

# DTB

DIAMOND  
TRUST  
BANK



Rooting for  
**sustainable growth**

# 2023

Integrated Report  
and Financial Statements

## About our cover

Our cover photo, represented by a vibrant tapestry of the African continent, is rooted in our commitment to shared prosperity and inclusive growth.

In this edition, we spotlight the East African region, representing our business footprint, with a graphical representation mirroring our strategic direction. The trio of interlinking circles visually embodies our business growth strategy.

As you navigate through the subsequent pages, you will encounter a series of images that exemplify various values integral to our mission and theme. Periodic inclusion of the three interlinked circles graphic serves as a constant reminder of our dedication to sustainable growth.

# Navigating our report

## About our Integrated Report

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This section provides information on our approach in compiling the 2023 Integrated Report, including assurance and the reporting boundary for disclosures.

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We give an overview of our business, the markets we serve, our values, and what sets us apart. Additionally, we include reflections from our Chairman, Managing Director & Group Chief Executive Officer and the Finance & Strategy Director.

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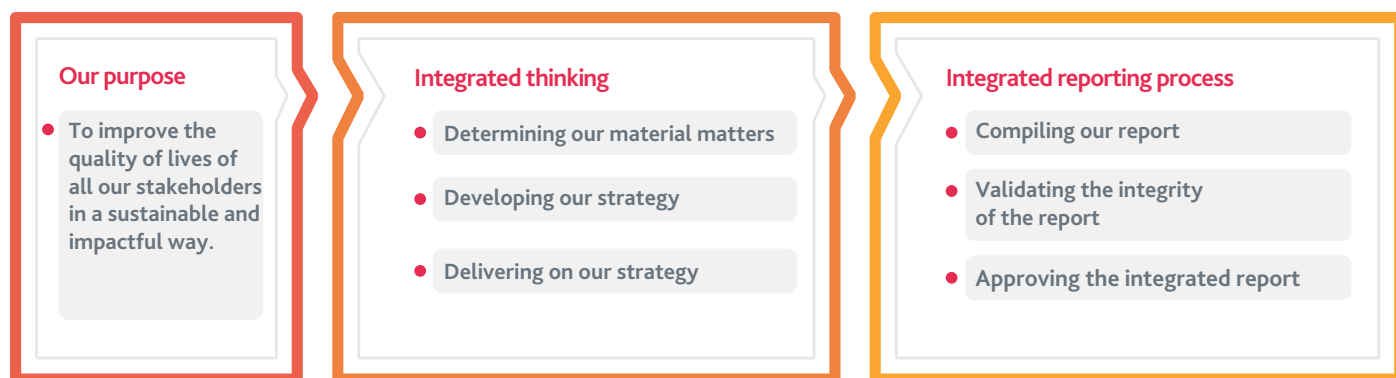


# About our 2023 Integrated Report

DTB Group is pleased to present its 2023 Integrated Report and Financial Statements, a comprehensive document that demonstrates its dedication to transparency, accountability and sustainable business practices to create long-term value.

Guided by the International Integrated Reporting Framework, we provide our stakeholders with a holistic view of how we apply integrated thinking to create and preserve value, to fulfil our strategic purpose to be socially and economically relevant. We also share insights into our financial and non-financial performance, differentiators and the strategies propelling our long-term success. We further showcase the mutually beneficial relationship between our financial performance and our environmental and social aspirations and impact, thus presenting a comprehensive assessment of our performance.

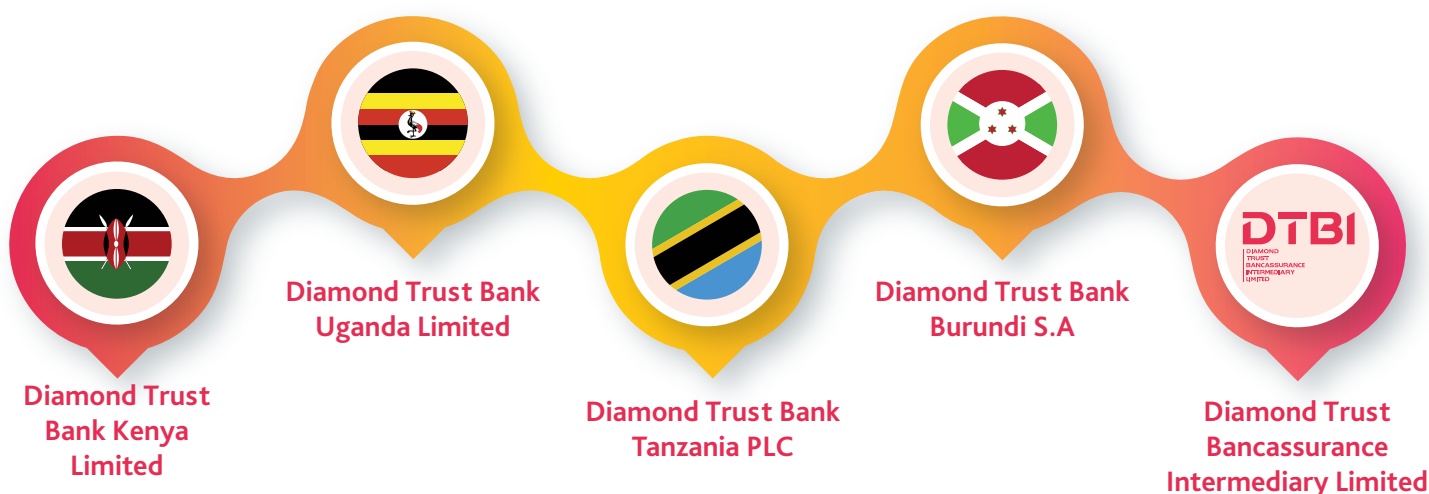
## Our reporting process



## Integrated report scope and boundary

This report covers the period 1 January 2023 to 31 December 2023, providing detailed information relating to the Group's organisational context, strategy, governance, business model, key risks, performance and outlook. The scope of this report extends to all operations, subsidiaries and significant activities that contribute to our overall value creation and sustainability. Our report's boundary is defined by the relevance and significance of the information to our stakeholders, who we engage to identify material issues and ensure comprehensive coverage of our impacts, both positive and negative. We strive for transparency and accountability to provide meaningful insights into our holistic performance and contributions to a sustainable future.

## Our operating business



Collaboration with the subsidiaries has been entrenched in the groupwide reporting process and approved by the Board.

## Basis of preparation and assurance

This report is prepared in accordance with the International Integrated Reporting Framework and in reference to global reporting standards including the Global Reporting Initiative (GRI) and the Task Force on Climate Related Financial Disclosures (TCFD) recommendations.

As part of our commitment to enhance transparency and align with global reporting standards, we have incorporated some disclosures that make reference to the IFRS S1 and IFRS S2 reporting standards.

This proactive approach underscores our dedication to excellence in corporate reporting and corporate governance. This report is further guided by the principles and requirements contained in:

- The Kenya Companies Act, 2015
- Central Bank of Kenya (CBK) Prudential Guidelines
- Central Bank of Kenya (CBK) Guidance on Climate-Related Risk Management
- The Capital Markets Authority (CMA) Code of Corporate Governance for Issuers of Securities to the Public, 2015
- Nairobi Securities Exchange (NSE) ESG Disclosures Guidance
- IFRS Accounting Standards (IFRS) as issued by the International Accounting Standards Board (IASB)

The DTB integrated reporting process uses a mix of internal and external assurance providers which include our internal audit function, KPMG Kenya for the financial statements and Scribe Services Kenya for the governance audit. However, forward-looking statements have not been reviewed or reported upon by the Group's external auditors. Additionally, efforts have been made to improve the comparability and consistency of the data provided. As a result, our stakeholders will be able to monitor our progress and assess how our performance has changed over time.

We intend to obtain independent external assurance for sustainability information in future.

## Materiality and approach

We have applied the principle of double materiality. This enabled us to consider impact materiality, which is an assessment of the impact of the Group's business and value chain on people and the environment, and financial materiality, which assesses sustainability impacts on its financial performance and prospects.

By following the four-step materiality determination process set out in the Integrated Reporting Framework and the GRI standards effective January 2023, the Group identified its material issues, prioritised its focus areas and highlighted key actions needed to address future impacts and opportunities. These material matters influence our Group strategy and the information provided in this report. This report specifically examines issues, opportunities and risks that materially affect our capitals and the Group's ability to create, protect and minimise the erosion of value for all its stakeholders. Refer to our **stakeholder engagement section** for the detailed outcome of our materiality assessment and our material issues.

## Approval of the Integrated Report

The Board of Directors acknowledges its responsibility to ensure the integrity of this Integrated Report which, in the Board's opinion, addresses the activities, material issues, relationships and performance of the Group. This report, together with the annual financial statements of the Group for the year ended 31 December 2023, were approved by the Board of Directors of DTB Kenya on 26 March 2024 and signed on its behalf by:

**Linus Gitahi**

Chairman



**Nasim Devji**

Managing Director & Group  
Chief Executive Officer



### Forward-looking statements and disclosures

This Integrated Report includes forward-looking statements which could have an impact on the future financial position and results of the Group. Forward-looking statements are not statements of fact. They are made by the Group based on current estimates, projections, expectations, beliefs and assumptions regarding its future performance. No assurance can be given that forward-looking statements will be correct, hence undue reliance should not be placed on such statements. These statements, by their nature, involve risk and uncertainty as they relate to events and depend upon circumstances that may or may not occur in the future. Factors that could cause actual future results to differ materially from those in the forward looking statements include, but are not limited to, changes in (a) global and national economic conditions, (b) our operating environment, (c) future strategies as contained in our strategic priorities and plans, (d) interest and exchange rates, (e) credit conditions and the associated risks of lending, (f) actual cash collections, (g) gross and operating margins, (h) capital management and (i) competitive and regulatory factors. The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events. The forward-looking statements have not been reviewed or reported upon by the Group's external auditor. The Group does not, therefore, assume responsibility for any loss or damage arising from the reliance by any party thereon, including but not limited to, loss of earnings, profits, or consequential loss of damage.

Scan to download  
the 2023 Digital IR: ▼



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**Bank with us.**  
Bank on us.

Rooting for  
**sustainable growth**

**2023** | Integrated Report  
and Financial Statements




# Overview of DTB Group

With a legacy spanning 78 years, DTB Group stands out as a leading, tier-one East African bank and one of the largest financial services groups in the region with a footprint in Kenya, Tanzania, Uganda and Burundi. We offer a wide range of banking and insurance solutions and advisory services for the retail, business banking and corporate banking customer segments.

Through our tailored solutions and unparalleled service, we strive to empower our customers, to contribute to the improvement of their quality of life. We are continuously investing in our people and work culture to attract and retain top talent and position the Group as an employer of choice. By investing in high impact programmes and formenting powerful partnerships with like-minded organisations and individuals, we aspire to make a significant impact on present and future generations by building enduring value for the communities we serve.

DTB Kenya is listed on the Nairobi Securities Exchange (NSE).


**Shs 7.8 Bn**  
**Net profit** ▲  
 (2022: KES 6.8 Bn)

**Shs 486.1 Bn**  
**Deposits** ▲  
 (2022: Shs 387 Bn)

**Shs 635.0 Bn**  
**Total assets** ▲  
 (2022: Shs 527.1 Bn)

**Shs 308.5 Bn**  
**Total loans** ▲  
 (2022: Shs 253.7 Bn)

**Shs 12.4 Bn** ▲  
**Total tax contribution**  
 (2022: Shs 9.2 Bn)

**2,777** ▲  
**No. of employees**  
 (2022: 2,538)


**1,453,184**  
**Total customers** ▲  
 (2022: 876,990)


**2,220.6 tCo2e**  
**Emissions** ▲  
 (2022: 1,763.8 tCo2e)

## Our markets

Each of our markets – Kenya, Tanzania, Uganda and Burundi has its unique opportunities and challenges that guide the design of our offerings.


Our goal is to offer accessible and customer-focused banking services through our branch network, digital platforms and channels.


Customer-centricity for us involves continuous innovation when developing customer solutions and providing a consistently elevated brand experience to enhance our competitiveness and underwrite our long-term viability.

Thanks to our people's dedication and commitment to quality service, customer satisfaction and responsible banking, we have positioned DTB as a reliable financial partner.

## Our accounts


**Savings accounts**


**Transactional accounts**



**Recurring deposit accounts**


**Diaspora accounts**


**Just4me children's accounts**


**Foreign currency current accounts**


**Chama accounts**


**Fixed deposit accounts**

## Our products

DTB offers an array of solutions that are tailored to meet the unique needs of its retail and enterprise customers in Kenya, Tanzania, Uganda and Burundi.

### Digital channels & lending

#### 24/7 access



Mobile banking service



Internet banking service

**\*382#**

USSD service

#### Mobile loans through:

**DTBWEZA (KE)**

**MGODI (TZ)**



## Our products and services



### Internationally accepted cards

- Debit cards
- Credit cards
- Multi-currency prepaid cards



### Bancassurance

DTBI in Kenya and NIAL in Uganda act as agents for underwriters to sell:

- General insurance
- Medical insurance
- Life insurance
- Credit protection
- Mortgage protection
- Credit life protection

### Custodial business

- Safekeeping of investments and documents: This includes safekeeping of all the investments and documentation on behalf of the customer.
- Central Depository Services (CDS): Facilitation and maintenance of depository accounts with both the Central Depository & Settlement Corporation (CDSC) and the Central Bank of Kenya (CBK).
- Settlement services: These include settlements of trades in equities, government paper and corporate debt on behalf of the customers.
- Corporate actions processing: This includes, but is not limited to, interest/maturity payments, dividend collection, rights issues, bonus issues, IPOs, AGMs and EGMs.
- Reporting: This includes cash and asset reporting to customers and regulatory reporting.



### Trade finance

- Letters of credit
- Collections
- Bank guarantees



### Credit facilities

- **Hire-purchase asset financing:**  
Enables businesses to acquire new and second-hand/reconditioned assets.
- **Asset financing *Beba Leo*:**  
100% vehicle financing for SMEs to acquire brand-new vehicles for business or family use.
- **Overdrafts:**  
Help customers meet their working capital requirements.
- **Scheme lending:**  
Check-off loans for enterprise customers' employees.
- **Supply chain financing:**  
Facilitates financing for customers' invoices to boost their working capital.
- **Insurance premium financing:**  
Premium payments made directly to an underwriter on behalf of clients.
- **Leasing:**  
A limited offer to individuals and companies in partnership with leasing companies.
- **Mortgages:**  
Enables business owners, employed and self-employed individuals to purchase and/or develop property and land.
- **Term loans:**  
Secured facility for individuals and businesses.



## Who we are



### Our vision

Enabling people to advance with confidence and success.



### Our mission

To make our customers prosper, our staff excel and create value for our stakeholders.



### Our purpose

To improve the quality of lives of all our stakeholders in a sustainable and impactful way.



## Our values

Our values are the principles that define our culture and are brought to life in our attitudes and behaviour as we create value for our stakeholders. They shape the way we operate and serve our stakeholders and inspire us to perform our roles meaningfully, ethically and in ways that enrich connections and build sustainable relationships. Over time, we have invested in the most valuable anchors of our strategy:

- i) our people, by continuously enriching their skills.
- ii) re-architecting ourselves to make technology and innovation our backbone.
- iii) fostering a customer-centric culture.

### Integrity

~ *Be ethical and fair*

- We honour our commitments and do what is right.
- We are fair, respectful and honest at all times.
- We are ethical in our decisions and interactions.
- We take responsibility for our actions.
- We are prudent and responsible with the assets entrusted to DTB.

### Customer centric

~ *Deliver great experiences*

- We value our customers and develop relevant products and services to meet their existing and emerging needs.
- We strive to provide exceptional service to all we serve.
- We understand and respect our customers.
- We deliver solutions that add value to our customers' lives.
- We consider the impact of our policies and decisions on our customers.
- We endeavour to be fully transparent with our customers.

### Value people

~ *Respect, empower, appreciate*

- We treat our people equitably and make decisions on merit.
- We invest in people and provide opportunities for learning and growth.
- We empower people to do what is needed for success.
- We provide a positive and collaborative work environment.
- We celebrate our successes and recognise people for their contributions.
- We encourage and embrace diversity and inclusion.

### Progressive

~ *Innovate and challenge*

- We challenge our thinking to raise the bar.
- We encourage our team members to question the status quo.
- We innovate and adapt to change.
- We positively impact and serve the communities in which we live.

### Excellence

~ *Be Your Best*

- We take ownership of what we do.
- We relentlessly pursue quality without compromise.
- We consistently adhere to measurable standards and look for ways to exceed them.
- We benchmark against the best.



## What differentiates DTB

DTB Group stands out in the marketplace and maintains its competitive advantage through a unique and powerful blend of leadership, strong relationships and customer service obsession.

### Leadership

Our success is attributed to the guidance of our visionary leaders who steer our strategic direction. Our leaders foster a culture of integrity, emphasising transparency and a commitment to responsible and ethical business practices. Our proactive approach and forward-thinking decision making encourages a positive organisational culture that promotes innovation, adaptability and continuous learning. Thanks to our leaders, we have built a reputation as a dynamic and resilient institution in the ever-evolving financial services industry.

### Strong relationships

Our ability to build on our social capital, anchored on our strong relationships, is a catalyst for positive change. Our commitment to economic development, financial inclusion and community empowerment finds expression in our collaborations. Mutual trust, respect and shared values are the foundations of our relationships, with the goal of creating sustainable solutions and shared prosperity. Through our relationships, we support individuals and businesses in their aspiration to achieve social and economic prosperity, foster innovation, catalyse entrepreneurship and participate in community development projects.

### Customer service obsession

We are single-minded in our customer-centric approach. Every decision is made, every product developed and service delivered, with the needs and preferences of our customers in mind. Our goal is to always exceed their expectations and consistently provide products and services that enhance their financial, and to the greatest extent possible, overall wellbeing. Through continuous feedback and active engagements with our customers, we create innovative solutions that deliver exceptional value. Customer service obsession is at the core of our DNA and thus makes us a trusted partner.





## Our operating environment

In an environment characterised by subdued global economic growth prospects, East Africa continues to show remarkable resilience with GDP growing by 5.1% in 2023, above the global and Sub-Saharan Africa average of 3.3% and 3.1% respectively.

This was despite high, albeit easing, inflationary pressures, tight financial and liquidity conditions, elevated debt concerns, prolonged international capital flight and volatile foreign exchange markets. Even so, the pace of recovery diverged across economies and sectors.

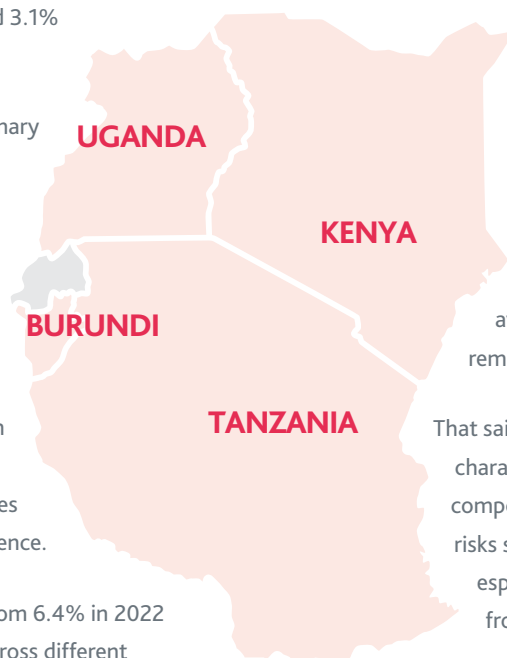
Favourable weather and government-driven interventions lifted agriculture, offsetting the lethargic growth in services and industries due to fragile consumer and investor confidence.

Average inflation in East Africa decreased from 6.4% in 2022 to 5.7% but exhibited notable variations across different economies. While Uganda and Tanzania reported reduced price pressures, inflation was sticky in Kenya and accelerated sharply in Burundi. The region gained from restored global supply chains, declines in commodity prices, improved food supply and tight financial conditions. Foreign exchange pressures and high energy prices, however, presented inflation headwinds.

Prolonged inflationary pressures slowed the pace of household savings accumulation and accentuated credit risks on micro-lending and personal credit portfolios across banks. On a positive note, governments in the region sustained their spending on infrastructure, cushioning growth.

Going forward, while economic policies and models will continue to embed inclusivity and sustainability, which opens new opportunities for businesses, governments will continue to strengthen fiscal prudence to ensure, that debt, which rose across the region to an average of 57.2% of GDP in 2023 from an average of 39% between 2011 and 2019, remains on a sustainable path.

That said, while debt remains sustainable, its changing character, including the rising external financing component, could be a source of vulnerability and risks sustaining turbulence in domestic markets, especially on the exchange rate and interest rate fronts.



**Average inflation in East Africa decreased from 6.4% in 2022 to 5.7%**



**The region gained from restored global supply chains, declines in commodity prices, improved food supply and tight financial conditions.**

## Kenya



East Africa's largest economy grew by 5.5% in 2023, driven by multisectoral expansion. Agriculture rebounded from a contraction of 1.4% in 2022 to grow at 6.4%, contributing 23% to the country's GDP. The performance was the result of favourable weather conditions, a government-led input subsidy programme and other agricultural incentives aimed at improving yield.

Supported by a strong consumer base, services defied tight credit markets, elevated inflation and fragile sentiment, to grow by 6.6%. Tourism expanded by 14% in 2023, reflecting the continued impact of the release of pent-up global travel demand in the post-Covid era and that of government-led marketing campaigns positioning Kenya as a desirable travel destination. Financial services were similarly buoyant, as loans and advances grew to Shs 4.0 Tn in 2023 from Shs 3.5 Tn in 2022 while education, health services, trade, transport, real estate and manufacturing registered incremental growth.

At 7.8%, inflation exceeded the upper limit of the 2.5% - 7.5% statutory target band, driven by high energy prices and the effects of a 25.3% shilling depreciation against the US dollar to 154.1 at the end of 2023. The premium on the dollar reflected its safety appeal amidst elevated sovereign credit risk concerns locally and strong yield appeal globally. Fundamentally, the current account deficit narrowed from 5.0% to 4.0% of GDP as a result of 11% drop in imports.

To anchor inflation expectations, stemming from the weak shilling, the Central Bank hiked the benchmark interest rate from 8.75% to 12.5%, causing lending rates to increase by 1.9 percentage points to 14.6%. At the same time, a weakened fiscal space and muted public spending hurt liquidity in related ecosystems.

Public debt stabilised under 70% of GDP, although the depreciation of the shilling increased debt service costs to over 65% of revenue.

Concerns have, however, eased significantly into 2024 after the government raised USD 1.5 Bn in a new Eurobond, allowing for an early redemption of 75% of the USD 2.0 Bn Eurobond maturing in June 2024. Enhanced support from development partners has also elevated confidence in the sovereign liquidity posture.

## Economic overview

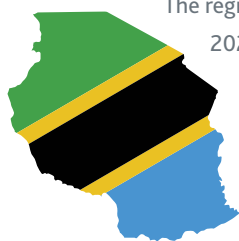


## Board of Directors

On "How we are led" section - page 77



## Tanzania



The region's most populous economy grew by 5.3% in 2023 from 4.7% the previous year, supported by improved consumption and steady investments by the private and public sectors. Further, reforms to improve the business environment, favourable weather conditions and a rebound in tourism lifted confidence and growth in the period.

During the year, agriculture expanded by 4.0% compared to 3.2% in 2022 on the back of fair weather, government subsidies and de-risking mechanisms for the sector, as well as gains from a strong US dollar for exporters. An estimated 10.4% of gross loans disbursed by banks went to the sector, which also recorded the highest growth in credit (55.5%) during the year.

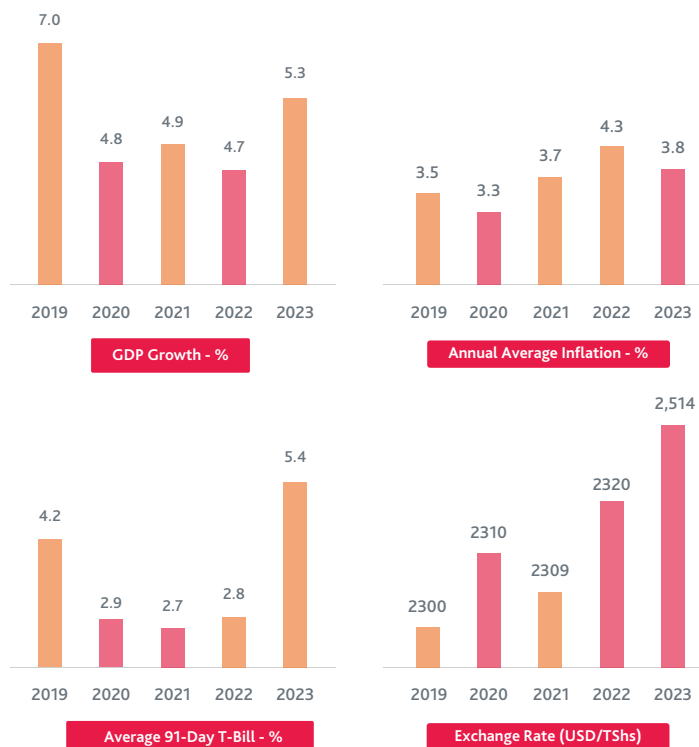
Recovery in tourism, improving incomes, reduced cost-of-living pressures and increased access to credit underpinned a strong performance in the services sector. Hospitality, financial services and fishing grew strongly. Information and communication also registered growth depicted by an increase in mobile subscriptions due to the continued expansion of the country's middle-class population and enhanced internet access.

Inflation moderated to 3.8% in 2023 from 4.3% in 2022, driven by stable food prices, lower energy prices as more hydropower was added to the national grid and measures to restrict credit growth by the Bank of Tanzania. Though healthy, credit growth slowed to 17.1% from 22.5% in 2022.

Despite an improved current account position, backed by increased foreign exchange flows from tourism, traditional export crops (cashew nuts, coffee and tobacco), gold and grants, the Tanzanian shilling depreciated by 8.3% against the US dollar. However, government spending remained healthy amidst increased financial support from the country's development partners, including the International Monetary Fund (IMF) and the World Bank.

Whereas capital imports needed to maintain the ongoing heavy infrastructure spending may sustain pressure on the current account, funding from development partners could act as a hedge.

### Economic overview



### Board of Directors



**Linus Gitahi, MBS**  
Chairperson



**Uday Bhasin**  
Director



**Zulobia Dhala**  
Director



**Shaffiq Dharamshi**  
Director



**Hanif Habib**  
Director



**Hussein Jamal**  
Director



**Muzaffer Khawaja**  
Director



**Xavier Lucas**  
Director



**Ravneet Chowdhury**  
Chief Executive Officer

## Uganda



In keeping with the regional trend, the Pearl of Africa's economy grew by 4.8% in 2023 up from 4.6% in 2022, supported by improved household spending, as well as increased foreign direct investment (FDI) and public spending on mega infrastructure projects including pipelines, roads, airports and dams.

Average inflation declined from 7.2% in 2022 to 5.5% in 2023 due to easing food prices and the effects of a stable exchange rate which stimulated consumer spending.

The exchange rate fluctuated across the year before settling at 1.8% weaker against the US dollar. The trade balance narrowed to USD 3.2 Bn in 2023 from USD 3.8 Bn. Notwithstanding, Uganda received more than USD 3.0 Bn and USD 1.5 Bn in FDI and portfolio flows respectively which offset the effect of slowing donor support on the Uganda shilling. Remittances also increased to a record high of USD 1.3 Bn. As a result, foreign exchange reserves held at USD 3.7 Bn.

To prevent extreme volatility, the Bank of Uganda kept interest rates unchanged for the better part of 2023. In August, however, it cut rates by 50 basis points as inflation fell under 5.0%. Even then, liquidity in money markets remained tight, keeping credit conditions restrictive. Consequently, private sector growth remained moderate at 7.8% in 2023.

Meanwhile, reflecting the tight global financing conditions and consistent with the government's fiscal consolidation agenda, fiscal expansion was low. However, the recovery in private sector spending should support a strong aggregate expansion rate.

