprises. Our client coverage extends across a wide range of industries, sectors and solutions that deliver the necessary advisory, networking and sustainability support required by our clients to enable their growth. The products offered include:

- i) Transactional products associated with payments such as salaries, suppliers and bill payments and collections for cash, cheques and electronic money as well as all foreign currency requirements.
- ii) Lending solutions: Pre & post shipment financing, Working capital financing, Asset Finance, capex and expansion loans and Insurance financing.
- iii) Savings and Investment

**Notes (continued)**

**5 Segment information**

**Corporate and Investment Banking (CIB)**

CIB provides commercial and investment banking services to larger corporates, financial institutions, and international counter-parties. The products offered include:

- Global Markets – includes foreign exchange and debt securities trading.
- Transactional banking services – includes transactional banking and investor services.
- Investment Banking – includes project finance, advisory, structured finance, structured trade finance, corporate lending, primary markets and property finance.

The Group does not have any customer that contributes more than 10% of its revenue nor a customer that constitutes more than 10% of deposits or loans (2023: None)

Notes (continued)

5 Segment information (continued)

5 (a) Results by business units

Statement of profit and loss	Total 2024 KShs Million	Total 2023 KShs Million	CIB 2024 KShs Million	CIB 2023 KShs Million	BCB 2024 KShs Million	BCB 2023 KShs Million	PPB 2024 KShs Million	PPB 2023 KShs Million	IAM 2024 KShs Million	IAM 2023 KShs Million
Interest income	48,165	37,942	33,619	25,457	5,126	4,719	9,408	7,758	12	8
Interest expense	(23,828)	(12,294)	(22,026)	(12,047)	1,297	1,220	(3,098)	(1,469)	(1)	2
<b>Net interest income</b>	<b>24,337</b>	<b>25,648</b>	<b>11,593</b>	<b>13,410</b>	<b>6,423</b>	<b>5,939</b>	<b>6,310</b>	<b>6,289</b>	<b>11</b>	<b>10</b>
Fees and commission revenue	6,042	6,670	3,060	3,660	1,181	1,347	1,352	1,222	449	441
Fees and commission expense	(1,069)	(1,032)	(237)	(148)	(317)	(323)	(515)	(561)	-	-
<b>Net fees and commission income</b>	<b>4,973</b>	<b>5,638</b>	<b>2,823</b>	<b>3,512</b>	<b>864</b>	<b>1,024</b>	<b>837</b>	<b>661</b>	<b>449</b>	<b>441</b>
Trading revenue	7,662	10,247	5,982	7,326	834	1,737	752	1,095	94	89
Net gain/ (loss) from financial instruments at fair value through profit or loss	2,849	(92)	2,849	(92)	-	-	-	-	-	-
Other income	114	153	72	142	20	7	15	4	7	-
Other losses on financial instruments	(32)	(277)	(32)	(277)	-	-	-	-	-	-
<b>Trading and other income</b>	<b>10,593</b>	<b>10,031</b>	<b>8,871</b>	<b>7,099</b>	<b>854</b>	<b>1,744</b>	<b>767</b>	<b>1,099</b>	<b>101</b>	<b>89</b>
<b>Total income</b>	<b>39,903</b>	<b>41,317</b>	<b>23,287</b>	<b>24,021</b>	<b>8,141</b>	<b>8,707</b>	<b>7,914</b>	<b>8,049</b>	<b>561</b>	<b>540</b>
Credit impairment losses	(3,099)	(6,236)	(909)	(1,142)	(901)	(3,407)	(1,289)	(1,687)	-	-
<b>Net income before operating expenses</b>	<b>36,804</b>	<b>35,081</b>	<b>22,378</b>	<b>22,879</b>	<b>7,240</b>	<b>5,300</b>	<b>6,625</b>	<b>6,362</b>	<b>561</b>	<b>540</b>
Employee benefits expense	(9,135)	(8,656)	(4,032)	(4,199)	(2,455)	(2,257)	(2,462)	(2,015)	(186)	(185)
Depreciation and amortisation expense	(707)	(622)	(256)	(248)	(189)	(170)	(254)	(201)	(8)	(3)
Depreciation on right-of use assets	(324)	(336)	(74)	(89)	(114)	(118)	(136)	(128)	-	(1)
Other operating expenses	(7,657)	(8,367)	(3,662)	(4,331)	(1,681)	(1,719)	(2,170)	(2,240)	(144)	(77)
Finance costs	(10)	(6)	(10)	(6)	-	-	-	-	-	-
<b>Total operating expenses</b>	<b>(17,833)</b>	<b>(17,987)</b>	<b>(8,034)</b>	<b>(8,873)</b>	<b>(4,439)</b>	<b>(4,264)</b>	<b>(5,022)</b>	<b>(4,584)</b>	<b>(338)</b>	<b>(266)</b>
<b>Profit before income tax</b>	<b>18,971</b>	<b>17,094</b>	<b>14,344</b>	<b>14,006</b>	<b>2,801</b>	<b>1,036</b>	<b>1,603</b>	<b>1,778</b>	<b>223</b>	<b>274</b>
Income tax expense	(5,255)	(4,936)	(3,816)	(4,028)	(884)	(321)	(480)	(509)	(75)	(78)
<b>Profit for the year</b>	<b>13,716</b>	<b>12,158</b>	<b>10,528</b>	<b>9,978</b>	<b>1,917</b>	<b>715</b>	<b>1,123</b>	<b>1,269</b>	<b>148</b>	<b>196</b>

Notes (continued)

5 Segment information (continued)

5 (a) Results by business units (continued)

Statement of financial position	Total 2024 KShs Million	Total 2023 KShs Million	CIB 2024 KShs Million	CIB 2023 KShs Million	BCB 2024 KShs Million	BCB 2023 KShs Million	PPB 2024 KShs Million	PPB 2023 KShs Million	IAM 2024 KShs Million	IAM 2023 KShs Million
<b>Assets</b>										
Cash and balances with central banks	24,677	25,503	21,779	23,814	1,856	1,039	1,042	650	-	-
Financial assets – (FVTPL)	54,649	2,898	54,649	2,898	-	-	-	-	-	-
Financial assets – (FVOCI)	15,462	19,892	15,462	19,892	-	-	-	-	-	-
Financial assets – (amortised cost)	29,079	22,555	29,079	22,555	-	-	-	-	-	-
Derivative assets	2,095	2,250	2,095	2,250	-	-	-	-	-	-
Current tax asset	1,461	-	858	-	283	-	307	-	13	-
Loans and advances to banks	64,486	95,705	64,486	95,266	-	337	-	-	-	102
Loans and advances to customers	230,218	260,509	146,696	167,178	32,312	39,820	51,210	53,511	-	-
Other assets and prepayments	10,449	7,608	2,077	1,934	3,323	2,004	4,778	3,426	271	244
Investment in subsidiaries and other investments	18	18	11	11	4	4	3	3	-	-
Property and equipment	2,231	2,078	718	684	721	663	792	731	-	-
Right-of-use assets (buildings)	693	858	205	282	249	319	239	257	-	-
Right-of-use assets (leasehold land)	30	33	15	17	7	7	8	9	-	-
Other intangible assets	993	740	339	338	150	113	487	282	17	7
Intangible assets - goodwill	9,350	9,350	8,883	7,572	467	616	-	1,162	-	-
Deferred tax asset	8,943	9,287	5,961	6,194	1,978	1,504	979	1,584	25	5
<b>Total assets</b>	<b>454,834</b>	<b>459,284</b>	<b>353,313</b>	<b>350,885</b>	<b>41,350</b>	<b>46,426</b>	<b>59,845</b>	<b>61,615</b>	<b>326</b>	<b>358</b>
<b>Liabilities</b>										
Derivative liabilities	2,746	2,570	2,746	2,570	-	-	-	-	-	-
Financial liabilities – FVTPL	16,322	14,071	16,322	14,071	-	-	-	-	-	-
Current tax liability	20	2,192	20	1,515	-	307	-	318	-	52
Deposits from banks	20,819	26,004	20,819	24,869	-	1,135	-	-	-	-
Deposits from customers	318,193	321,234	156,516	153,498	73,758	79,951	87,919	87,785	-	-
Borrowings	10,482	12,713	7,275	7,725	1,531	2,591	1,676	2,397	-	-
Other liabilities and accrued expenses	10,140	10,939	4,870	5,189	3,012	3,249	2,246	2,437	12	64
Lease liabilities	712	1,007	446	618	214	298	52	91	-	-
<b>Total liabilities</b>	<b>379,434</b>	<b>390,730</b>	<b>209,014</b>	<b>210,055</b>	<b>78,515</b>	<b>87,531</b>	<b>91,893</b>	<b>93,028</b>	<b>12</b>	<b>116</b>
<b>Equity</b>	<b>75,400</b>	<b>68,554</b>	<b>47,324</b>	<b>40,162</b>	<b>13,196</b>	<b>14,013</b>	<b>14,669</b>	<b>14,118</b>	<b>211</b>	<b>261</b>
<b>Inter-divisional funding</b>	<b>-</b>	<b>-</b>	<b>96,975</b>	<b>100,668</b>	<b>(50,361)</b>	<b>(55,118)</b>	<b>(46,717)</b>	<b>(45,531)</b>	<b>103</b>	<b>(19)</b>
<b>Total equity and liabilities</b>	<b>454,834</b>	<b>459,284</b>	<b>353,313</b>	<b>350,885</b>	<b>41,350</b>	<b>46,426</b>	<b>59,845</b>	<b>61,615</b>	<b>326</b>	<b>358</b>

Notes (continued)

5 Segment information (continued)

5 (b) Results by geographical area

Statement of profit and loss	Total 2024 KShs Million	Total 2023 KShs Million	Kenya 2024 KShs Million	Kenya 2023 KShs Million	South Sudan 2024 KShs Million	South Sudan 2023 KShs Million
Interest income	48,165	37,942	48,161	37,935	4	7
Interest expense	(23,828)	(12,294)	(23,807)	(12,272)	(21)	(22)
<b>Net interest income</b>	<b>24,337</b>	<b>25,648</b>	<b>24,354</b>	<b>25,663</b>	<b>(17)</b>	<b>(15)</b>
Fees and commission revenue	6,042	6,670	5,190	5,569	852	1,101
Fees and commission expense	(1,069)	(1,032)	(1,058)	(1,026)	(11)	(6)
<b>Net fees and commission income</b>	<b>4,973</b>	<b>5,638</b>	<b>4,132</b>	<b>4,543</b>	<b>841</b>	<b>1,095</b>
Trading revenue	7,502	10,247	6,738	9,331	764	916
Net gain/ (loss) from financial instruments at fair value through profit or loss	2,849	(92)	2,849	(92)	-	-
Other income	114	153	114	153	-	-
Other losses on financial instruments	(32)	(277)	(32)	(277)	-	-
<b>Trading and other income</b>	<b>10,433</b>	<b>10,031</b>	<b>9,669</b>	<b>9,115</b>	<b>764</b>	<b>916</b>
<b>Total income</b>	<b>39,743</b>	<b>41,317</b>	<b>38,155</b>	<b>39,321</b>	<b>1,588</b>	<b>1,996</b>
Credit impairment losses	(3,099)	(6,236)	(3,081)	(6,225)	(18)	(11)
<b>Net income before operating expenses</b>	<b>36,644</b>	<b>35,081</b>	<b>35,074</b>	<b>33,096</b>	<b>1,570</b>	<b>1,985</b>
Employee benefits expense	(9,135)	(8,656)	(8,340)	(7,902)	(795)	(754)
Depreciation and amortisation expense	(707)	(622)	(695)	(599)	(12)	(23)
Depreciation on right-of use assets	(324)	(336)	(304)	(298)	(20)	(38)
Other operating expenses	(7,497)	(8,367)	(6,991)	(7,860)	(506)	(507)
Finance costs	(10)	(6)	(1)	(1)	(9)	(5)
<b>Total operating expenses</b>	<b>(17,673)</b>	<b>(17,987)</b>	<b>(16,331)</b>	<b>(16,660)</b>	<b>(1,342)</b>	<b>(1,327)</b>
<b>Profit before income tax</b>	<b>18,971</b>	<b>17,094</b>	<b>18,743</b>	<b>16,436</b>	<b>228</b>	<b>658</b>
Income tax expense	(5,255)	(4,936)	(5,202)	(4,738)	(53)	(198)
<b>Profit for the year</b>	<b>13,716</b>	<b>12,158</b>	<b>13,541</b>	<b>11,698</b>	<b>175</b>	<b>460</b>

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**Notes (continued)**

**5 Segment information (continued)**

**5 (b) Results by geographical area (continued)**

<b>Statement of financial position</b>	<b>Total 2024 KShs Million</b>	<b>Total 2023 KShs Million</b>	<b>Kenya 2024 KShs Million</b>	<b>Kenya 2023 KShs Million</b>	<b>South Sudan 2024 KShs Million</b>	<b>South Sudan 2023 KShs Million</b>
<b>Assets</b>						
Cash and balances with central banks	24,677	25,503	17,806	16,617	6,871	8,886
Financial assets – (FVTPL)	54,649	2,898	54,649	2,898	-	-
Financial assets – (FVOCI)	15,462	19,892	15,462	19,892	-	-
Financial assets – (amortised cost)	29,079	22,555	29,079	22,555	-	-
Derivative assets	2,095	2,250	2,095	2,250	-	-
Current tax asset	1,461	-	1,461	-	-	-
Loans and advances to banks	64,486	95,705	55,183	82,150	9,303	13,555
Loans and advances to customers	230,218	260,509	230,188	260,482	30	27
Other assets and prepayments	10,449	7,608	10,402	7,551	47	57
Investment in subsidiaries and other investments	18	18	18	18	-	-
Property and equipment	2,231	2,078	2,162	1,981	69	97
Right-of-use assets (buildings)	693	858	651	814	42	44
Right-of-use assets (leasehold land)	30	33	30	33	-	-
Other intangible assets	993	740	993	736	-	4
Intangible assets - goodwill	9,350	9,350	9,350	9,350	-	-
Deferred tax asset	8,943	9,287	8,918	9,206	25	81
<b>Total assets</b>	<b>454,834</b>	<b>459,284</b>	<b>438,447</b>	<b>436,533</b>	<b>16,387</b>	<b>22,751</b>
<b>Liabilities</b>						
Derivative liabilities	2,746	2,570	2,746	2,570	-	-
Financial liabilities – FVTPL	16,322	14,071	16,322	14,071	-	-
Current tax liability	20	2,192	-	2,073	20	119
Deposits from banks	20,819	26,004	20,807	25,989	12	15
Deposits from customers	318,193	321,234	304,138	301,960	14,055	19,274
Borrowings	10,482	12,713	10,482	12,713	-	-
Other liabilities and accrued expenses	10,140	10,939	8,367	8,988	1,773	1,951
Lease liabilities	712	1,007	639	846	73	161
<b>Total liabilities</b>	<b>379,434</b>	<b>390,730</b>	<b>363,501</b>	<b>369,210</b>	<b>15,933</b>	<b>21,520</b>
<b>Equity</b>	<b>75,400</b>	<b>68,554</b>	<b>74,946</b>	<b>67,323</b>	<b>454</b>	<b>1,231</b>
<b>Total equity and liabilities</b>	<b>454,834</b>	<b>459,284</b>	<b>438,447</b>	<b>436,533</b>	<b>16,387</b>	<b>22,751</b>

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**Notes (continued)**

**5 Segment information (continued)**

**5 (b) Results by geographical area (continued)**

**Reconciliation of reportable assets and liabilities**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
<b>Assets</b>		
Total assets for reportable segments	475,544	483,503
Elimination of inter-branch balances with South Sudan	(20,710)	(24,219)
	<b>454,834</b>	<b>459,284</b>
<b>Liabilities</b>		
Total liabilities and equities for reportable segments	475,544	483,503
Elimination of inter-branch balances with South Sudan	(20,710)	(24,219)
	<b>454,834</b>	<b>459,284</b>
<b>Entity's assets</b>		
<b>Entity's liabilities and equities</b>		

**6 Interest income**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
Loans and advances to customers	35,952	29,469	-	-
Financial assets – (FVOCI)	3,100	2,530	-	-
Financial assets – (amortised cost)	3,016	2,547	-	-
Placements and other bank balances	6,097	3,396	25	16
	<b>48,165</b>	<b>37,942</b>	<b>25</b>	<b>16</b>

Interest income and interest expense calculated using the effective interest method

**7 Interest expense**

Current accounts	4,502	2,624	-	-
Savings and term deposit accounts	17,087	7,928	-	-
Deposits and placements from other banks	1,061	537	-	-
Interest on borrowed funds (Note 35)	1,062	1,084	-	-
Interest expense on lease liabilities (Note 31)	116	121	-	-
	<b>23,828</b>	<b>12,294</b>	<b>-</b>	<b>-</b>
<b>Net interest income</b>	<b>24,337</b>	<b>25,648</b>	<b>25</b>	<b>16</b>

All interest income reported above relates to financial assets not carried at fair value through profit or loss and all interest expense reported relates to financial liabilities not carried at fair value through profit or loss.