### Economic overview



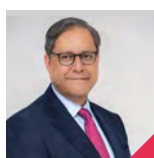
### Board of Directors



**Azim Kassam**  
Chairperson



**Nasim Devji**  
Director



**Shaffiq Dharamshi**  
Director



**Mbabazi K Emejeit**  
Executive Director



**Jane Kabbale**  
Director



**Jane Kabugo**  
Director



**Kenneth Kitariko**  
Director



**Dalal Murtuzaali**  
Director



**Varghese Thambi**  
Managing Director



## Burundi



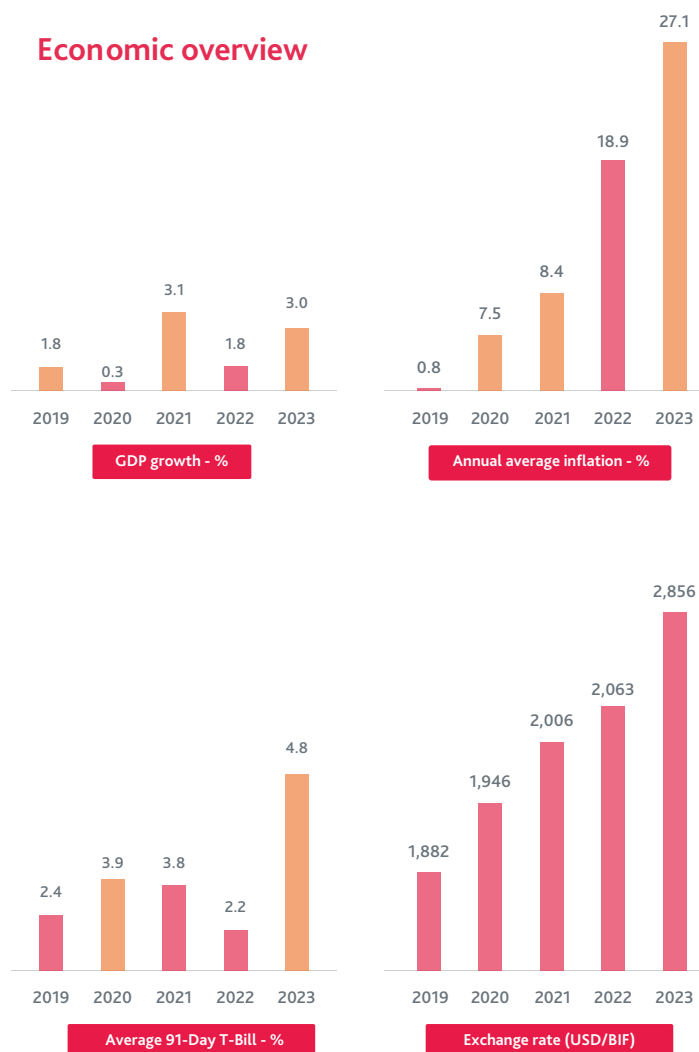
East Africa's smallest economy grew by 3.0% in 2023 compared to 1.8% the previous year. The recovery was supported by IMF-driven economic and structural reforms and funding which resulted in improved government spending, and a rebound in agriculture.

However, hyperinflation, averaging at 27.1%, up from 18.5% in 2022 was a major headwind and prevented healthy consumption. The near 38% currency devaluation also affected capital valuations and overall prices in the economy.

The IMF-led financial sector reforms and funding, aimed at easing balance-of-payment pressure, reducing debt vulnerabilities and building resilience against other domestic and external shocks, should help enhance investor confidence. Even so, foreign exchange reserves remain fragile at under two months of imports. Accordingly, the risk of further devaluation may sustain caution and slow down the pace of investments.

Burundi's fiscal position is soft and vulnerable to swings in donor financing. Spending is largely funded by grants to the tune of between 8% and 10% of GDP. High public debt will also limit the scope for public investments.

### Economic overview



### Board of Directors



**Nasim Devji**  
Chairperson



**Alkarim Jiwa**  
Director



**Xavier Lucas**  
Director



**Jamaludin Shamji**  
Director



**Ida Marie Mabushi**  
Managing Director

## Looking ahead

In 2024, East Africa anticipates accelerated growth, with real GDP projected to grow at an average of 6.3%, primarily driven by a further recovery of the services sector and enhanced export performance. Despite potential challenges such as commodity price variations, increasing debt service costs, prolonged high interest rates, persistent foreign exchange volatility and drier weather conditions from the expected La Nina season, we remain optimistic about the region's economic prospects. Furthermore, as global supply chain disruptions subside, inflationary pressures are expected to ease, contributing to a more stable economic environment and fostering confidence in the region's resilience and potential for sustainable growth.

The positive momentum built in 2023 creates a foundation for the Group to achieve further success and growth. With our strategic initiatives in place, we are well positioned to capitalise on emerging opportunities and overcome potential challenges. By maintaining a proactive approach and leveraging our expertise in navigating dynamic economic landscapes, we are confident in our ability to support the region's economic growth and contribute to its sustainable development. We plan to use our knowledge of East Africa to boost intra-region trading activity.

Ultimately, we remain committed to fostering financial stability, driving innovation and empowering our customers and communities to thrive in an ever-changing environment.

We discuss these opportunities and strategic initiatives and what they mean for our various stakeholders including customers, employees, shareholders and the community in the ensuing pages of this Integrated Report.

# Chairman's reflections



**Linus Gitahi, MBS**

**E**steemed shareholder, Despite a tough operating environment in 2023, DTB achieved many milestones which brought us closer to our mission of making our customers prosper and staff excel, while creating long-term value for our stakeholders.

In the last five years we have lived through a global pandemic, the start of two regional conflicts (Russia and Ukraine and, more recently, Israel and Palestine) that threaten global stability, accelerating climate change and global supply chain shocks. A new normal of uncertainty appears to have taken root and success lies in the ability to navigate this paradigm shift. For DTB, this means having a robust strategy in place and executing it with precision and excellence guided by our purpose: to improve the quality of lives of all our stakeholders in a sustainable and impactful way.

The difficulties encountered across our region, continent and indeed the world need no belabouring, and we discuss this to some detail under the '**Operating Environment**' section of this Report. My focus will therefore be on how DTB is responding to this unpredictable, rapidly changing yet opportunity-rich operating environment, to deliver its short-term and long-term goals in a sustainable manner.

DTB is alive to the realities of the economic, social, environmental and geopolitical factors impacting our stakeholders. In an environment of widening social and economic inequalities, we pay utmost attention to the nexus between business and society. As a bank, we are determined not to contribute to this adverse situation. We are therefore taking steps to reverse this trend strategically and operationally.

## **Delivering our strategy**

The starting point of our response is a deep awareness of the impact our decisions and actions have on the environment, people, and society at large. Our impact extends to our customers, employees, suppliers, regulators, the citizens of the economies we operate in and our shareholders who have chosen to invest in us. Recognising that this level of influence comes with great responsibility, we have adopted a responsible leadership approach, at all levels of the Group, which promotes accountability for the consequences of our actions as we pursue our short, medium and long-term strategic goals and outcomes.

As a Board, we are confident that the Group's current business growth strategy is sufficiently robust and versatile to not only navigate these challenges but importantly, to convert the opportunities into a sustainable competitive advantage. It enables an agile response to risks and opportunities, fostering a culture of innovation and creativity thus building business resilience.

The digital transformation pillar progressed significantly during 2023, as is evident in the **value creation section** of this Integrated Report. An important outcome of this pillar is building a business which provides our customers access to products and engagement avenues that promote financial inclusion. We are managing our digital transformation with intentionality, being clear about what we want to achieve and how to quantify such gains.

Our goal is to realise the highest value possible – for our business as much as for our customers – by being human led and technology enabled. This philosophy informs our view of the role of technology as an enabler. The impact of the Fourth Industrial Revolution (4IR) on our business with technologies like artificial intelligence (AI) will be extensive. At DTB Group, we view technologies such as AI as an opportunity to increase productivity and improve customer experience while managing the attendant risk. Consequently, we are upskilling our people in digital competencies and exploring use cases for such technologies across the Group.

Our existing footprint in the education sector and the strategic push to expand our presence in this sector and build on other key focus sectors, such as agriculture and technology, will not only pivot us to scale up significantly but also support the next generation's ability to function in and contribute to a world being

shaped by the Fourth Industrial Revolution (4IR), indicative of the huge role we expect such technologies to play in the future.

We plan to augment the above initiatives by leveraging our intra-group synergies across East Africa for our customers operating in all our presence markets through a rewarding blend of digital channels and in-person engagements. Ultimately, we believe that a dynamic customer offering, characterised by the planned introduction of wealth management products, treasury management solutions as well as enriched trade business opportunities through our China Desk will lead to richer customer experiences and lasting relationships.

DTB views sustainable business practices, as underwritten by environmental, social and governance (ESG) considerations, as drivers for value creation and regards sustainability-linked risks as business risks. We are cognisant that when sustainability is central to the growth conversation, new opportunities emerge hence the inclusion of the sustainability excellence pillar in the DTB business growth strategy. In 2023, the Board approved the Sustainability and Citizenship Master Plan, a comprehensive blueprint that integrates sustainable business practices into the Bank's operations and transactions, and a milestone in our journey to achieve social and economic relevance.

## Human centred

Underpinning our strategy is a human centred approach which places people at the heart of all our decisions and actions. In an increasingly transactional world, businesses are becoming detached losing the crucial human touch. We are leveraging the power of empathy to draw out unique insights that are crucial for the development of impactful and relevant solutions and to build impactful connections for all our stakeholders. This approach provides a human centric perspective to the strategy formulation and implementation process, enabling us to have a better view of the anticipated impact of/reaction to our decisions and actions.

In this regard, we have enhanced our stakeholder engagement process, increased our investment in our most valued asset – our employees – and developed market responsive solutions. As a Board, we are deliberate in promoting and prioritising a culture of transparency, ethical behaviour, and robust risk management practices in all our undertakings. We maintain a heightened focus on governance control and compliance. On this point, I commend my fellow Board members for their unwavering commitment and leadership in striking a balance between the achievement of our short-term goals, long-term growth and sustainability aspirations. Our performance in 2023, the first full year of executing this strategy bears testimony that we are on course to delivering sustainable growth.

## 2023 financial performance & dividends

As you go through the 2023 Integrated Report and Financial Statements, you will note that despite a difficult business environment, the DTB Group has made strides in a number of areas as it implements its business growth strategy. The early results of these initiatives have begun to show up in the Group's 2023 financial performance as detailed in the Finance & Strategy Director's remarks on **page 23**. In recognition of the Group's improving results and inherent strength, your Board is pleased to propose a dividend of Shs 6 per share, which represents a 20% growth YoY. At this level, the dividend payout ratio will be 24.4%, up from 23.1% in the previous year. As I reiterated in my previous years' remarks, the Board will continue to progressively increase the payout ratio, as DTB's performance continues to improve, whilst ensuring an equitable balance between rewarding shareholders and conserving capital to fund the lofty growth aspirations outlined in this Report.

## Conclusion

As I conclude, I would like to thank you, our shareholder, for your continued confidence in us which finds expression in your unwavering support. I would like to similarly extend our gratitude to the regulatory authorities who work with us constructively to keep improving our compliance levels.

I also want to extend a hearty appreciation to my fellow Board members for their unparalleled stewardship of the Group as we navigate our new growth chapter. Allow me to take this opportunity to thank Jamaludin Shamji, who resigned from the Board of DTB Kenya in December, for his dedicated service and invaluable counsel. We wish him all the best as he embarks on the next phase of his professional journey.

I want to further thank Nasim Devji and her executive team for the quality of leadership they bring in managing your organisation, and our staff who fly the DTB flag high, every day, with unbridled passion and commitment.

Finally, thank you to our customers who choose to trust us with their financial affairs. You are our reason for being, and we take our commitments to you extremely seriously. We look forward to continuing with you on a path to success.



# Tafakari ya Mwenyekiti



**Linus Gitahi, MBS**

Mheshimiwa Mwanahisa,

Licha ya mazingira magumu ya kufanya kazi mwaka 2023, DTB ilipata mafanikio mengi, ambayo yalituleta karibu na dhamira yetu ya kuwafanya wateja wetu kufanikiwa na wafanyakazi kuimarika, wakati huo tukijenga thamani ya muda mrefu kwa wadau wetu.

Katika miaka mitano iliyopita tumeishi katika janga kubwa la kimataifa, mwanzo wa migogoro miwili ya kikanda (Urusi na Ukraine na hivi karibuni, Israeli na Palestina), ambayo inatishia utulivu wa kimataifa, kuongeza kasi ya mabadiliko ya hali ya hewa na kuathiri uzalishaji na upatikanaji wa bidhaa duniani kote. Mazingira haya ya mashaka yameonekana kuota mizizi na kushindwa kuleta mafanikio yaliyokusudiwa na kukabili mabadiliko haya ya kimsingi. Kwa DTB, hii inamaanisha kuwa na mkakati thabiti na kuutekeleza kwa usahihi na ubora unaoongozwa na madhumuni yetu: kuboresha ubora wa maisha ya wadau wetu wote kwa njia endelevu na yenye matokeo chanya.

Matatizo yaliyokumba kanda yetu, bara letu na dunia nzima kwa ujumla hayahitaji mjadala, na tunajadili hili kwa undani chini ya kifungu cha 'Mazingira ya Uendeshaji' kwenye Ripoti hii. Kwa hiyo, mtazamo wangu utakuwa juu ya jinsi DTB inavyokabiliana na mazingira haya ya uendeshaji yasiyotabirika, yanayobadilika kwa kasi lakini yenye fursa nyingi, ili kufanikisha malengo yake ya muda mfupi na mrefu kwa njia endelevu.

DTB iko hai kwa hali halisi ya masuala ya kiuchumi, kijamii,

kimazingira, na kijiografia ambazo zinaathiri wadau wetu. Katika mazingira ya kupanua tofauti za kijamii na kiuchumi, tunatilia maanani zaidi uhusiano kati ya biashara na jamii. Kama benki, tumedhamiria kutochangia hali hii mbaya. Kwa hivyo tunachukua hatua za kubadilisha mwelekeo huu kimkakati na kiutendaji.

## Utekelezaji wa mkakati wetu

Hatua ya kuanzia ya mwitikio wetu ni ufahamu wa kina wa athari za maamuzi na matendo yetu kwa mazingira, watu na jamii kwa jumla. Matokeo yetu yanawafikia wateja wetu, waajiriwa, wazabuni, wasimamizi, wananchi wa nchi katika maeneo tunayofanyia kazi na wadau wetu waliochagua kuwekeza kwetu. Kwa kutambua kwamba kiwango hiki cha ushawishi huja na wajibu mkubwa, tumechukua njia ya uongozi unaowajibika, katika ngazi zote za kampuni (Group), ambayo inakuza uwajibikaji kwa matokeo ya matendo yetu tunapofuatilia malengo yetu ya kimkakati ya muda mfupi, wa kati na mrefu kwa matokeo chanya.

Kama Bodi, tuna imani kwamba mkakati wa sasa wa ukuaji wa biashara wa kampuni (DTB Group) ni thabiti na unaojumuisha mambo mbalimbali, siyo tu kwa kukabiliana na changamoto hizi, lakini muhimu zaidi, kubadilisha fursa kuwa faida endelevu za ushindani. Huwezesha mwitikio wa haraka kwenye mazingira hatarishi na fursa, kwa kukuza utamaduni wa uvumbuzi na ubunifu, hivyo kujenga ustahimilivu wa biashara.

Nguzo ya mabadiliko ya kidijitali iliendelea kwa kiasi kikubwa mwaka wa 2023, kama inavyoonekana katika sehemu ya uundaji thamani ya Ripoti hii iliyounganishwa. Matokeo muhimu ya nguzo hii ni kujenga biashara ambayo inawapa wateja wetu ufikiaji wa bidhaa na njia za ushiriki zinazokuza ushirikishwaji wa kifedha. Tunadhibiti mabadiliko yetu ya kidijitali kwa kukusudia, tukiwa wazi kuhusu kile tunachotaka kufanikisha na jinsi ya kupima mafanikio hayo.

Lengo letu ni kutambua thamani ya juu zaidi iwezekanavyo - kwa biashara yetu na kwa wateja wetu - kwa kuongozwa na watu na kuwezesha na teknolojia. Falsafa hii inafahamisha mtazamo wetu wa nafasi ya teknolojia wezeshi. Matokeo ya Mapinduzi ya Nne ya Viwanda (4IR) katika biashara yetu na teknolojia kama vile akili bandia (AI) itakuwa kubwa. Katika kampuni ya DTB Group, tunaona teknolojia kama vile AI kama fursa ya kuongeza tija na kuboresha uzoefu wa wateja wakati wa kudhibiti athari za maamuzi ya utendaji. Kwa hivyo, tunaboresha ujuzi wa wafanyakazi wetu katika ujuzi wa kidijitali na kuchunguza matumizi ya mifumo ya utumiaji wa teknolojia kama hizo kwenye Kampuni.

Uwepo wetu katika sekta ya elimu na msukumo wa kimkakati wa kupanua sekta hii na kuendeleza sekta nyingine muhimu kama vile kilimo na teknolojia siyo tu kwamba utatusaidia kuendelea kwa kiasi kikubwa, bali pia kusaidia uwezo wa kizazi kijacho kufanya kazi na kuchangia kwa dunia inayobadilishwa na Mapinduzi ya Nne ya Viwanda (4IR) ni dalili ya nafasi muhimu tunayotarajia teknolojia kama hizo kutekeleza katika siku zijazo.

Tunapanga kuongeza ari katika mikakati iliyo hapo juu kwa kutumia uwezo wa ushawishi wetu katika benki zetu ndani ya Afrika Mashariki kwa wateja wetu wanaofanya kazi katika masoko yetu yote kupitia mchanganyiko mzuri wa chaneli za kidijitali na ushiriki wa ana kwa ana, hatimaye, tunaamini mchango wa mawazo ya mteja wetu wa kila siku katika kutekeleza mipango ya uanzishwaji wa bidhaa mpya, usimamiaji wa fedha na vile vile fursa za biashara zilizoboreshwa kupitia Dawati letu la China utaleta uzoefu mzuri kwa wateja na uhusiano wa kudumu.

DTB inaona mazoea endelevu ya biashara, kama inavyothibitishwa na masuala ya mazingira, kijamii na utawala (ESG), kama vichocheo vya uundaji wa thamani na inachukulia hatari zinazohusishwa na uendelevu kama hatari za biashara. Tunafahamu kwamba wakati uendelevu ni msingi wa mazungumzo ya ukuaji, fursa mpya huibuka hivyo basi kujumuishwa kwa nguzo ya ubora endelevu katika mkakati wa ukuaji wa biashara wa DTB. Mnamo 2023, Bodi iliidhinisha Mpango Mkuu wa Undelevu, wa kina na wenye mwongozo unaojumuisha uendeshaji wa biashara katika uendeshaji wa benki na miamala ya kibenki ambayo ni hatua muhimu katika safari yetu ya kufikia kuleta mafanikio kijamii na kiuchumi.

## Mkakati unaowalenga watu

Msingi wa mkakati wetu ni kuwalenga watu na huwaweka katikati ya maamuzi na matendo yetu yote. Katika dunia ambayo shughuli zinazidi kuongezeka, biashara zinatengwa na kupoteza mvuto kwa wateja. Tunatumia uwezo wa kuhisi maono ya wengine ili kusaidia kupata ujuzi wa kitu ambacho ni muhimu kwa maendeleo yenye matokeo na ufumbuzi unaofaa na kujenga uhusiano wenye matokeo kwa wadau wetu wote. Njia hii hutoa mtazamo wa katikati wa mteja katika mchakato wa kutengeneza na kutekeleza mkakati, hutuwezesha kuwa na mtazamo bora wa athari inayotarajiwa ya/majibu kutokana na maamuzi tunayochukua na hatua tunazochukua.

Kuhusu suala hili, tumeboresha mchakato wetu wa kuwashirikisha wadau, tumeongeza uwekezaji wetu katika rasilimali yetu inayothaminiwa zaidi - wafanyakazi wetu - na kuwa na majibu yanayozingatia mahitaji ya soko. Kama Bodi, tunakusudia kukuza na kuweka kipaumbele utamaduni wa uwazi, maadili ya kazi na njia za uthibiti wa hatari katika shughuli zetu zote. Tunalenga kudumisha uongozi, udhibiti na ukubalifu. Kwa hatua hii, nawapongeza wajumbe wenzangu wa Bodi kwa kujitolea na uongozi wao thabiti katika kuweka usawa kati ya kufikiwa kwa malengo yetu ya muda mfupi na matarajio yetu endelevu ya ukuaji wa muda mrefu. Utendaji wetu katika mwaka 2023, mwaka wa kwanza kamili wa utekezaji wa mkakati huu unatoa ushuhuda kwamba tuko mbioni kufikia ukuaji endelevu.

## Hali ya utendaji wa kifedha na gawio kwa mwaka 2023

Unapopitia Ripoti Jumuishi ya mwaka 2023 na Taarifa za Fedha, utaona kwamba licha ya mazingira magumu ya biashara, DTB Group imepata mafanikio katika maeneo kadhaa katika utekezaji wa mkakati wake wa ukuaji wa biashara. Matokeo ya mapema ya juhudi hizi yameanza kuonekana katika utendaji wa kifedha wa mwaka 2023 kama ilivyofafanuliwa katika maelezo ya Mkurugenzi wa Fedha na Mikakati kwenye ukurasa wa 23. Kwa kutambua matokeo ya ukuaji wa DTB Group, Bodi yenu inafuraha kupendekeza gawio la Sh 6 kwa kila hisa, ambayo inawakilisha ukuaji wa asilimia 20 mwaka kwa mwaka. Kwa kiwango hiki, uwiano wa malipo ya gawio utakuwa asilimia 24.4, kutoka asilimia 23.1 ya mwaka uliopita. Kama nilivyosisitiza katika maelezo yangu ya miaka iliyopita, Bodi itaendelea kuongeza uwiano wa malipo hatua kwa hatua, huku utendaji wa DTB ukiendelea kuimarika, wakati ikihakikisha uwiano sawa kati ya wanahisa wanaohifadhi mitaji kuwezesha ukuaji ulioainishwa katika Ripoti hii.

## Hitimisho

Ninapohitimisha, ningependa kukushukuru wewe, mwanahisa wetu, kwa kuendelea kuwa na imani nasi, imani inayojionyesha katika kutuunga kwako mkono kusikoyumba. Ningependa pia kutoa shukrani zetu kwa mamlaka za udhibiti ambazo zinafanya kazi nasi kwa njia ya kujenga ili kuendelea kuboresha viwango vyetu vya kufuata kanuni na miongozo.

Pia napenda kutoa shukrani za dhati kwa wajumbe wenzangu wa Bodi kwa usimamizi wao mahiri wa kampuni tunapopitia mkakati wetu mpya wa ukuaji. Niruhusu nichukue fursa hii kumshukuru Jamaludin Shamji, ambaye alijiuzulu kutoka kwenye Bodi ya DTB Kenya mnamo Desemba, kwa utumishi wake wa kujitolea na ushauri muhimu. Tunamtakia kila la kheri anapoanza awamu inayofuata katika kutekeleza majukumu ya taaluma yake.

Napenda pia kumshukuru Nasim Devji na timu yake ya utendaji kwa ubora wa uongozi wanaoleta katika kusimamia kampuni yenu, na wafanyakazi wetu wanaopeperusha bendera ya DTB juu kila siku, kwa ari na kujitolea.

Mwisho, nawashukuru wateja wetu wanaochagua kutuamini katika masuala yao ya kifedha. Nyinyi ni sababu yetu ya kuwepo kwetu, na tunachukua wajibu wetu kwenu kwa umuhimu mkubwa sana. Tunatazamia kuendelea nanyi katika njia ya kuelekea kwenye mafanikio.

Taarifa iliyoko hapa juu ni tafsiri ya tafakari ya Mwenyekiti iliyo katika kurasa za 15-16. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kiingereza ndiyo itakayo tawala.

The text above is a Swahili translation of the Chairman's Reflections which appear on pages 15-16. In the event of a contradiction between the two texts, the English version takes precedence.

# Managing Director & Group Chief Executive Officer's reflections



**Nasim Devji**

**O**ur business growth strategy, which was first developed and operationalised in 2022, gathered momentum in 2023 with the expansion of our branch network, introduction of innovative new products and services and the development of new digital platforms, all of which are aimed at tapping on new opportunities to address customers' evolving needs and experiences.

Following the approval of DTB's Sustainability and Citizenship Master Plan towards the end of the year, all three pillars upon which our business growth strategy rests – customer reach, digital transformation and sustainability excellence – are now in place. By synergistically enabling our business to increase its socio-economic relevance, the growth strategy pillars are rooting us for sustainable growth.

As our Group scales up by acquiring and reaching out to more customers, while leveraging the benefits of digitalisation and ensuring sustainability, we keep reminding ourselves of the reason for our existence and success thus far; the former is our customers and the latter the experience we deliver.

Customer experience goes hand in hand with customer reach as we pursue our target of having 10 million customers banking with DTB, across East Africa, by 2026.

Achieving this target rests on our stated intention to build for the future while serving our current customers, which entails a blend of expanding our physical footprint by opening more branches and building our digital presence and capabilities. With regards to the former, in 2023, we opened 18 branches across East Africa (16 in Kenya) widening our branch footprint in the region to 152 by the end of last year.

Demographically, a substantive proportion of our customer base prefers face-to-face interactions. But we also know that our region boasts a youthful population that is on course to double by 2050. This generation is coming of age in the digital era and expects service providers to meet them where they are and where they prefer to be.

Our digital transformation strategy pillar therefore supports our customer reach ambitions, in addition to our stated intent of becoming a technology company with a banking licence. During the year under review, we launched eight digital innovations, ranging from tweaks to our existing online channels that decrease customer effort to products that are only available on digital platforms. In addition, we partnered with 11 FinTechs to leverage their ecosystems in order to grow our customer base and unlock revenue streams. We see these collaborations as an important contribution to making the banking sector more accessible and inclusive. We also established DTBX, our digital sub-brand that positions us as the digital partner of choice and go-to bank for FinTechs.

Transforming from a conventional bank to a digitally-driven company is a huge task that demands much of our people. Fortunately, DTB has long been obsessed with people: our employees, our customers and indeed, all our stakeholders. In addition to recruiting new digitally-skilled talent, going forward, we plan to equip our employees, across the ranks, with the understanding, mindset and skills they need to successfully navigate the digital transformation journey with us.

Embracing diversity, equity and inclusion (DEI) is a prerequisite for any organisation with growth prospects. It therefore pleases me to highlight that we continue to maintain an overall gender-balanced workforce at the Group level. Our focus is to replicate this achievement across all grades including our leadership teams across the Group. Notably, our DEI focus extends beyond the workplace. As part of our affirmative supply chain initiative, from 2024 we plan to increase the procurement spend we make on businesses owned by women, youth and the differently abled from the 9.2% of procurement spend in 2023.

The sustainability pillar of our growth strategy delivered positive results in 2023, particularly in the climate action focus area with thousands of trees planted and projects implemented to reduce

our use of water and reliance on fossil-fuel energy sources in our operations. I am also proud of the sterling efforts of our staff regarding our citizenship initiatives. From distributing sanitary towels to girls from disadvantaged communities to sponsoring reconstructive surgery and improving the financial literacy of thousands of micro, small and medium-sized enterprises (MSMEs), DTB Group is making a positive impact on our region.

Last year marked the first full year of implementing our business growth strategy and I am pleased to report that, in 2023, we have not only laid the foundation that will pivot DTB's growth in the coming years, but have also begun to realise some of the fruits of this ambitious strategy – the growth in customer numbers across East Africa by 66% to stand at 1.45 million by year end and the robust growth in our balance sheet and operating revenues bear testimony to some of the early successes we have achieved, despite a challenging operating environment.

We seek to build on our successes and the lessons learned from our challenges in 2024. The vision, strategy and values that guide us remain unchanged, but we obviously constantly identify new opportunities, map out new initiatives, leverage existing successful strategies and set new targets to move ever closer to realising our endearing purpose, which is to improve the quality of lives of all our stakeholders in a sustainable and impactful way.

Focus areas for the year ahead include expanding our presence in the education, agriculture and technology sectors, resourcing our digital teams further to decrease our dependence on third-party service providers, leveraging the branch expansion strategy we have been pursuing over the last two years, getting closer to our customers' ecosystems, developing sustainable solutions that will support our customers in transitioning to a carbon neutral economy and deploying the power of artificial intelligence and data analytics to deliver a superior customer experience.

A business like ours is multi-faceted and as it grows, the risk of complexity increases. We believe, however, that keeping the customer experience at the heart of all our strategies and decisions keeps us focused. As long as we continuously steer towards a superior customer service, we will remain true to our highest selves, while creating sustainable value for all our stakeholders.

In conclusion, I thank the DTB Board for its consistent and valued support and guidance, and the members of my executive team for their dedication and diligence. My biggest thank you, however, goes to every DTB staff member for turning our business strategies into actions and outcomes that retain and grow our customer base and place us on a solid pathway of achieving sustainability excellence.

# Taarifa ya Mkurugenzi Mtendaji



**Nasim Devji**

Mkakati wetu wa kukuza biashara, ambao ulitengeneza kwa mara ya kwanza na kuanza kutumika mnamo 2022, ulishika kasi mnamo 2023 kwa upanuzi wa mtandao wa matawi yetu, kuanzishwa kwa bidhaa na huduma mpya za kibunifu, uundaji wa majukwaa mapya ya kidijitali, hii yote ililenga kupata fursa mpya zinazoendana na mahitaji ya wateja na uzoefu.

Kufuatia kuandaliwa kwa Mpango endelevu wa DTB na mkakati mkuu wa ukuzaji biashara kuelekea mwisho wa mwaka, nguzo zote tatu ambazo mkakati wetu wa ukuaji wa biashara umeegemea - kumfikia mteja, mabadiliko ya kidijitali na ubora endelevu - sasa zimeanza kutumika. Ushirikiano tuliopata umewezeshwa biashara yetu kukuza uchumi wa kijamii, nguzo za mkakati wa ukuaji zinatujengea msingi imara kwa ukuaji endelevu.

Kadri kampuni yetu (Group) inavyopanua biashara zake na kuwafikia wateja wengi zaidi, kwa kusaidiwa kuendesha shughuli zake kidigitali na kuwa na uhakika wa kuwa endelevu, tunaendelea kujikumbusha sababu ya kuwepo na kufanikisha kufikia mafanikio haya. Kwa wateja wetu tulionao na uzoefu tunaowapatia.

Uzoefu wa mteja unaendana na kumfikia wakati tunafuatilia wateja wetu milioni 10 tuliowalenga walioweka fedha zao DTB, katika nchi za Afrika Mashariki, ifikapo 2026.

Kufanikisha lengo hili kunategemea nia yetu tuliojiwekea ya kujijenga kwa ajili ya siku zijazo wakati huohuo tukihudumia wateja wetu wa sasa, ambako kunajumuisha kusambaza huduma zetu sehemu mbalimbali kwa kufungua matawi zaidi na kuimarisha zaidi upatikanaji wa huduma zetu za kidigitali. Kuhusiana kipindi kilichopita, mwaka wa 2023, tulifungua matawi 18 Afrika Mashariki kote (16 nchini Kenya) tulifanikiwa kuongeza matawi yetu katika eneo hili hadi kufikia 152 mwishoni mwa mwaka jana.

Kidemografia, idadi kubwa ya wateja wetu wa msingi wanapendelea mwingiliano wa kukutana ana kwa ana. Lakini pia tunajua kwamba kanda yetu inajivunia idadi ya vijana ambayo iko mbioni kuongezeka maradufu ifikapo 2050. Kizazi hiki kinakua katika zama za kidijitali na kinatarajia watoa huduma kuwafuata walipo na mahali wanapopenda kuwa. Nguzo yetu ya mkakati wa mabadiliko ya kidijitali inasaidia matarajio yetu ya kufikia wateja, pia katika nia yetu iliyobainishwa ya kuwa kampuni ya teknolojia iliyo na leseni ya kutoa huduma za kibenki. Katika mwaka uliomalizika, tulizindua huduma nane za ubunifu wa kidijitali, kuanzia kufanya maboresho ya huduma zetu zilizopo zinazotolewa kwa njia ya mtandaoni ambazo zinapunguza juhudi za wateja kwa huduma zinazo patikana kwenye mifumo ya kidijitali pekee. Zaidi ya hayo, tulishirikiana na 11 FinTechs ili kuboresha mifumo yao ya ikolojia na kukuza msingi wa wateja wetu na kufungua njia za mapato. Tunaona ushirikiano huu kama mchango muhimu katika kuwezesha upatikanaji wa huduma za kibenki na shirikishi. Pia tumeanzisha DTBX, chapa yetu ndogo ya kidijitali ambayo inatuweka kama mshirika wa kidijitali tuliymchagua na mwelekeo wetu ni kutoa huduma kwa mfumo wa kiteknolojia wa FinTechs.

Kubadilika kutoka benki ya kawaida hadi kampuni inayoendeshwa kidijitali ni jukumu linalopaswa kufanikishwa na wafanyakazi wetu. Bahati nzuri, DTB kwa muda mrefu imekuwa ikijishughulisha na watu, wafanyakazi wetu, wateja wetu na wadau wetu wote. Zaidi ya hayo pia kuajiri wafanyakazi wenye vipaji na ujuzi wa matumizi ya teknolojia za kidigitali. Tuelekeako, tuna mpango wa kuwapatia mafunzo wafanyakazi wetu, wenye nyadhifa mbalimbali kuwa na uelewa, mtizamo na ujuzi unaotakiwa kwendana na kufanikisha safari yetu ya mabadiliko ya kidigitali pamoja nasi.

Kanuni yetu ya kusikiliza mawazo ya kila mtu, usawa na ujumuishaji (DEI) ni sharti muhimu kwa taasisi yoyote yenye matarajio ya ukuaji. Kwa hiyo tafadhali niruhusu nigusie mambo ambayo tumeendelea kuyatekeleza na kubwa zaidi kuwa na wafanyakazi wenye uwiano wa kijinsia katika ngazi zote za taasisi yetu, Mtazamo wetu ni kuendeleza mafanikio haya katika ngazi zote ikiwemo timu ya uongozi wa ngazi ya juu katika taasisi yetu. Mtazamo wetu wa DEI umeenea mpaka nje ya sehemu ya kazi. Kama sehemu ya mpango wetu wa wazabuni wetu, kuanzia 2024 tunapanga kuongeza matumizi ya mahitaji yetu katika biashara



kuyapata katika biashara zinazomilikiwa na wanawake, vijana na watu wenye uwezo tofauti kwa asilimia 13% ya matumizi yote mwaka 2023.

Nguzo endelevu ya mkakati wetu wa ukuaji ilitoa matokeo chanya mwaka wa 2023, hasa kuchukua hatua katika sula la hali ya hewa na maelfu ya miti iliyopandwa na miradi iliyotekelezwa ili kupunguza matumizi yetu ya maji na kutegemea vyanzo vya nishati ya mafuta katika shughuli zetu. Ninajivunia pia juhudi nzuri za wafanyakazi wetu kuhusu mipango yetu ya kusaidia jamii. Kuanzia kutoa msaada wa taulo za kike kwa wasichana kutoka jamii zisizojiweza hadi kufadhili uboreshaji wa miundo mbinu ya upasuaji na kufanikisha kutoa elimu ya kifedha kwa maelfu ya biashara ndogo na za kati (MSMEs), DTB Group imefanikisha kuleta athari chanya katika huu ukanda wetu.

Mwaka jana ulikua mwaka wa kwanza kamili wa utekelezaji wa mkakati wetu wa ukuaji wa biashara na nina furaha kuripoti kwamba, katika 2023, sio tu tumeweka msingi ambao utachangia ukuaji wa DTB katika miaka ijayo, lakini pia tumeanza kutambua baadhi ya matunda ya mkakati huu kabambe - ukuaji wa idadi ya wateja kote Afrika Mashariki kwa 66% hadi kufikia milioni 1.45 ifikapo mwisho wa mwaka na ukuaji thabiti wa mizania yetu na mapato ya uendeshaji mwaka jana ni ushuhuda wa baadhi ya mafanikio ya mapema tuliropata, licha ya mazingira magumu ya uendeshaji.

Tunatafuta kuendeleza mafanikio yetu na mafunzo tuliyojifunza kutokana na changamoto zetu mwaka wa 2024. Dira, mkakati na maadili yanayotuongoza bado hayajabadilika, lakini ni wazi kila mara tunatambua fursa mpya, kufafanua mipango mpya, kutumia mikakati iliyopo na kuweka malengo mapya. sogeza karibu zaidi na kutimiza kusudi letu la kupendeza, ambalo ni kuboresha maisha ya wadau wetu wote kwa njia endelevu na yenye matokeo.

Maeneo ya kuzingatia kwa mwaka ujao ni pamoja na kupanua uwepo wetu katika sekta ya elimu na kilimo, kutumia timu zetu za kidijitali ili kupunguza utegemezi wetu kwa watoa huduma wengine, kuongeza mkakati wa upanuzi wa matawi yetu ambao tumekuwa tukifanya katika miaka miwili iliyopita, kuwa karibu na mifumo yaikolojia ya wateja wetu, kuwa na mifumo suluhisho endelevu ambayo itawasaidia wateja wetu katika kuhamia uchumi usio na kaboni na kutumia uwezo wa akili bandia na uchanganuzi wa data ili kupata uzoefu bora wa wateja.

Biashara kama yetu ina mambo mengi na inapokua, hatari ya ugumu huongezeka. Tunaamini, hata hivyo, kwamba kuweka uzoefu wa mteja katika kiini cha mikakati na maamuzi yetu yote hutuweka makini. Maadamu tunaendelea kuelekea huduma bora kwa wateja, tutaendelea kuwa waaminifu kwa nafsi zetu, huku tukiunda thamani endelevu kwa wadau wetu wote.

Kwa kumalizia, naishukuru Bodi ya DTB kwa usaidizi na mwongozo wake thabiti na unaothaminiwa, na wanachama wa timu yangu ya utendaji kwa kujitolea na bidii yao. Shukrani zangu kuu, hata hivyo, zinakwenda kwa kila mfanyakazi wa DTB kwa kubadilisha mikakati yetu ya biashara kuwa vitendo na matokeo ambayo huhifadhi na kukuza msingi wa wateja wetu na kutuelekeza kwenye njia thabiti ya kufikia ubora endelevu.

Taarifa iliyoko hapa juu ni tafsiri ya tafakari ya Mkurugenzi Mtendaji iliyo katika kurasa za 19-20. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kiingereza ndiyo itakayo tawala.

The text above is a Swahili translation of the Managing Director and Group Chief Executive Officer Reflections which appear on pages 19-20. In the event of a contradiction between the two texts, the English version takes precedence.

# Finance & Strategy Director's reflections



**Alkarim Jiwa**

## Operating environment

Financial stewardship is at the core of our operations. Over the past year, the markets we are present in in East Africa have navigated through various economic challenges and uncertainties with resilience and agility.

DTB has navigated through this environment underpinned by the Group's solid brand strength, customer loyalty and inherent financial strength.

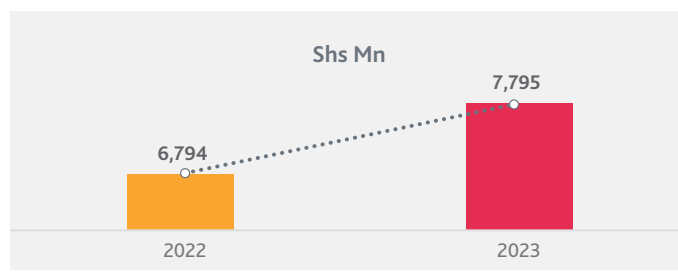
The year 2023 marked the first full year of execution of our business growth strategy centered on being socio-economically relevant in our markets. In this regard, the three strategic pillars underpinning our business growth strategy of customer reach, digital transformation and sustainability excellence are beginning to deliver positive results on our core earnings.

In addition to financial performance, DTB continues to place a strong emphasis on governance, risk management and compliance. We adhere to the highest ethical standards, ensuring transparency, accountability and integrity in all our business practices. Our risk management framework is robust and proactive, enabling us to identify, assess and mitigate risks effectively. We continuously monitor and evaluate our risk exposure to safeguard our stakeholders' interests and enhance long-term sustainability.

## Performance highlights

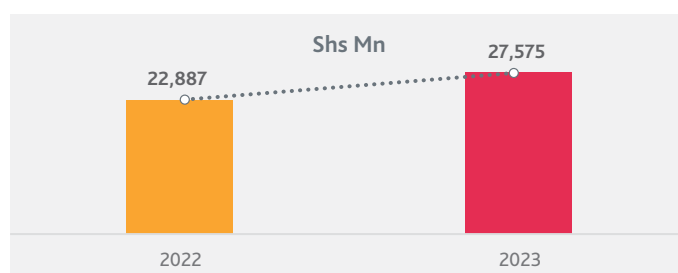
### PAT

The groups after-tax earnings grew by 15% from 2022 driven by better margins and growth in non-funded income.



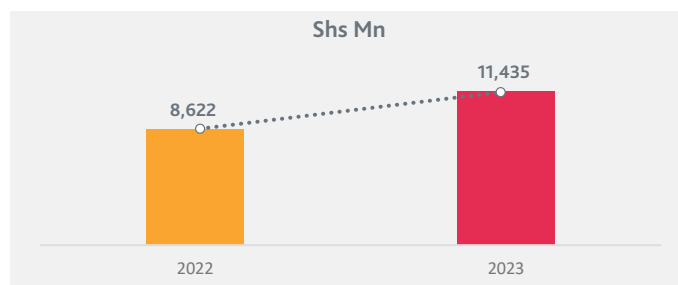
### Net interest income (NII)

Expansion in NII was driven by better yields on both G-Secs and loan portfolios. However, cost of funds remains elevated driven by the rise in yield curves across markets.



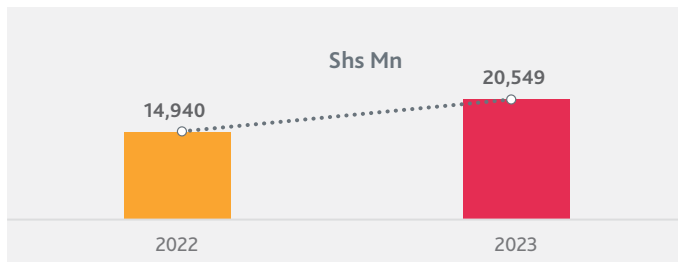
### Fee income

Solid growth underpinned by a growing customer base, improved FX rates spread over the year and the growth in transactions due to our expanding customer base contributed to the significant growth in non-interest income earnings.



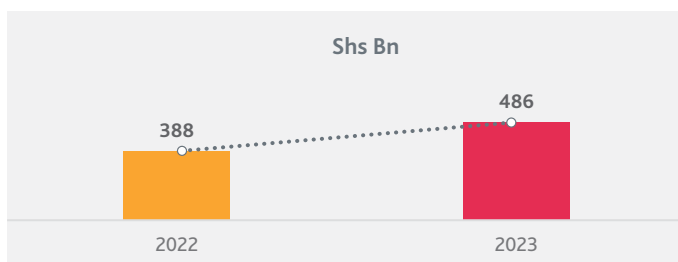
## Operating expenses

Increase in expenses is explained by the continuing investments in an expanded branch footprint, digital platforms and talent that the Group is committed to making to ensure the delivery of our business growth strategy.

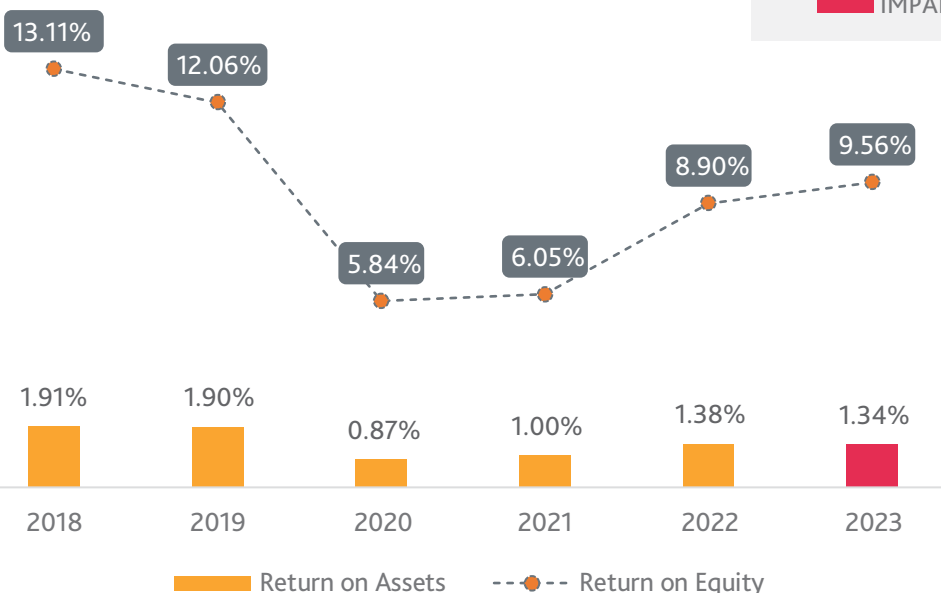


## Customer deposits

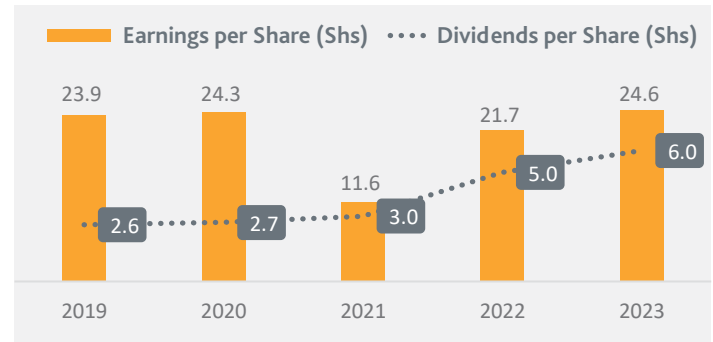
Growth was premised on improved mobilisation and contribution from existing and new customers as a result of, *inter alia* the expanding branch foot print, new digitally anchored lending and other customer value propositions.



## Return on Equity & Return on Assets

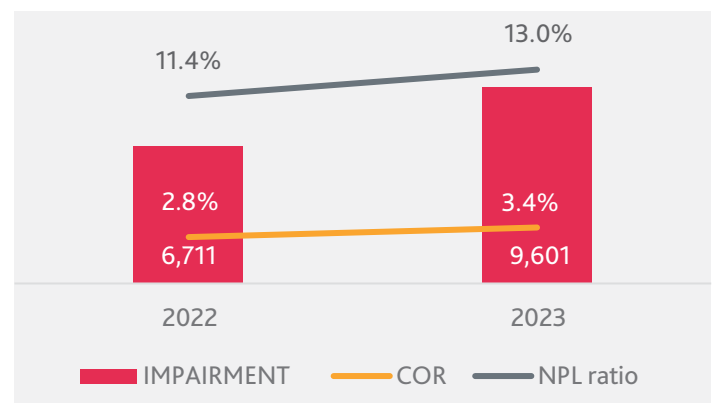


## Earnings per Share & Dividends per Share



## Impairment charge & Non-performing loan (NPL) Ratio

The elevation in the impairment charge and NPLs is reflective of the prevailing high credit risk environment and the impact of a weakened Shilling on distressed exposure. The trend is anticipated to reverse in 2024 as the non-performing loan book takes a downward trajectory, underpinned by recoveries of existing impaired assets, and as the business environment improves.



## Capital and liquidity strength

DTB consistently maintains sufficient headroom above the regulatory prescribed minimum requirements. Our capital and liquidity are rightly set towards the execution of our business growth strategy and is expected to propel us to deliver sustainable value for our stakeholders into the future.

Based on this, the Board has recommended a first and final dividend of Shs 6.00 per share to reward shareholders whilst retaining adequate resources to drive further growth.

Capital Adequacy Ratio (Total capital/ TRWA)	2023	2022	Minimum Requirement	
			Board	Regulatory
Kenya	17.0%	20.7%	16.0%	14.5%
Uganda	26.6%	25.4%	16.0%	14.5%
Tanzania	16.5%	18.5%	16.0%	14.5%
Burundi	38.9%	43.6%	16.0%	14.5%

Liquidity Ratio	2023	2022	Minimum Requirement	
			Board	Regulatory
Kenya	48.6%	58.2%	30.0%	20.0%
Uganda	68.0%	63.6%	30.0%	20.0%
Tanzania	34.3%	32.3%	30.0%	20.0%
Burundi	154.0%	218.0%	110.0%	100.0%

## Outlook

Looking ahead, we remain optimistic about the Group's financial performance in 2024 and beyond. Our current business growth strategy, that was developed and rolled out in 2022, is gathering momentum and inspiring a bullish outlook for the year ahead.

In light of the elevated credit risk environment, we have further enhanced our credit monitoring and remediation framework and put in place robust measures to pursue the recovery of non performing exposures. This provides us with the confidence that the elevated non performing loan book will begin to take a downward trajectory from 2024 and effectively reduce the cost of risk that the business has been absorbing in recent years.

We are confident that the investments being made in developing our people, expanding our branch and digital footprint while embedding sustainability across our business will continue to improve our market position and financial performance.

In closing, I would like to express my gratitude to our dedicated team members, loyal customers, supportive shareholders and other stakeholders for their continued trust and partnership. Together, we will continue to drive value, deliver excellence and create a brighter future for our organisation and the various stakeholders we serve. Thank you.





## Nurturing sustainable growth

At DTB, we nurture the seedlings of opportunity, symbolising our dedication to fostering sustainable growth.



“Without environmental sustainability, economic stability and social cohesion cannot be achieved.”

~ Phil Harding, Archaeologist



# How we create value

DTB's business growth strategy is anchored on three intertwined pillars: **customer reach**, **digital transformation** and **sustainability excellence**, each encompassing its own set of performance areas and objectives.

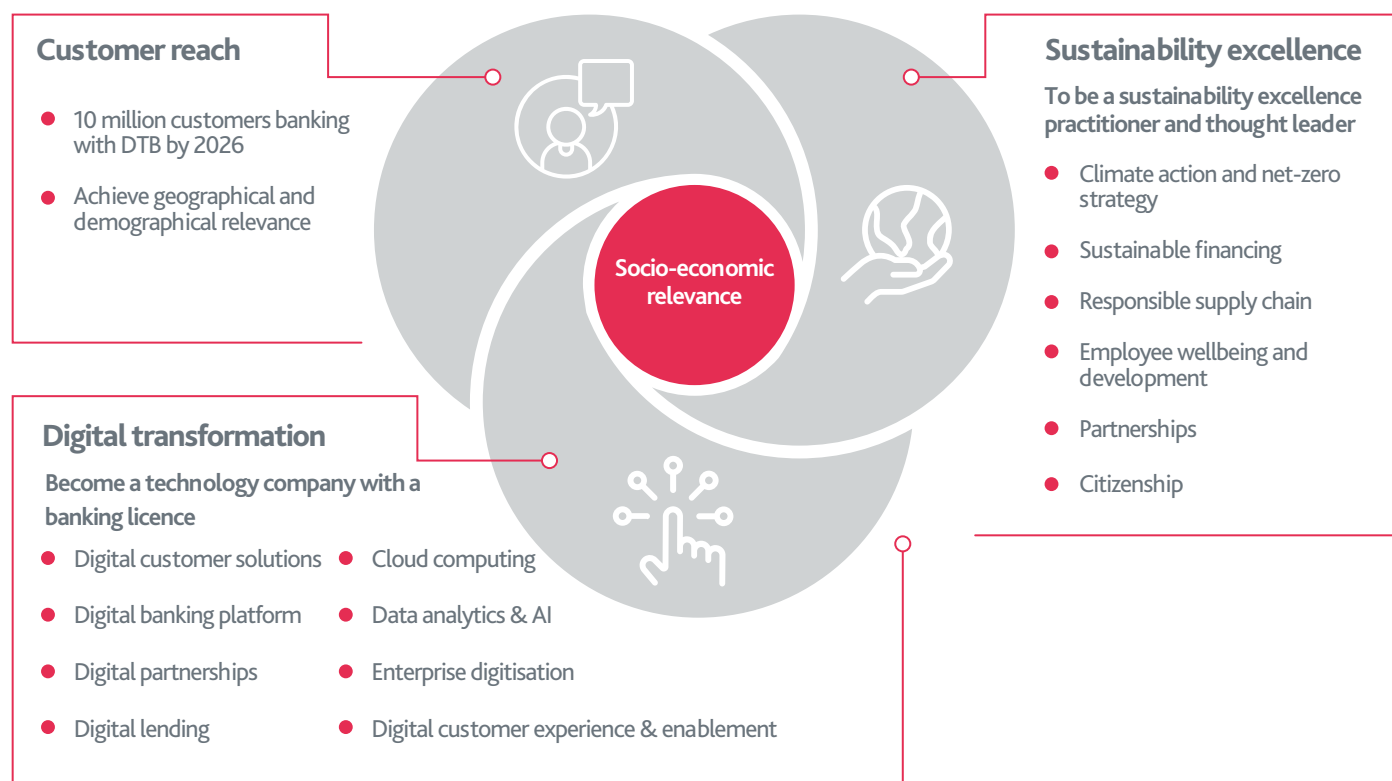
The three pillars encapsulate our vision for the Group as we enter a phase of accelerated business growth. This is against the backdrop of a world undergoing fundamental shifts in the aftermath of the Covid-19 disruption, the increasing pace of the Fourth Industrial Revolution (4IR), and the growing sway of sustainability matters in decision making at the policy and corporate leadership levels.

The business growth strategy represents our response to these shifts and our view of what is required of us and our stakeholders to thrive in future. It enables DTB to take a comprehensive view of its current and future prospects, by including the impact of

financial and non-financial matters on the business, as well as that of the business and its value chain on its stakeholders and the environment. Notably, the three pillars ensure that the Group remains fit for purpose and relevant in a highly dynamic and operating environment whilst laying the foundation for an impactful future.

At the heart of the strategy is our intent to achieve social and economic relevance by shaping societal conditions and dynamics and influencing the way individuals and communities function, thrive and interact to enable people advance with confidence and success. Our ultimate purpose is to contribute to the improvement of the quality of lives of all our stakeholders in a sustainable and impactful way.

## Our business growth strategy



## Customer reach

 New customers acquired during the year: **576,194**

 Total customers by the end of 2023: **1,453,184**

Our strategic intent, to become socially and economically relevant, is tied to our customer growth aspiration to have 10 million customers banking with us, by 2026, across East Africa. Growing a customer base necessitates having a variety of relevant solutions, competitive pricing, personalised customer service, effective and accessible touchpoints across various geographies and demographics.

To achieve this, we have deployed a two-pronged strategy anchored on branch expansion and digital channels. While the Group is focused on growing its digital reach, acknowledging the increasing impact of technology on our lives, we recognise the significance our customers attach to personal interactions, as a way of fostering a connection with the brand. Informed by this insight, we are expanding our branch network while transforming digitally, giving our customers freedom of choice, convenience and ready access.

### Branch expansion

The rationale for branches remains strong. In our markets, we appreciate that certain segments of our customer base, that are accustomed to and prefer traditional banking methods enriched by in-person contact, place significant value on physical interactions. Therefore, maintaining a strong physical presence through branch expansion is crucial to solidifying our competitive advantage in these markets.

In a more general sense, research has shown the impact of branches in five respects:



In 2023, the Group added 18 branches to its network bringing its total branch footprint to 152, a 13.4% growth YoY. Kenya added 16 new branches and as a result, we are now in 34 out of Kenya's 47 counties, up from 23 at the beginning of the year. In addition to our expansion drive, we are repositioning our branches as customer-centric sales and advisory hubs, pivoting away from their traditional role as transaction processing units.

## Digital channels

To accelerate our customer reach ambition, our digital channels will play a pivotal role to drive acquisition and enhance customer experience. In 2023, 50% of our customers were acquired through digital channels while 72% of all transactions were conducted through digital platforms such as mobile and internet banking and self-service lobbies.