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**Notes (continued)**

8	Fees and commission revenue	GROUP		COMPANY	
		2024	2023	2024	2023
		KShs Million	KShs Million	KShs Million	KShs Million
	Account transaction fees	1,453	1,856	-	-
	Knowledge based and client administration fees	1,323	1,705	-	-
	Electronic banking fees	1,201	1,204	-	-
	Foreign service fees	659	644	-	-
	Documentation and administration fees	91	109	-	-
	Brokerage commission	235	204	-	-
	Other bank related fees and commission	1,080	948	-	-
		<b>6,042</b>	<b>6,670</b>	<b>-</b>	<b>-</b>

The net fees and commission earned by the Group on trust and fiduciary activities where the Group holds or invests assets on behalf of its customers is KShs 450,725,479 (2023: KShs 353,397,281).

All net fee and commission revenue reported above relates to financial assets or liabilities not carried at fair value through profit or loss.

Fees and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

9	Fees and commission expense	GROUP		COMPANY	
		2024	2023	2024	2023
		KShs Million	KShs Million	KShs Million	KShs Million
	Card based commission expenses	477	473	-	-
	Brokerage fees	74	27	-	-
	Other bank related fees and commission expenses	518	532	-	-
		<b>1,069</b>	<b>1,032</b>	<b>-</b>	<b>-</b>

**10 Trading revenue**

	Net foreign exchange income	7,591	10,247	-	-
	Loss in monetary value	(89)	-	-	-
		<b>7,502</b>	<b>10,247</b>	<b>-</b>	<b>-</b>

**11 (a) Net gain/ (loss) from financial instruments at fair value through profit or loss**

	Fixed gain/ (loss) -financial instruments-(FVTPL)	2,849	(92)	-	-
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**11 (b) Other (losses)/gains on financial instruments**

	Net loss on disposal of financial assets	(32)	(277)	-	-
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**Notes (continued)**

		<b>GROUP</b>		<b>COMPANY</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>12</b>	<b>Other income</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
	Gain on disposal of property and equipment	24	14	-	-
	Dividend income	-	-	6,352	5,654
	Other income	90	139	-	-
		<b>114</b>	<b>153</b>	<b>6,352</b>	<b>5,654</b>
<b>13</b>	<b>Employee benefits expense</b>				
	Salaries and wages	8,449	8,027	158	76
	Retirement benefit costs	686	629	8	5
		<b>9,135</b>	<b>8,656</b>	<b>166</b>	<b>81</b>
	<b>Included in retirement benefit costs are;</b>				
	Defined contribution scheme	650	610	-	-
	National Social Security Fund	36	19	-	-
		<b>686</b>	<b>629</b>	<b>-</b>	<b>-</b>
	<b>Average staff numbers for the year;</b>				
	Management	475	445	2	2
	Supervisory	495	471	-	-
	Clerical and other categories	260	258	1	1
	<b>Total</b>	<b>1,230</b>	<b>1,174</b>	<b>3</b>	<b>3</b>

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**Notes (continued)**

**14 Breakdown of expenses by nature**

		GROUP		COMPANY	
		2024	2023	2024	2023
	Notes	KShs Million	KShs Million	KShs Million	KShs Million
Profit before tax has been arrived at after charging-;					
Employee benefits	13	9,135	8,656	166	81
Depreciation of property and equipment	26	456	400	-	-
Depreciation on right-of use assets	30	324	336	-	-
Amortisation of right-of-use leasehold land	27	3	3	-	-
Amortisation of intangible assets	28	248	219	-	-
Finance costs	15	10	6	1	1
<b>Other operating expenses</b>					
Audit fees		37	54	3	4
Directors' fees	42(f)	156	150	8	8
Franchise fees	42 (i)	1,148	1,221	-	-
Information technology costs		2,226	2,371	-	-
Communication costs		307	344	-	-
Consultancy, legal and professional fees		283	199	-	-
Marketing and advertising costs		432	334	-	-
Deposit protection scheme contribution		500	417	-	-
Travel and accomodation costs		249	257	-	-
Other expenses*		2,159	3,020	15	15
<b>Total other operating expenses</b>		<b>7,497</b>	<b>8,367</b>	<b>26</b>	<b>27</b>
<b>Total</b>		<b>17,673</b>	<b>17,987</b>	<b>193</b>	<b>109</b>

Included in the consultancy, legal and professional fees is an amount of KShs 15,614,000 that relates to non-audit services offered by the current auditor to the Group.

\*Other expenses mainly includes operational expenses.

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**Notes (continued)**

		<b>GROUP</b>		<b>COMPANY</b>	
	<b>Notes</b>	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
		<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>15 Finance costs</b>					
Bank charges		10	6	1	1
		<b>10</b>	<b>6</b>	<b>1</b>	<b>1</b>
<b>16 Income tax expense</b>					
Current income tax		5,181	6,904	12	-
Current year charge	37 (a)	4,637	7,231	12	-
Previous year current income tax under/ (over) provision		544	(327)	-	-
Deferred income tax		74	(1,968)	-	-
Current year charge/ (credit) Kenya operations	38 (a)	81	(1,899)	-	-
Current year credit foreign operations	38 (b)	(7)	(69)	-	-
<b>Income tax expense for the year</b>		<b>5,255</b>	<b>4,936</b>	<b>12</b>	<b>-</b>

**Reconciliation of tax expense to expected tax base based on accounting profit:**

The tax on the profit before tax differs from the theoretical amount using the statutory income tax rate as follows:

	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>Profit before income tax</b>	<b>18,971</b>	<b>17,094</b>	<b>6,184</b>	<b>5,561</b>
Tax at statutory tax rate of 30% (2023: 30%)	5,630	5,133	1,855	1,668
Tax effect of:				
Income not subjected to tax	(699)	(298)	(1,907)	(1,696)
Expenses not deductible for tax purposes	(146)	501	64	28
Previous year's current tax over provision	544	(327)	-	-
Effect of tax paid in other jurisdictions	(74)	(73)	-	-
<b>Income tax expense</b>	<b>5,255</b>	<b>4,936</b>	<b>12</b>	<b>-</b>

**17 Earnings per share**

Basic earnings per share are calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

**Notes (continued)**

**17 Earnings per share (continued)**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>Earnings (Profit after tax)</b>				
Earnings for the purposes of basic earnings per share (KShs Million)	13,716	12,158	6,172	5,561
<b>Number of shares</b>				
Weighted average number of ordinary shares for the purpose of basic earnings per share (in millions)	395	395	395	395
<b>Earnings per share (KShs) basic and diluted</b>	<b>34.70</b>	<b>30.75</b>	<b>15.61</b>	<b>14.07</b>

There were no dilutive potential ordinary shares as at 31 December 2024 or 31 December 2023. Therefore, diluted earnings per share are the same as basic earnings per share.

**18 Dividend**

The calculation of dividends per share is based on:  
Dividends for the year attributable to ordinary shareholders:  
Interim dividend paid (KShs 'millions)  
Final dividend proposed (KShs 'millions)

Number of ordinary shares at issue date (in millions)

**Dividends per share – KShs**

<b>GROUP AND COMPANY</b>	
<b>2024</b>	<b>2023</b>
727	454
7,472	5,614
<b>8,199</b>	<b>6,068</b>
395	395
<b>20.74</b>	<b>15.35</b>

Proposed dividends are presented within retained earnings until they have been approved at an Annual General Meeting.

At the next annual general meeting, a final dividend in respect of the year ended 31 December 2024 of KShs 18.90. (2023: KShs 14.20) per share amounting to a total of KShs 7,471,578,958 (2023: KShs 5,613,567,260) is to be proposed. These financial statements do not reflect this dividends as payable."

During the year an interim dividend of KShs 1.84 (2023: KShs 1.15) per share amounting to a total of KShs 727,391,814 was paid (2023: KShs 454,095,000).

Payment of dividends is subject to withholding tax at a rate of either 5% for resident and 15% for non-resident shareholders. Dividend paid to resident companies who own more than 12.5% shareholding are exempt from withholding tax. Dividends payable to South African residents as a shareholder are subjected to 10% withholding tax.

**Notes (continued)**

**19 Cash and balances with central banks**

	GROUP		COMPANY	
	2024	2023	2024	2023
	KShs Million	KShs Million	KShs Million	KShs Million
Cash in hand	3,795	4,177	-	-
Balances with Central Bank of Kenya	20,882	21,326	-	-
	<b>24,677</b>	<b>25,503</b>	<b>-</b>	<b>-</b>

The Group's key subsidiary, Stanbic Bank Kenya Limited is required to maintain a prescribed minimum cash reserve ratio (CRR) including cash in hand and balances with Central Bank of Kenya. The minimum cash reserve is non-interest earning and is based on the value of deposits as adjusted for Central Bank of Kenya requirements. At 31 December 2024, the cash reserve requirement was 4.25% of the eligible deposits (2023: 4.25%).

The cash reserve requirement balance for the year ended 31 December 2024 was KShs. 12,759,987,712 (2023: KShs 13,259,326,588). The Central Bank of Kenya allows a daily minimum of 3% (2023: 3%) of eligible deposits as long as the average total reserving for the month is above the CRR. The applicable daily minimum for the Bank therefore was KShs 9,007,050,150 as at 31 December 2024 (2023: KShs 9,359,524,650). These balances are restricted. The Bank complied with the CRR requirement throughout the reporting period.

**20 Financial assets and liabilities – FVTPL**

**20 (a) Financial assets – (FVTPL)**

	GROUP	
	2024	2023
	KShs Million	KShs Million
<b>Debt securities</b>		
Government treasury bills and bonds	32,815	2,898
Trading assets	21,782	-
Investment in unit trusts	52	-
	<b>54,649</b>	<b>2,898</b>
<b>Maturity analysis;</b>		
Maturing on demand	52	-
Maturing within 1 month	3,874	5
Maturing after 1 months but within 6 months	22,596	2
Maturing after 6 months but within 12 months	19,643	37
Maturing after 12 months but within 5 years	4,657	2,675
Maturing after 5 years	3,827	179
	<b>54,649</b>	<b>2,898</b>

The maturities represent periods to contractual redemption of financial assets - FVTPL. Financial assets - FVTPL had a redemption value at 31 December 2024 of KShs 51,293,475,000 (2023: KShs 2,974,921,000). The weighted average effective interest yield on debt securities held for trading at 31 December 2024 was 11.45% (2023: 17.81%).

**20 (b) Financial liabilities – FVTPL**

	GROUP	
	2024	2023
	KShs Million	KShs Million
Unlisted	16,322	14,071
<b>Maturity analysis;</b>		
Maturing within 1 month	5,546	88
Maturing after 1 months but within 6 months	4,121	6,316
Maturing after 6 months but within 12 months	887	3,044
Maturing after 12 months but within 5 years	3,018	4,055
Maturing after 5 years	2,750	568
	<b>16,322</b>	<b>14,071</b>

**Notes (continued)**

**20 Financial assets and liabilities – FVTPL (continued)**

**20 (b) Financial liabilities – FVTPL (continued)**

The maturities represent periods to contractual redemption of trading liabilities recorded. Dated trading liabilities had a redemption value at 31 December 2024 of KShs. 15,730,899,000 (2023: KShs 14,395,175,000). The weighted average effective interest cost on debt securities held for trading at 31 December 2024 was 10.84% (2023: 10.12%).

**21 Financial assets – (FVOCI)**

**GROUP**

	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Financial assets – (FVOCI)	15,462	19,892
	<b>15,462</b>	<b>19,892</b>

**Debt securities – at fair value:**

Listed	9,330	7,964
Unlisted	6,146	11,934
	<b>15,476</b>	<b>19,898</b>

**Comprising:**

Government bonds	9,330	7,964
Government treasury bills	6,146	11,772
Corporate bonds	-	162
	<b>15,476</b>	<b>19,898</b>

**Allowances for impairments**

Expected credit loss for debt securities measured at fair value through OCI (IFRS 9)

(14)	(6)
------	-----

**Credit impairment losses(Note 21.1)**

(14)	(6)
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**Net debt securities at FVOCI**

<b>15,462</b>	<b>19,892</b>
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**Maturity analysis**

Maturing within 1 month	-	985
Maturing after 1 month but within 6 months	8,766	11,799
Maturing after 6 months but within 12 months	5,688	188
Maturing after 12 months but within 5 years	1,008	6,920
	<b>15,462</b>	<b>19,892</b>

Financial investment securities had a redemption value at 31 December 2024 of KShs. 18,306,251,000 (2023: KShs 20,270,000,000).The weighted average effective interest cost on debt securities available for sale at 31 December 2024 was 10.46% (2023: 15.66%).