### Turning customer feedback into new or enriched value offerings

We continuously seek customer feedback when enriching our existing product features suite and customer suggestions incorporated in the product enhancement phase where possible. Some of the most requested products and services and which the Bank has responded to include:



A diaspora banking department was created in May 2022 to cater to the needs of our customers and potential customers who have migrated but wish to bank with us.

The diaspora team enables our customers to open and operate their accounts locally without having to be present in the country while offering them personalised service.



Mobile loans platform, accessible to eligible DTB customers, that is undergoing continuous enhancement to target a larger market.



Till Moja is a collections' solution that allows our customers to receive mobile money payments into their business accounts, in real time, by using a simple 6-digit short code.



Self-PIN resets on m24/7.

ATM access through the cardless withdrawal feature on m24/7.

Joint account holders can now enjoy independent mobile banking access and complete transactions together with secure validation, at their convenience.

DTB continues to engage customers on product enhancements with the aim of providing the best seamless customer experience.

## Customer experience

In today's banking landscape, customers demonstrate loyalty when there is harmony between brand promise and service delivery. For DTB, the customer plays a central role in all our decisions and strategies. As such, instead of implementing a standalone customer experience strategy, we integrate customer-centric principles across our operations.

As a demonstration of our commitment to exceptional and sustained customer service, the Bank established a dedicated Customer Experience (CX) department in 2016. This department focuses solely on ensuring consistent and exceptional customer experiences across all touchpoints.

It is primarily responsible for entrenching a customer centric culture by ensuring that DTB keeps the customer at the centre of all decisions and behaviours that have a bearing on them. This ranges from product development to systems and processes, and customer engagement making customer experience an all bank deliverable.

The team also continuously monitors complaints, queries, complaints suggestions and any other form of feedback received from customers or other stakeholders such as suppliers, shareholders and the public to ensure timely resolution. This is achieved by way of root cause identification and analysis to enhance the Bank's processes, products and service delivery levels to ensure customer satisfaction.

The CX department is a two-pronged team dedicated to exceptional service comprising:

### The Contact Centre

This customer-facing unit serves as the Bank's front office. It handles queries and complaints, ensuring proper management and recording. Additionally, the Contact Centre focuses on training staff in proper etiquette and customer service practices.

### Service Excellence

Functioning as the CX department's "back office", Service Excellence focuses on data analysis. The team monitors and tracks complaints and feedback from various stakeholders including customers, suppliers, shareholders and the public. By analysing this input, they evaluate the Bank's existing products, services, operations and workflows and make recommendations, for improvement, to the business.

## Giving the customer a platform to be heard

DTB leverages the ubiquitous nature of technology to offer customers 24/7 access to the Bank.

### DTB Duo (Juma and Natasha)

The Bank's social media personas provide a forum for our customers and other stakeholders to engage, interact and get to know more about the Bank, its products and services.

### Customer engagement

Is further extended to the Bank's website (<https://dtbk.dtbafrika.com/>) through the "Contact us" page.

### m24/7 & i24/7

The Bank's mobile banking app *m24/7* and internet banking platform *i24/7* also provide additional engagement channels.

We also offer a dedicated 24/7/365 Contact Centre, which serves as a one-stop shop for any questions, compliments or concerns from customers. This ensures clear communication and efficient resolution of customer feedback, anytime. The Contact Centre goes beyond basic communication by utilising CC24/7, a platform that provides the CX team with the ability to view the customer's profile, enabling the team to not only assist the customer effectively but also identify and cross-sell suitable bank products or services that might benefit them.

**CC24/7** also aids CX team leaders to track and monitor incoming and outgoing interactions in real-time, allowing them to give agents immediate feedback to improve their customer interactions based on various quality assurance metrics applied to provide exemplary customer service.

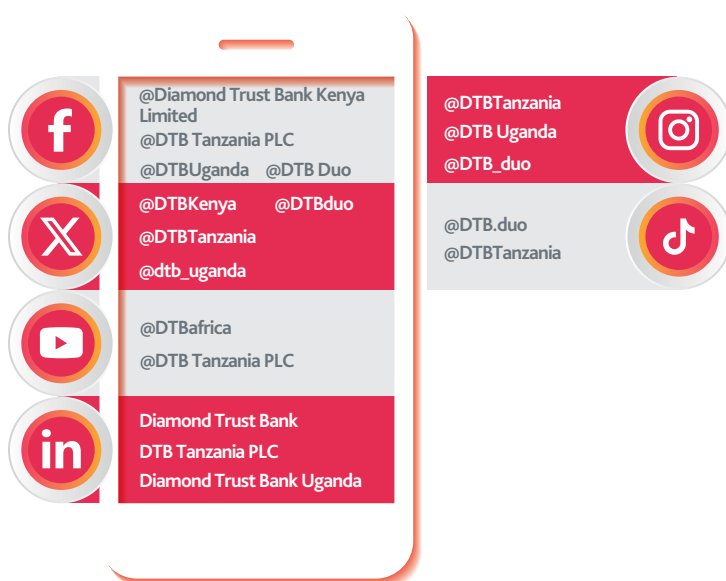
We have also placed feedback forms on our website and digital channels as well as in our branches for customers to rate our service and give feedback on their expectations of the Bank.

We additionally conduct mystery shopping exercises, on a periodic basis, to assess the quality of our service and solutions. The Bank also offers personalised service through dedicated relationship managers.

## DTB on social media

Over the past three years, our social media interactions with customers increased by 48%. This ties in with consumers' growing preference for ease and speed of engagement and indicates a growing acceptance of digital business channels.

By embracing social media, we have created a platform for dynamic dialogue with our customers. The mix of compliments, complaints and feedback we receive fuels continuous improvement and strengthens our connection with the people we serve.





## Customer feedback

Understanding our customers' sentiments requires active engagement through surveys and feedback channels, coupled with diligent monitoring and complaints' analysis. Our approach to gathering and addressing customer feedback exemplifies the synergy between people, technology and processes to deliver the exceptional customer experience that defines DTB's reputation.

To this end, the Bank has adopted global customer service metrics to measure customer satisfaction. In order to measure the scores, we have availed feedback forms digitally on our channels as well as physically in the branches.

The data is collated on a monthly basis and the scores calculated as below.

### Net Promoter Score (NPS)

Measures customer loyalty based on one survey question, namely, the degree to which a customer would recommend the organisation to others. This is measured on a scale from 0 (very unlikely) to 10 (very likely).

*DTB Kenya: Average NPS score in 2023 was 53 up from 47 in 2022.*

### Customer Satisfaction Score (CSAT)

Is a measure of how satisfied or unsatisfied customers are with the organisation's products or services. Respondents are asked to rate these on a scale of 1 to 5 (Very Unsatisfied, Unsatisfied, Neutral, Satisfied and Very Satisfied).

*DTB Kenya: Average CSAT stood at 91% in 2023, compared to 89% in 2022.*

### Customer Effort Score (CES)

Towards the end of 2023, the Bank implemented CES to gauge customers' digital channels' experience. This single-item metric ranges from 0 – 100 and customers are asked to rate DTB on a scale of 1 – 5 (very difficult, difficult, neutral, easy, and very easy). The results of the recently adopted CES will be published in future reports.

Together, NPS, CSAT and CES influence and guide our business decisions and enable root-cause analyses.

In 2023, two of our most challenging customer experience issues were service dilution and fraud. Fraud is a scourge that affects all economic sectors, although the very nature of financial services renders our industry more vulnerable. Service dilution is a common challenge experienced by businesses undergoing growth because the personal touch could potentially diminish unless it is purposefully protected.

To address these challenges and in line with the Bank's aspiration to provide our customers with a consistent customer experience, we re-profiled the roles of our branch service teams to focus on customer service by implementing changes to branch staff roles and augmenting their service-related KPIs. We also embarked on a business re-engineering exercise to reduce the number of steps customers take to complete a task or transaction whilst paying due regard to controls and security.

On the other hand, expanding our branch network demands a cultural shift towards prioritising relevant, convenient and customer-centric services.

### ➤ Front line customer engagement

We ensure that our branch staff are well trained to provide excellent service to customers.

### ➤ Branch expansion

Our expansion efforts are driven by our resolve to be accessible and provide convenience to our customers.

### ➤ Sales and service KPIs

The performance management of staff places emphasis on both sales and service deliverables with weekly monitoring of progress and delivery.

### ➤ Enhanced Relationship Value (ERV)

We undertake frequent customer calls and visits to keep our top customers fully engaged.

### ➤ The Bank launched a business centre to serve as the sales hub.

Within the sales centre lie specialised hubs, such as Pakistani, Chinese, and Somali desks, in a bid to offer a more personalised service.

### ➤ DTB also holds various customer engagement activities such as golf tournaments, dinners, and expos to appreciate their patronage, get feedback on our services and offer them an opportunity to network.

## Complaint resolution and handling mechanism

DTB's CX department is responsible for continuously monitoring incoming queries, compliments, suggestions, complaints and any other form of feedback received from customers as well as other stakeholders to ensure timely resolution; in addition to root cause identification and analysis for purposes of enhancing the Bank's processes, products and service delivery levels to ensure customer satisfaction.

As part of the complaint handling mechanism, the Bank currently follows the prudential guidelines requirements in resolving customer complaints within seven working days and has updated the procedures to reflect the Charter requirement which requires the Bank to provide a complainant with a prompt written acknowledgement within 48 hours and resolve the complaint in seven working days. For complaints not resolved within seven working days, written updates will be forwarded to the customer on the progress in resolving the complaint, once every seven days.



At DTB, every smile, concern and interaction matters as we strive to create meaningful experiences for our valued customers.

## Digital transformation

### 2023 highlights

**75%** growth in digital IT team

**99.67%** uptime on critical banking platforms

**72%** transactions on digital channels

**11** total number of partnerships in the year

**DTBX** established our digital factory

The growth realised by DTB has positioned the Group as an industry leader, a testament to the value of our past strategies which relied heavily on traditional banking approaches. However, with the rapid advancement of digital technologies, we are reviewing our business model and reorganising our ways of working to prime us for a successful take-off into a digital future.

Our digital transformation strategic pillar is therefore aimed at addressing the challenges caused by the significant shifts occurring in our operating environment, fueled by the adoption of technology across society and the need to position the Bank for sustainable growth.

Through this pillar, we solve for changing customer expectations and preferences, increased competition from traditional and new entrants like FinTech startups and today's BANI (Brittle, Anxious, Non-Linear, Incomprehensible) world which calls for organisations to embrace proactiveness and innovation to enhance their ability to respond to a fast-paced operating environment.

Our digital transformation strategic pillars are aligned with our broader business goals of improving customer experience and operational efficiency and expanding our customer reach.

Our aspiration to become a technology company with a banking licence keeps us firmly rooted on the path towards sustainable growth. On this journey, DTB aims to leverage its licence and exploit technology as an enabler to embed banking into every customer's lifestyle. In this way, banking becomes something people do and not a place they go to.

### Enabling our digital transformation agenda

In 2023, we established the functional structures and processes to facilitate our digital transformation journey. To achieve the desired improvements, we are investing in building internal software engineering and architecture capabilities. These will enable us to fully own and manage our digital assets, allowing us to shorten the go-to-market cycle for our products and services in a cost-effective manner.

The enterprise IT function was expanded and transitioned into a new-age Digital IT function. This change opened opportunities for the reinvention of IT management and the development of new digitisation skills. New functions onboarded include product innovation, software engineering, development, security and operations (DevSecOps), enterprise architecture and cloud computing, underpinned by a fully-fledged quality assurance team.

Our new-age Digital IT function birthed DTBX, which houses the Digital Factory and Knowledge Centre, both located in our corporate headquarters, DTB Centre in Nairobi, to execute our digital transformation agenda.

The **Digital Factory** provides collaborative working spaces for our teams to innovate and develop solutions internally or in concert with external partners.

The **Knowledge Centre** is focused on providing facilities that enable the Bank to share information with customers and employees. It includes training rooms, a podcast and video recording studio for developing customer focused content such as "how to" videos and product demonstrations and a digital auditorium equipped with video conferencing facilities. The studio enables the Bank to initiate conversations across the industry and region and serves to position DTB as a thought leader in the innovation space.





## Progress through partnerships

Our digital partnerships agenda, which took off in 2022 with the goal of positioning the Group as the default partner of choice for FinTechs and other technologically enabled organisations, advanced well in the year. The foundation laid then set the stage for the development of digital solutions, under Astra, the Banking-as-a-Service (BaaS) banner, after we secured regulatory approvals for seven partners within the year.

BaaS is an innovative solution which allows non-banking players including FinTechs, start-ups and e-commerce operators, to piggy-back on the infrastructure and licence of financial institutions, to offer their customers digital banking solutions such as mobile bank accounts, debit cards, loans and payment services without having to acquire a banking licence.

Through these collaborations, we conceptualised and developed card-as-a-service, payment-as-a-service, wallet-as-a-service and KYC-as-a-service solutions to be rolled out in 2024.

Our digital transformation agenda also involves engaging with customer clusters, with specific needs, and co-creating appropriate solutions such as:



▶ A solution for SME business owners that provides them with a 360-degree view of their businesses, including payments, supplier and customer information, sales and inventory management and dashboards that track performance indicators on a single platform and at a reasonable technology cost. The platform combines the capabilities of a simple ERP and banking solution.



▶ It simplifies the process of organising contributions, setting up loans and tracking group performance to empower investment groups to effortlessly pool funds and achieve their financial goals. Built in partnership with a local FinTech, this feature-rich app is a solution for formal and informal welfare groups (commonly known as chamas) and associations.





Our digital transformation agenda is built on eight pillars. The table below highlights related initiatives and how we performed in 2023.

Digital transformation pillar	Initiatives
<b>Digital customer solutions</b> Develop digital applications that wrap around the core banking system to create a scalable platform, which provides bespoke solutions tailored to customer needs, and helps us accelerate customer growth and improve the efficiency and effectiveness of our offering.	<ul style="list-style-type: none"> <li>Our focus is to support ecosystems across different strategic sectors, develop digital solutions, with a key focus on the agriculture and education sectors.</li> <li>Applications: We delivered InfinitiLite, a business banking payment and collection solution; and InfinitiPay, an SME banking application.</li> <li>Digital customer onboarding: We enabled the sales team to digitally onboard customers within an average of 15 minutes.</li> </ul>
<b>Digital banking platform</b> As we scaled our business across the region, we identified the key trends influencing the banking landscape and invested in building our internal capabilities for creating and managing our digital banking platforms to enhance the agility of our go-to-market process.	<ul style="list-style-type: none"> <li>We have developed an internal digital platform, sitting outside the traditional core banking system, to deliver responsive, agile solutions that support channels, billers, merchants and other customer and partner integrations.</li> <li>Our engineering team built on these capabilities to develop a new consumer digital channel which will be launched in 2024, offering new features and products.</li> </ul>
<b>Digital partnerships</b> Partner with FinTechs and tech startups to leverage their ecosystems to grow an extended customer base and unlock new revenue streams.	<ul style="list-style-type: none"> <li>We delivered the Astra Banking-as-a-Service (BaaS) proposition, supporting tech-enabled companies through the extension of APIs that break down traditional financial services into discrete products.</li> <li>We successfully onboarded eight FinTech companies onto the Astra platform in 2023.</li> </ul>
<b>Digital lending</b> Offer a full digital experience for retail lending customers across all credit products.	<ul style="list-style-type: none"> <li>We are building our digital credit platform, which will be deployed in 2024, to enable us digitise all aspects of consumer lending.</li> </ul>
<b>Digital customer experience &amp; enablement</b> Implement Contact Centre automation by leveraging AI to enhance customer experience efficiencies. Establish a SWAT team to enable client solutions.	<ul style="list-style-type: none"> <li>In 2023, we focused on simplifying our data layer to enable us to bring enhanced automation to the Contact Centre environment in 2024.</li> <li>We are working to empower the customer by increasing self-service options and exploring the use of AI to improve the way we respond to customers.</li> </ul>
<b>Cloud computing</b> Take advantage of the cloud benefits of scale, elasticity, cost efficiency and accessibility, while maintaining regulatory compliance and data sovereignty.	<ul style="list-style-type: none"> <li>Our digital capabilities such as integration, applications and onboarding solutions are hosted on the cloud, ensuring a highly responsive experience for our customers and employees.</li> <li>We have moved our software engineering environments to the cloud, enabling us to accelerate solution development.</li> </ul>

## Digital transformation pillar

## Initiatives

### Data analytics and artificial intelligence

Build data capabilities that enable advanced analytics to drive growth across all segments through data mining, cross-selling and personalised propositions.

- We have recruited and built a full data team of engineers, scientists and analysts to deliver our comprehensive data strategy that propels us to become a more data-driven organisation.
- We have delivered significant enhancements to our internal business intelligence capabilities, giving a greater understanding of our customer portfolios.
- We are building a data standardisation (MDM) platform, across the enterprise, as a foundational step towards delivering big data analytics in the future.

### Enterprise digitisation

Introduce robotic process automation (RPA) to increase throughput; use enterprise architecture practice to standardise design, security and cost; create products that automate manual processes.

- We have built an enterprise architecture centre of excellence to bring greater simplification and standardisation to our underlying technology stack to facilitate the delivery of the Group's technology strategy.
- We are deploying automation programmes using Python, Power Automate and UiPath robotic process automation to increase straight through processing and deliver better customer experiences.



DTB staff showcasing InfinitiPay during an MSME Expo in Embu County.

## Building a culture of innovation

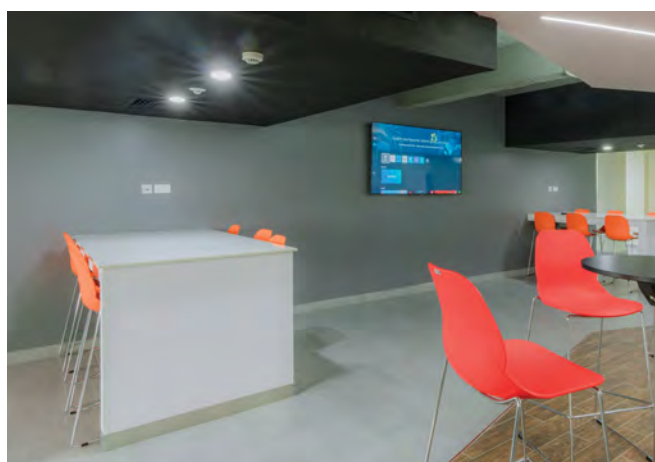


To create an environment that encourages problem solving and collaborative thinking, we draw inspiration from the principles of design thinking and the concepts of human-centred design.

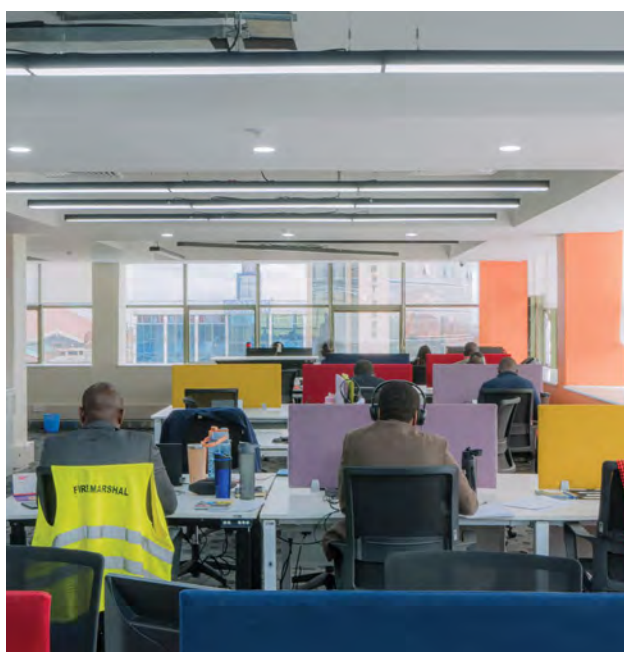
Adapting learnings to our environment, we introduced our very own innovative and collaborative workspace, to empower software development teams and enhance productivity.



DTBX is an offshoot of the traditional bank. The X signifies the X-factor, the multiplication effect of digital innovation.



The space holds 17 incubation rooms for collaboration with FinTechs on specific projects. Each room is named for a famous entrepreneur and innovator, 15 of them East Africans. These examples of inspiration and innovation underscore the intention of DTBX as a space dedicated to building a better future.



The open-plan DTBX workspace features a mix of comfortable, casual seating and adjustable desks.



Our podcast and video-recording studio will start producing digital content in 2024, featuring inspiring conversations with people from the banking and FinTech communities. The content is intended for knowledge exchange within the FinTech and banking ecosystem. In addition, it will be a platform to highlight DTB's frontrunner position in the digital banking space and a channel for us to introduce specific products to the market.





## Sustainability excellence

As the 2050 deadline agreed in Paris in 2016 and adopted by 196 Parties at the UN Climate Change Conference (COP21) looms, and as the social and economic effects of climate change continue to escalate, the world is witnessing a sense of urgency as policy makers rally to reverse the adverse effects of decades of human acts of omission and commission on the planet. This is evident in the sheer volume of commitments, standards and regulations being made across the world, including this region, to give impetus to the sustainability agenda and trigger its prioritisation and adoption by public and private sector players.

DTB, being alive to the risk of climate change, and being a responsible corporate citizen, has embedded sustainability excellence as one of the three pillars of its business growth strategy, to underwrite the long-term viability of the planet and society, and therefore that of the institution. Importantly, in alignment with Environmental, Social and Governance (ESG) principles, reinforce the conduct of ethical and sustainable business practices across its value chain.

As espoused by the shared value principle, the Group recognises the symbiotic relationship that exists between DTB and society with its long-term success being directly tied to society's sustainable economic development and growth. For instance, while our domain is the financial services sector, our performance is directly impacted by developments in the macro-economic environment. In East Africa's case, for example, agriculture, with its extensive value chain, is one of the highest contributors to the economy and biggest employers. Climatic changes negatively affect productivity and therefore, the economy, which has a direct bearing on the performance of our assets' and liabilities' portfolios.

Informed by this, a contribution to sustainability can no longer be confined to corporate social responsibility or philanthropy; it must take strategic centre stage and be part of the whole business transformation agenda. We are certainly not alone in this realisation, as demonstrated by changes in our regulatory environment. Guided by the Task Force on Climate-related Disclosures (TCFD) recommendations, the Central Bank of Kenya (CBK) issued the Guidance on Climate Related Risk Management in October 2021. This is a blue-print to help banks determine and report on the financial exposure of climate-related risks on their portfolios and highlight attendant mitigations. DTB Kenya published its first TCFD report in June 2023. (<https://dtbk.dtbafrika.com/sites/dtbk.dtbafrika.com/files/2023-07/TCFD-REPORT-2022-2.0-Final.pdf>). The disclosures, covering the reporting period between 01 January 2022 and 31 December 2022, have been integrated into this report to provide stakeholders with a wholesome view of the organisation.

Similarly, the Bank of Tanzania (BOT) issued the 2022 Guidelines on

Climate Related Financial Risks Management requiring banks to establish robust governance structures to facilitate the identification, management, monitoring and reporting of climate-related financial risks across various time frames.

Further to this, the Nairobi Securities Exchange (NSE) in November 2021, launched the ESG Disclosures Guidance Manual, in collaboration with the Global Reporting Initiative (GRI), recommending that listed companies make their sustainability-related disclosures in alignment with GRI standards. In 2023, more sustainability reporting standards and frameworks including the Taskforce on Nature-related Financial Disclosures (TNFD) and the IFRS S1 and IFRS S2 standards were launched. At the policy level, the Climate Change (Amendment) Act of 2023 and the Sustainable Waste Management Act came into force.

In Uganda, the Bank of Uganda (BOU) conducted a situational analysis on the uptake of sustainability among financial institutions to inform the need for industry-wide guidelines and regulations and their potential scope. BOU, in collaboration with the Uganda Bankers Association (UBA), developed a pathway to institutionalise the sustainability agenda within financial institutions.

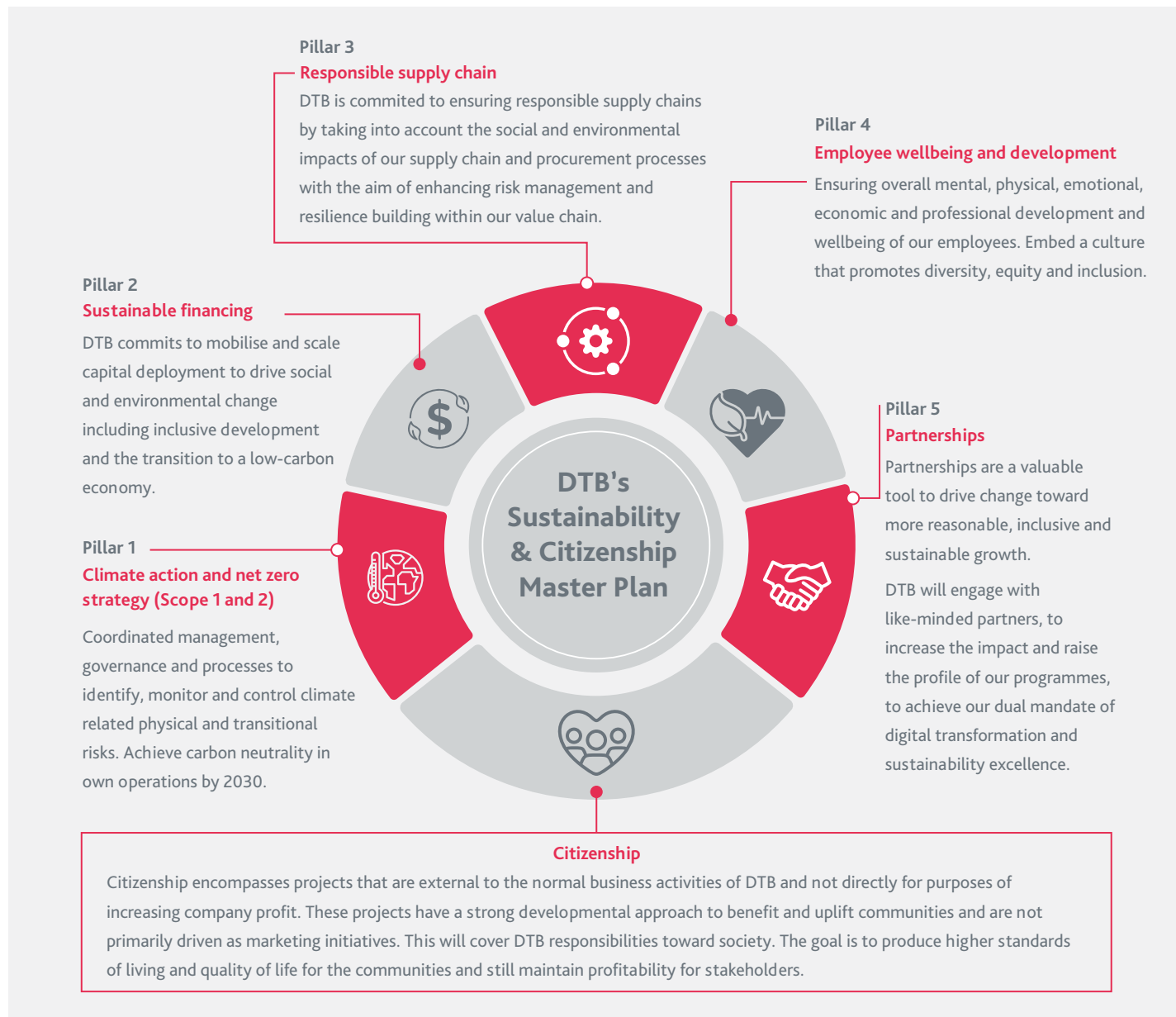
Against this backdrop, we marked a significant milestone in our sustainability journey, when the Boards of DTB Kenya, Uganda and Tanzania severally approved the Group's Sustainability and Citizenship Master Plan. This is a comprehensive roadmap integrating DTB's sustainability principles into its operations and interactions with stakeholders while guiding its ambition to become a sustainability excellence practitioner and thought leader in the region.

Developed in line with GRI standards and the United Nations Sustainable Development Goals (SDGs), the Master Plan delineates the Group's sustainability commitments, complete with corresponding key performance indicators (KPIs) and timelines. Through consultations with internal and external stakeholders, we arrived at five sustainability pillars and one citizenship pillar and adopted 11 of the 17 SDGs.





The Master Plan operates on two complementary focus areas, each playing a vital role in advancing our organisational objectives. Firstly, the sustainability elements within the plan tackle our environmental, social and governance (ESG) challenges, fulfilling our obligations while seizing opportunities for growth. The citizenship component directs our efforts towards activities and initiatives that contribute to the social and economic growth of the communities within which we operate. Together, these focus areas form a cohesive strategy, aligning our actions with our values and overarching goals.



To ensure the Master Plan's successful implementation, DTB has enhanced its governance structure and processes over the last two years:

- Tasked the Board Strategy Committee (BSC) to oversee, on behalf of the Board, the development and implementation of the Bank's business growth strategy including the sustainability excellence pillar.
- Revised the Boards' TORs to include oversight of the development and implementation of DTB's Sustainability and Citizenship Master Plan.
- Reviewed the TORs of Board and Management committees to incorporate sustainability-related deliverables.
- Created the Sustainability Committee (SUSCO), comprising members of the Executive Committee (ExCo), led by the Managing Director & Group Chief Executive Officer, to steer the Master Plan's development and implementation.
- Created and resourced the Sustainability and Citizenship Department, which reports to the Finance & Strategy Director, to oversee the day-to-day running of the Bank's sustainability and citizenship agenda.

- Appointed sustainability champions, from all departments and branches, to create awareness of the Bank's sustainability and citizenship initiatives among employees and get their input and, ultimately, buy-in.
- Developed a sustainability policy, citizenship policy, climate-related risks policy, E&S risk management policy, and energy management policy. In addition, reviewed and enhanced existing policies, as well as the supplier code of conduct, to include ESG-related elements.

## Stakeholder engagement

To create awareness of our sustainability and citizenship agenda, and involve stakeholders, we deployed a comprehensive engagement programme for internal and external audiences. Besides making good business sense, stakeholder engagement is listed as a critical pillar of sustainability disclosures under the GRI reporting framework and is a requirement under the International Integrated Reporting Framework.

Our internal stakeholders are our foremost brand ambassadors and particular care is therefore being given to this important stakeholder group, to ensure that they are well apprised of the basic principles of sustainability, the impact of sustainability-related issues on the business and therefore, their day-to-day work, and notably, their role in embedding a culture of sustainability within the Bank and its value chain. In line with this, we implemented the following programmes in 2023:

### 47 sustainability champions

Representing all departments. By 31 December 2023, the team had attended four training sessions by an external consultant.



### Internal training sessions

- Held three ESG 101 training sessions for employees

#### Specialised training sessions

- For relationship managers, risk and audit teams.
- IFRS S1 and S2 training for Board and management

### Sponsored training

- IFC Green Bonds training.
- IFRS S1 and IFRS S2 training by the Kenya Bankers' Association (KBA) and the Worldwide Fund for Nature (WWF).
- Affirmative Finance Action for Women in Africa (AFAWA) training, sponsored by the African Guarantee Fund (AGF).

Our external stakeholders anchor our business and give us our social and operating licence and their endorsement of our strategy is therefore a prerequisite for its success. Engaging them is therefore not a nice to have, but a business imperative. In line with this, we informed our stakeholders of our sustainability strategy and invited their input to ensure that we move in tandem with them.

Consequently, DTB Kenya socialised more than 265 customers, 81 suppliers as well as partners such as business associations and DFIs on the Bank's sustainability agenda. These sessions also served as platforms for knowledge exchange and benchmarking with peers and industry leaders.



We also collaborated with our regulators to embed sustainability practices within the banking sector across the region. In this regard, DTB Kenya has, since 2022, provided the Central Bank of Kenya with quarterly progress reports on the implementation of the climate-related risks' plan as well as through the Kenya Banking Sector Charter which captures the Bank's progress on a number of sustainability commitments. We also joined industry peers to develop the TCFD template under the auspices of the Kenya Bankers' Association (KBA).

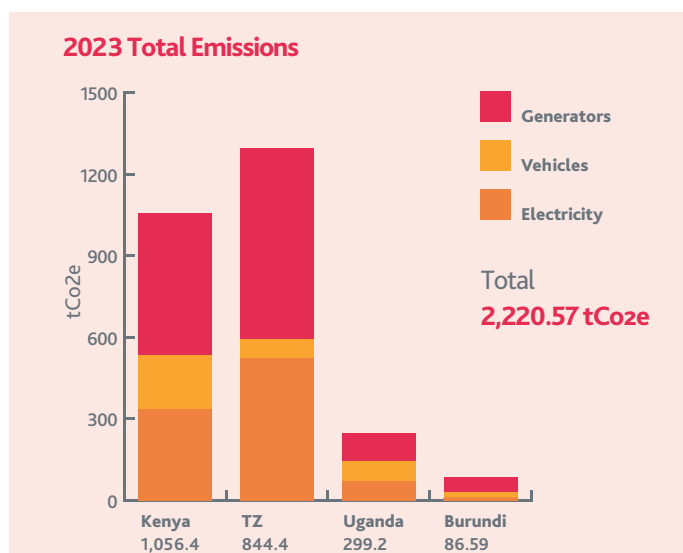
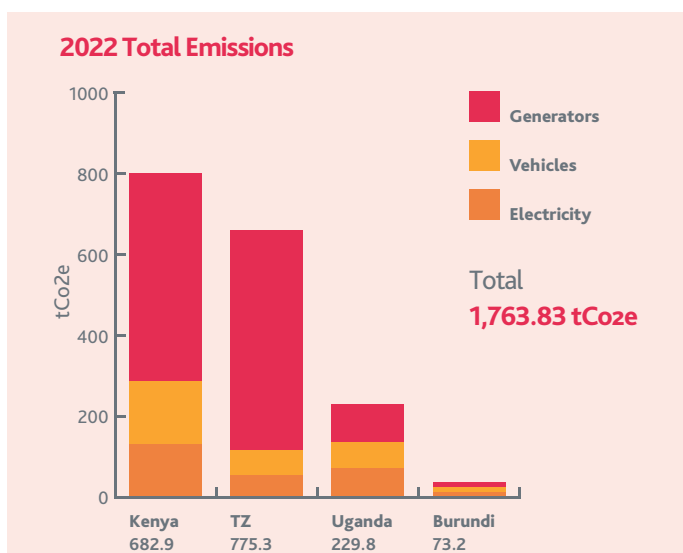
# Our sustainability performance at a glance

## Pillar 1: Climate action and net-zero strategy



This covers DTB's management of emissions from its own operations (scope 1 and scope 2 emissions) to achieve carbon neutrality by 2030.

Target	2023 progress	Impact
 <b>Achieve carbon neutrality in own operations by 2030.</b> Scope 1 = owned vehicles and generators Scope 2 = electricity from the national grid Scope 3 = value chain emissions	<ul style="list-style-type: none"> <li>Installed a 300kW solar generation project to provide up to 20% of the energy needs of DTB Centre in Nairobi.</li> <li>Commissioned a green audit of DTB Centre, by Green Business Certification Inc. to determine the efficiency of energy, water and building materials.</li> <li>Continued measurement of carbon footprint.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced electricity consumption by 12% between July and December, 2023.</li> <li>EDGE Advanced certification (Level 2)</li> </ul> <b>Outcome:</b> <ul style="list-style-type: none"> <li>➤ 62% in energy (solar and smart electricity installations)</li> <li>➤ 30% efficiency in water usage</li> <li>➤ 99% in building materials (DTB Centre is old enough for materials to be deemed reused).</li> </ul>
<b>Kenya</b> <ul style="list-style-type: none"> <li>➤ Plant and grow 1 million trees by 2025, and 10 million by 2030.</li> </ul> <b>Uganda</b> <ul style="list-style-type: none"> <li>➤ 30,000 trees by 2025 and 100,000 by 2030</li> </ul> <b>Tanzania</b> <ul style="list-style-type: none"> <li>➤ 1 million trees by 2030, starting with 100,000 in 2024.</li> </ul>	<b>Kenya</b> <ul style="list-style-type: none"> <li>Multi-year partnership with the Aga Khan Foundation to establish micro-forests across the country resulted in the planting of over 20,000 trees, in 66 sites, in four counties.</li> <li>Donated 11,000 trees to tea farmers in Kitale through the KTDA Foundation.</li> <li>Distributed 5,000 saplings to employees during the National Tree Planting holiday on 13 November 2023.</li> </ul> <b>Uganda</b> <ul style="list-style-type: none"> <li>Distributed more than 700 fruit trees to employees and customers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Planted 37,034 trees</li> </ul>
 <b>Waste recycling</b>	<b>Kenya</b> <ul style="list-style-type: none"> <li>Recycled 8 tonnes of paper, generated from DTB Centre, between September 2019 and December 2023.</li> <li>Disposed 31.5 kgs of print toners, 2,144 kgs of POS machines and 400 kgs of POS chargers through an e-waste management facility.</li> </ul> <b>Tanzania</b> <ul style="list-style-type: none"> <li>More than 2 tonnes of paper generated from DTB Centre in Dar es salaam recycled.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Responsible waste management with a positive impact on the environment.</li> <li>➤ Reduction of Scope 3 emissions.</li> </ul>



In 2021, the Group adopted GHG Protocol accounting calculation tools that were developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), in partnership with industry experts, to track its Scope 1 and Scope 2 emissions. DTB plans to start calculating select aspects of Scope 3, such as business travel, waste and vehicle hire from 2024.



DTB Uganda staff receiving a certificate of appreciation for being the platinum sponsor of the 5th SDGs Run in Kampala.



## Pillar 2: Sustainable financing



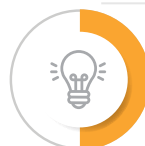
While climate change poses severe risks, the imperative to mitigate it carries significant opportunities in terms of sustainable finance solutions that support customers as they transition to low-carbon and climate-resilient business models.

To understand the potential impact of climate change, through physical and transition risks, on our performance, we conducted a green mapping exercise of our loan book, across the Group, based on the following five clusters:



### Renewable energy

- Power generation
- Solar
- Biogas
- Hydro
- Wind
- Biomass use
- Manufacturing of renewable/ green appliances



### Energy and resource efficiency

- Manufacture of energy efficient appliances
- Process retrofitting
- Circular economy and waste management
- Green field in a facility



### Sustainable transport

- Electric transport
- Hybrid vehicles
- Sustainable infrastructure
- Fleet change



### Green buildings


- Lighting
- Water heating
- Cooling
- Renewable energy integration
- Design modelling certified as green entry



### Smart agriculture

- Enhanced resilience
- Increased productivity
- Reduced carbon emissions

By 31 December 2023, the green portfolio accounted for 5.3% of the Group's On-Balance sheet items, across a broad range of sectors. In 2024, we plan to pursue green financing objectives that support the realisation of a carbon-neutral economy and mobilise and scale capital deployment to drive social and environmental change.


Target	2023 progress	Impact
 <p>➤ At least one green savings or loan product brought to market in 2024.</p>	<p>Sponsored sustainability, treasury, and business teams for sustainable finance trainings by International Finance Corporation (IFC) and African Guarantee Fund (AGF.)</p>	<p>➤ Imparted the necessary skills and forged important partnerships to drive the Bank's sustainable finance agenda.</p>
	<p><b>Kenya</b> Conducted environmental and social due diligence screening for 436 facilities above USD 10,000.</p>	<p>➤ In de-risking our portfolio, we are also supporting our customers' sustainability ambitions.</p>

## Pillar 3: Responsible supply chain



Our suppliers are a critical enabler of our success. As our partners, they vicariously fly the flag on behalf of our brand and as such, their actions have a bearing on us. It is therefore crucial, that even as we embrace sustainability, we walk with them to ensure a unity of purpose and alignment of values. We must therefore consider the social and environmental impacts of our supply chain and procurement processes to enhance risk management and build resilience.

We similarly plan to increase the uptake of procurement opportunities by disadvantaged groups namely women, youth and the differently abled, in line with our commitment to drive inclusive social and economic growth.


Target	2023 progress	Impact						
<div></div> <div><ul style="list-style-type: none"><li>➤ Determine the baselines for the Bank's procurement spend sourced from women, youth, and PWD-owned enterprises (Special Interest Groups) by October 2023 and then set targets for 2024 and beyond.</li></ul></div>	<div><p>A supply chain review was conducted, to establish baselines and provide recommendations to enable the successful implementation of this objective. In undertaking this process, the Bank benchmarked against leading private and public sector organisations.</p><p>DTB Kenya special interest groups baselines</p><table><tr><th>Year</th><th>Baseline</th></tr><tr><td>2022</td><td>9.8%</td></tr><tr><td>2023</td><td>9.2%</td></tr></table></div>	Year	Baseline	2022	9.8%	2023	9.2%	<div><ul style="list-style-type: none"><li>➤ Drive equitable distribution of resources by empowering socially and economically marginalised groups.</li></ul></div>
Year	Baseline							
2022	9.8%							
2023	9.2%							
<div><ul style="list-style-type: none"><li>➤ Enhance the existing supplier code of conduct to cover baseline sustainability practices and administer its application to key suppliers from 2023.</li></ul></div>	<div><p>Supplier code of conduct enhanced and approved. Roll out to suppliers scheduled for 2024.</p></div>	<div><ul style="list-style-type: none"><li>➤ Increased alignment between DTB's sustainability aspirations and our suppliers' practices.</li></ul></div>						
<div><ul style="list-style-type: none"><li>➤ Target 100% sustainably sourced/resourced promotional items as Bank's give aways from 2024.</li></ul></div>	<div><p>Piloted in 2023 for roll out in 2024.</p></div>	<div><ul style="list-style-type: none"><li>➤ Positive impact on the environment.</li><li>➤ Contribute to the empowerment of socially and economically marginalised groups.</li></ul></div>						

## Pillar 4: Employee wellbeing and development



Ensure the mental, physical, emotional, economic and professional development and wellbeing of our employees. Embed a culture that promotes diversity, equity and inclusion.

*(Refer to the **human capital** section of this report for further detail.)*

Target	2023 progress	Impact
 <p>➤ Promote a culture of volunteerism amongst employees.</p>	<p>More than 600 employees donated an estimated 1,500 hours in 43 citizenship initiatives across the Group.</p>	<p>➤ Increase brand pride and engagement amongst employees.</p>



DTB staff after participating in a street clean-up along Mombasa Road during Customer Service Week 2023, where they collected over 120 kg of waste which was channeled towards recycling.



## Pillar 5: Partnerships



DTB engages with like-minded partners, to increase the impact and raise the profile of its programmes, to achieve its dual mandate of digital transformation and sustainability excellence. The success of our sustainability and citizenship programmes is largely the result of the strong support provided by our partners.

In Kenya, we conducted financial literacy training sessions with the Kenya Bankers Association (KBA), UK Tech Hub, the ROSE Women's Foundation and the Kenya National Chamber of Commerce and Industry (KNCCI) and held sustainability outreach forums in concert with the Worldwide Fund for Nature (WWF) and the International Finance Corporation (IFC). We also established a micro-forests' partnership with the Aga Khan Foundation, and together with Together for Better, provided school girls with menstrual dignity kits.

In Tanzania, we concluded an agreement with the Mwananchi Communications incubator programme to develop an interactive platform to link women manufacturers to markets. A partnership with Vodacom enables us to advance financial inclusion through the provision of micro loans.

In Uganda, we formalised a partnership with KACITA Uganda, an umbrella organisation that mobilises and unites the business community into a viable, structured and social marketplace. We will leverage this partnership, in 2024, to improve our customers awareness of sustainability matters.

We plan to scale these partnerships and pursue others, in 2024, to increase the breadth and depth of our impact.

## Pillar 6: Citizenship



For years now, DTB has deployed impactful citizenship programmes which have transformed the lives of thousands of citizens across the region. Our commitment to the community is reflected in our financial contribution of Shs. 44.8 Million in 2023. Our investments in the community are informed by the fact that we do not operate in a vacuum, and as a corporate citizen, it is incumbent upon us to

participate in projects that are aimed at closing the social and economic divide. In choosing our focus areas, we consider interventions we deem the most consequential from a medium to long term perspective, including education and health and those that align to our core business such as financial literacy and enterprise development programmes.

### #AchieveMoreGirl

The #AchieveMoreGirl programme was established in Kenya to provide 30,000 schoolgirls, from marginalised communities, with reusable sanitary kits and reproductive health education by 2025.

In 2023, the programme impacted 5,000 girls from 19 schools drawn from Narok, Homa Bay, Nyandarua, and Kilifi counties bringing to over 18,000, the total number of beneficiaries since the programme started in 2020. A further 800 girls benefitted from a similar program in Tanzania.

Beneficiaries from Ng'ombeni Girs Secondary School in Kilifi County after receiving their reusable sanitary kits under DTB's #AchieveMoreGirl programme.





## Financial literacy and enterprise development

As a bank, entrenching financial literacy and enterprise development is aligned to our core business. Through partnerships, we conduct physical and online sessions, to empower our individual and enterprise customers with the skills they need to attain their financial goals.

One of our flagship financial literacy and enterprise development initiatives targets female micro-entrepreneurs from some of Nairobi's informal settlements and is delivered in partnership with a women's empowerment organisation, the ROSE Women's Foundation (RWF). The programme uses a mix of classroom training and business mentorship to support beneficiaries' growth. The partnership, mooted in the second half of 2022, has so far benefitted 250 women. Additionally, 41 DTB employees have acted as mentors so far.

Through this partnership, we have catalysed the creation of 355 jobs and up-to a 293% increase in average income. In 2023, a further 100 female entrepreneurs benefitted from a Mrembo Imara credit awareness training conducted in partnership with UK Tech Hub.

Further, in partnership with the Kenya Bankers' Association (KBA), DTB Kenya rolled out a ten-module online programme for over 800 micro entrepreneurs through the Inuka Enterprise Programme. Since the programme's launch in 2019, more than 2,000 MSME business owners have been trained in a variety of areas including: entrepreneurship, financial and human resource management, business and strategic planning, operations and value chain management, marketing and business communication, data analytics, debt management, customer relationship management, investor/credit readiness, risk management, sustainability, total quality management and the socio-economic roles of MSMEs.

Additionally, we held enterprise development sessions for over 2,400 members of Kenya's Defense Forces (KDF) through our retail banking team while a further 647 MSMEs received financial literacy training conducted in collaboration with KNCCI-Nairobi chapter and Mama Doing Good.



Beneficiary of the ROSE Women's Foundation interacts with a member of the DTB sales department after a mentorship session.

## Healthcare

Investments in specialised healthcare are yet another focus of our citizenship initiatives. In Kenya and Tanzania, DTB has partnered with various organisations, including the Aga Khan Hospital, to offer reconstructive surgeries to female victims of domestic violence and accidents. In 2023, DTB Tanzania stepped up its collaboration with the Aga Khan Hospital in Dar es Salaam, Muhimbili National Hospital and the American Doctors Association. The Tanzania programme was established in 2018 and has so far benefitted more than 200 patients. DTB Tanzania also supports cataract surgery in partnership with Rotary International. The goal is to facilitate 30,000 cataract operations by 2030; more than 520 have been successfully completed.



## Outlook

Building on the successes of the last two years, we shift our focus to delivering sustainable finance solutions to support our customers' transition to a carbon neutral economy by leaning on the expertise and resources of our partners to help us develop bespoke solutions that will find resonance with our customers. We will also put in place the necessary systems and processes to enable us achieve our affirmative procurement commitments, under the responsible supply chain pillar.

Additionally, we will expand the scope of our carbon emissions tracking to include some Scope 3 aspects and concurrently step up our customer and supplier outreach programme to push the adoption of carbon emissions disclosures. On the regulatory front, we will continue to monitor developments at the local and global levels and enforce compliance of existing laws and regulations. In all, we expect that as the march towards 2050 picks up pace, we will continue to see a heightened sense of urgency amongst governments and businesses, as they race towards a carbon-neutral future.

Instructively, and as a sign of our commitment to the citizenship agenda the Group has, from 2024, committed to invest at least 1% of its after tax profits in citizenship related programmes.





“We shift our focus to delivering sustainable finance solutions to support our customers’ transition to a carbon neutral economy.”

## Our resources

### Inputs

#### Financial capital

We use our robust capital base and a variety of deposit sources and funding streams from both investors and customers to assist our clientele. This assistance encompasses extending credit, facilitating seamless payments and transactions, and ensuring that shareholders are duly rewarded for their invested capital.

- **Deposits:** Shs 486.1 Bn
- **Loans & advances:** Shs 308.5 Bn
- **Equity:** Shs 86.4 Bn
- **Assets:** Shs 635.0 Bn

#### Key risks

- 1. CR
- 3. MR
- 4. CIR
- 5. SR
- 8. RR

#### Manufactured capital

Our business framework and operational procedures, comprising tangible assets like property and equipment, alongside digital assets such as digital products and IT systems, form the structural backbone that dictates our business operations and value creation mechanisms.

- **Branch network:** 18 branches opened in 2023, bringing our total number to 152
- **ATMs:**174; 12.3% growth from 2022

#### Key risks

- 2. OR
- 4. CIR
- 5. SR

#### Intellectual capital

Our intangible assets, such as brand reputation, franchise value, research and development prowess, innovation capabilities, accumulated knowledge, expertise and strategic partnerships, play a vital role in the expansion of our business.

- **SME partnerships and value chain**
- **Marketing spend:** KShs. 336.7 Mn

#### Key risks

- 2. OR
- 4. CIR
- 5. SR

#### Human capital

Our organisational culture, workforce, shared knowledge, diverse skill sets and extensive experience collectively empower us to develop innovative and competitive solutions for our customers, thereby generating value for our stakeholders.

- **Workforce:** 2,777; 9.4% growth from 2022
- **Training spend:** Shs 61.8 Mn; 54.5% growth from 2022

#### Key risks

- 2. OR
- 5. SR
- 8. RR

#### Social & relationship capital

Our connections with stakeholders, including the communities we engage with, are pivotal to our operational environment. We acknowledge our responsibility in contributing to the development of a flourishing society alongside fostering a robust ecosystem.

- **Customers:** 1,453,184
- **Community investment:** ~ Shs 44.8 Mn ~ 43 initiatives

#### Key risks

- 3. MR
- 5. SR
- 6. LR
- 7. CRR
- 8. RR
- 9. ESG

#### Natural capital

The direct use of and effect we exert on natural resources within our operations, encompassing energy, water and climate considerations, as well as our broader influence via our business activities.

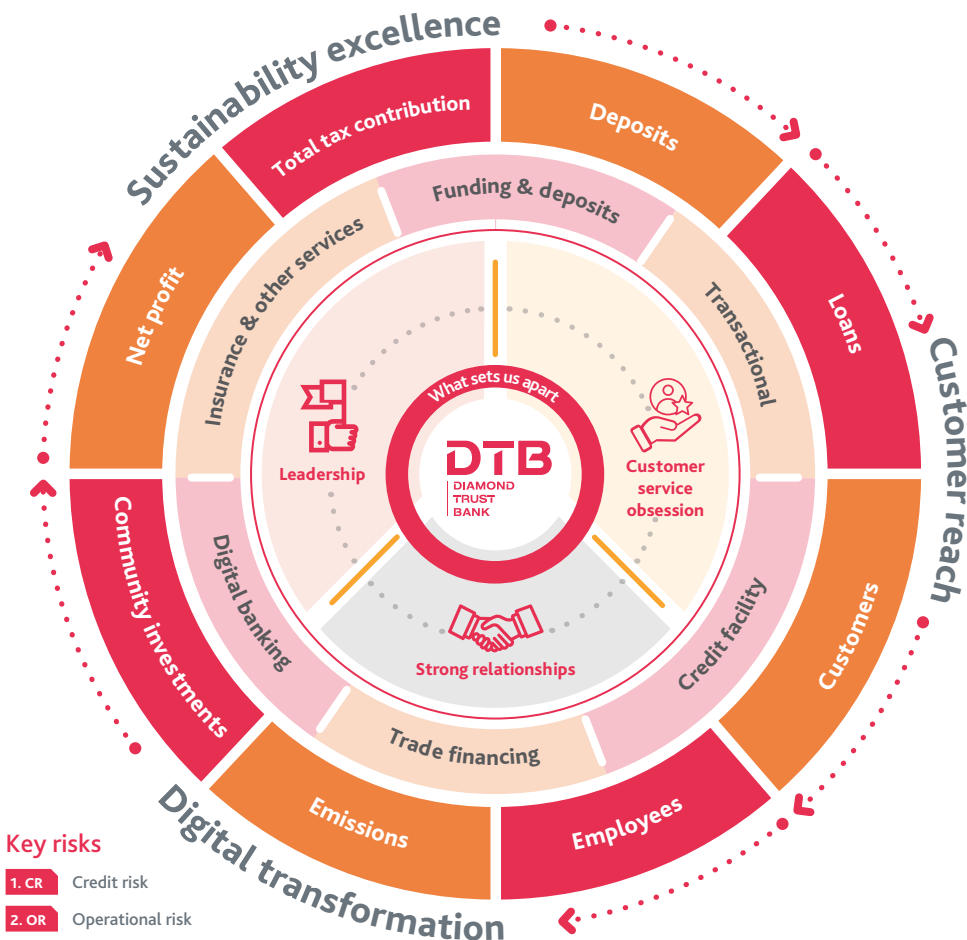
- Established an environmental and social impact credit appraisal process
- **Emissions:** Scope 1 and Scope 2 - 2,220.57 metric tons of CO2 equivalent (tCO2e)

#### Key risks

- 2. OR
- 9. ESG

## How we create value

## Our business model



### Key risks

- 1. CR Credit risk
- 2. OR Operational risk
- 3. MR Market risk
- 4. CIR Cyber/it risk
- 5. SR Strategic risk
- 6. LR Liquidity risk
- 7. CRR Compliance and regulatory risk
- 8. RR Reputational risk
- 9. ESG ESG and climate related risk

## Value generated

### Outcomes

**Deposits:** 25% growth from 2022

**Loans & advances:** 22% growth from 2022

**Equity:** 11% growth from 2022

**Assets:** 20% growth from 2022

**Customers:**

- 66% growth from 2022

**Down/uptime statistics:**

- Kenya reported a 99.67% uptime on critical banking platforms.

**Partnership:**

- 11 digital partnerships

**Digital products:**

- 8 new digital channel products developed

**Workforce:**

- Male to female ratio remained at 50:50
- 332 employees changed roles

**Retention:**

- 90%; in 2023

**Customer satisfaction score:**

- NPS - KE: 53%
- CSAT - KE: 91%

**Total tax contribution:**

- Shs 12.4 Bn direct and indirect tax contribution

**Green Portfolio:**

- 5.3%

**Emissions:**

- Scope 3 emissions yet to be measured
- EDGE advanced
- Solar installation

### Material matters

- Digital transformation
- Customer experience
- Competitiveness and opportunities
- Macro-economic / market risks

- Digital transformation
- Customer experience
- Competitiveness and future opportunities

- Macro-economic / market risks
- ESG
- Competitiveness and opportunities

- Talent strategy
- Digital transformation
- ESG

- Customer experience
- ESG
- Competitiveness & future opportunities

- ESG
- Macro-economic / market risk
- Competitiveness & future opportunities





**“If it’s to be, it’s up to me.”**

~ Arnold J. Toynbee, English historian,  
a philosopher of history, an author

~ Pamella Ager, Director, Board of DTB  
Kenya, shares her story with students  
from St. Mary’s Girls School, Narok during  
an #AchieveMoreGirl drive.

# Human capital and culture

In a world where the Fourth Industrial Revolution (4IR) is driven by innovation and characterised by automation and artificial intelligence, robotic processes, big data, machine learning, blockchain and cloud technologies among others, organisations have had to change how they perceive and design their human capital models.

At DTB we recognise the opportunities and challenges presented by activating our digital DNA and have therefore taken proactive steps to place people – our employees, customers, members of society and other stakeholders – at the heart of our strategy.

Acknowledging the shifting dynamics in the workplace, especially those relating to demographics and skills, and their profound influence on organisational culture, we are investing significant resources to equip our workforce for the future. We understand the importance of remaining agile and responsive to emerging trends to shape the workplace of tomorrow. Consequently, we are committed to enhancing employee engagement, fostering skills development and enabling a culture of appreciation.