Notes (continued)

21 Financial assets – (FVOCI) (continued)

21.1 Reconciliation of expected credit losses for debt financial assets measured at fair value through OCI:

	Opening ECL 1 Jan 2024	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2024
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
GROUP	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
Financial assets (Fair value through OCI)										
Debt securities	6	-	10	-	(2)	(2)	6	-	2	14
Stage 1	6	-	10	-	(2)	(2)	6	-	2	14
Total	6	-	10	-	(2)	(2)	6	-	2	14

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)



Notes (continued)

21 Financial assets – (FVOCI) (continued)

21.1 Reconciliation of expected credit losses for debt financial assets measured at fair value through OCI: (continued)

	Opening ECL 1 Jan 2023	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2023
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
GROUP	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Financial assets (Fair value through OCI)</b>										
Debt securities	4	-	5	-	(1)	(2)	2	-	-	6
Stage 1	4	-	5	-	(1)	(2)	2	-	-	6
<b>Total</b>	<b>4</b>	<b>-</b>	<b>5</b>	<b>-</b>	<b>(1)</b>	<b>(2)</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>6</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI

	Balance at beginning of the year 2024	Reclassifications	Net change in fair value	Realised fair value adjustments and reversal to profit or loss	Net expected credit loss raised/ (released) during the period	Exchange and other movements	Balance at end of the year 2024
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>GROUP</b>							
Debt securities	189	-	(422)	-	(422)	(76)	(309)
<b>Total</b>	<b>189</b>	<b>-</b>	<b>(422)</b>	<b>-</b>	<b>(422)</b>	<b>(76)</b>	<b>(309)</b>

Notes (continued)

21 Financial assets – (FVOCI) (continued)

21.2 Reconciliation of fair value through OCI reserve for debt financial assets measured at fair value through OCI (continued)

	Balance at beginning of the year 2023 KShs	Reclassificati ons KShs	Net change in fair value KShs	Realised fair value adjustments and reversal to profit or loss KShs	Net expected credit loss raised/ (released) during the period KShs	Exchange and other movements KShs	Balance at end of the year 2023 KShs
GROUP							
Debt securities	45	-	144		144	-	189
Total	45	-	144	-	144	-	189

**Notes (continued)**

**22 Financial assets – (amortised cost)**

	Note	GROUP	
		2024	2023
		KShs Million	KShs Million
Pledged assets – (amortised cost)	22 (a)	6,222	2,600
Financial assets – (amortised cost)	22 (b)	22,857	19,955
		<b>29,079</b>	<b>22,555</b>
<b>22 (a) Pledged assets – (amortised cost)</b>			
Amortised cost/held to collect debt securities		6,305	2,673
<b>Gross pledged assets at amortised cost</b>		<b>6,305</b>	<b>2,673</b>
<b>Allowances for impairments</b>			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	(83)	(73)
<b>Credit impairment losses</b>		<b>(83)</b>	<b>(73)</b>
<b>Net pledged assets at amortised cost</b>		<b>6,222</b>	<b>2,600</b>
<b>Maturity analysis:</b>			
Maturing after 1 months but within 6 months		642	690
Maturing after 6 months but within 12 months		3,113	-
Maturing after 12 months but within 5 years		-	-
Maturing after 5 years		2,467	1,910
		<b>6,222</b>	<b>2,600</b>

Dated pledged assets at amortized cost had a redemption value at 31 December 2024 of KShs. 6,025,600,000 (2023: KShs 2,625,600,000).

The weighted average effective interest yield on the investment securities on 31 December 2024 was 14.01% (2023: 16.15%).

These transactions are conducted under terms that are usual and customary to security lending, and security borrowings and lending activities.

**22 (b) Financial assets – (amortised cost)**

	Note	GROUP	
		2024	2023
		KShs Million	KShs Million
<b>Debt securities:</b>			
Listed		22,893	19,966
Unlisted		-	-
<b>Gross financial assets at amortised cost</b>		<b>22,893</b>	<b>19,966</b>
<b>Allowances for impairments</b>			
Expected credit loss for financial assets measured at amortised cost (IFRS 9)	22.1	(36)	(11)
<b>Credit impairment losses</b>		<b>(36)</b>	<b>(11)</b>
<b>Net debt securities at amortised cost</b>		<b>22,857</b>	<b>19,955</b>

**Notes (continued)**

**22 Financial assets – (amortised cost) (continued)**

**22 (b) Financial assets – (amortised cost) (continued)**

	<b>Note</b>	<b>GROUP</b>	
		<b>2024</b>	<b>2023</b>
		<b>KShs Million</b>	<b>KShs Million</b>
<b>Comprising:</b>			
Government bonds		21,077	19,966
Corporate bonds		1,816	-
		<b>22,893</b>	<b>19,966</b>
<b>Maturity analysis:</b>			
Maturing within 1 month		-	1,036
Maturing after 1 month but within 6 months		3,487	11,819
Maturing after 6 months but within 12 months		4,532	188
Maturing after 12 months but within 5 years		9,520	6,923
Maturing after 5 years		5,354	-
		<b>22,893</b>	<b>19,966</b>

Dated held to collect assets had a redemption value at 31 December 2024 of KShs 20,589,148,000 (2023: KShs 19,540,235,000)

The weighted average effective interest yield on held to collect investment securities at 31 December 2024 was 12.41% (2023: 15.69%).

Notes (continued)

22 Financial assets – (amortised cost) (continued)

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost (KShs Million)

	Opening ECL 1 January 2024	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Sovereign - Debt securities</b>	<b>10</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>(1)</b>	<b>(7)</b>	<b>22</b>	<b>-</b>	<b>-</b>	<b>32</b>
Stage 1	10	-	30	-	(1)	(7)	22	-	-	32
<b>Pledged assets</b>	<b>71</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>(5)</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>83</b>
Stage 1	-	-	-	-	-	-	-	-	-	-
Stage 2	71	-	-	-	17	(5)	12	-	-	83
<b>Corporate</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>4</b>
Stage 1	3	-	-	-	2	(1)	1	-	-	4
<b>Total</b>	<b>84</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>18</b>	<b>(13)</b>	<b>35</b>	<b>-</b>	<b>-</b>	<b>119</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in the statement of profit or loss (refer credit impairment charges note).

Notes (continued)

22 Financial assets – (amortised cost) (continued)

22.1 Reconciliation of expected credit losses for debt financial assets measured at amortised cost (KShs Million) (continued)\*

	Opening ECL 1 January 2023	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2023
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Sovereign - Debt securities</b>										
	54	(8)	-	-	(9)	(26)	(43)	-	(1)	10
Stage 1	54	(8)	-	-	(9)	(26)	(43)	-	(1)	10
<b>Pledged assets</b>										
	-	8	-	-	63	-	63	-	-	71
Stage 1	-	-	-	-	-	-	-	-	-	-
Stage 2	-	8	-	-	63	-	63	-	-	71
<b>Corporate</b>										
	1	-	2	-	-	-	2	-	-	3
Stage 1	1	-	2	-	-	-	2	-	-	3
Stage 2									-	-
<b>Total</b>	<b>55</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>54</b>	<b>(26)</b>	<b>22</b>	<b>-</b>	<b>(1)</b>	<b>84</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

\*The note has been enhanced to disclose the respective categories of financial assets at amortised costs into corporate, sovereign and pledged assets

Notes (continued)

23 Loans and advances

23 (a) Loans and advances to banks

	Note	GROUP		COMPANY	
		2024	2023	2024	2023
		KShs Million	KShs Million	KShs Million	KShs Million
Balances with banks		5,077	5,128	-	-
Balances due from Group banks	42 (a)	59,421	90,578	159	216
		<b>64,498</b>	<b>95,706</b>	<b>159</b>	<b>216</b>
<b>Allowances for impairments*</b>					
Impairment Stages 1 & 2 (performing loans)	23.1	(12)	(1)	-	-
Impairment Stage 3 (non-performing loans)		-	-	-	-
<b>Credit impairment allowances</b>		<b>(12)</b>	<b>(1)</b>	<b>-</b>	<b>-</b>
<b>Net loans and advances</b>		<b>64,486</b>	<b>95,705</b>	<b>159</b>	<b>216</b>
<b>Maturity analysis:</b>					
Redeemable on demand		5,494	5,036	159	216
Maturing within 1 month		10,292	46,192	-	-
Maturing after 1 month but within 12 months		27,963	39,565	-	-
Maturing after 12 month but within 5 years		20,737	-	-	-
Maturing after 5 years		-	4,912	-	-
<b>Net loans and advances to banks</b>		<b>64,486</b>	<b>95,705</b>	<b>159</b>	<b>216</b>

\* The Group hold balances with well rated commercial banks categorised under stage 1 and stage 2.

Notes (continued)

23 Loans and advances (continued)

23 (a) Loans and advances to banks (continued)

23.1 Reconciliation of expected credit losses for loans and advances to banks measured at amortised cost: (KShs Million)

	Opening ECL 1 January 2024	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
BANKS	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Stage 1	(1)	-	(1)	-	-	-	(1)	-	1	(1)
Stage 2	-	-	(12)	-	1	(7)	(18)	-	7	(11)
Stage 3	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>(1)</b>	<b>-</b>	<b>(13)</b>	<b>-</b>	<b>1</b>	<b>(7)</b>	<b>(19)</b>	<b>-</b>	<b>8</b>	<b>(12)</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals impairment charge in statement of profit or loss (refer credit impairment charges note).

	Opening ECL 1 January 2023	Total transfers between stages	Income statement movements				Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2023
			ECL on new exposure raised	Change in ECL due to modifications	Subsequent changes in ECL	Change in ECL due to derecognition				
BANKS	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
Stage 1	-	-	(1)	-	-	-	(1)	-	-	(1)
Stage 2	-	-	-	-	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>(1)</b>



**Notes (continued)**

**23 Loans and advances (continued)**

**23 (b) Loans and advances to customers**

**GROUP**

		<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>
Mortgage lending		36,365	40,794
Vehicle and asset finance (note 23(e))		13,920	13,047
Overdraft and other demand lending		28,854	32,518
Term lending		168,035	192,564
Card lending		883	801
<b>Gross loans and advances to customers</b>		<b>248,057</b>	<b>279,724</b>
<b>Allowances for impairments</b>			
Expected credit loss for loans and advances measured at amortised cost (IFRS 9)	23(d (i))	(17,839)	(19,215)
<b>Credit impairment allowances</b>		<b>(17,839)</b>	<b>(19,215)</b>
<b>Net loans and advances</b>		<b>230,218</b>	<b>260,509</b>
<b>Maturity analysis:</b>			
Redeemable on demand		16,430	5,670
Maturing within 1 month		17,057	50,921
Maturing after 1 month but within 6 months		32,396	55,387
Maturing after 6 months but within 12 months		12,933	6,674
Maturing after 12 months but within 5 years		83,301	78,251
Maturing after 5 years		68,101	63,606
<b>Net loans and advances</b>		<b>230,218</b>	<b>260,509</b>

The weighted average effective interest rate on loans and advances to customers as at 31 December 2024 was 12.35% (2023: 12.33%). The Group extends advances to personal, commercial and corporate sectors as well as to the public sector. Advances made to individuals are mostly in the form of mortgages, vehicle and asset finance, and overdrafts.

**Notes (continued)**

**23 Loans and advances (continued)**

**23 (c) Loans and advances to customers at amortised cost**

In millions of KShs

**Balance at 1 January 2024**

Transfer to stage 1

Transfer to stage 2

Transfer to stage 3

New financial assets originated or purchased

Financial assets that have been derecognised

Write-offs

Foreign exchange and other movements

**Balance at 31 December 2024**

Stage 1	Stage 2	Stage 3	Total
12 month	Lifetime ECL	Lifetime ECL	
<b>233,869</b>	<b>19,387</b>	<b>26,468</b>	<b>279,724</b>
1,324	(1,267)	(57)	-
(2,106)	2,281	(175)	-
(1,592)	(1,305)	2,897	-
127,732	-	-	<b>127,732</b>
(127,427)	(6,867)	(1,655)	<b>(135,949)</b>
-	-	(5,507)	<b>(5,507)</b>
(13,338)	(2,036)	(2,569)	<b>(17,943)</b>
<b>218,462</b>	<b>10,193</b>	<b>19,402</b>	<b>248,057</b>

In millions of KShs

**Balance at 1 January 2023**

Transfer to stage 1

Transfer to stage 2

Transfer to stage 3

New financial assets originated or purchased

Financial assets that have been derecognised

Write-offs

Foreign exchange and other movements

**Balance at 31 December 2023**

Stage 1	Stage 2	Stage 3	Total
12 month	Lifetime ECL	Lifetime ECL	
<b>209,419</b>	<b>18,594</b>	<b>28,450</b>	<b>256,463</b>
922	(918)	(4)	-
(3,944)	4,420	(476)	-
(1,326)	(2,825)	4,151	-
158,293	-	-	<b>158,293</b>
(147,148)	(5,893)	(4,601)	<b>(157,642)</b>
-	-	(8,490)	<b>(8,490)</b>
27,494	1,044	2,562	<b>31,100</b>
<b>243,710</b>	<b>14,422</b>	<b>21,592</b>	<b>279,724</b>

Notes (continued)

23 Loans and advances (continued)

23 (d) Allowances for Impairment

23(d (i)) Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost:

A reconciliation of the expected credit loss for loans and advances, by class: (KShs Million)

	Opening ECL 1 Jan 2024	Total transfers between stages	Income statement movements			Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2024	Interest in suspense	Total
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition						
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Customers</b>	<b>2,376</b>	<b>-</b>	<b>29</b>	<b>135</b>	<b>-</b>	<b>164</b>	<b>(254)</b>	<b>109</b>	<b>2,395</b>	<b>(301)</b>	<b>2,094</b>
<b>Mortgage loans</b>	<b>77</b>	<b>61</b>	<b>8</b>	<b>(68)</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>78</b>
Stage 1	392	(73)	15	39	-	(19)	-	109	482	-	482
Stage 2	1,907	12	6	164	-	182	(254)	-	1,835	(301)	1,534
Stage 3											
<b>Vehicle and asset finance</b>	<b>969</b>	<b>-</b>	<b>74</b>	<b>33</b>	<b>-</b>	<b>107</b>	<b>(179)</b>	<b>171</b>	<b>1,068</b>	<b>(10)</b>	<b>1,058</b>
Stage 1	91	8	39	(46)	-	1	-	-	92	-	92
Stage 2	473	(15)	17	(49)	-	(47)	-	(91)	335	-	335
Stage 3	405	7	18	128	-	153	(179)	262	641	(10)	631
<b>Card debtors</b>	<b>78</b>	<b>-</b>	<b>3</b>	<b>76</b>	<b>-</b>	<b>79</b>	<b>(83)</b>	<b>(4)</b>	<b>70</b>	<b>-</b>	<b>70</b>
Stage 1	18	6	1	(2)	-	5	-	-	23	-	23
Stage 2	34	(7)	2	3	-	(2)	-	(4)	28	-	28
Stage 3	26	1	-	75	-	76	(83)	-	19	-	19
<b>Other loans and advances</b>	<b>9,510</b>	<b>-</b>	<b>1,227</b>	<b>974</b>	<b>-</b>	<b>2,201</b>	<b>(3,661)</b>	<b>469</b>	<b>8,519</b>	<b>41</b>	<b>8,560</b>
Stage 1	482	35	249	(291)	-	(7)	-	45	520	-	520
Stage 2	1,078	(183)	169	(207)	-	(221)	-	(71)	786	-	786
Stage 3	7,950	148	809	1,472	-	2,429	(3,661)	495	7,213	41	7,254
<b>Corporate</b>	<b>6,282</b>	<b>-</b>	<b>576</b>	<b>639</b>	<b>(253)</b>	<b>962</b>	<b>(175)</b>	<b>(894)</b>	<b>6,175</b>	<b>(118)</b>	<b>6,057</b>
Stage 1	757	(35)	430	(119)	(206)	70	-	41	868	-	868
Stage 2	52	35	6	764	(13)	792	-	(192)	652	-	652
Stage 3	5,473	-	140	(6)	(34)	100	(175)	(743)	4,655	(118)	4,537
<b>Total</b>	<b>19,215</b>	<b>-</b>	<b>1,909</b>	<b>1,857</b>	<b>(253)</b>	<b>3,513</b>	<b>(4,352)</b>	<b>(149)</b>	<b>18,227</b>	<b>(388)</b>	<b>17,839</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 23(d)).

Notes (continued)

23 Loans and advances (continued)

23 (d ) Allowances for Impairment (continued)

23(d (i)) Reconciliation of expected credit losses for loans and advances to customers measured at amortised cost (KShs 'millions'):( continued)

	Opening ECL 1 Jan 2023	Total transfers between stages	Income statement movements			Net ECL raised/ (released) <sup>1</sup>	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 Dec 2023	Interest in suspense	Total
			ECL on new exposure raised	Subsequent changes in ECL	Change in ECL due to derecognition						
<b>Customers</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>	<b>KShs</b>
<b>Mortgage loans</b>	<b>2,096</b>	<b>-</b>	<b>26</b>	<b>428</b>	<b>-</b>	<b>454</b>	<b>(131)</b>	<b>(16)</b>	<b>2,403</b>	<b>(27)</b>	<b>2,376</b>
Stage 1	78	65	9	(75)	-	(1)	-	-	77	-	77
Stage 2	319	(46)	16	103	-	73	-	-	392	-	392
Stage 3	1,699	(19)	1	400	-	382	(131)	(16)	1,934	(27)	1,907
<b>Vehicle and asset finance</b>	<b>1,368</b>	<b>-</b>	<b>328</b>	<b>99</b>	<b>-</b>	<b>427</b>	<b>(604)</b>	<b>(108)</b>	<b>1,083</b>	<b>(114)</b>	<b>969</b>
Stage 1	71	17	46	(43)	-	20	-	-	91	-	91
Stage 2	235	4	23	211	-	238	-	-	473	-	473
Stage 3	1,062	(21)	259	(69)	-	169	(604)	(108)	519	(114)	405
<b>Card debtors</b>	<b>58</b>	<b>-</b>	<b>-</b>	<b>81</b>	<b>-</b>	<b>81</b>	<b>(61)</b>	<b>-</b>	<b>78</b>	<b>-</b>	<b>78</b>
Stage 1	18	-	-	-	-	-	-	-	18	-	18
Stage 2	19	(1)	-	16	-	15	-	-	34	-	34
Stage 3	21	1	-	65	-	66	(61)	-	26	-	26
<b>Other loans and advances</b>	<b>8,831</b>	<b>-</b>	<b>814</b>	<b>3,794</b>	<b>-</b>	<b>4,608</b>	<b>(3,642)</b>	<b>(275)</b>	<b>9,522</b>	<b>(12)</b>	<b>9,510</b>
Stage 1	434	10	234	(196)	-	48	-	-	482	-	482
Stage 2	1,159	(203)	292	20	-	109	-	(190)	1,078	-	1,078
Stage 3	7,238	193	288	3,970	-	4,451	(3,642)	(85)	7,962	(12)	7,950
<b>Corporate</b>	<b>8,243</b>	<b>-</b>	<b>8,054</b>	<b>(413)</b>	<b>(5,895)</b>	<b>1,746</b>	<b>(4,052)</b>	<b>746</b>	<b>6,683</b>	<b>(401)</b>	<b>6,282</b>
Stage 1	789	-	722	36	(789)	(31)	-	(1)	757	-	757
Stage 2	157	-	50	(329)	(151)	(430)	-	325	52	-	52
Stage 3	7,297	-	7,282	(120)	(4,955)	2,207	(4,052)	422	5,874	(401)	5,473
<b>Total</b>	<b>20,596</b>	<b>-</b>	<b>9,222</b>	<b>3,989</b>	<b>(5,895)</b>	<b>7,316</b>	<b>(8,490)</b>	<b>347</b>	<b>19,769</b>	<b>(554)</b>	<b>19,215</b>

<sup>1</sup> Net impairments raised/(released) less recoveries of amounts written off in previous years equals income statement impairment charge (refer credit impairment charges note 23(d)).

**Notes (continued)**

**23 Loans and advances (continued)**

**23 (e) Credit impairment losses**

		<b>GROUP</b>	
		<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>
Loans impairment charge for financial assets		42	31
Loans impairment for customer loans		3,513	7,316
Loans impairment charge/(credit) for performing bank loans		19	1
Loans impairment for performing off balance sheet Letters of credit and guarantees	43 (c)	(38)	(24)
Amounts recovered during the year		(437)	(1,088)
<b>Net credit impairment losses</b>		<b>3,099</b>	<b>6,236</b>

The Directors are of the opinion that net recoverable amounts are reasonable and are expected to be realised based on past experience.

**23 (f) Vehicle and asset finance**

The Group holds contracts with customers where the Group finances the purchase of assets under a series of contracts which transfer title to the Group as security for the loan. The Group receives the loan repayments and sets off the repayments against the principal loan and interest.

		<b>GROUP</b>	
		<b>2024</b>	<b>2023</b>
		<b>KShs Million</b>	<b>KShs Million</b>
<b>Maturity analysis:</b>			
Not later than 1 year		1,053	1,058
Later than 1 year and not later than 5 years		12,200	11,396
Later than 5 years		667	593
		<b>13,920</b>	<b>13,047</b>

**Notes (continued)**

**23 Loans and advances (continued)**

**23 (g) Loans to employees**

The aggregate amount of loans and advances to employees on the statement of financial position is:

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
At start of year	3,898	4,290
New loans issued	1,979	1,430
Interest on loans	623	597
Loan repayments	(2,576)	(2,419)
<b>At end of year</b>	<b>3,924</b>	<b>3,898</b>

**24 Other assets and prepayments**

		<b>GROUP</b>		<b>COMPANY</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
Uncleared effects		6,871	5,002	20	20
Off market loan adjustment		1,409	1,057	-	-
Trade receivables and prepayments		1,309	1,087	-	-
Due from related companies	42 (g)	860	408	-	-
Others		-	54	-	-
		<b>10,449</b>	<b>7,608</b>	<b>20</b>	<b>20</b>

The off-market adjustment relates to the prepaid benefit granted to staff, being the difference between the fair value of the loan and the initial cash outflow. The fair value of future cash flows is discounted at a market related rate. The asset represents the group's right to receive future service from employees.

**25 Investment in subsidiaries and other investments**

**25 (a) Investment in subsidiaries**

<b>Company</b>	<b>Company</b>			<b>2023</b>
	<b>Beneficial ownership</b>	<b>Country of Incorporation</b>	<b>2024</b>	
			<b>KShs Million</b>	<b>KShs Million</b>
Stanbic Bank Kenya Limited	100%	Kenya	18,010	18,010
SBG Securities Limited	100%	Kenya	166	166
Stanbic Bancassurance Intermediary Limited	100%	Kenya	42	42
Stanbic Kenya Foundation Limited*	100%	Kenya	-	-
			<b>18,218</b>	<b>18,218</b>

\*The Stanbic Kenya Foundation Limited is fully owned by Stanbic Bank Kenya Limited.

**Notes (continued)**

**25 Investment in subsidiaries and other investments (continued)**

**25 (a) Investment in subsidiaries (continued)**

All subsidiary entities are incorporated and domiciled in Kenya. The consolidated financial statements are available to the public and can be accessed on <http://www.stanbicbank.co.ke/kenya/About-Us/Investor-relations>.

The principal place of business for the subsidiaries is Stanbic Bank Centre, Chiromo Road.

There were no significant restrictions on the Group's ability to access the assets and settle liabilities of the subsidiaries. The total amount disclosed as investment in subsidiaries is a non-current asset.

**25 (b) Other investments**

	GROUP		COMPANY	
	2024	2023	2024	2023
	KShs Million	KShs Million	KShs Million	KShs Million
<b>Unquoted:</b>				
Equity investment at fair value through profit and loss default	18	18	-	-
<b>At 31 December</b>	<b>18</b>	<b>18</b>	<b>-</b>	<b>-</b>

The investment is in Anglo African Property Holding Limited where the Group holds a beneficial interest of 1%. The investment is unquoted and its carrying amount (cost) approximates its fair value.

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**Notes (continued)**

**26 Property and equipment**

**26 a) GROUP**

	Land and premises	Equipment, furniture & fittings	Motor vehicles	Work in progress	Total
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Year ended 31 December 2024</b>					
<b>Cost</b>					
<b>At 1 January 2024</b>	<b>385</b>	<b>5,720</b>	<b>122</b>	<b>30</b>	<b>6,257</b>
Additions	-	633	-	41	674
Disposals/retirement	-	(195)	(82)	-	(277)
Translation differences	-	(98)	(11)	-	(109)
Hyperinflation adjustment	-	44	-	-	44
<b>At 31 December 2024</b>	<b>385</b>	<b>6,104</b>	<b>29</b>	<b>71</b>	<b>6,589</b>
<b>Depreciation</b>					
<b>At 1 January 2024</b>	(190)	(3,889)	(100)	-	(4,179)
Depreciation for the year	(13)	(436)	(7)	-	(456)
Disposals/ Retirement	-	195	82	-	277
<b>At 31 December 2024</b>	<b>(203)</b>	<b>(4,130)</b>	<b>(25)</b>	<b>-</b>	<b>(4,358)</b>
<b>Carrying amount at 31 December 2024</b>	<b>182</b>	<b>1,974</b>	<b>4</b>	<b>71</b>	<b>2,231</b>



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**Notes (continued)**

**26 Property and equipment (continued)**

**26 a) GROUP**

	Land and premises	Equipment, furniture & fittings	Motor vehicles	Work in progress	Total
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Year ended 31 December 2023</b>					
<b>Cost</b>					
<b>At 1 January 2023</b>	<b>385</b>	<b>5,174</b>	<b>156</b>	<b>11</b>	<b>5,726</b>
Additions	-	588	7	20	615
Disposals/retirement	-	(7)	(39)	-	(46)
Foreign exchange revaluation		(35)	(2)	(1)	(38)
<b>At 31 December 2023</b>	<b>385</b>	<b>5,720</b>	<b>122</b>	<b>30</b>	<b>6,257</b>
<b>Depreciation</b>					
<b>At 1 January 2023</b>	<b>(177)</b>	<b>(3,519)</b>	<b>(129)</b>	<b>-</b>	<b>(3,825)</b>
Depreciation for the year	(13)	(377)	(10)	-	(400)
Disposals/ Retirement	-	7	39	-	46
<b>At 31 December 2023</b>	<b>(190)</b>	<b>(3,889)</b>	<b>(100)</b>	<b>-</b>	<b>(4,179)</b>
<b>Carrying amount at 31 December 2023</b>	<b>195</b>	<b>1,831</b>	<b>22</b>	<b>30</b>	<b>2,078</b>

**Notes (continued)**

**26 Property and equipment (continued)**

**26 (b) COMPANY**

	<b>Computer Equipment</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
	<b>Million</b>	<b>Million</b>
<b>Cost</b>		
At 1 January	2	2
<b>At 31 December</b>	<b>2</b>	<b>2</b>
<b>Depreciation</b>		
At 1 January	(2)	(2)
Charge for the year	-	-
<b>At 31 December</b>	<b>(2)</b>	<b>(2)</b>
<b>Carrying amount at 31 December</b>	<b>-</b>	<b>-</b>

The Group's work in progress is composed of refurbishments and equipment for branches and projects that had not been completed as at year end. The total amount disclosed as property and equipment is non-current.

As at 31 December 2024 and 31 December 2023, there were no items of property and equipment pledged by the Group and Company to secure liabilities. No items of property and equipment were obtained from borrowed funds hence no capitalization of borrowing costs.

**Revaluation of land and buildings**

The revaluation reserve in equity relates to the value of the Stanbic office in Chiromo at the point of merger between CFC Bank and Stanbic Bank in 2008. The fair value of the properties was determined using the market comparable method. This means that valuations performed by the valuer were based on active market prices, significantly adjusted for differences in the nature, location or condition of the specific property.

**27 Right-of-use leasehold land**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs</b>	<b>KShs</b>
	<b>Million</b>	<b>Million</b>
<b>Cost</b>		
At 1 January	85	85
<b>At 31 December</b>	<b>85</b>	<b>85</b>
<b>Amortisation</b>		
At 1 January	(52)	(49)
Charge for the year	(3)	(3)
<b>At 31 December</b>	<b>(55)</b>	<b>(52)</b>
<b>Carrying amount at 31 December</b>	<b>30</b>	<b>33</b>

This relates to land leased by the Group from the Government of Kenya for a lease term period of 99 years. The total amount disclosed as a lease liability in respect of this lease is non-current.

Notes (continued)

28 Other Intangible assets

GROUP

Year ended 31 December 2024

**Cost**

At 1 January 2024

Additions

Transfer from work in progress

Translation differences

**At 31 December 2024**

**Amortisation**

At 1 January 2024

Amortisation charge for the year

**At 31 December 2024**

**Carrying amount at 31 December 2024**

Year ended 31 December 2023

**Cost**

At 1 January 2023

Additions

Transfer from work in progress

**At 31 December 2023**

**Amortisation**

At 1 January 2023

Amortisation charge for the year

**At 31 December 2023**

**Carrying amount at 31 December 2023**

	Work in progress	Software	Other intangible assets	Total
	KShs Million	KShs Million	KShs Million	KShs Million
<b>Year ended 31 December 2024</b>				
<b>Cost</b>				
At 1 January 2024	196	3,857	1,126	5,179
Additions	-	505	-	505
Transfer from work in progress	(92)	92	-	-
Translation differences	-	(4)	-	(4)
<b>At 31 December 2024</b>	<b>104</b>	<b>4,450</b>	<b>1,126</b>	<b>5,680</b>
<b>Amortisation</b>				
At 1 January 2024	-	(3,313)	(1,126)	(4,439)
Amortisation charge for the year	-	(248)	-	(248)
<b>At 31 December 2024</b>	<b>-</b>	<b>(3,561)</b>	<b>(1,126)</b>	<b>(4,687)</b>
<b>Carrying amount at 31 December 2024</b>	<b>104</b>	<b>889</b>	<b>-</b>	<b>993</b>
<b>Year ended 31 December 2023</b>				
<b>Cost</b>				
At 1 January 2023	101	3,857	1,099	5,057
Additions	122	-	-	122
Transfer from work in progress	(27)	-	27	-
<b>At 31 December 2023</b>	<b>196</b>	<b>3,857</b>	<b>1,126</b>	<b>5,179</b>
<b>Amortisation</b>				
At 1 January 2023	-	(3,140)	(1,080)	(4,220)
Amortisation charge for the year	-	(173)	(46)	(219)
<b>At 31 December 2023</b>	<b>-</b>	<b>(3,313)</b>	<b>(1,126)</b>	<b>(4,439)</b>
<b>Carrying amount at 31 December 2023</b>	<b>196</b>	<b>544</b>	<b>-</b>	<b>740</b>

**Notes (continued)**

**28 Other Intangible assets (continued)**

The total amount disclosed as intangible assets is non-current and relates to computer software. Work in progress relates to computer software for upgrades and development of banking systems that had not been completed as at year end.

As at 31 December 2024, the intangible assets had an average remaining useful life of 3 years.