**We understand the importance of remaining agile and responsive to emerging trends to shape the workplace of tomorrow.**

Our efforts to create a workplace that encourages productivity are rooted in the knowledge that our employees are our most valuable asset. By continuously monitoring demographic shifts, technological advancements and evolving skill requirements, we aim to position DTB as an employer of choice, capable of attracting and retaining top talent. Through these initiatives, we seek to build a workforce that is not only adaptable to change but also empowered to drive innovation and fuel our continued success in the digital age.

Notably, our people are the foundation on which our strategy is built. We recognise that to meet our growth ambitions, we need to deploy a mix of skillsets that may require us to upskill existing employees and hire new ones. As a result, DTB has, since it started operationalising the new business growth strategy in 2022, increased its workforce by nearly 30%. In 2023, our Group headcount grew by 239 as we stepped up talent acquisition to strengthen our control functions and equip our IT/digital teams with the new skills required to take our strategy forward. This has served to further enrich the talent pool with diverse skillsets straddling traditional banking roles as well as unconventional ones to bring fresh perspectives and different thinking to enhance our competitive edge.

## The talent strategy that drives our digital transformation

To support the successful implementation of our digital transformation strategic pillar, the Group is making significant human resource investments to beef up the capabilities of the team which has grown by 75% since 2022.

The digital transformation journey requires specialised IT skills and competencies at an unprecedented scale for the Group. While initial progress was made thanks to partnerships with vendors, as we advance our digital strategy, we are growing our in-house resources. Greater in-house capability will make us nimbler, giving us more control over how we engage with our customers and thus accelerate our ability to do things that really make a difference to them, especially in the areas of product development and service delivery.

As we embark on this journey, it is becoming increasingly clear that attracting and retaining talent requires deliberate effort, given the growing demand for tech skills, from a limited pool of resources, in the ongoing digital revolution. We are, however, confident that the convergence of a strong innovation and inclusive culture, a competitive employee value proposition (EVP) and our strategic intent will attract people that are a good fit for our business and resonate with our purpose.

## How we manage our workforce

As we implement this exciting phase of our human capital journey, our people strategy has, in essence, one objective: ensuring a workforce that brings DTB's promises to its stakeholders to life on all fronts and in all respects. We achieve this by focusing on leadership, culture, overall employee wellbeing and our people's growth and advancement.

A vibrant and engaged workforce is crucial for the successful delivery of our business growth strategy. Engaged employees are more likely to stay with an organisation, affording the stability, continuity and institutional memory that provide a solid foundation for progress. They also become ambassadors for the business, which simplifies the task of persuading customers to remain loyal to DTB during a change process. Perhaps, most importantly, engaged employees are active innovators, problem solvers and recruiters of like-minded individuals – all of which are fundamental to the Group's sustained success at this critical point of its growth journey.



## Our leadership and culture

DTB's success is built on a culture of customer centricity, which stems from people-centred leadership. We explore and develop the symbiotic relationship between culture and leadership to attract, retain and develop the talent we need to achieve our objectives and continuously improve productivity.

## Our employee wellbeing

The benefits of employee wellbeing, i.e., engagement, productivity and low rates of absenteeism and turnover are well documented. For instance, a 2021 study done by global professional services firm, AON, showed that a 3% improvement in employee wellbeing performance can result in a 1% increase in customer satisfaction and retention, while a 4% wellbeing improvement can produce a 1% increase in company profits. For us, the equation is even simpler and more powerful: happy, loyal employees result in happy and loyal customers.

## Developing our employees

New skills are required for the workforce to thrive in a digital and sustainability focused era. We are committed to providing a holistic experience for our employees by ensuring that there is meaningful engagement and growth in their careers. This is achieved by offering comprehensive learning opportunities where employees can acquire new skills and pursue their areas of interest.

## Our initiatives

- Employee value proposition that goes beyond remuneration and benefits.
- A focus on diversity, equity and inclusion to reflect the demographics of our society and ensure a sense of belonging for all employees.
- Enhanced compliance with our occupational health and safety programmes through training and awareness sessions to sustain a safe working environment.
- Periodic enhancement of staff benefits to ensure that we remain competitive and offer compelling value propositions to our employees. These include pension benefits, group life cover, medical cover, staff loans or mortgages for permanent employees and enhanced leave benefits for all employees.
- Health and wellness talks and webinars as well as free basic health checks.
- Training courses and programmes in the areas of innovation, sustainability, digital transformation, data protection and governance, leadership, corporate governance, ethics, occupational health and safety, as well as on DTB's products, services, processes and systems.
- Internal recruitment and skills development for roles that demand new skill sets.
- Comprehensive performance management and personal development processes.



Staff from DTB's New Eastleigh Branch during Customer Service Week 2023.

## 2023 milestones and highlights

**♂♀ 50-50**

Gender-balanced workforce



**299**

Unionised staff in 2023



**63**

Graduate Management Trainees

**70 Interns**

Embedded in different departments and branches

**4**

Physical wellbeing sessions/events



Free app-based online healthcare for staff in partnership with Antara Health Services

**DTBX**

Established the DTBX innovation centre as a workspace that encourages innovation

Bank-wide culture change workshops to support our strategic growth agenda



**10**

social wellbeing events for staff

**32 training hours**

per employee

\*on average

**87 Students**

University students job shadowed bank employees for two weeks in August 2023



**5**

Financial wellness sessions for staff



**Zero**

Reported workplace fatalities

**239 new hires**

Talent acquisition focused on strengthening our control functions and equipping our IT/digital teams with the skills required to take our strategy forward

### Nurturing tomorrow's leaders

Our Graduate Management Trainee programme recruits university graduates who have demonstrated the ability to acquire multidisciplinary skills through training, job rotation, mentorship and coaching.

Graduate Management Trainees (GMTs) rotate through all the departments in the first two years, to gain a full appreciation of the Bank, before specialising in the final year. In the process, they acquire the professional skills and knowledge that meet the Bank's immediate and future leadership needs.

To graduate, each GMT must present a project offering a solution to one of the Bank's pain points or strategic aspirations. This can take the form of process improvement/overhaul or the development of new customer value offerings. Upon successfully completing the programme, they transition into management roles.



Participating students of DTB's Job Shadowing Programme.



In 2024, whilst our focus will remain on plugging resource gaps through new hires and upskilling existing employees, we will continue to invest significant time and resources on improving employee wellbeing to drive engagement and productivity. We will build on the culture change programme deployed in 2023 and incline our focus on augmenting our inclusive culture to enable us achieve our Diversity, Equity and Inclusion (DEI) targets set in pillar 4, employee wellbeing and development, of our Sustainability and Citizenship Master Plan.





Empowering Kenya's youth: Students from DTB's Job Shadowing programme, which connects aspiring young minds with seasoned professionals, ensuring the younger generation have the right skills for the workplace.



“People should have values, so by extension, a company should. And one of the things you do is give back. So how do you give back? We give back through our work in the environment, in running the company on renewable energy. We give back in job creation.”

~ Tim Cook - CEO, Apple

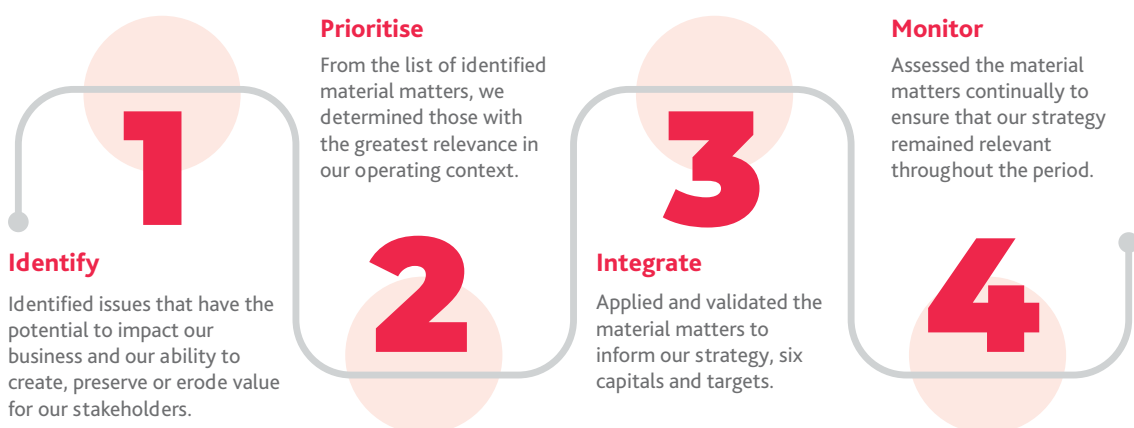
# DTB stakeholder engagement and demands

## How we consider materiality and material matters

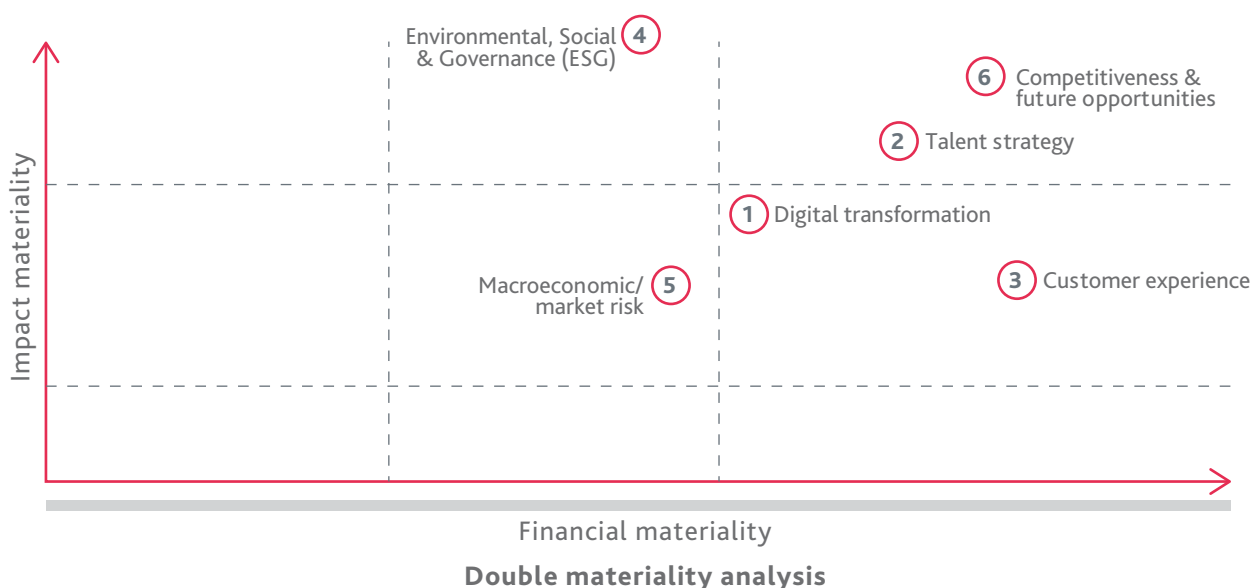
In alignment with evolving corporate reporting practices, and to fully appreciate the impact our business has on society and the environment, and their impact on the Bank, we applied the principle of double materiality when assessing the information to include in our Integrated Report. Double materiality takes cognisance of the interdependence between DTB and the external environment. It thus considers financial materiality, which is the impact of sustainability related issues on the business, and impact materiality, which considers the impact of the business on environmental and social issues.

Through this dual lens, we aim to provide stakeholders with a more comprehensive understanding of our performance and to foster transparency, adaptability and a proactive response to emerging challenges and opportunities on both sides of the materiality spectrum.

The materiality analysis entailed four steps:



In DTB, materiality determination is a groupwide responsibility that requires input from our businesses, an assessment of the risks and opportunities in our operating environment and feedback from our various stakeholders. Informed by the double materiality analysis, this report focuses on the material issues that steer our actions to tackle possible risks and opportunities and those that have the most impact on our ability to create long-term value for our stakeholders.







Sustainability experts take part in a panel discussion during the inaugural DTB Economic and Sustainability Forum in March, 2023.



# Materiality & material matters

		Impact materiality		Financial materiality	
		Positive impacts	Negative impacts	Risks	Opportunities
1. Digital transformation	<p>The strategic adoption of advanced technologies to modernise banking operations and enhance customer experience. This includes leveraging digital platforms, artificial intelligence, data analytics and automation to streamline processes, offer innovative financial solutions and bespoke service and ensure a secure and efficient banking environment.</p>	<ul style="list-style-type: none"> <li>Democratise access to and increase the reach of formal financial solutions and services, thus improving the quality of life of our stakeholders.</li> <li>Provide innovative financial products that meet evolving customer needs and preferences in a convenient manner.</li> <li>Contribute to the transition towards a cash-lite and digitally connected economy.</li> </ul>	<ul style="list-style-type: none"> <li>May contribute to the financial divide by propagating the exclusion of segments of society that are not digitally savvy.</li> <li>Job displacements, particularly in traditional banking roles.</li> </ul>	<ul style="list-style-type: none"> <li>Privacy and cybersecurity risks and concerns.</li> <li>Slow adaptation across value chains and the wider ecosystem.</li> <li>High churn of on-demand, IT talent in the global technology market.</li> <li>Competition from FinTech players.</li> </ul>	<ul style="list-style-type: none"> <li>Enhanced competitive advantage that attends to being digitally savvy.</li> <li>Development of new and innovative digital financial products and services.</li> <li>Seamless personalised customer experience through all channels.</li> <li>Cost savings emanating from automation and streamlined processes, reduced overhead costs and lower transactional costs.</li> </ul>
2. Talent strategy	<p>Attracting, developing and retaining skilled professionals to drive the successful implementation of our business growth strategy and position DTB as an employer of choice. This is done by creating a culture that celebrates innovation, nurtures talent and encourages continuous learning in alignment with our values and objectives.</p> <p>This approach ensures we remain nimble and agile and well positioned to steer the Bank in today's highly dynamic and competitive operating environment, while future-proofing it.</p>	<ul style="list-style-type: none"> <li>Provide employment opportunities thus contributing to economic growth.</li> <li>A culture of innovation results in highly relevant and game-changing solutions that drive financial inclusion and place the organisation and the country on the global map.</li> <li>Engaged and highly productive employees result in improved financial performance.</li> <li>Promote equal opportunities and a more inclusive work environment.</li> </ul>	<ul style="list-style-type: none"> <li>Brain-drain that may affect the availability of highly specialised talent.</li> <li>Cultural dissonance resulting from the increased employee base.</li> <li>Potential job displacements due to digital transformation.</li> </ul>	<ul style="list-style-type: none"> <li>Increased competition for skilled talent.</li> <li>Slow adaptation to new technology and processes.</li> <li>Inadequate succession planning.</li> <li>Reputational risk and lawsuits revolving around employee working conditions and wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>Employer of choice.</li> <li>Enhanced customer experience.</li> <li>Highly relevant and bespoke financial solutions.</li> <li>Financial solutions and corporate thought leader.</li> </ul>
3. Customer experience	<p>Encompasses the interactions customers have throughout their journey with the Bank, from initial engagement to ongoing relationships, and the perceptions they form as a result.</p> <p>It involves providing seamless, personalised and efficient services to meet customer expectations and foster loyalty.</p>	<ul style="list-style-type: none"> <li>Contribute to financial inclusion by making banking services more accessible and user friendly, empowering a broader segment of the society and thus catalysing economic development.</li> <li>Empower customers by providing them with the tools and resources needed to manage their finances effectively to achieve financial health and wellbeing.</li> </ul>	<ul style="list-style-type: none"> <li>Financial exclusion of certain demographics, contributing to social disparities and inequities.</li> <li>Customer data or privacy breaches.</li> </ul>	<ul style="list-style-type: none"> <li>Technology glitches and cybersecurity breaches.</li> <li>Unresolved negative customer feedback.</li> <li>Inefficiencies in internal processes that lead to delays or errors.</li> <li>Drop in quality of service as the customer base grows.</li> </ul>	<ul style="list-style-type: none"> <li>Evolution of branches into sales, service and advisory centres.</li> <li>24hr Contact Centre.</li> <li>Improved innovation around customer banking processes.</li> <li>Enhanced customer complaints handling mechanism.</li> </ul>

# Materiality & material matters

(Continued)

		Impact materiality		Financial materiality	
Issue	Description	Positive impacts	Negative impacts	Risks	Opportunities
4. Environmental, Social & Governance (ESG)	<p>Management of risks and opportunities linked to ESG.</p> <p>This includes measures taken to preserve or restore the environment and ensure compliance with global best practice in good governance.</p> <p>It further extends to actions aimed at promoting, protecting and ensuring the effective exercise of human and other rights needed to underwrite sustainable development across society.</p>	<ul style="list-style-type: none"> <li>Reduce the Bank's and its value chain's negative impacts on society and environment.</li> <li>Implement restorative programmes.</li> <li>Contribute to societal growth through community development projects and financial inclusion and literacy initiatives.</li> <li>Promote transparency, accountability and ethical behaviour.</li> </ul>	<ul style="list-style-type: none"> <li>Potential for negative ESG impact resulting from the Bank's operations/actions.</li> <li>Financing of clients/activities /sectors that have a negative impact on the environment and violate human rights.</li> <li>Adverse impact of supply chain on the environment and society.</li> </ul>	<ul style="list-style-type: none"> <li>Portfolio exposure to sectors with adverse environmental impact.</li> <li>Slow transition of at-risk portfolio exposures.</li> <li>Depreciation and early retirement of existing assets (damage to property and assets in "high risk" locations).</li> <li>Greenwashing that may have adverse impact on the brand and erode investor confidence.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability linked financial products.</li> <li>Financing of new portfolios and/or activities linked to sustainability.</li> <li>Access to new sources of capital from sustainable financiers.</li> <li>Thought leadership: sustainable innovations.</li> <li>Operational cost savings due to improved efficiency in resource use.</li> </ul>
5. Macroeconomic/ market risk	<p>External factors which affect DTB's stakeholders that can impact its financial performance and position.</p>	<ul style="list-style-type: none"> <li>Vibrant loans' market: higher assets' uptake, lower NPLs and provisions.</li> <li>Increased savings by retail and enterprise customers.</li> <li>Positive contribution to the social and economic wellbeing of the Bank's stakeholders through dividends, salaries and taxes.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced share of wallet due to high cost of living.</li> <li>Job losses due to high cost of doing business.</li> <li>Currency exchange fluctuations impact on foreign exchange position and international transactions.</li> </ul>	<ul style="list-style-type: none"> <li>Increased risk of loan defaults: higher NPLs and provisions.</li> <li>Reduced savings: negative impact on liabilities book.</li> <li>Slower growth: assets, liabilities, customer acquisitions.</li> </ul>	<ul style="list-style-type: none"> <li>Proactive risk management and diversification of the loan portfolio.</li> <li>Provide a risk-based pricing approach to lending.</li> <li>Explore innovative financial solutions.</li> <li>Stimulate access to capital by providing innovative financial solutions and advisory services that support businesses and individuals to achieve sustainable economic independence.</li> </ul>
6. Competitiveness & future opportunities	<p>Enhancing competitive advantage through game changing solutions, bespoke advisory services and quality customer experience that exceed existing and emerging customer needs and expectations.</p> <p>Engaging with customers in sectors that will drive future growth.</p> <p>Developing partnerships that enable scale, differentiated services and access to new opportunities.</p>	<ul style="list-style-type: none"> <li>Develop innovative products that will drive financial inclusion and social-economic growth.</li> <li>Create customer and employee loyalty and advocacy, resulting in business growth.</li> <li>Position DTB as a thought leader.</li> </ul>	<ul style="list-style-type: none"> <li>Reduced pace of growth due to over-reliance on traditional banking models.</li> <li>Impact on quality of service provided to customers.</li> <li>Loss of skilled employees to more innovative brands.</li> <li>Potential adverse impact on brand and reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Poor strategy execution, resulting in loss of market share.</li> <li>Unyielding business models that may stifle the agility that underpins a culture of innovation.</li> <li>Threat to the future viability of the Bank from agile digital providers.</li> </ul>	<ul style="list-style-type: none"> <li>Expansion into new frontiers and customer segments.</li> <li>Foster partnerships that will catalyse the creation of innovative financial solutions and entrench financial literacy.</li> </ul>

# Meeting our stakeholders' expectations




## Value created for our stakeholders

DTB recognises that stakeholder relationships and contributions are critical enablers of the Group's ability to create and preserve value. We are also alive to the fact that to enhance our competitive advantage, and remain viable in the long term, we must meet and exceed our stakeholders' expectations. Not least because we know that in so doing, we become deeply connected to the communities around us which in turn ensures our relevance. Engaging with our stakeholders helps us gain a proper understanding of our impact on the society and the economy. It further enables us to apprise them of our solutions and initiatives, and importantly, get their input and buy-in. It allows for informed decision-making and has a direct effect on how we deliver on our strategy. It is therefore critical at every stage of our business.

### Customers

The interactions with, and decisions and feedback we receive from our customers directly impact the growth and success of our organisation.

Our customers are:

	<b>Individuals</b> from all walks and stages of life.		<b>Businesses</b> sole proprietors, SMEs, and corporate organisations.		<b>Institutions</b> local, regional and international financial service providers.
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				Value created	
Concerns & expectations	<div>➤ <b>Security and fraud protection:</b> Security of their accounts and transactions and protection against fraudulent activities are major customer concerns.</div> <div>➤ <b>Quality of service:</b> Responsive and personalised service, including assistance with account management, inquiries and issue resolution is valued by our customers.</div>			<div>➤ <b>Convenience and accessibility:</b> Our customers expect banking services to be convenient and accessible, whether through branches or digital platforms.</div> <div>➤ <b>Transparency and fairness:</b> Our customers want clear and transparent communication about fees, terms and conditions, as well as fair treatment in all interactions with the Bank.</div>	<div>● <b>Enhanced customer experience:</b> By addressing key customer concerns and delivering exceptional service, we create value by fostering long-term customer relationships and loyalty. This was evidenced in Kenya by a customer NPS score of 53% up from 47% in 2022 and a CSAT score of 91% up from 89%.</div>
	<div>➤ <b>Security measures:</b> In addition to benchmarking our baseline security standards to the Centre for Internet Security, we have implemented a defence-in-depth strategy, centred on a zero-trust architecture, that is designed to minimise our network's vulnerability to attacks, inhibit the lateral movement of threats and decrease the likelihood of data breaches.</div> <div>➤ <b>Customer service excellence:</b> Our overall mandate is to facilitate the delivery of a world class customer experience to our customers. As such, we continue to invest in our Contact Centre and Service Excellence units.</div>				<div>➤ <b>Omni-channel banking:</b> DTB offers a variety of banking channels, including physical branches, online banking, and mobile apps, to ensure customers can access its services conveniently, 24/7. Through our flagship digital factory, DTBX, we aim to co-create fit-for-purpose solutions for our customers.</div> <div>➤ <b>Branch realignment:</b> By placing our customer service manager at the forefront, and empowering service delivery officers and universal bankers to directly interact with customers, our branch realignment initiatives aim to transform our branches into dynamic sales and service centres.</div> <div>➤ <b>Transparency and communication:</b> Through our digital communications channels and our branch service centre, we strive to provide clear and transparent information about fees, rates and policies.</div>
Our response	<div>➤ <b>Customer satisfaction surveys:</b> We conduct regular surveys and collate feedback to measure customer satisfaction and identify areas for improvement. We use the Net Promoter score (NPS), the Customer Satisfaction Score (CSAT) and the Customer Effort Score (CES).</div> <div>➤ <b>Customer complaint resolution:</b> We monitor and track the resolution of customer complaints to ensure timely and satisfactory outcomes in alignment with set KPIs and industry best practice.</div>				

## Employees

Our employees represent our human capital, providing the skills and expertise necessary to keep our organisation moving. Without them we cannot deliver our strategy. As such, we constantly engage them to promote stable employee relations, enhance productivity and ensure the alignment needed to deliver our strategic objectives. We intentionally cultivate a culture that normalises innovation and meritocracy and promotes inclusion, to produce enthused and engaged employees that develop and deliver cutting-edge solutions that help the Group preserve and create value.

Concerns & expectations	<ul style="list-style-type: none"> <li>➤ <b>Career growth and development:</b> Opportunities for career advancement, skills development and learning opportunities to equip them for the 21st century workplace.</li> <li>➤ <b>Compensation and benefits:</b> Competitive salaries, benefits packages and incentives to attract and retain top talent.</li> </ul>	<b>Value created</b> <ul style="list-style-type: none"> <li>● <b>Employee satisfaction and retention:</b> By addressing key employee concerns and providing a positive work environment, the Bank creates value by fostering employee satisfaction, loyalty and retention.</li> </ul>
Our response	<ul style="list-style-type: none"> <li>➤ <b>Training and development programmes:</b> We continue to offer training and development programmes, mentorship opportunities and career progression pathways to support employees enhance their professional skills and advance their careers. In 2023, each employee received an average of 32 hours of training to ensure ongoing skills development.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Enhanced productivity and performance:</b> Satisfied and engaged employees are more likely to be productive, motivated and committed to achieving the Bank's goals, leading to improved performance and results.</li> </ul>
How we measure our performance	<ul style="list-style-type: none"> <li>➤ <b>Retention rates:</b> We track employee turnover rates to gauge retention and identify factors contributing to employee turnover.</li> <li>➤ <b>Performance reviews:</b> We regularly conduct performance reviews and evaluations to assess individual and team performance, set goals and provide feedback for improvement.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Talent attraction and retention:</b> A reputation as an employer of choice, with a supportive work culture and competitive benefits, helps the Bank attract top talent and recruit skilled professionals.</li> <li>● <b>Innovation and creativity:</b> A diverse and engaged workforce fosters innovation, creativity and collaboration, driving continuous improvement and adaptation to changing market dynamics.</li> </ul>



## Investors/shareholders

We enhance our relationship with our shareholders and investors through transparent and consistent engagement on our strategy execution, and outcomes that support the creation of long-term, sustainable value.

Concerns & expectations	<ul style="list-style-type: none"> <li>➤ <b>Financial performance:</b> Our investors and shareholders are concerned about the Bank's financial health, including profitability, revenue growth and return on investment.</li> <li>➤ <b>Risk management:</b> In order to offer assurance, our investors expect DTB to have robust risk management practices to mitigate potential risks, such as credit risk, market risk and operational risks.</li> <li>➤ <b>Corporate governance:</b> The Bank's governance structure, including transparency, accountability and adherence to ethical standards, is a key investor concern.</li> <li>➤ <b>Sustainability and ESG factors:</b> Investors increasingly consider environmental, social and governance (ESG) factors in their investment decisions.</li> </ul>	Value created
Our response	<ul style="list-style-type: none"> <li>➤ <b>Financial reporting and transparency:</b> Over the years, we have continued to provide timely and accurate financial reporting, including quarterly earnings reports, annual reports and investor presentations to keep investors informed about the Bank's financial performance.</li> <li>➤ <b>Corporate governance policies:</b> Beyond the CMA Code of Corporate Governance for Issuers of Securities to the Public, 2015, we adhere to best practice in corporate governance, with independent Board oversight, clear policies on conflict of interest and a commitment to ethical conduct and integrity. We also take pride in our highly skilled and experienced leadership team.</li> <li>➤ <b>Risk management framework:</b> We maintain a comprehensive risk management framework, which includes regular risk assessments, stress testing and internal controls to identify, assess and mitigate risks effectively.</li> <li>➤ <b>ESG and climate-related integration:</b> Following the approval of the Sustainability and Citizenship Master Plan, we are implementing and integrating ESG and climate-related considerations into our business growth strategy, operations and decision-making processes.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Investor confidence:</b> By addressing investors' concerns and maintaining transparency, accountability and financial stability, DTB creates value by building investor confidence and attracting capital investment.</li> <li>● <b>Risk mitigation:</b> Effective risk management practices reduce the likelihood of financial losses and reputational damage, creating value by safeguarding shareholder value and maintaining the Group's long-term viability.</li> <li>● <b>Enhanced reputation:</b> Demonstrating strong corporate governance, ethical conduct and commitment to sustainability enhances DTB's reputation and brand value and creates value by attracting customers, investors and other stakeholders.</li> <li>● <b>Long-term sustainability:</b> By integrating ESG and climate-related considerations into our business growth strategy and operations, we take a comprehensive approach to value creation when assessing risk and opportunities to sustainable and social economic development.</li> </ul>
How we measure our performance	<ul style="list-style-type: none"> <li>➤ <b>Financial metrics:</b> Our financial performance and health is measured using metrics such as revenue growth, profitability ratios (e.g., return on assets, return on equity) and earnings per share.</li> <li>➤ <b>Corporate governance assessments:</b> We conduct regular assessments of our corporate governance practices, including Board evaluations, compliance audits and adherence to regulatory requirements and industry standards.</li> <li>➤ <b>Risk management indicators:</b> Our key risk management indicators, including capital adequacy ratios, loan quality metrics (e.g., non-performing loan ratios) and liquidity ratios, are monitored to evaluate the effectiveness of the Group's risk management practices.</li> <li>➤ <b>ESG performance metrics:</b> Our ESG and climate-related performance is evaluated based on metrics such as carbon emissions footprint, diversity and inclusion and community impact assessments, to measure our sustainability efforts and social impact.</li> </ul>	

## Suppliers/business partners

Suppliers and business partners are an extension of our brand and their actions, both positive and negative, have an impact on the Bank. We build connections and share best practice with them and gain insights from them on how to enhance our positive impact. We also seek to ensure that there is alignment between our business ethics and values as well as internal policies standards and codes of conduct, and those of our partners.