The intangible assets that arose from the business combination comprise of the following:

	<b>Cost</b>	<b>Useful life</b>
	<b>KShs Million</b>	<b>Years</b>
Trade names	260	15
Customer relationships	475	5 - 15
Others	364	2 - 5
	<b>1,099</b>	

**29 Intangible assets - goodwill**

	<b>Group</b>		<b>Company</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
<b>Cost</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>At 1 January and 31st December</b>	9,350	9,350	-	-

Goodwill arose from the merger between CfC Bank and Stanbic Bank in 2008.

Goodwill relating to Stanbic Holdings Plc was tested for impairment on 31 December 2024. The recoverable amount was determined to be the value in use. Unless indicated otherwise, the value in use in 2024 was determined in a manner consistent with that used in prior years. Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value in use.

The Group has conducted an analysis of the sensitivity of the impairment test to changes in the key assumptions used to determine the recoverable amount for each of the Group of Cash Generating Units (CGUs) to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of 'the Group' is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the related CGUs.

**(a) Future cash flows**

The forecast periods adopted reflect a set of cash flows that based on management judgement and expected market conditions could be sustainably generated over such a period. A five-year forecast was used as a basis for future cash flows, extrapolated in perpetuity to reflect the long-term plans for the entity, using a nominal growth rate of 8.12% (2023: 7.37%). These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter. Based on the testing performed, no impairment was identified.

**(b) Discount rate**

The pre-tax discount rate used was based on an assessment of the risks applicable to the Stanbic Holdings Plc. The cost of equity discount rate calculated for the forecast years was 22.77% per annum (2023: 21.73%). The cost of equity assigned to the cash-generating unit and used to discount its future cash flows can have a significant effect on its valuation. The cost of equity percentage is derived from an equity pricing model deemed appropriate based on the entity under review. The risk-free rate used to determine the cost of equity has been derived from the 10-year US Dollar government bonds adjusted for inflation differential and country risk yield.

**Notes (continued)**

**29 Intangible assets - goodwill (continued)**

Goodwill is allocated to the Group's cash-generating units (CGUs) according to operating segments. 95% of the goodwill has been allocated to the Corporate and Investment Banking CGU and the remaining 5% has been allocated to Business and Commercial Banking CGU.

**30 Right-of-use assets (buildings)**

**Year ended 31 December 2024**

	<b>Buildings</b>	<b>Branches</b>	<b>ATM Space</b>	<b>Others</b>	<b>Total</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>Cost</b>					
At start of year	314	1,873	95	220	2,502
Additions	38	62	19	37	156
Modifications	-	-	-	-	-
Translation difference	(10)	(120)	(2)	-	(132)
	<b>342</b>	<b>1,815</b>	<b>112</b>	<b>257</b>	<b>2,526</b>
<b>Depreciation</b>					
At start of year	218	1,210	74	142	1,644
Depreciation charge for the year	52	214	12	46	324
Translation difference	(10)	(121)	(4)	-	(135)
	<b>260</b>	<b>1,303</b>	<b>82</b>	<b>188</b>	<b>1,833</b>
At end of year	<b>82</b>	<b>512</b>	<b>30</b>	<b>69</b>	<b>693</b>

**Year ended 31 December 2023**

<b>Cost</b>					
At start of year	228	1,773	91	167	2,259
Additions	86	139	5	53	283
Modifications	-	5	-	-	5
Translation difference	-	(44)	(1)	-	(45)
	<b>314</b>	<b>1,873</b>	<b>95</b>	<b>220</b>	<b>2,502</b>
<b>Depreciation</b>					
At start of year	165	1,002	59	109	1,335
Depreciation charge for the year	53	235	15	33	336
Translation difference	-	(27)	-	-	(27)
	<b>218</b>	<b>1,210</b>	<b>74</b>	<b>142</b>	<b>1,644</b>
At end of year	<b>96</b>	<b>663</b>	<b>21</b>	<b>78</b>	<b>858</b>

The Group leases property for use as branches, offices, ATMs and parking spaces. The leases of offices and ATM spaces are typically for periods of between 2 and 30 years, with options to renew. None of the leases contains any restrictions or covenants other than the protective rights of the lessor or carries a residual value guarantee.

**Notes (continued)**

**31 Lease liabilities**

Non-current  
Current

<b>2024</b>	<b>2023</b>
<b>KShs Million</b>	<b>KShs Million</b>
497	571
215	436
<b>712</b>	<b>1,007</b>

Reconciliation of lease liabilities arising from financing activities:

**31 December 2024**

	<b>Buildings</b>	<b>Branches</b>	<b>ATM Space</b>	<b>Others</b>	<b>Total</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
At start of year	113	781	34	79	1,007
Additions	38	62	19	37	156
Interest charged to profit or loss	14	82	6	14	116
Foreign exchange (gain)/loss	5	39	43	-	87
Translation difference	(13)	(108)	(2)	-	(123)
Cash flows:					
- Operating activities (interest paid)	(14)	(82)	(6)	(14)	(116)
- Payments under leases	(101)	(258)	(13)	(43)	(415)
At end of year	<b>42</b>	<b>516</b>	<b>81</b>	<b>73</b>	<b>712</b>

**31 December 2023**

	<b>Buildings</b>	<b>Branches</b>	<b>ATM Space</b>	<b>Others</b>	<b>Total</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
At start of year	95	949	47	66	1,157
Additions	86	144	3	53	286
Interest charged to profit or loss	14	95	3	9	121
Foreign exchange (gain)/loss	-	(61)	(1)	-	(62)
Translation difference	-	102	-	-	102
Cash flows:					
- Operating activities (interest paid)	(14)	(95)	(3)	(9)	(121)
- Payments under leases	(68)	(353)	(15)	(40)	(476)
At end of year	<b>113</b>	<b>781</b>	<b>34</b>	<b>79</b>	<b>1,007</b>

Weighted average effective interest rates at the reporting date was:

<b>2024</b>	<b>2023</b>
<b>%</b>	<b>%</b>
15.60	18.12

Maturity analysis of lease liabilities is as follows:

Within 1 year  
From 1 year to 5 years  
More than 5 years

<b>Group</b>	<b>Group</b>
<b>2024</b>	<b>2023</b>
<b>KShs Million</b>	<b>KShs Million</b>
361	482
558	747
14	19
<b>933</b>	<b>1,248</b>

The maturity analysis disclosed refers to undiscounted amounts as required by IFRS 7.  
Lease liabilities do not face a significant liquidity risk and/or foreign currency risk.

**Notes (continued)**

**32 Ordinary share capital and share premium(Group and Company)**

**32 (a) Authorised share capital**

	<b>2024</b>		<b>2023</b>	
	<b>Number of shares</b>	<b>Share capital</b>	<b>Number of shares</b>	<b>Share capital</b>
	<b>(millions)</b>	<b>KShs Million</b>	<b>(millions)</b>	<b>KShs Million</b>
Balance as at 1 January and 31 December	<b>474</b>	<b>2,368</b>	<b>474</b>	<b>2,368</b>

**32 (b) Issued share capital**

	<b>2024</b>		<b>2023</b>	
	<b>Number of shares</b>	<b>Share capital</b>	<b>Number of shares</b>	<b>Share capital</b>
	<b>(millions)</b>	<b>KShs Million</b>	<b>(millions)</b>	<b>KShs Million</b>
Balance as at 1 January and 31 December	<b>395</b>	<b>1,977</b>	<b>395</b>	<b>1,977</b>
Unissued shares	<b>79</b>	<b>391</b>	<b>79</b>	<b>391</b>

**32 (c) Ordinary share premium**

	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
<b>At 1 January and 31 December</b>	<b>16,897</b>	<b>16,897</b>

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 general meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

**33 Derivative assets and derivative liabilities**

All derivatives are classified as fair value through profit or loss (FVTPL).

**33.1 Use and measurement of derivative instruments**

In the normal course of business, the Group enters into a variety of derivative transactions for trading purposes. Derivative financial instruments are entered into for trading purposes and for hedging foreign exchange, interest rate, inflation and for credit exposures. Derivative instruments used by the Group in both trading and hedging activities include swaps, options, forwards, futures and other similar types of instruments based on foreign exchange rates, credit risk, inflation risk, interest rates and the prices of equities.

The risks associated with derivative instruments are monitored in the same manner as for the underlying instruments. Risks are also measured across the product range in order to take into account possible correlations.

The fair value of all derivatives is recognised in the statement of financial position and is only netted to the extent that there is both a legal right of set-off and an intention to settle on a net basis, or the intention to realise the derivative asset and settle the derivative liability simultaneously.

Notes (continued)

**33 Derivative assets and derivative liabilities (continued)**

**33.1 Use and measurement of derivative instruments (continued)**

**Swaps** are transactions in which two parties exchange cash flows on a specified notional amount for a predetermined period.

The major types of swap transactions undertaken by the Bank are as follows:

**a) Interest rate swap** contracts which generally entail the contractual exchange of fixed and floating interest payments in a single currency, based on a notional amount and an interest reference rate.

**b) Options** are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (call option) or to sell (put option) by or at a set date, a specified amount of a financial instrument or commodity at a predetermined price. The seller receives a premium from the purchaser for this right. Options may be traded Over The Counter (OTC) or on a regulated exchange.

**c) Forwards and futures** are contractual obligations to buy or sell financial instruments on a future date at a specified price. Forward contracts are tailor-made agreements that are transacted between counterparties in the OTC market, whereas futures are standardised contracts transacted on regulated exchanges.

**33.2 Derivatives held-for-trading**

The Group transacts derivative contracts to address client demand both as a market maker in the wholesale markets and in structuring tailored derivatives for clients. The Group also takes proprietary positions for its own account. Trading derivative products include the following derivative instruments:

*30.2.1 Foreign exchange derivatives*

Foreign exchange derivatives are primarily used to economically address foreign currency risks on behalf of clients and for the bank's own positions. Foreign exchange derivatives primarily consist of foreign exchange forwards and swaps, foreign exchange futures and foreign exchange options.

*30.2.2 Interest rate derivatives*

Interest rate derivatives are primarily used to modify the volatility and interest rate characteristics of interest-earning assets and interest-bearing liabilities on behalf of clients and for the Group's own positions. Interest rate derivatives primarily consist of bond options, caps and floors, forwards, options, swaps and swap options.

**33.3 Day one profit or loss**

Where the fair value of an instrument differs from the transaction price, and the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument, or based on a valuation model whose variables include only data from observable markets, the difference, commonly referred to as day one profit or loss, is recognised in profit or loss immediately. If the fair value of the financial instrument cannot be evidenced by comparison with other observable current market transactions in the same instrument or non-observable market data is used as part of the input to the valuation models, any resulting difference between the transaction price and the valuation model is deferred and subsequently recognised in accordance with the Group's accounting policies (refer to accounting policy 2.6 – Financial instruments).



**Notes (continued)**

**33.4 Fair values**

The fair value of a derivative financial instrument represents, for quoted instruments in an active market, the quoted market price and, for an unquoted instrument, the present value of the positive and/or negative cash flows which would have occurred if the rights and obligations arising from that instrument were closed out in an orderly marketplace transaction at the reporting date.

**33.5 Notional amount**

The contract/notional amount is the sum of the absolute value of all bought and sold contracts. The notional amounts have been translated at the closing exchange rate at the reporting date where cash flows are receivable in foreign currency. The amount cannot be used to assess the market risk associated with the positions held and should be used only as a means of assessing the Group's participation in derivative contracts.

Notes (continued)

33 Derivative assets and derivative liabilities (continued)

33.5 Notional amount (continued)

	GROUP					
	2024			2023		
	Fair values			Fair values		
	Notional contract amount	Assets	Liabilities	Notional contract amount	Assets	Liabilities
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Foreign exchange derivatives</b>						
Currency forwards	7,186	779	983	6,473	312	104
Currency swaps	32,651	1,184	1,297	81,851	1,578	1,620
Currency options	7,137	62	106	2,565	100	147
<b>Total over-the-counter derivatives</b>	<b>46,974</b>	<b>2,025</b>	<b>2,386</b>	<b>90,889</b>	<b>1,990</b>	<b>1,871</b>
<b>Interest rate derivatives</b>						
Cross currency interest rate swaps	2,510	70	360	2,411	260	699
<b>Total over-the-counter derivatives</b>	<b>2,510</b>	<b>70</b>	<b>360</b>	<b>2,411</b>	<b>260</b>	<b>699</b>
<b>Total derivative assets held for trading</b>	<b>49,484</b>	<b>2,095</b>	<b>2,746</b>	<b>93,300</b>	<b>2,250</b>	<b>2,570</b>
Current	46,974	1,962	2,338	90,887	2,075	2,044
Non-current	2,510	133	408	2,413	175	526
<b>Total</b>	<b>49,484</b>	<b>2,095</b>	<b>2,746</b>	<b>93,300</b>	<b>2,250</b>	<b>2,570</b>

**Notes (continued)**

**34 Deposits and current accounts from banks and customers**

**34 (a) Deposits from banks**

		<b>GROUP</b>	
	<b>Note</b>	<b>2024</b> <b>KShs Million</b>	<b>2023</b> <b>KShs Million</b>
Deposits from banks		12,179	12,972
Deposits due to Group banks	42 (b)	8,640	13,032
<b>Total deposits from banks</b>		<b>20,819</b>	<b>26,004</b>

**Maturity analysis of deposits from banks**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

		<b>GROUP</b>	
		<b>2024</b> <b>KShs Million</b>	<b>2023</b> <b>KShs Million</b>
Repayable on demand		5,423	2,668
Maturing within 1 month		7,417	11,404
Maturing after 1 month but within 6 months		515	869
Maturing after 6 months but within 12 months		117	32
Maturing after 12 months		7,347	11,031
		<b>20,819</b>	<b>26,004</b>

Included in balances due to group companies are borrowings of KShs. 8,085,264,278 (2023: KShs.10,185,211,000). The weighted average interest rate for these borrowings is 6.71% (2023: 6.77%).

**34 (b) Deposits from customers**

		<b>GROUP</b>	
		<b>2024</b> <b>KShs Million</b>	<b>2023</b> <b>KShs Million</b>
Current accounts		176,711	170,757
Call deposits		15,916	24,460
Savings accounts		76,649	74,150
Term deposits		38,557	50,986
LC acceptances		10,360	881
<b>Total deposits from customers</b>		<b>318,193</b>	<b>321,234</b>
<b>Total deposits from banks and customers</b>		<b>339,012</b>	<b>347,238</b>

**Maturity analysis of deposits from customers**

The maturity analysis is based on the remaining periods to contractual maturity from year end.

Repayable on demand	242,185	192,147
Maturing within 1 month	52,092	100,373
Maturing after 1 month but within 6 months	13,356	9,336
Maturing after 6 months but within 12 months	4,430	6,740
Maturing after 12 months	6,130	12,638
	<b>318,193</b>	<b>321,234</b>

Deposit products include current accounts, savings accounts, call deposits and fixed deposits. The weighted average interest rate on customer deposits as at 31 December 2024 was 4.81% (2023: 4.28%).

**Notes (continued)**

**35 Borrowings**

**At 31 December 2024**

	<b>Notional value</b> <b>KShs Million</b>	<b>Carrying amounts</b> <b>KShs Million</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Maturity date</b>
Subordinated debt - USD 30M	3,875	3,902	9.21%	01-Mar-23	01-Mar-33
Subordinated debt - USD 20M	2,583	2,703	10.89%	25-Oct-24	25-Oct-34
Subordinated debt - USD 30M	3,875	3,877	9.97%	28-Sep-22	30-Sep-32
<b>Total</b>	<b>10,333</b>	<b>10,482</b>			

**At 31 December 2023**

	<b>Notional value</b> <b>KShs Million</b>	<b>Carrying amounts</b> <b>KShs Million</b>	<b>Interest Rate</b>	<b>Date of Issue</b>	<b>Maturity date</b>
Subordinated debt - USD 30M	4,705	4,742	9.18%	01-Mar-23	01-Mar-33
Subordinated debt - USD 20M	3,137	3,259	10.09%	25-Oct-24	25-Oct-34
Subordinated debt - USD 30M	4,705	4,712	9.86%	28-Sep-22	30-Sep-32
<b>Total</b>	<b>12,547</b>	<b>12,713</b>			

There were no charges placed on any of the Group's assets in relation to these borrowings. The borrowings are unsecured subordinated debt instruments.

The difference between the carrying and notional value represents, accrued interest and the unamortised issue costs.

Interest expense incurred in the above borrowings was KShs. 1,061,891,971 (2023: KShs 1,017,194,674). The weighted average effective interest rate on borrowings as at 31 December 2024 was 9.96% (2023: 9.45% ) on the back of higher SOFR rate Year on Year

The Group has not had any defaults of principal, interest or other breaches with regard to any borrowings during 2024 and 2023. The borrowings are payable on their maturity dates at the notional value.

Counterparties and covenants to the subordinated debt facilities are as follows:

- USD 30 million obtained from Standard Bank of South Africa in 2023. There are no covenants relating to this financing.
- USD 20 million obtained from the Deutsche Investitions- und Entwicklungsgesellschaft (DEG) in 2024. The Group has complied with all covenants throughout the reporting year.
- USD 30 million obtained from Standard Bank of South Africa in 2022. There are no covenants relating to this financing.

**Notes (continued)**

**35 Borrowings (continued)**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
<b>Reconciliation of liabilities arising from financing activities:</b>		
At start of year	12,713	10,141
Interest charged to profit or loss	1,062	1,084
Foreign exchange (gain)/ loss	(2,263)	2,452
Cash flows:		
- Operating activities (Interest paid)	(1,030)	(964)
At end of year	<b>10,482</b>	<b>12,713</b>

**Notes (continued)**

**36 Other liabilities and accrued expenses**

**36 (a) Other liabilities and accrued expenses**

	Note	Group		Company	
		2024	2023	2024	2023
		KShs Million	KShs Million	KShs Million	KShs Million
Accruals		3,346	3,816	30	38
Deferred bonus scheme	36 (b)	840	250	-	-
Unpresented bank drafts		70	70	-	-
Margin on guarantees and letters of credit		1,771	1,774	-	-
Items in transit		8	233	-	-
Due to group companies	42 (h)	1,044	1,002	-	-
Sundry creditors		2,999	3,701	234	118
Expected credit losses on off balance sheet items	43 (c)	62	93	-	-
		<b>10,140</b>	<b>10,939</b>	<b>264</b>	<b>156</b>

Sundry creditors relate to accounts payable, credits in transit, PAYE and VAT payables.

**36 (b) Share based payment schemes**

It is essential for the Group to retain key skills over the longer term. This is done particularly through share-based incentive plans. The purpose of these plans is to align the interests of the Group and employees, as well as to attract and retain skilled, competent people.

The Group has implemented schemes to defer a portion of incentive bonuses over a minimum threshold for key management and executives. This improves the alignment of shareholder and management interests by creating a closer linkage between risk and reward, and also facilitates retention of key employees.

All employees granted an annual performance award over a threshold have part of their award deferred. The award is indexed to Standard Bank Group's (SBG) share price and accrues notional dividends during the vesting period, which are payable on vesting. The awards vest in three equal amounts at 18 months, 30 months and 42 months from the date of award. The final pay-out is determined with reference to SBG's share price on vesting date.

The provision in respect of liabilities under the scheme amounts to KShs 840,004,730 at 31 December 2024 (2023: KShs 250,224,853) and the amount charged for the year was KShs 962,489,787 (2023: KShs 277,101,514).

**Notes (continued)**

**36 Other liabilities and accrued expenses (continued)**

**36 (b) Share based payment schemes (continued)**

<b>Scheme</b>	<b>2024 KShs Million</b>	<b>2023 KShs Million</b>
Cash Settled Deferred Bonus Scheme (CS DBS)	367	114
Deferred Bonus Scheme (DBS)	87	40
Performance Reward Plan (PRP)	269	48
Equity Growth Scheme (EGS)	2	12
Standard Bank Asset Manager Deferred Bonus Scheme (SARP)	115	36
	<b>840</b>	<b>250</b>

<b>Reconciliation</b>	<b>Units 2024</b>	<b>Units 2023</b>
Units outstanding at beginning of the year	67,837	53,408
Granted	46,427	40,597
Exercised	(33,810)	(24,639)
Lapsed	-	-
Transfers	4,713	(1,529)
<b>Units outstanding at end of the year</b>	<b>85,167</b>	<b>67,837</b>
Weighted average fair value at grant date (ZAR)*	165.94	161.99
Expected life (years)	2.51	2.51

\* South African Rand

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**Notes (continued)**

**37 Current income tax asset/ (liability)**

The current income tax payable and current income tax receivable have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off current tax.

The tax receivable/(payable) from the tax authorities in the jurisdictions of operations are highlighted below;

		<b>GROUP</b>	
		<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>
Kenya operations	37 (a)	1,461	(2,073)
Foreign operations	37 (b)	(20)	(119)
<b>As at 31 December</b>		<b>1,441</b>	<b>(2,192)</b>

**37 (a) Current income tax asset/ (liability)**

		<b>GROUP</b>		<b>COMPANY</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
At 1 January		(2,192)	(1,409)	13	10
Exchange difference on translation		91	-	-	-
Current income tax charge	16	(4,637)	(7,231)	(12)	-
Income tax paid		8,723	6,173	8	3
Prior year over-provision		(544)	327	-	-
Tax reallocation		-	(52)	-	-
		<b>1,441</b>	<b>(2,192)</b>	<b>9</b>	<b>13</b>
<b>Made up of:</b>					
Tax payable		(20)	(2,192)	-	-
Tax recoverable		1,461	-	9	13
		<b>1,441</b>	<b>(2,192)</b>	<b>9</b>	<b>13</b>

The Group and Company amount above relates to current income tax receivable/ (payable) from the Kenyan tax authority and South Sudan's National revenue authority, and is current.

**37 (b) Current income tax asset/ (liability)**

**Foreign operations**

		<b>GROUP</b>	
		<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>
As at 1 January		(119)	-
Current tax charge		(47)	(266)
Tax paid		68	131
Exchange difference on translation		91	-
Transfer to tax receivable/ (payable) account prior year	37 (a)	-	21
Prior year-provision		(13)	(5)
Transfer to tax payable/ (receivable) account	37 (a)	20	119
<b>As at 31 December</b>		<b>-</b>	<b>-</b>

The Group has operations in South Sudan. The amount above relates to current income tax payable/ (receivable) in South Sudan.



**Notes (continued)**

**38 Deferred income tax asset/ (liability)**

**38 (a) Deferred income tax asset/ (liability)**

The deferred tax liability and asset have been separately recognised as Kenya and South Sudan have no legal enforceable right to set off tax.

**Kenya operations**

		<b>GROUP</b>		<b>COMPANY</b>	
		<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>Note</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
At start of year		9,287	7,232	-	-
(Debit) /credit to statement of profit or loss	16	(81)	1,899	-	-
Credit to statement of profit or loss - Foreign operations	38 (b)	7	69	-	-
Credit/ debit to OCI		(207)	87	-	-
Exchange difference on translation		(63)	-	-	-
<b>At 31 December</b>		<b>8,943</b>	<b>9,287</b>	<b>-</b>	<b>-</b>

Deferred income tax assets and liabilities and deferred income tax (credit)/charge in the statement of profit or loss and other comprehensive income (OCI) are attributable to the following items:

	<b>01.01.2024</b>	<b>(Credited)/ charged to statement of profit or loss</b>	<b>Charge to SOCI</b>	<b>Translation difference</b>	<b>31.12.2024</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>Year ended 31 December 2023</b>					
<b>Arising from:</b>					
Property and equipment	1,095	(82)	-	-	1,013
Unrealised gain on bonds- FVOCI	(15)	-	(207)	-	(222)
Unrealised gain on bonds- FVTPL	226	(337)	-	-	(111)
Right-of-use assets	155	(180)	-	-	(25)
Impairment charges on loans and advances	6,351	193	-	-	6,544
Other provisions	1,464	325	-	-	1,789
Group intangible assets	(70)	-	-	-	(70)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	(9)	-	-	(63)	(72)
South Sudan deferred tax asset	98	7	-	-	105
<b>Net deferred asset</b>	<b>9,287</b>	<b>(74)</b>	<b>(207)</b>	<b>(63)</b>	<b>8,943</b>

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**Notes (continued)**

**38 Deferred income tax asset/ (liability)**

**38 (a) Deferred income tax asset/ (liability) (continued)**

	01.01.2023	(Charge)/ Credited to statement of profit or loss	Charge to SOI	Translation movement	31.12.2023
Year ended 31 December 2022	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Arising from:</b>					
Property and equipment	545	550	-	-	1,095
Unrealised gain on bonds- FVOCI	33	(48)	-	-	(15)
Unrealised gain on bonds- FVTPL	(40)	266	-	-	226
Right-of-use assets	30	125	-	-	155
Impairment charges on loans and advances	4,966	1,385	-	-	6,351
Other provisions	1,760	(296)	-	-	1,464
Group intangible assets	(76)	6	-	-	(70)
Unrealised gain on South Sudan paid up capital	(8)	-	-	-	(8)
Exchange difference on translation	(7)	-	-	(2)	(9)
South Sudan deferred tax asset	29	69	-	-	98
<b>Net deferred asset</b>	<b>7,232</b>	<b>2,057</b>	<b>-</b>	<b>(2)</b>	<b>9,287</b>

The total amount disclosed as deferred income tax asset is non-current.

Notes (continued)

38 Deferred income tax asset/ (liability)

38 (b) Deferred income tax asset/ (liability)

Foreign operations

	Note	GROUP	
		2024 KShs Million	2023 KShs Million
At start of year		81	14
Credit to statement of profit or loss	16	7	69
Exchange difference on translation		(63)	(2)
<b>At end of year</b>		<b>25</b>	<b>81</b>

The total amount disclosed as deferred income tax liability is a non-current liability.

	GROUP			
	01.01.2024	(Credited)/ charged to statement of profit or loss	Translation difference	31.12.2024
<b>Year ended 31 December 2024</b>				
<b>Arising from:</b>				
Property and equipment	3	(13)	-	(10)
Impact of Hyperinflation on Fixed Assets	-	16	-	16
Effect of tax rate change	3	(3)	-	-
Exchange difference on translation	(4)	-	(63)	(67)
Other provisions	69	37	-	106
Right-of-use assets	10	(30)	-	(20)
<b>Net deferred income tax asset</b>	<b>81</b>	<b>7</b>	<b>(63)</b>	<b>25</b>

	GROUP			
	01.01.2023	(Credited)/ charged to statement of profit or loss	Credited to OCI	31.12.2023
<b>Year ended 31 December 2023</b>				
<b>Arising from:</b>				
Property and equipment	1	2	-	3
Effect of tax rate change	3		-	3
Exchange difference on translation	(2)		(2)	(4)
Other provisions	18	51	-	69
Right-of-use assets	(6)	16	-	10
<b>Net deferred income tax liability</b>	<b>14</b>	<b>69</b>	<b>(2)</b>	<b>81</b>

**Notes (continued)**

**39 Notes to the cash flow statement**

**39 (a) Reconciliation of profit before income tax to net cash generated from operating activities**

	Note	Group		Company	
		2024	2023*	2024	2023*
		KShs Million	KShs Million	KShs Million	KShs Million
Net profit before income tax		18,971	17,094	6,184	5,561
Adjusted for:					
Depreciation - property and equipment	26	456	400	-	-
Interest income		(48,165)	(36,277)	-	-
Interest expense		22,766	12,896	-	-
Credit impairment losses excluding recoveries*		3,536	7,324	-	-
Amortisation of intangible assets	28	248	219	-	-
Amortisation of ROU assets - leasehold land/prepaid operating lease	27	3	3	-	-
Depreciation on right-of use assets (buildings)	30	324	336	-	-
Change in fair value of derivatives		331	892	-	-
Interest charged on borrowings	35	1,062	1,084	-	-
Gain on disposal of property and equipment		(24)	(15)	-	-
<b>Cash flows from operating activities</b>		<b>(492)</b>	<b>3,956</b>	<b>6,184</b>	<b>5,561</b>

\*Comparative figures are reclassified. Refer to note 2.24

The company profit before tax includes dividends received amounting to KShs 6,352,000,000 (2023: KShs. 5,654,000,000).

**39 (b) Analysis of balances of cash and cash equivalents as shown in the statement of cash flows**

	Group		Company	
	2024	2023	2024	2023
	KShs Million	KShs Million	KShs Million	KShs Million
Unrestricted cash and balances with CBK	11,917	12,244	-	-
Treasury bills	52	12,198	-	-
Loans and advances to banks	62,086	91,647	159	216
Amounts due to other banks	(12,979)	(14,045)	-	-
<b>Cash and cash equivalents at the end of the year</b>	<b>61,076</b>	<b>102,044</b>	<b>159</b>	<b>216</b>

For the purposes of the statement of cash flows, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advances. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

**Notes (continued)**

**40 Classification of assets and liabilities**

**Accounting classifications and fair values of assets and liabilities**

The table below categorises the Group's assets and liabilities as at 31 December 2024 between those that are financial and non-financial.