Concerns & expectations	<ul style="list-style-type: none"> <li>➤ <b>Timely payments:</b> Receiving timely payments for goods and services provided to us to maintain their own cash flow and operational stability.</li> <li>➤ <b>Fair treatment:</b> Assurance of fair treatment when bidding for tenders, negotiating terms and during performance management.</li> <li>➤ <b>Communication and transparency:</b> Clear communication and transparency regarding expectations, requirements and changes in demand or procurement processes.</li> <li>➤ <b>Quality and standards:</b> Ability to meet our quality standards and compliance requirements.</li> </ul>	Value created
Our response	<ul style="list-style-type: none"> <li>➤ <b>Prompt payments:</b> As a bank, we commit to making timely payments to suppliers, within agreed-upon terms, by actively managing our accounts payable process to minimise delays.</li> <li>➤ <b>Effective communication:</b> In enhancing our engagement with our suppliers, we maintain open channels of communication with them, providing clear guidance, feedback and updates on procurement needs and requirements.</li> <li>➤ <b>Quality assurance:</b> We work closely with suppliers to establish quality standards, provide necessary support and resources and conduct regular quality checks to ensure products or services meet expectations.</li> <li>➤ <b>Fair procurement practices:</b> We ensure fair treatment of suppliers through transparent procurement processes, competitive bidding and adherence to responsible sourcing principles, which include compliance with our code of conduct.</li> <li>➤ We have gone further to have responsible procurement as a fundamental pillar of our Sustainability and Citizenship Master Plan.</li> <li>➤ Rolling out an affirmative procurement programme to drive the participation of women, youth and the differently-abled.</li> <li>➤ We give priority to local businesses when sourcing, with 91% of our suppliers being sourced locally.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Supplier relationships:</b> By addressing suppliers' concerns and maintaining fair and transparent procurement practices, we create value by fostering strong, mutually beneficial relationships with suppliers. This is evident in the Shs 11 Bn amount in payments made to suppliers, reflecting our commitment to timely and reliable transactions.</li> <li>● <b>Operational efficiency:</b> Timely payments and effective communication with suppliers contribute to operational efficiency, reducing the risk of supply chain disruptions and improving overall procurement processes.</li> <li>● <b>Quality and innovation:</b> Ensuring quality standards and collaboration with suppliers fosters innovation and continuous improvement, creating value through the delivery of high-quality products and services to customers.</li> <li>● <b>Reputation and trust:</b> Demonstrating integrity, fairness and transparency in supplier relationships enhances the Bank's reputation for trustworthiness, creating value by attracting reputable suppliers and building confidence among stakeholders.</li> </ul>
How we measure our performance	<ul style="list-style-type: none"> <li>➤ <b>Payment timeliness:</b> We measure the timeliness of payments to suppliers with key metrics such as days payable outstanding (DPO) and payment cycle times.</li> <li>➤ <b>Quality and compliance metrics:</b> Performance is evaluated based on quality and compliance metrics, such as product/service defects, adherence to specifications and compliance with regulatory requirements.</li> <li>➤ <b>Supplier engagement:</b> As our business partners, we aim to have regular engagement with our suppliers to assess supplier satisfaction levels, gather feedback on the procurement process and identify areas for improvement.</li> <li>➤ <b>Contract performance:</b> We monitor supplier performance against contract terms, including delivery schedules, quality standards and cost efficiency, to ensure contractual obligations are met.</li> </ul>	

## Government and regulators

Regulators are fundamental to the integrity and stability of the financial sector as they enforce controls that ensure financial institutions operate responsibly. It is therefore important to maintain good working relationships with them by complying with relevant laws and regulations. Our regulators include:



Central banks



Capital market authorities



Tax revenue authorities



Insurance regulators



Local stock exchanges

Concerns & expectations	<ul style="list-style-type: none"> <li>➤ <b>Compliance with regulations:</b> Regulators are concerned about our compliance with banking laws, regulations and industry standards to ensure the safety and soundness of the financial system.</li> <li>➤ <b>Risk management:</b> Our risk management practices, including credit risk, liquidity risk, operational risk and compliance risk are scrutinised by regulators to mitigate potential threats to financial stability.</li> <li>➤ <b>Financial health:</b> Our financial health and stability, including capital adequacy, asset quality and liquidity levels, prevent systemic risks and maintain financial stability.</li> <li>➤ <b>Consumer protection:</b> Measures, such as fair lending practices, transparent disclosures and handling of customer complaints, are a regulatory priority to safeguard the interests of bank customers.</li> </ul>	Value created
Our response	<ul style="list-style-type: none"> <li>➤ <b>Risk management framework:</b> We implement a robust risk management framework that includes risk identification, assessment and mitigation strategies and monitoring processes to effectively manage various types of risks across the organisation.</li> <li>➤ <b>Compliance programmes:</b> We have established comprehensive compliance programmes, policies and procedures to ensure adherence to regulatory requirements, with dedicated compliance officers responsible for monitoring and reporting on compliance activities. This is supported with regular training on Bank-critical regulations, such as those pertaining to Anti Money Laundering (AML), data protection and ESG.</li> <li>➤ <b>Consumer protection measures:</b> We prioritise consumer protection by providing clear and transparent information to customers, handling complaints promptly and fairly, and adhering to regulations related to fair lending and consumer rights.</li> <li>➤ <b>Financial reporting and transparency:</b> We maintain transparent financial reporting practices and engage in regular communication with regulators to provide updates on financial performance, risk exposures and regulatory compliance efforts.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Regulatory compliance:</b> By addressing regulators' concerns and maintaining compliance with regulatory requirements, we create value by mitigating regulatory risks, avoiding penalties and preserving the Bank's reputation as a trusted and responsible financial institution.</li> <li>● <b>Financial stability:</b> Effective risk management practices and regulatory compliance contribute to our financial stability, creating value by enhancing investor confidence, maintaining access to capital markets and supporting sustainable growth by future proofing the Bank.</li> <li>● <b>Consumer trust:</b> Prioritising consumer protection measures and transparent communication with regulators builds consumer trust and confidence in the Bank, thus attracting and retaining customers and enhancing our reputation in the marketplace.</li> <li>● <b>Systemic stability:</b> By ensuring compliance with regulatory requirements and managing risks effectively, we contribute to systemic stability in the financial system, create value by minimising the risk of financial crises and promote economic stability and growth.</li> </ul>
How we measure our performance	<ul style="list-style-type: none"> <li>➤ <b>Regulatory compliance audits:</b> Regulatory compliance audits, conducted by internal audit teams or external auditors, assess our compliance with applicable laws, regulations and regulatory guidelines.</li> <li>➤ <b>Risk management metrics:</b> Risk management metrics, such as capital adequacy ratios, liquidity ratios, credit risk metrics (e.g., non-performing loan ratios) and operational risk incidents, are used to assess the effectiveness of the Bank's risk management practices.</li> <li>➤ <b>Examination reports:</b> Regulators conduct periodic examinations of our operations, risk management practices and compliance with regulatory requirements. Such examination reports provide feedback on areas of strength and those that require improvement.</li> <li>➤ <b>Consumer complaints resolution:</b> We track and monitor the resolution of consumer complaints with metrics such as complaint response times, resolution rates, customer satisfaction scores and updates made on the Bank's website, in line with our commitment to the Kenya Banking Sector Charter to resolve customer complaints within seven working days as per prudential guidelines.</li> </ul>	



## Communities

Recognising that we do not exist in a vacuum, and subscribing to the shared-value principle that we are only as strong as the community within which we operate, we maintain strong relationships with the communities we serve and constantly expand our contributions to society and the environment. A key component of our strategy is to promote socio-economic development by being a responsible corporate citizen that creates value for the communities we serve.

Concerns & expectations	<ul style="list-style-type: none"> <li>➤ <b>Access to financial services:</b> Advance financial inclusion by making banking products and services available in underserved or rural areas.</li> <li>➤ <b>Citizenship:</b> As we co-exist with the communities that grant us the licence to operate, they expect us to contribute positively to local development through community investment initiatives, such as education and healthcare.</li> <li>➤ <b>Environmental impact:</b> Our operations' environmental footprint, including energy consumption, waste generation and carbon emissions, may be a point of concern, especially when it has an adverse effect.</li> <li>➤ <b>Employment opportunities:</b> Communities prioritise job creation and economic development, expecting our presence to result in opportunities for employment and economic growth generation.</li> </ul>	Value created
Our response	<ul style="list-style-type: none"> <li>➤ <b>Financial inclusion and enterprise development programmes:</b> We implement financial inclusion programmes to expand access to banking services, such as mobile banking and agent banking, targeting underserved communities.</li> <li>➤ <b>Environmental sustainability practices:</b> We adopt environmentally sustainable practices, such as reducing energy consumption, minimising waste and investing in renewable energy sources to mitigate our environmental impact.</li> <li>➤ <b>Citizenship:</b> As part of our Sustainability Excellence and Citizenship Master Plan, we engage in community initiatives focused on financial literacy, education, healthcare and environmental sustainability, collaborating with local organisations and stakeholders to address community needs.</li> <li>➤ <b>Local employment and economic development:</b> We support local employment and economic development through job creation, lending to small and medium-sized enterprises (SMEs) and promoting entrepreneurship and financial literacy programmes.</li> </ul>	<ul style="list-style-type: none"> <li>● <b>Community empowerment:</b> By responding to community concerns and implementing programmes to expand access to financial services, support local development and promote environmental sustainability, we create value by empowering communities and improving their quality of life. ~ <b>Number of projects: 43</b> ~ <b>Financial contribution: Shs 44,855,883</b></li> <li>● <b>Social impact:</b> Our citizenship initiatives and community engagement efforts create value by addressing social needs, fostering social cohesion and enhancing our reputation as a responsible corporate citizen committed to community development. In 2023, more than 600 employees volunteered, collectively contributing an estimated 1,500 hours to citizenship initiatives.</li> <li>● <b>Environmental stewardship:</b> Environmental sustainability practices contribute to value creation by reducing our ecological footprint, mitigating environmental risks and demonstrating leadership in environmental stewardship.</li> </ul>
How we measure our performance	<ul style="list-style-type: none"> <li>➤ <b>Financial inclusion metrics:</b> Performance is measured based on financial inclusion metrics, such as the number of new accounts opened in underserved areas, loan disbursements to SMEs and participation in financial literacy programmes.</li> <li>➤ <b>Local economic impact:</b> We measure our local economic impact through metrics such as job creation, loans disbursed to local businesses and contributions to GDP growth in communities where we operate.</li> <li>➤ <b>Citizenship:</b> We monitor and track our citizenship impact to evaluate effectiveness in addressing community needs and achieving desired social outcomes.</li> <li>➤ <b>Environmental performance indicators:</b> Performance is tracked and reported through environmental performance indicators, such as energy efficiency measures, waste reduction targets and greenhouse gas emissions reductions.</li> </ul>	

“Sustainability is a part of our ‘rise’ philosophy. You cannot rise if you take more from the community than you put back.”

~ Anand Mahindra, Chairman of Mahindra Group.

Rooting for  
**sustainable growth**

**2023**

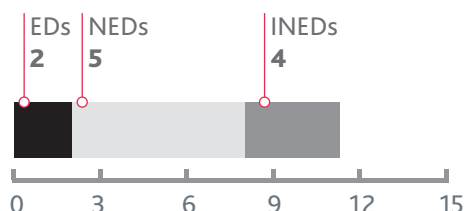
Integrated Report  
and Financial Statements



# How we are led

## Board of Directors

### Board composition



ED - Executive Director

NED - Non-Executive Director

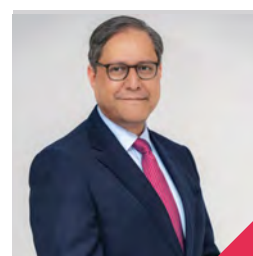
INED - Independent Non-Executive Director

### Skills mix



**Linus Gitahi, MBS**

Chairman



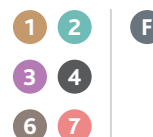
**Shaffiq Dharamshi**

Vice-Chairman



**Nasim Devji**

Managing Director & Group  
Chief Executive Officer



**Pamela Ager**

Director



## Committees

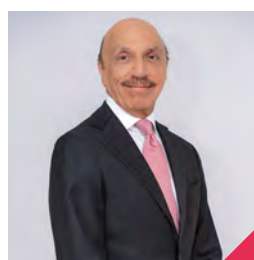
- A** Board Audit & Compliance (BACC)
- B** Board Credit Committee (BCC)
- C** Board Innovation & Technology (BITC)
- D** Board Nomination & Human Resource Committee (BNHRC)
- E** Board Risk Management Committee (BRMC)
- F** Board Strategy Committee (BSC)





**Guedi Ainache**

Director



**Moez Jamal**

Director



**Alkarim Jiwa**

Finance & Strategy Director



**Irfan Keshavjee**

Director



**Ismail Mawji**

Director



**Sagheer Mufti**

Director



**Jeremy Ngunze**

Director

## Our Executive Committee



**Nasim Devji**

Managing Director & Group  
Chief Executive Officer

Years of Service ~27



**Alkarim Jiwa**

Finance & Strategy  
Director

Years of Service ~26



**Stephen Kodumbe**

Company Secretary and Director,  
Legal and Debt Recovery

Years of Service ~16



**Kennedy Nyakomitta**

Director, Sales

Years of Service ~24



**Shahzad Karim**

Director, Special Business  
Projects

Years of Service ~38



**Jamie Loden**

Chief Operating Officer

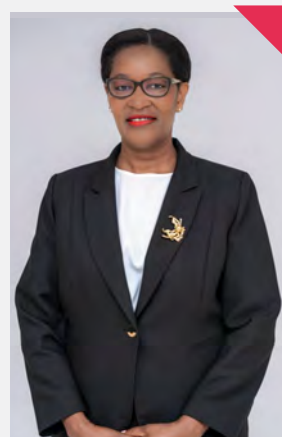
Years of Service ~2



**Lillian Ngala**

Director, Human Resources

Years of Service ~12



**Constance Macharia**

Director, Credit

Years of Service ~3



**Raphael Onyango**

Director, Corporate and Institutional Banking

Appointed in March 2024



**Suraj Shah**

Director, Business Banking

Years of Service ~21



**George Otiende**

Director, Retail Banking

Years of Service ~17



**Venkatramani Iyer**

Director, Treasury

Years of Service ~9



**Hilda Gituro**

Director, Compliance and Combating Financial Crime

Years of Service ~20



**Dancan Okun**

Director, Risk

Years of Service ~3



**Farouk Khimji**

Chief of Staff

Years of Service ~20



**Peter Kimani**

Director, Internal Audit (Non ExCo member)

Years of Service ~23

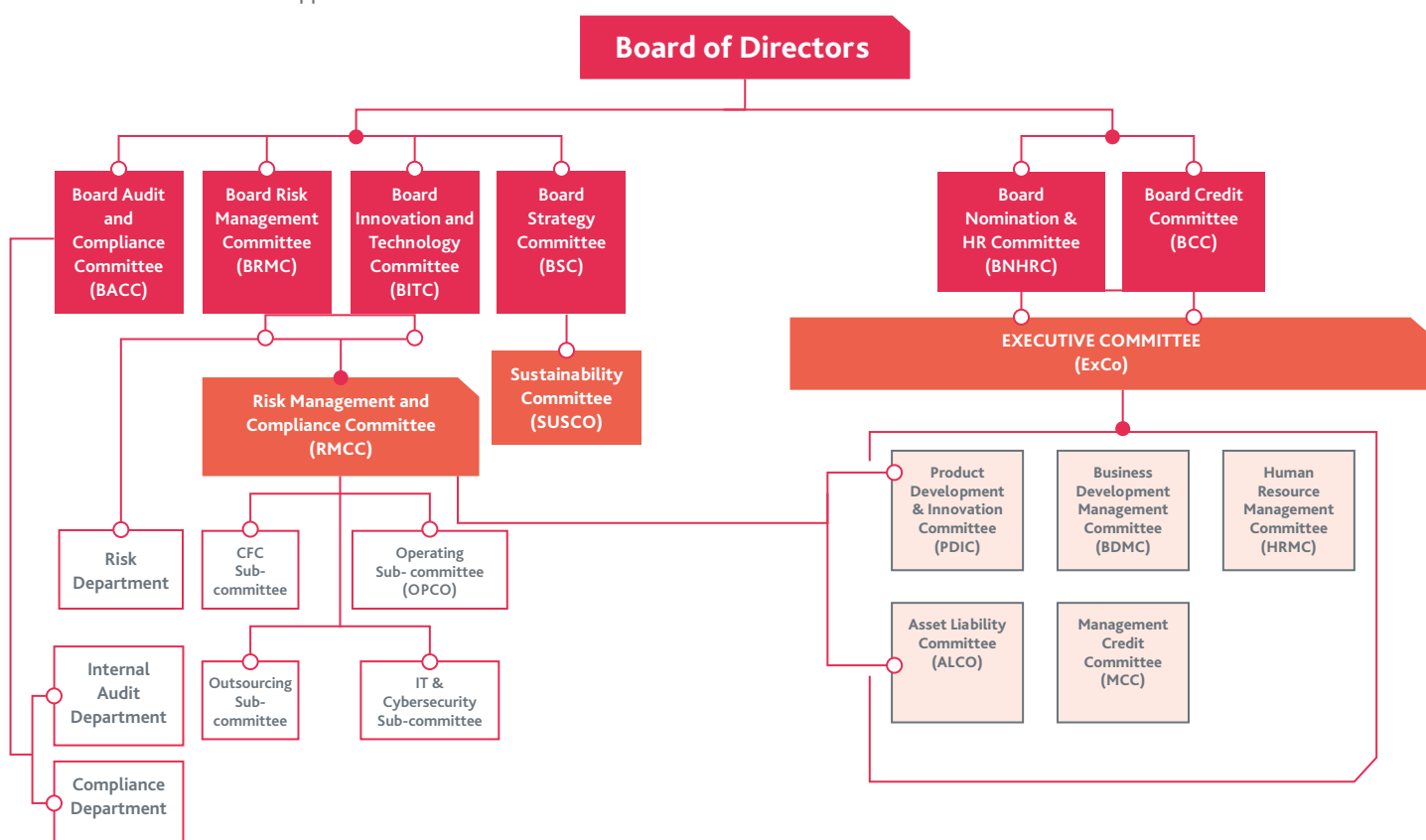


## Governance framework & structure

DTB Kenya's Board of Directors is committed to steering the Group to achieve long-term success by providing direction to management when setting the Group's strategy and overseeing its implementation while ensuring that risks and rewards are appropriately balanced. The Board is also responsible for the oversight of social and environmental matters including climate-related risks and opportunities.

When undertaking its duties, the Board is guided by a corporate governance framework that comprises a Corporate Governance policy, Board Charter and Code of Ethics and Conduct. These documents define the role of the Board and how its powers and responsibilities are exercised, as well as the role of the Chairman and the Managing Director & Group Chief Executive Officer, with due regard to the principles of good corporate governance, international best practice and applicable laws.

Our corporate governance practices comply with the requirements of the Banking Act, the Central Bank of Kenya's (CBK) prudential guidelines, the Capital Markets Authority (CMA) code and the CMA Regulations. The Board discharges its mandate and duties through these policies and frameworks and with the support of six Board committees.



**In order to remain compliant with both existing and emerging regulatory requirements, across our different countries of operation, we constantly monitor the regulatory landscape to ensure that we adopt best practice in corporate governance and risk management in the rapidly evolving operating environment.**

## Compliance status for the year under review

### CMA Code

Directors are satisfied that the Bank complies with the corporate governance principles and spirit of the CMA Code. An extract of the CMA's corporate governance reporting template is available on our website (<https://dtbk.dtbafrika.com>).

### Governance audit

CS. Bernard Kiragu of Scribe Services, a competent and recognised governance auditor, accredited by the Institute of Certified Secretaries of Kenya (ICS), conducted the governance audit. In his opinion, the Board has put in place effective, appropriate and adequate governance structures, that comply with the legal and regulatory framework governing business conduct which serve the interests of the Bank's stakeholders.

### Going concern

Having reviewed the information at its disposal, including facts and assumptions on which it has relied, the Board views DTB as a going concern for the foreseeable future.

## Board composition, responsibilities and functions

The Board comprises 11 directors who are duly elected, highly competent and have diverse skillsets. The Board is accountable to all DTB shareholders and fulfils its fiduciary obligations by providing direction and guidance on strategic and general policy matters. Directors establish and maintain internal controls over the financial, operational and compliance requirements of the Bank while the Managing Director & Group Chief Executive Officer and management team are responsible for day-to-day operations.

Directors are expected to align to the Group's purpose, vision, mission and values and to challenge the executive team's strategic thinking on the strength of the unique mix of skills and experience they each bring to the table.

## Appointment and tenure

The Board Nomination and Human Resources Committee (BNHRC) nominates potential directors for consideration and appointment by the Board, subject to a letter of no objection from CBK. Newly appointed directors are required to retire at the annual general meeting (AGM) immediately following their appointment and, being eligible, offer themselves for re-election by shareholders to ensure shareholder participation in all appointments.

All new directors participate in a formal induction programme to familiarise themselves with the Bank's operations, management and operating environment as well as their fiduciary duties and responsibilities. Continuous professional development is ensured through access to tailored training programmes and the Chairman's reviews of the professional development needs of each Board member, as part of the annual performance evaluation process.

The Board Appointment and Diversity policy limits the tenure of an independent non-executive director to nine years. However, the person may continue in office as a non-independent member. Non-executive directors are required to retire at the AGM, that immediately follows their 70th birthday, although shareholders may vote to retain the member in office.

At every AGM, at least one-third of the non-executive directors retire from the Board. Directors appointed to fill casual vacancies or serve as additional non-executive directors must be elected by shareholders at the AGM immediately following their appointment.

## Board meetings

The Board has a work plan that sets out its activities for the year and meets at least once every quarter. The Chairman, Managing Director & Group Chief Executive Officer, Finance & Strategy Director and the Company Secretary, jointly set the agenda for the meetings.

Board members receive all the necessary documents in advance of the meetings and may request additional information where they consider it necessary to support informed decision-making. Directors are also entitled to obtain independent professional advice, at the Bank's expense, to better perform their duties.

## Annual performance evaluation

As per regulatory requirements, the Board evaluates its own performance as well as that of the Chairman, committees, individual directors, executive directors and the Company Secretary every year.

Facilitated by the Institute of Directors (Kenya), the 2023 evaluation considered:

- Group strategic objectives
- Risk governance
- Board constitution and skills
- Executive management and succession
- Board interaction and support

The evaluation concluded that the Board had the right mix of skills and experience and was well positioned to achieve the Bank's objectives and address any emerging challenges. The results of the evaluation were submitted to CBK in the first quarter of the year in line with regulatory requirements.

## Board remuneration

In terms of the Board remuneration policy, each Non-Executive Director receives a fixed monthly fee as a member of the Board and a sitting allowance for every meeting attended. They are not covered by the Bank's incentive programmes and do not receive any performance-based remuneration. The fees and sitting allowances are determined by the Board and approved by shareholders at the AGM on a pre- or post-facto basis.

Details of the fees for the non-executive directors and remuneration of the executive directors, paid in 2023, are set out in the **Directors' Remuneration Report** on page 107.

## Separation of functions

As part of DTB's commitment to good corporate governance, the functions of the Chairman and the Managing Director & Group Chief Executive Officer and are vested in different individuals. Their roles and responsibilities are distinct with the Chairman being primarily responsible for overseeing policy direction while the Managing Director & Group Chief Executive Officer leads the operational day-to-day business of the Bank.

## Board independence

The Bank's corporate governance policy, which is aligned to the CBK Prudential Guidelines and the CMA Code, states that at least one-third of Board members should be independent and at least two-thirds non-executive directors. The Bank complies with these requirements.

The Board reviews its independent members every year against CBK Prudential Guidelines and the CMA Code which define an independent director as a person who:

- Is not part of management.
- Has not served on the Board for more than nine years.
- Does not have any relationships that could materially affect their ability to objectively assess matters presented before the Board or act in the best interests of the Bank and its stakeholders generally.

At the end of 2023, none of the directors held shares in their individual capacity, that were more than one percent (1%) of the Bank's total equity. The details of the directors' shareholding in the Bank are disclosed in the **Directors' Report** on page 106.



## The Company Secretary

A member, in good standing, of the Institute of Certified Public Secretaries of Kenya who is accessible to all Directors. Facilitates communication between the Bank and its shareholders.



## Board Committees' current composition

### Board Audit and Compliance Committee (BACC)

A



**Guedi Ainache**  
Chairperson

#### Committee members

- Irfan Keshavjee    ➤ Sagheer Mufti
- Ismail Mawji     ➤ Jeremy Ngunze

#### Role of the committee

Raises the standards of corporate governance by reviewing:

- The external reporting of financial information, including the correct application of accounting standards.
- The internal control environment of the Bank, including the governance of financial and accounting risks.
- The internal and external audit functions, including an assessment of their independence, adequacy and effectiveness.
- The compliance management framework.

### Board Credit Committee (BCC)

B



**Jeremy Ngunze**  
Chairperson

#### Committee members

- Pamella Ager       ➤ Irfan Keshavjee
- Shaffiq Dharamshi ➤ Ismail Mawji

#### Role of the committee

- Oversees the Bank's credit function and credit risk management framework.
- Ensures the overall credit framework is robust and enables business growth in compliance with internal policy and statutory regulations.

### Board Innovation and Technology Committee (BITC)

C



**Sagheer Mufti**  
Chairperson

#### Committee members

- Guedi Ainache    ➤ Irfan Keshavjee
- Moez Jamal       ➤ Jeremy Ngunze

#### Role of the committee

- Ensures the quality, integrity, effectiveness and reliability of the Bank's IT risk management framework.
- Monitors implementation of the Bank's innovation-related initiatives.

## Board Nomination and Human Resource Committee (BNHRC)

D



**Guedi Ainache**  
Chairperson

### Committee members

- Pamella Ager
- Shaffiq Dharamshi
- Irfan Keshavjee
- Ismail Mawji
- Jeremy Ngunze

### Role of the committee

- Proposes nominees for appointment as directors.
- Assesses Board performance and effectiveness.
- Ensures the Board composition reflects an appropriate mix of skills and expertise.
- Oversees all human resource matters on behalf of the Board.
- Recommends remuneration and incentives for executive directors and senior management.

## Board Risk Management Committee (BRMC)

E



**Guedi Ainache**  
Chairperson

### Committee members

- Shaffiq Dharamshi
- Moez Jamal
- Sagheer Mufti
- Jeremy Ngunze

### Role of the committee

- Ensures the quality, integrity, effectiveness and reliability of the Bank's risk management framework.
- Sets out the nature, role, responsibility, scope and authority of the Bank's risk management function.
- Ensures that adequate risk policies and strategies are in place.
- Ensures integration of ESG and climate-related risks into the Group's risk management processes and the proactive management of the same.