All financial assets and liabilities have been classified according to their measurement category with disclosure and their fair value

	Fair value through profit or loss - default	Fair value through profit or loss - designated	Amortised cost	Fair value through OCI	Other non- financial assets/liabilities	Total carrying amount	Fair value
Year ended 31 December 2024	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Assets</b>							
Cash and balances with Central Bank of Kenya	18,955	-	5,722	-	-	24,677	24,677
Financial assets – held for trading	54,649	-	-	-	-	54,649	54,649
Financial assets – FVOCI	-	-	-	15,462	-	15,462	15,462
Financial assets – amortised cost	-	-	29,079	-	-	29,079	19,197
Derivative assets	2,095	-	-	-	-	2,095	2,095
Loans and advances to banks	-	-	64,486	-	-	64,486	49,456
Loans and advances to customers	-	-	230,218	-	-	230,218	217,141
Other financial assets	-	-	8,239	-	-	8,239	8,239
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	25,911	25,911	-
	<b>75,717</b>	<b>-</b>	<b>337,744</b>	<b>15,462</b>	<b>25,911</b>	<b>454,834</b>	<b>390,934</b>
<b>Liabilities</b>							
Deposits from customers	-	-	(318,193)	-	-	(318,193)	(267,857)
Deposits from banks	-	-	(20,819)	-	-	(20,819)	(15,527)
Derivative liabilities	(2,746)	-	-	-	-	(2,746)	(2,746)
Trading liabilities	(16,322)	-	-	-	-	(16,322)	(16,322)
Borrowings	-	-	(10,482)	-	-	(10,482)	(9,571)
Other financial liabilities	-	-	(7,568)	-	-	(7,568)	(7,568)
Other non - financial liabilities	-	-	-	-	(3,304)	(3,304)	-
	<b>(19,068)</b>	<b>-</b>	<b>(357,062)</b>	<b>-</b>	<b>(3,304)</b>	<b>(379,434)</b>	<b>(319,591)</b>

**Notes (continued)**

**40 Classification of assets and liabilities (continued)**

**Accounting classifications and fair values of assets and liabilities (continued)**

	Fair value through profit or loss - default	Fair value through profit or loss - designated	Amortised cost	Fair value through OCI	Other non-financial assets/liabilities	Total carrying amount	Fair value
Year ended 31 December 2023	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
<b>Assets</b>							
Cash and balances with Central Bank of Kenya	21,077	-	4,426	-	-	25,503	25,503
Financial assets – held for trading	2,898	-	-	-	-	2,898	2,898
Financial assets – FVOCI	-	-	-	19,892	-	19,892	19,892
Financial assets – amortised cost	-	-	22,555	-	-	22,555	14,455
Derivative assets	2,250	-	-	-	-	2,250	2,250
Loans and advances to banks	-	-	95,705	-	-	95,705	65,954
Loans and advances to customers	-	-	260,509	-	-	260,509	215,576
Other financial assets	-	-	5,906	-	-	5,906	5,906
Investment securities	18	-	-	-	-	18	18
Other non - financial assets	-	-	-	-	24,048	24,048	-
	<b>26,243</b>	<b>-</b>	<b>389,101</b>	<b>19,892</b>	<b>24,048</b>	<b>459,284</b>	<b>352,452</b>
<b>Liabilities</b>							
Deposits from customers	-	-	(321,234)	-	-	(321,234)	(258,966)
Deposits from banks	-	-	(26,004)	-	-	(26,004)	(19,161)
Derivative liabilities	(2,570)	-	-	-	-	(2,570)	(2,570)
Trading liabilities	(14,071)	-	-	-	-	(14,071)	(14,071)
Borrowings	-	-	(12,713)	-	-	(12,713)	(8,255)
Other financial liabilities	-	-	(8,110)	-	-	(8,110)	(8,110)
Other non - financial liabilities	-	-	-	-	(6,028)	(6,028)	-
	<b>(16,641)</b>	<b>-</b>	<b>(368,061)</b>	<b>-</b>	<b>(6,028)</b>	<b>(390,730)</b>	<b>(311,133)</b>

**Notes (continued)**

**41 Fair value of financial instruments**

**Valuation process**

All financial instruments carried at fair value, regardless of classification, are marked to market using models that have been validated independently by the Group's model validation unit and approved by the market risk methodologies committee. This control applies to both off-the-shelf models as well as those developed internally by the Group. Further, all inputs into the valuation models are subject to independent price validation procedures carried out by the market risk unit. Such price validation is performed on at least a monthly basis and daily where possible given the liquidity of the underlying price inputs. Less liquid risk drivers, which are typically used to mark level 3 assets and liabilities to market, are carefully validated and tabled at the monthly price validation forum to ensure these are reasonable and used consistently. Sensitivities arising from exposures to such drivers are similarly scrutinised, together with movements in level 3 fair values. They are also disclosed monthly to the market risk committee and ALCO.

**Level hierarchy**

The table that follows analyses financial instruments carried at fair value, by level of fair value hierarchy. The different levels are based on the extent that available market data is used in the calculation of the fair value of the financial instruments. The levels have been defined as follows:

**Level 1** – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

**Level 2** – fair value is determined through valuation techniques based on observable inputs, either directly, such as quoted prices, or indirectly, such as derived from quoted prices. This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

**Level 3** – fair value is determined through valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the assets and liabilities.

**Significant unobservable inputs**

The fair value of level 3 assets and liabilities is determined using valuation techniques that include reference to recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants. However, such techniques typically have unobservable inputs that are subject to management judgement. These inputs include credit spreads on illiquid issuers, implied volatilities on thinly traded stocks, correlation between risk factors, prepayment rates and other illiquid risk drivers. Exposure to such illiquid risk drivers is typically managed by:

- using bid-offer spreads that are reflective of the relatively low liquidity of the underlying risk driver
- raising day one profit provisions in accordance with IFRS Accounting Standards
- quantifying and reporting the sensitivity to each risk driver
- limiting exposure to such risk drivers and analysing this exposure on a regular basis

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**Notes (continued)**

**41 (a) Financial instruments measured at fair value**

The table below analyses financial instruments carried at fair value, by level of fair value hierarchy:

**Financial instruments measured at fair value on a recurring basis**

<b>At 31 December 2024</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
		<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
<b>Assets</b>					
Cash and balances with Central Banks (minimum regulatory reserve)		18,955	-	-	18,955
Financial assets – FVTPL	20 (a)	-	54,649	-	54,649
Financial assets – FVOCI	21	-	15,462	-	15,462
Equity investments	25 (b)	-	-	18	18
Derivative assets	33	-	2,095	-	2,095
		<b>18,955</b>	<b>72,206</b>	<b>18</b>	<b>91,179</b>
<b>Liabilities</b>					
Financial liabilities – FVTPL	20 (b)	-	16,322	-	16,322
Derivative liabilities	33	-	2,746	-	2,746
		<b>-</b>	<b>19,068</b>	<b>-</b>	<b>19,068</b>
<b>At 31 December 2023</b>					
<b>Assets</b>					
Cash and balances with Central Bank of Kenya (minimum regulatory reserve)		21,077	-	-	21,077
Financial assets – FVTPL	20 (a)	-	2,898	-	2,898
Financial assets – FVOCI	21	-	19,892	-	19,892
Equity investments	25(b)	-	-	18	18
Derivative assets	33	-	2,250	-	2,250
		<b>21,077</b>	<b>25,040</b>	<b>18</b>	<b>46,135</b>
<b>Liabilities</b>					
Financial liabilities – FVTPL	20 (b)	-	14,071	-	14,071
Derivative liabilities	33	-	2,570	-	2,570
		<b>-</b>	<b>16,641</b>	<b>-</b>	<b>16,641</b>

There were no transfers between levels in 2024 and 2023.

*Financial instruments in level 1*

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily of cash and subordinated debt listed on the Nairobi Securities Exchange (NSE).

**Sensitivity of fair value of level 2 financial instruments**

The fair value of level 2 financial instruments is determined using valuation techniques which incorporate assumptions that are not supported by prices from observable current market transactions in the same instruments and are not based on available observable market data. Such assumptions include risk premiums, liquidity discount rates, credit risk, volatilities and correlations. Changes in these assumptions could affect the reported fair values of these financial instruments.



**Notes (continued)**

**41 Fair value of financial instruments (continued)**

**41 (a) Financial instruments measured at fair value (continued)**

**Level 2 financial assets and financial liabilities**

	<b>Valuation basis/technique</b>	<b>Main assumptions<sup>1</sup></b>
Derivative instruments	Discounted cash flow model Black-Scholes model Multiple valuation technique	Discount rate Risk-free rate, volatility rate Valuation multiples
Financial assets – (FVTPL)	Discounted cash flow model Black-Scholes model	Discount rate, liquidity discount rate Risk-free rate, volatility rate
Financial assets -FVOCI	Discounted cash flow model Multiple valuation technique Quoted exit price adjusted for notice period	Discount rate, liquidity discount rate Valuation multiples Discount rate
Loans and advances to customers	Discounted cash flow model	Discount rate, liquidity discount rate
Financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from Banks	Discounted cash flow model	Discount rate, liquidity discount rate
Deposits from customers	Discounted cash flow model	Discount rate, liquidity discount rate
Other financial liabilities	Discounted cash flow model	Discount rate, liquidity discount rate
Cash with Central Bank of Kenya	Prevailing exchange rate	Exchange rate
Investment in equities	Sale price	Discount rate

<sup>1</sup>The main assumptions for all instruments include applicable credit spreads.

**Notes (continued)**

**41 Fair value of financial instruments (continued)**

**41 (b) Financial instruments not measured at fair value**

**Financial assets and Financial liabilities**

Assets and liabilities not measured at fair value for which fair value is disclosed is as shown in the table below:

	Level 1	Level 2	Level 3	Fair value	Carrying amount
<b>At 31 December 2024</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs '000</b>	<b>KShs Million</b>
<b>Assets</b>					
Cash and balances with the Central Bank of Kenya	5,722	-	-	5,722	5,722
Loans and advances to banks	-	-	49,456	49,456	64,486
Loans and advances to customers	-	-	217,141	217,141	230,218
Financial assets - amortised cost	-	19,197	-	19,197	29,079
Other assets	-	-	8,239	8,239	8,239
	<b>5,722</b>	<b>19,197</b>	<b>274,836</b>	<b>299,755</b>	<b>337,744</b>
<b>Liabilities</b>					
Deposits from banks	-	-	(15,527)	(15,527)	(20,819)
Deposits from customers	-	-	(267,857)	(267,857)	(318,193)
Borrowings	-	-	(9,571)	(9,571)	(10,482)
Other liabilities	-	-	(7,568)	(7,568)	(7,568)
	<b>-</b>	<b>-</b>	<b>(300,523)</b>	<b>(300,523)</b>	<b>(357,062)</b>

**At 31 December 2023**

<b>Assets</b>					
Cash and balances with the Central Bank of Kenya	4,426	-	-	4,426	4,426
Loans and advances to banks	-	-	65,954	65,954	95,705
Loans and advances to customers	-	-	215,576	215,576	260,509
Financial assets - amortised cost	-	14,455	-	14,455	22,555
Other investments	-	-	-	-	-
Other assets	-	-	5,906	5,906	5,906
	<b>4,426</b>	<b>14,455</b>	<b>287,436</b>	<b>306,317</b>	<b>389,101</b>
<b>Liabilities</b>					
Deposits from banks	-	-	(19,161)	(19,161)	(26,004)
Deposits from customers	-	-	(258,966)	(258,966)	(321,234)
Borrowings	-	-	(8,255)	(8,255)	(12,713)
Other liabilities	-	-	(8,110)	(8,110)	(8,110)
	<b>-</b>	<b>-</b>	<b>(294,492)</b>	<b>(294,492)</b>	<b>(368,061)</b>

**Notes (continued)**

**41 Fair value of financial instruments (continued)**

**41 (b) Financial instruments not measured at fair value (continued)**

**The valuation techniques used in determining the fair value of financial assets and liabilities classified within level 2 and level 3.**

The table below indicates the valuation techniques and main assumptions used in the determination of the fair value of the level 2 and level 3 assets and liabilities not measured at fair value but for which fair value is disclosed in table 41 (b) above:

<b>2024</b>	<b>Valuation basis/technique</b>	<b>Main assumptions</b>
Loans and advances to Banks Loans and advances to Customers Deposits from banks Customer deposits Borrowings Other financial assets and liabilities	Discounted cash flow model	Discount rate, liquidity discount rate

**42 Related party transactions**

Stanbic Holdings Plc is a subsidiary of Stanbic Africa Holdings Limited (SAHL), incorporated in the United Kingdom. The ultimate parent of SAHL is Standard Bank Group Limited, which is incorporated in South Africa.

There are other companies which are related to Stanbic Holdings Plc through common shareholdings or common directorships.

In the normal course of business, nostro and vostro accounts are operated and placings of both foreign and local currencies are made with the parent company and other group companies at interest rates in line with the market. The relevant balances are as shown below;

For the year ended 31 December 2024, the Group made nil provision for doubtful debts relating to long outstanding amounts owed by related parties (2023: KShs 13,884,000) as indicated on Note 42 (g).

**Notes (continued)**

**Related party transactions (continued)**

**42 (a) Loans due from group banks**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
Stanbic Bank Kenya Limited	-	-	159	216
Stanbic Bank Uganda Limited	1,239	886	-	-
Stanbic Bank Tanzania Limited	134	131	-	-
Standard Bank of South Africa Limited	15,770	9,727	-	-
Standard Bank Isle of Man Limited	42,278	79,834	-	-
	<b>59,421</b>	<b>90,578</b>	<b>159</b>	<b>216</b>
<b>Interest income earned on the above is:</b>	<b>5,429</b>	<b>2,496</b>	<b>25</b>	<b>16</b>

**42 (b) Deposits due to group banks**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Standard Bank of South Africa Limited	1,246	2,128
Stanbic Bank Uganda Limited	316	636
Stanbic Bank Zambia Limited	-	2
Stanbic Bank Zimbabwe Limited	1	1
Stanbic Bank Botswana Limited	3	5
Standard Bank (Mauritius) Limited	6	1
Standard Bank Isle of Man Limited	7,026	10,185
Stanbic Bank Tanzania Limited	42	74
	<b>8,640</b>	<b>13,032</b>
<b>Interest expense incurred on the above is:</b>	<b>644</b>	<b>903</b>

The weighted average effective interest rate on loans and advances to group companies as at 31 December 2024 was 6.13% (2023: 5.49%) and on amounts due to group companies was 2.91% (2023: 2.09%).

**Notes (continued)**

**42 Related party transactions (continued)**

**42 (c) Deposits due to group companies (non-bank)**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
The Heritage Insurance Company Limited	255	164
Stanbic Africa Holdings Limited	9	9
Liberty Life Assurance Kenya Ltd	280	480
Liberty Kenya Holdings Limited	3	19
	<b>547</b>	<b>672</b>

**42 (d) Key management compensation**

Key management personnel include: the members of the Stanbic Holdings Plc Board of Directors and prescribed officers effective for 2024 and 2023. Non-executive directors are included in the definition of key management personnel as required by IAS 24 Related Party Disclosures. The definition of key management includes the close family members of key management personnel and any entity over which key management exercise control or joint control. Close members of family are those family members who may be expected to influence, or be influenced by that person in their dealings with the Group. They include the person's domestic partner and children, the children of the person's domestic partner, and dependants of the person or the person's domestic partner.

Key management have transacted with the Group as indicated in note 42 (e) and 42 (f);

**42 (e) Loans and advances**

Included in loans and advances are amounts advanced to certain companies in which directors are involved either as shareholders or directors (associated companies). In addition, there are contingent liabilities including guarantees and letters of credit, which have been issued to associated companies. The balances as at 31 December 2024 and 31 December 2023 are as shown below:

**Loans and advances to key management**

The aggregate amount of loans to directors, affiliates and their families on the statement of financial position is Kshs nil (2023: KShs nil).

No specific credit impairments have been recognised in respect of loans granted to key management (2023: KShs nil). The mortgage loans and, vehicle and asset finance are secured by the underlying assets. All other loans are unsecured.

**42 (f) Key management compensation**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
Fees for services as a director	156	150	8	8
Salaries and other short-term employment benefits	210	140	60	60
Post-employment pension	8	11	8	6
Share-based payments	116	17	17	17
	<b>490</b>	<b>318</b>	<b>93</b>	<b>91</b>

**Notes (continued)**

**42 Related party transactions (continued)**

**42 (g) Amounts due from related companies**

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Standard Bank Jersey Limited	3	7
Stanbic Bank Uganda Limited	57	-
Standard Bank of South Africa Limited	793	388
Standard Bank Malawi Limited	1	1
Stanbic Uganda Holdings Limited	6	12
Standard Bank de Angola S.A.	-	14
	<b>860</b>	<b>422</b>
Provisions on regional costs balances	-	(14)
	<b>860</b>	<b>408</b>

**Movement analysis**

**At 1 January**

	422	456
Additions	1,900	1,355
Receipts	(1,462)	(1,092)
Write-off	-	(297)

**Closing Balance**

	<b>860</b>	<b>422</b>
Provisions on regional costs balances	-	(14)

**At 31 December**

	<b>860</b>	<b>408</b>
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**42 (h) Other payables due to related companies**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2024</b>	<b>2023</b>	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>	<b>KShs Million</b>
Standard Bank of South Africa Limited	1,033	981	-	-
Stanbic Bank Uganda Limited	11	20	-	-
Standard Bank Malawi Limited	-	1	-	-
	<b>1,044</b>	<b>1,002</b>	<b>-</b>	<b>-</b>

There is no interest accruing for these outstanding liabilities.

**42 (i) Related party expenses**

The Group incurred the following related party expenses payable to Standard Bank of South Africa:

	<b>GROUP</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Franchise fees	1,148	1,221
Information technology	687	763
Other operating costs	345	352
	<b>2,180</b>	<b>2,336</b>

**Notes (continued)**

**43 Contingent liabilities - Group**

**GROUP**

**Commitments were with respect to:**

Letters of credit and acceptances  
Guarantees  
Unutilised facilities

<b>2024</b>	<b>2023</b>
<b>KShs Million</b>	<b>KShs Million</b>
3,481	30,976
76,362	65,303
19,346	16,794
<b>99,189</b>	<b>113,073</b>

**Contingent liabilities - maturity analysis**

<b>31 December 2024</b>	<b>Redeemable on demand</b>	<b>Maturing within 1 month</b>	<b>Maturing after 1 month but within 6 months</b>	<b>Maturing after 6 months but within 12 months</b>	<b>Maturing after 12 months but within 5 years</b>	<b>Maturing after 5 years</b>	<b>Total carrying value</b>
Letters of credit and acceptances	4	49	3,376	52	-	-	3,481
Guarantees	4	951	22,539	29,407	23,405	56	76,362
Unutilised facilities	152	1,548	4,568	13,078	-	-	19,346
<b>31 December 2023</b>							
Letters of credit and acceptances	-	247	30,729	-	-	-	30,976
Guarantees	204	3,819	13,121	27,182	20,591	386	65,303
Unutilised facilities	-	994	2,608	13,192	-	-	16,794

**43 (a) Nature of contingent liabilities**

Letters of credit commit the Group to make payments to third parties, on production of documents, which are subsequently reimbursed by the customers.

Guarantees are generally written by a Group to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of customers' default.

An acceptance is an undertaking by the Group to pay a bill of exchange drawn on a customer. The Group expects most of the acceptances to be presented, and to be reimbursed by the customer almost immediately.

**Notes (continued)**

**43 Contingent liabilities - Group (continued)**

**43 (b) Segmental analysis of off-balance sheet liabilities**

	<b>2024</b>		<b>2023</b>	
	<b>KShs Million</b>	<b>%</b>	<b>KShs Million</b>	<b>%</b>
Agriculture	972	0.98%	3,090	2.73%
Manufacturing	4,358	4.39%	3,500	3.10%
Construction	25,067	25.27%	23,976	21.20%
Energy	165	0.17%	130	0.11%
Transport and communication	2,981	3.01%	2,134	1.89%
Distribution/wholesale	23,862	24.06%	34,119	30.17%
Financial Services	40,476	40.81%	45,303	40.07%
Tourism	-	0.00%	-	0.00%
Other activities and social service	1,308	1.31%	821	0.73%
	<b>99,189</b>	<b>100.00%</b>	<b>113,073</b>	<b>100.00%</b>



Notes (continued)

43 Contingent liabilities - Group (continued)

43 (c) Reconciliation of expected credit losses for off balance sheet facilities measured at amortised cost (KShs Million)

The off balance sheet facilities are classified based on their credit quality as determined using the Bank's internal credit rating and scoring models.

	Opening ECL 1 January 2024	Total transfers between stages	Income statement movements			Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2024
			ECL on new exposure raised	Derecognition	Subsequent changes in ECL				
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Off balance sheet</b>	<b>88</b>	<b>1</b>	<b>18</b>	<b>(31)</b>	<b>(19)</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>57</b>
<b>Stage 1</b>	<b>88</b>	<b>1</b>	<b>18</b>	<b>(31)</b>	<b>(19)</b>	<b>(32)</b>	<b>-</b>	<b>-</b>	<b>57</b>
Letters of credit	21	-	2	(20)	(1)	(19)	-	-	2
Guarantees	67	1	16	(11)	(18)	(13)	-	-	55
<b>Stage 2</b>	<b>5</b>	<b>(1)</b>	<b>3</b>	<b>(2)</b>	<b>(7)</b>	<b>(6)</b>	<b>-</b>	<b>7</b>	<b>5</b>
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	5	(1)	3	(2)	(7)	(6)	-	7	5
<b>Stage 3</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	-	-	-	-	-	-	-	-	-
<b>Total ECL</b>	<b>93</b>	<b>-</b>	<b>21</b>	<b>(33)</b>	<b>(26)</b>	<b>(38)</b>	<b>-</b>	<b>7</b>	<b>62</b>

Notes (continued)

43 Contingent liabilities - Group (continued)

43 (c ) Reconciliation of expected credit losses for off balance sheet facilities measured at amortised cost (KShs Million)

	Opening ECL 1 January 2023	Total transfers between stages	Income statement movements			Net ECL raised/ (released)	Impairment accounts written-off	Exchange and other movements	Closing ECL 31 December 2023
			ECL on new exposure raised	Derecognition	Subsequent changes in ECL				
	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs	KShs
<b>Off balance sheet</b>	<b>95</b>	<b>(1)</b>	<b>36</b>	<b>(37)</b>	<b>(5)</b>	<b>(6)</b>	<b>-</b>	<b>-</b>	<b>88</b>
<b>Stage 1</b>									
Letters of credit	17	-	20	(16)	-	4	-	-	21
Guarantees	78	(1)	16	(21)	(5)	(10)	-	-	67
<b>Stage 2</b>	<b>21</b>	<b>1</b>	<b>-</b>	<b>(16)</b>	<b>(2)</b>	<b>(18)</b>	<b>-</b>	<b>1</b>	<b>5</b>
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	21	1	-	(16)	(2)	(18)	-	1	5
<b>Stage 3</b>	<b>(1)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1</b>	<b>-</b>
Letters of credit	-	-	-	-	-	-	-	-	-
Guarantees	(1)	-	-	-	-	-	-	1	-
<b>Total ECL</b>	<b>115</b>	<b>-</b>	<b>36</b>	<b>(53)</b>	<b>(7)</b>	<b>(24)</b>	<b>-</b>	<b>2</b>	<b>93</b>

43 (d ) Legal proceedings

In the conduct of its ordinary course of business, the Group is exposed to various actual and potential claims, lawsuits and other proceedings relating to alleged errors and omissions, or non-compliance with laws and regulations. The directors are satisfied, based on present information and the assessed probability of claims arising, that the Bank has adequate insurance programmes and provisions in place to meet such claims. The amounts provided for in other liabilities are KShs 1,081,595,734 (2023: KShs 1,119,103,589).

**Stanbic Holdings Plc**  
**Financial statements**  
**For the year ended 31 December 2024**

Notes (continued)

44 Other reserves

For the year ended 31 December 2024	Pre-acquisition reserve	Revaluation of financial assets at FVOCI	Regulatory credit risk reserve	Revaluation reserve on buildings	Foreign currency translation reserve	Total
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
At 1 January 2024	(126)	(190)	1,415	83	(2,247)	(1,065)
Total comprehensive income for the year	-	422	-	(8)	(951)	(537)
Currency translation difference for foreign operations	-	-	-	-	(951)	(951)
Transfer of revaluation reserves	-	-	-	(8)	-	(8)
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	-	422	-	-	-	422
Transfer of statutory credit risk reserve	-	-	960	-	-	960
<b>Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group</b>						
Share based payment reserve	-	-	-	-	-	-
<b>Total transactions with owners of the Group</b>	-	-	-	-	-	-
At 31 December 2024	(126)	232	2,375	75	(3,198)	(642)

Notes (continued)

44 Other reserves (continued)

For the year ended 31 December 2023	Pre-acquisition reserve	Revaluation of financial assets at FVOCI	Regulatory credit risk reserve	Revaluation reserve on buildings	Foreign currency translation reserve	Total
	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million	KShs Million
At 1 January 2023	(126)	(46)	5	91	(2,024)	(2,100)
Total comprehensive income for the year	-	(144)	-	(8)	(223)	(375)
Currency translation difference for foreign operations	-	-	-	-	(223)	(223)
Transfer of revaluation reserves	-	-	-	(8)	-	(8)
Realised fair value adjustment on financial assets - Fair value through OCI transferred to profit or loss	-	(144)	-	-	-	(144)
Transfer of statutory credit risk reserve	-	-	1,410	-	-	1,410
<b>Transactions with owners recorded directly in equity, contributions by and distributions to owners of the Group</b>						
Share based payment reserve	-	-	-	-	-	-
<b>Total transactions with owners of the Group</b>	-		-	-	-	-
At 31 December 2023	(126)	(190)	1,415	83	(2,247)	(1,065)

**Notes (continued)**

**44 Other reserves (continued)**

	<b>Group</b>	
	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Pre-acquisition reserve	(126)	(126)
Revaluation of financial assets- Fair value	232	(190)
Regulatory credit risk reserve	2,375	1,415
Revaluation reserve on buildings	75	83
Foreign currency translation reserve	(3,198)	(2,247)
<b>At end of year</b>	<b>(642)</b>	<b>(1,065)</b>

The pre-acquisition reserve solely represents the deficit on the available for sale reserve and regulatory credit risk reserve from the merger of CfC Bank Limited and Stanbic Bank Kenya Limited in 2008. The Group has not revalued the reserve since the merger. The pre-acquisition reserve is non-distributable.

Fair value reserve represents the surplus or losses arising on fair valuation of FVOCI financial instruments and is non-distributable.

The Regulatory credit risk reserve represents an appropriation from retained earnings to comply with the Central Bank of Kenya's Prudential Regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with the Prudential Regulations over the impairment provisions recognised in accordance with the Company's accounting policy. The reserve is not distributable.

The revaluation reserve on buildings solely represents the surplus on the revaluation of buildings and freehold land net of deferred income tax. The revaluation reserve arose from the merger of CfC Bank Limited and Stanbic Bank Kenya Limited in 2008. The Group policy was adopted to state all its assets using the historical cost model. No revaluation has been undertaken since the merger. The revaluation reserve is non-distributable.

Share-based payment reserve represents the Group's share incentive scheme which enables key management personnel and senior employees of the Group to benefit from the performance of Standard Bank Group (SBG) shares.

Foreign currency translation reserve represents exchange differences arising on the translation of the net investment in foreign entities and is non-distributable.

**Notes (continued)**

**45 Share-based payment reserve**

The Group's share incentive scheme enables key management personnel and senior employees of the Group to benefit from the performance of Standard Bank Group (SBG) shares.

The Group has two equity-settled schemes, namely the Group Share Incentive Scheme and the Equity Growth Scheme. The Group Share Incentive Scheme confers rights to employees to acquire ordinary shares at the value of the SBG share price at the date the option is granted. The Equity Growth Scheme represents appreciation rights allocated to employees. The eventual value of the right is effectively settled by the issue of shares equivalent in value to the value of the rights. The share appreciation rights granted during the year were valued using Black Scholes pricing model. Each grant was valued separately.

At 31 December 2024, the total amount included in staff costs for Group Share Incentive Scheme was KShs nil (2023: KShs nil) and for Equity Growth Scheme was KShs nil (2023: KShs nil).

The two schemes have five different sub-types of vesting categories as illustrated by the table below:

	<b>Year</b>	<b>% vesting</b>	<b>Expiry</b>
Type A	3, 4, 5	50, 75, 100	10 Years
Type B	5, 6, 7	50, 75, 100	10 Years
Type C	2, 3, 4	50, 75, 100	10 Years
Type D	2, 3, 4	33, 67, 100	10 Years
Type E	3, 4, 5	33, 67, 100	10 Years

A reconciliation of the movement of share options and appreciation rights is detailed below:

	<b>Option price range (ZAR)</b>	<b>Number of options</b>	
<b>Group Share Incentive Scheme</b>	<b>2024</b>	<b>2024</b>	<b>2023</b>
Options outstanding at beginning of the year		-	<b>20,187</b>
Granted		-	-
Transfers		-	-
Exercised	-	-	(187)
Lapsed		-	(20,000)
<b>Options outstanding at end of the year</b>		-	-

The weighted average SBG share price for the year to 31 December 2024 was ZAR 209.74. No outstanding options for the year 2024.

Notes (continued)

45 Share-based payment reserve (continued)

	Number of rights	
Equity Growth Scheme	2024	2023
Rights outstanding at beginning of the year	38,251	39,502
Transfers		
Exercised	(37,358)	(1,251)
Lapsed	-	-
<b>Rights outstanding at end of the year</b>	<b>893</b>	<b>38,251</b>

At 31 December 2024 the Bank would need to issue 1,614 (2023: 10,053) SBG shares to settle the outstanding appreciated rights value.

All rights granted to employees have been exercised as at 31 December 2024.

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
893	156.96	156.96	Year to 31 December 2025
<b>893</b>			

The following rights granted to employees had not been exercised at 31 December 2023:

Number of rights	Option price range (ZAR)	Weighted average price (ZAR)	Option expiry period
31,339	156.96	156.96	Year to 31 December 2025
6,912	122.24	122.24	Year to 31 December 2026
<b>38,251</b>			

**Notes (continued)**

**46 Capital commitments**

Capital commitments for the acquisition of property and equipment are summarised below:

	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Authorised and contracted for	1,632	827
Authorised but not contracted for	1,364	1,163

**47 Low value and short term leases**

The Group has entered into a number of low value and short term leases that it has elected not to apply the requirements of IFRS 16. There are no restrictions placed upon the lessee by entering into these leases such as those concerning dividends or additional debt.

At 31 December, the future minimum lease payments under non-cancellable operating leases were payable as follows;

	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Less than one year	100	77
Between one and five years	90	78
	<b>190</b>	<b>155</b>

**48 Fiduciary activities**

The assets held on behalf of individuals, trusts, retirement benefit plans and other institutions:

	<b>2024</b>	<b>2023</b>
	<b>KShs Million</b>	<b>KShs Million</b>
Assets held on behalf of individual's trusts and other institutions	<b>736,333</b>	<b>514,305</b>



**Notes (continued)**

**49 Subsequent event**

**Conversion of Stanbic South Sudan Branch from a foreign branch to a locally incorporated subsidiary.**

The Bank received a letter from the Bank of South Sudan (BoSS) in January 2025, requiring management to convert the South Sudan branch operations to a full standalone subsidiary. The matter is currently under discussion between the management of the Bank and Bank of South Sudan for amicable solution on the way forward.

There have been no other events or transactions subsequent to 31 December 2024 to the date of these financial statements that would have a material effect on the financial statements at that date or for the year then ended and would require adjustment of, or disclosure in the financial statements or notes thereto in accordance with *IAS 10 Events After the Balance Sheet Date*.

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