## Board Strategy Committee (BSC)

F



**Sagheer Mufti**  
Chairperson

### Committee members

- Nasim Devji
- Shaffiq Dharamshi
- Irfan Keshavjee
- Jeremy Ngunze

### Role of the committee

- Oversees the formulation and execution of DTB's strategy including the Bank's Sustainability and Citizenship Master Plan and climate-related initiatives.
- Oversees and monitors the implementation of new strategic initiatives.
- Reviews alliances required for the successful implementation of strategic initiatives.

Meetings attendance record								
Board member	AGM	BACC	BCC	BITC	BNHRC	BRMC	BSC	Board
1 Linus Gitahi	1	-	-	-	-	-	-	4/4
2 Shaffiq Dharamshi	1	-	6/6	-	4/4	4/4	4/4	4/4
3 Nasim Devji (Mrs.)	1	-	-	-	-	-	4/4	4/4
4 Pamela Ager	1	4/4	6/6	-	4/4	-	-	4/4
5 Guedi Ainache	1	4/4	-	4/4	-	4/4	-	4/4
6 Moez Jamal	1	-	-	4/4	-	4/4	-	4/4
7 Alkarim Jiwa	1	-	-	-	-	-	-	4/4
8 Irfan Keshavjee	1	4/4	6/6	4/4	4/4	-	4/4	4/4
9 Ismail Mawji	1	4/4	6/6	-	4/4	-	-	4/4
10 Sagheer Mufti	1	3/4	-	4/4	-	4/4	4/4	4/4
11 Jeremy Ngunze	1	-	6/6	4/4	4/4	4/4	4/4	4/4
12 Jamaludin Shamji (Resigned: 14 Dec 2023)	1	-	6/6	4/4	4/4	4/4	-	4/4

## Internal control systems

DTB's internal control systems comprise policies and procedures that prescribe and govern its structures and systems, an organisational structure that ensures segregation of duties, and various committees that support management and ensure compliance with policies and procedures.

### Executive Committee (ExCo)

➤ Reporting: Board ➤ Meets monthly

Strategy planning, implementation, monitoring and reporting, and capital allocation proposals on material ventures, strategic projects, and any other new business lines.

### Asset Liability Committee (ALCO)

➤ Reporting: BRMC ➤ Meets monthly

Oversees the Bank's balance sheet development and capital adequacy.

### Business Development Management Committee (BDMC)

➤ Reporting: ExCo ➤ Meets monthly

Facilitates the development and implementation of business development strategies.

### Human Resource Management Committee (HRMC)

➤ Reporting: ExCo ➤ Meets monthly

Reviews and recommends policies regarding staff incentives, remuneration, compensation and benefits, promotions, recruitment, training and development, succession planning and staff appraisals.

### Management Credit Committee (MCC)

➤ Reporting: ExCo ➤ Meets monthly

Monitors the implementation of the Credit Risk Management Framework and reviews and approves credit applications, credit strategy, policies, procedures, monitoring and reporting.

### Product Development and Innovation Committee (PDIC)

➤ Reporting: ExCo ➤ Meets monthly

Supports the development and implementation of new products.

### Sustainability Committee (SUSCO)

➤ Reporting: BSC ➤ Meets once every two months

In 2023, the committee focused on operationalising the Sustainability Excellence strategy. Efforts included talent acquisition and resourcing across the Group and awareness creation through training. It also identified material risks and opportunities across the Group.

### Risk Management and Compliance Committee (RMCC)

➤ Reporting: BRMC ➤ Meets every six weeks

Implements the risk management framework and oversees the effectiveness of policies, procedures, systems, controls and assurance arrangements.

### Combating Financial Crimes (CFC) Sub-committee

➤ Reporting: RMCC ➤ Meets monthly

Oversees the implementation of the Combating of Financial Crime (CFC) policy and related procedures and process flows.

### IT and Cybersecurity Sub-committee

➤ Reporting: RMCC and BITC ➤ Meets monthly

Oversees the IT and Cybersecurity Risk Management framework, policies, procedures, processes and change management processes.

### Operating Sub-committee (OPCO)

➤ Reporting: RMCC ➤ Meets monthly

Oversees the Operational Management framework and policy and monitors the implementation of related procedures and process flows.

### Outsourcing Sub-committee

➤ Reporting: ExCo ➤ Meets at least once a quarter

Reviews the outsourcing business case and operational risks associated with outsourcing arrangements.



## Ethical culture and leadership

With financial crimes on the rise globally and the lines between right and wrong being blurred to a concerning degree, DTB purposefully strengthens its culture of ethical leadership and conduct through various structures and policies.

### Conflict of interest policy and related party transactions

The Board, Executive Committee (ExCo) and employees must avoid any real or perceived conflict between their personal interests and those of the Bank. Business transactions involving directors or their related parties are disclosed on pages 240 to 242.

### Code of ethics and conduct

Guides the Board, Executive Committee and employees on acceptable behaviour and ethical standards in all the Bank's activities and engagements.

### Whistleblowing policy

Defines a whistleblower. It also highlights protection and remedies for whistleblowers, dispute resolution mechanisms, a voluntary disclosure programme, reporting channels and procedures, timely disclosure of findings and resolutions, and data retention.

### Data privacy and protection of personal information

DTB processes personal data responsibly, ethically and in compliance with Kenya's Data Protection Act, 2019 and the General Data Protection Regulation (GDPR). A Data Protection policy framework exists for internal use.

### Supplier Code of Conduct

Articulates DTB's expectations and requirements of its suppliers given that they are key stakeholders in the Bank's universe. Ensures quality and ethical business practices, including sustainability requirements as encapsulated by the Environmental Social and Governance (ESG) principles, are adhered to as a prerequisite for a business relationship.

### Procurement policy

Subscribes to the principles of transparency, integrity and fairness to protect the Bank and its suppliers. As part of our CFC procedures, all suppliers are screened against regulatory and law enforcement sanction watchlists on human trafficking, drug trafficking, arms dealings and organised crime among others.

### IT and cybersecurity policy framework

Ensures the confidentiality, integrity and availability of the Bank's information assets.

### Share trading policy

Prohibits Directors, management and employees from dealing in the Bank's shares when they have or may be perceived as having unpublished price-sensitive information. No known or identified instances of insider trading occurred in 2023.

### Anti-bribery and anti-corruption policy

Complies with legislation in all our markets and draws on recommendations contained in the Kenyan Bribery Act, 2016, the anti-bribery guidelines of the Organisation for Economic Cooperation and Development (OECD) and the UN Convention against Corruption (2003).

## Relationship with shareholders

Our shareholders are one of our most important stakeholder groups and we invest particular care in our relationships with them.

### Communication



Investor briefings



The AGM



News media



Shareholder circulars



Integrated reports and financial statements



Correspondence with the Company Secretary and the Shares Registrar



Digital platforms, including the Bank's website



**Shares registry:** Shareholder applications, registration queries, transfers, immobilisation, and dividend payouts.

## Shareholding structure

### The distribution of DTB's issued share capital as at 31 December 2023

Range (shares)	No. of members	Total no. of shares	% shareholding
1 - 500	3,657	700,345	0.2505
501 - 1,000	696	519,510	0.1858
1,001 - 5,000	3,438	7,793,208	2.7872
5,001 - 10,000	1,508	9,860,054	3.5265
10,001 - 50,000	1,661	30,925,104	11.0604
50,001 - 100,000	201	13,927,302	4.9811
100,001 - 500,000	129	27,951,831	9.997
500,001 - 1,000,000	17	10,616,315	3.7969
1,000,001 - 999,999,999,999	24	177,308,551	63.4146
	<b>11,331</b>	<b>279,602,220</b>	<b>100</b>

### Shareholders' profile

No. of members	Group	Total no. of shares	% shareholding
2,233	Foreign individuals	26,700,522	9.549
15	Foreign institutions	116,356,495	41.615
5,844	Local individuals	37,705,308	13.485
674	Local institutions	86,451,712	30.92
2,551	B.A individuals	11,852,859	4.239
14	B.A institutions	535,324	0.191
<b>11331</b>		<b>279,602,220</b>	<b>100</b>

### Top 10 shareholders of the Bank as at 31 December 2023

#	Name	Total no. of shares	% shareholding
1	Aga Khan Fund For Economic Development S.A.	46,130,236	16.50
2	Habib Bank Limited	45,159,849	16.15
3	Jubilee Life Insurance Limited	18,325,022	6.55
4	Jubilee Holdings Limited	9,484,117	3.39
5	Stanbic Nominees Ltd A/c Nr1031461	7,960,039	2.85
6	Acacia Partners L.p.	7,369,920	2.64
7	Standard Chartered Nominee A/c Ke004667	7,100,900	2.54
8	Standard Chartered Nominee Resd A/c Ke11443	4,677,008	1.67
9	The Diamond Jubilee Investment Trust (U) Limited	3,838,436	1.37
10	Investment & Mortgages Nominees Ltd A/c 003745	2,850,000	1.02
11	Investment & Mortgages Nominees Ltd A/c 003746	2,850,000	1.02

A photograph of four men standing on a grassy hillside, each holding a small tree sapling. They are wearing red DTB (Diamond Trust Bank) aprons and caps. In the background, there are rolling hills and a clear blue sky. A large red DTB flag is visible on the left side of the image.

“Global sustainability is now the only avenue to future inclusive progress that can deliver the Sustainable Development Goals and the Paris climate agreement.”

~ Johan Rockström, Swedish Scientist



# DTB's risk management

2023 was a year of profound disruption at the macro-economic level. Cost-of-living pressures continued to bite, amidst persistently elevated inflation and interest rates, resulting from economic uncertainty in many parts of the world, with the tightening of monetary policies dampening consumer and corporate spending power.

At the same time, the influence of environmental, social and governance matters and particularly climate change and human rights issues, remain on the ascendancy. This is in response to the negative economic effects of climate change as well as the groundswell of stakeholder sentiment that is pushing for the accelerated adoption of sustainable and ethical business practices that create social and environmental value.

There was also increased legislative and regulatory activity that had a direct bearing on the performance of the Bank.

As a result of the above, the banking sector experienced an environment with heightened financial and operational risk. Consequently, the Group responded by putting in place several measures to mitigate these risks which included the following:

➤ **Increased focus on strategic and credit risks** to ensure proactive monitoring in the context of the ongoing macroeconomic challenges.

➤ **Elevated ESG and climate-related risks** to one of the principal risks being monitored by the Group. In this regard, we developed a risk appetite statement which was approved by the Board Risk Management Committee (BRMC). Additionally, we enhanced the environmental and social due diligence process, used to screen our loan portfolio, and built agile stress testing and scenario analysis capabilities.

➤ **We enhanced our cybercrime, fraud and theft mitigation strategies** to proactively detect and manage potential threats/exposures as we continue to execute our digital transformation strategy. We also rolled out a defence-in-depth strategy, anchored on zero-trust architecture, which is a security architecture built to reduce a network's attack surface, prevent lateral movement of threats and lower the risk of data breaches. We, additionally, built agile enterprise stress testing and scenario mapping capabilities.

➤ We further enhanced our **MIS and data analytics capabilities** to optimise business performance review and enable real-time diagnosis and predictive risk analysis.

➤ As part of our ongoing commitment to excellence in risk management, **we rolled out an operational risk management (ORM) system** to enhance efficiency and transparency to steer the Group towards a more robust and anticipatory risk culture.

On the regulatory front, we saw a more proactive approach from regulators, evidenced by prudential guidance, the enactment and enforcement of various pieces of legislation, and on-site reviews to ensure that financial institutions implement strategies that combat financial crime and focus on environmental, social and governance issues, market transparency, data protection and operational resilience. We thus enhanced our governance structures, policies, and procedures in response to the ever-changing regulatory environment and the need to enhance operational resilience and business continuity.

To prevent non-compliance with regulatory requirements, we have equipped our Compliance Department with mechanisms and tools to monitor and enforce regulatory compliance in all areas of operation. In line with this, the Compliance Department monitors the following aspects on a continuous basis:

➤ **Changes in laws and regulations:** The Bank carried out a regulations/ legislation mapping exercise and applicable policies and procedures updated to incorporate legislative/regulatory requirements.

➤ **Customer due diligence:** A system-driven review was undertaken to test the efficacy of the maintenance of customer information in the Bank's database.

➤ **Report on politically exposed persons (PEPs):** We continuously improve the due diligence process that informs the review of PEPs as part of our risk assessment criteria.

➤ **Screening against sanctions list:** We actively monitor sanctions; no exceptions were noted in 2023.

➤ **Regulatory submissions:** No exceptions were noted during the period under review.

➤ **CFC risk appetite monitoring:** No exceptions were noted during the period under review.

➤ **Consolidated money transfer services (MTS) combating financial crime:** 100% of all MTS transactions across the Group and our sub-agent network were reviewed and no exceptions were noted.

We continuously integrate our enterprise risk management process into the Group's strategic planning and objective setting, in line with changing regulatory requirements, internationally adopted risk management best practice and market dynamics. DTB has embarked on a digital growth strategy, coupled with new initiatives targeting the agricultural and education sectors, which are expected to de-risk the single-borrower concentration ratio in the loan portfolio. The use of artificial intelligence and credit risk scorecards will also drive the execution of these strategies.

We also benchmarked the DTB Baseline Security Standards against the Centre for Internet Security. We developed a cloud computing policy to govern migration to and adoption of cloud technology. Additionally, the Group continued to invest in its cyber and operational resilience, which are expected to be further strengthened in 2024.

DTB will continue its practice of prudently underwriting risks to capitalise on borrowers with good credit ratings, high quality transactions, proper collateral management and investments in safe and efficient operational systems.

Looking ahead, heightened geopolitical risks, the need to accelerate the decarbonisation of the economy to address the rise of climate-related risks and the ongoing technology revolution will increasingly shape the future of credit.

## Risk governance and oversight

DTB has documented policies and procedures that are aligned to the laws, regulations and compliance requirements of our markets, as well as internal control standards. The policies and procedures provide a framework for staff to guide their day-to-day activities and act as a benchmark for internal and external audit reviews. It is the responsibility of the senior management team to ensure formulation and implementation of policies and procedures.

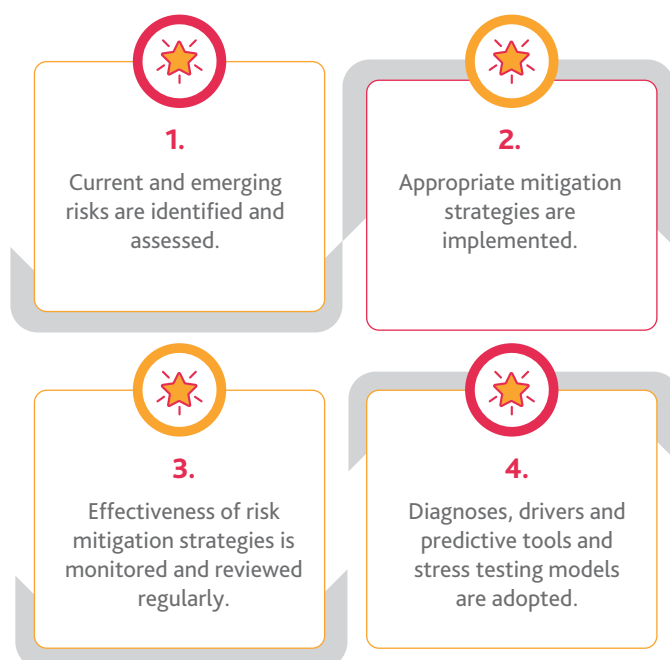
Our effective risk management approach entails robust governance structures at Board and management level across the Group. DTB adopts the three lines of defence model, which provides

independent, aligned and coordinated assurance in the risk and control environment across the Group and domiciles risk ownership with every member of staff. Collaboration between the Risk, Compliance and Internal Audit departments is entrenched in the annual work plans approved by the Board.



## DTB risk management approach

The Enterprise Risk Management Framework (ERMF) formalises and communicates DTB's overall approach to risk management. It standardises and ensures consistency in our risk management processes and outlines the core governing principles for management. It provides a framework to identify, assess, measure, monitor, report and control risks in DTB in a consistent manner. The Group's framework ensures that:



## Risk culture

The risk governance and oversight framework has created a robust risk culture that ensures all our employees contribute to the identification, measurement, mitigation and escalation of risks affecting the Group. Management and employees, alike, understand the Group's approach to risks and take personal responsibility for the management of risks in everything they do. The Board, in its oversight role, ensures that DTB makes the right risk-related decisions and exhibits appropriate risk management behaviour.

Our risk culture emphasises the importance of:

- **Responsibility and accountability** of all employees for risks that they take within their authority.
- Achieving a proper balance **between risk and reward**, subject to the Group's risk appetite stipulations.
- A **common definition of risk**, which addresses both value preservation and value creation, consistently, throughout the Group.
- Ensuring that **key roles, responsibilities and authority, relating to risk management, are clearly defined and delineated** within the Bank, in addition to enforcing an effective system of controls congruent with its size and complexity.
- A **common risk framework** supported by appropriate standards throughout the Bank.
- Cultivating **integrity, transparency and proactive disclosure and management of all risk types** in adherence to the Bank's values as set out in the code of ethics and conduct.
- **Challenging the quality of risk models** such as stress testing, credit scoring and hedging models and the level of accuracy of the data.
- Proportional **disciplinary proceedings for violations**, as necessary.
- The **ability of the available tools to measure risks correctly**, justify the taking of risks and monitor any violation of limits and divergence from established policies.

To entrench a risk culture and ensure that our employees are kept abreast of new and emerging risks, we published several newsletters and conducted 15 training sessions covering topical issues such as green financing, climate finance and green portfolio mapping, cybersecurity and data privacy, as well as refresher training on the fundamental risk management principles.

## DTB's risk appetite & tolerance

Setting risk appetite and tolerance levels is high on the Board's agenda and is a core consideration of our enterprise risk management approach. Risk tolerance is the level of risk that DTB can accept for an individual risk, whereas risk appetite is the total risk that we can bear in each risk profile.

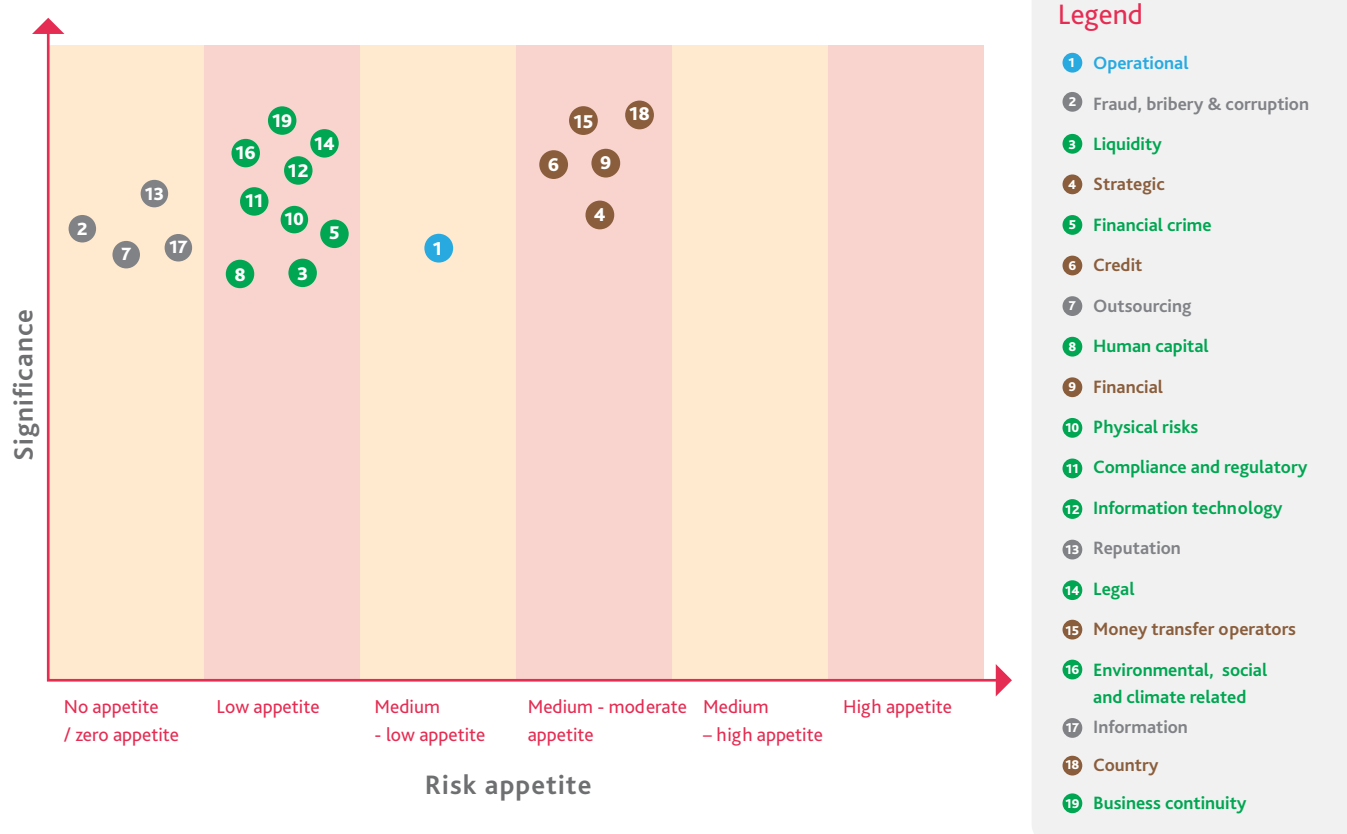
Our risk appetite statement (RAS) is articulated in quantitative and qualitative terms and considers the expectations of multiple stakeholders. The RAS is complemented by several specific risk metrics such as ratios for capital adequacy, liquidity and non-performing loans (NPLs), which assist management to assess whether outcomes are consistent with the Group's risk appetite. Performance against these metrics is tracked and reported to the Board Risk Management Committee (BRMC) on a quarterly basis. The RAS and tolerance limits are subject to review whenever there is a significant change to our strategy, operating environment or

regulatory requirements. Any changes to the enterprise risk appetite statement, risk appetite and/or risk tolerance limits are approved by the Board.

The Bank has a well-defined and documented reporting and escalation matrix to provide assurance that the risk appetite is effectively incorporated into management decisions.

In 2023, the Group appetite for the different risk categories was as depicted in the table below. Cognisant of its operating environment and the micro and macro factors affecting the business ecosystem, the Group prudently managed its risks and therefore had no high or medium-high appetite for risks.





## Assessing and screening E&S risks

In alignment with our sustainability excellence strategic pillar, our environment and social (E&S) risks are assessed and screened in accordance with our Environmental and Social Management System (ESMS), which is aligned with the IFC's performance standards and exclusion lists. In accordance with the latter, projects are classified as either category A, B or C, based on the expected magnitude of their E&S impacts. The E&S risk assessment tool also captures and identifies potential positive impact activities underlying risk identifications and management.

Given the seriousness of E&S risk, we subject every project above USD 1 Mn to our environmental and social due diligence (ESDD) process and screen it against the IFC performance standards. The resultant qualitative assessment of the E&S risk of a client's activities determines the level of due diligence required, focus areas for investigation and whether to involve independent specialists/technical experts.

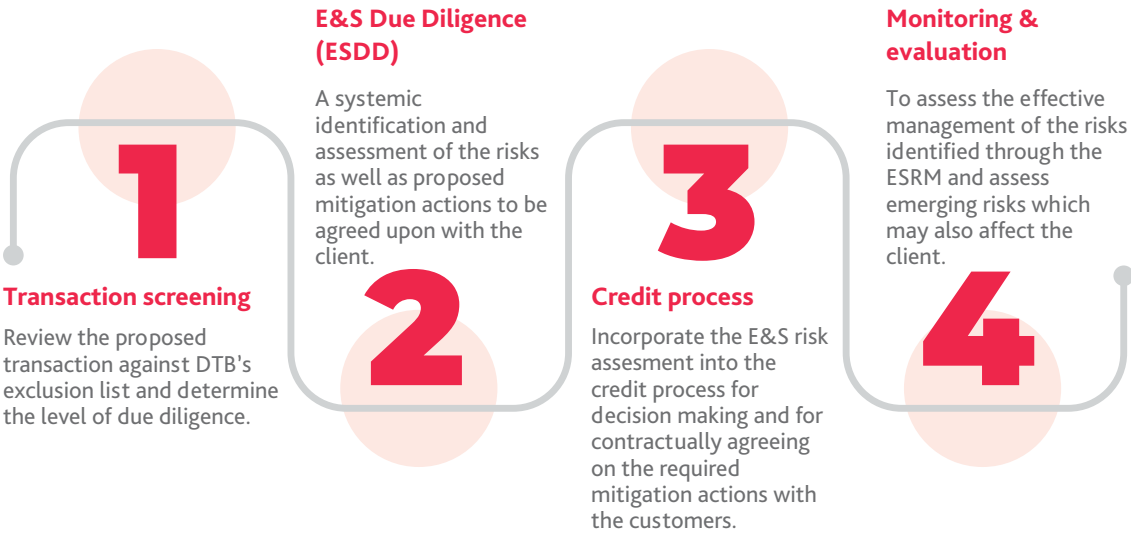
All category A and B transactions are reviewed by the Environment and Social Risk Management (ESRM)/Risk team. The high-level classification of our loan portfolio in Kenya as at 31 December 2023 was as below:

Category of project	Risk categorisation criteria	Exposure (Shs billions)	% of total exposure	Exposure (Shs billions)	% of total exposure
<b>A</b>	⊕ Projects likely to have significant adverse environmental or social impacts which are diverse, widespread or irreversible.	–	0.00%	–	–
<b>B</b>	⊕ Projects with potentially adverse impacts that are less severe than Category A projects, i.e., fewer in number, smaller in scale.	73.2	37.1%	89.6	89.6
<b>C</b>	⊕ Projects with no adverse environmental or social impacts.	124.2	63.0%	136.3	136.3
<b>Not rated</b>	⊕ Facilities booked under HP, IPF, credit card, digital loans and scheme loans.	4.69	2.08%	1,693	1,693

Our assessment and classification note the following:

<b>No exposures in Category A.</b>	<b>Highest exposure is Category C</b> contributing 60.2% (Shs 136.3 Bn) of the total exposure. A drop of 2.8% (Shs 124.2 Bn) as compared to 2022.	<b>Category B exposure is Shs 89.6 Bn</b> Accounting for 39.8% of the on-balance sheet exposure in 2023. This is a growth of 2.6% as compared to 2022, which had an exposure of Shs 73.1 Bn.
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The concentration in Category C, i.e., projects with no adverse E&S impact, indicates a low level of ESG risk.



Climate-related risks management

Cimate-related risks can impact all facets of the business, including customers and supply chains. Although risks associated with climate change cannot be fully eliminated, we are driving a strategy to enable customers and their supply chains to adapt to and mitigate these impacts by delivering sustainable products and solutions that respond to ever-changing customer demands. In addition, it builds a solid reputation for doing business the right way. Climate change has an impact across DTB's risk taxonomy through transition and physical channels.

In December 2023, the Group conducted a climate risk exposure assessment of its portfolio to identify the likelihood of future climate hazards and their potential impacts on the Bank's portfolio. This is fundamental for informing the prioritisation of climate action and investment in adaptation.



<b>Transition risks:</b> <b>2.1% (Shs 4.8 Bn)</b> 1. Oil and gas sector	<b>Physical risks:</b> <b>4.44% (Shs 9.2 Bn)</b> 1. Number and value of mortgage loans in flood zones. 2. Number and value of wastewater treatment plants financed and exposed to or located in flood zones. 3. Water projects in regions of high or extremely high baseline water stress. 4. Properties, infrastructure or other alternative asset portfolios in areas subject to flooding, heat stress or water stress.
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## Our response to environmental protection and climate change

### Net-zero strategy



The climate-action and net-zero strategy pillar of our Sustainability and Citizenship Master Plan outlines how we plan to achieve carbon neutrality in our internal operations (scope 1 & scope 2) by 2030. Specific initiatives include the adoption of digital channels, paperlite banking and green-energy sources (solar) in our operations, the planting and growing of 10 million trees by 2030, as well as efficient waste management.

### Transition to a low carbon economy



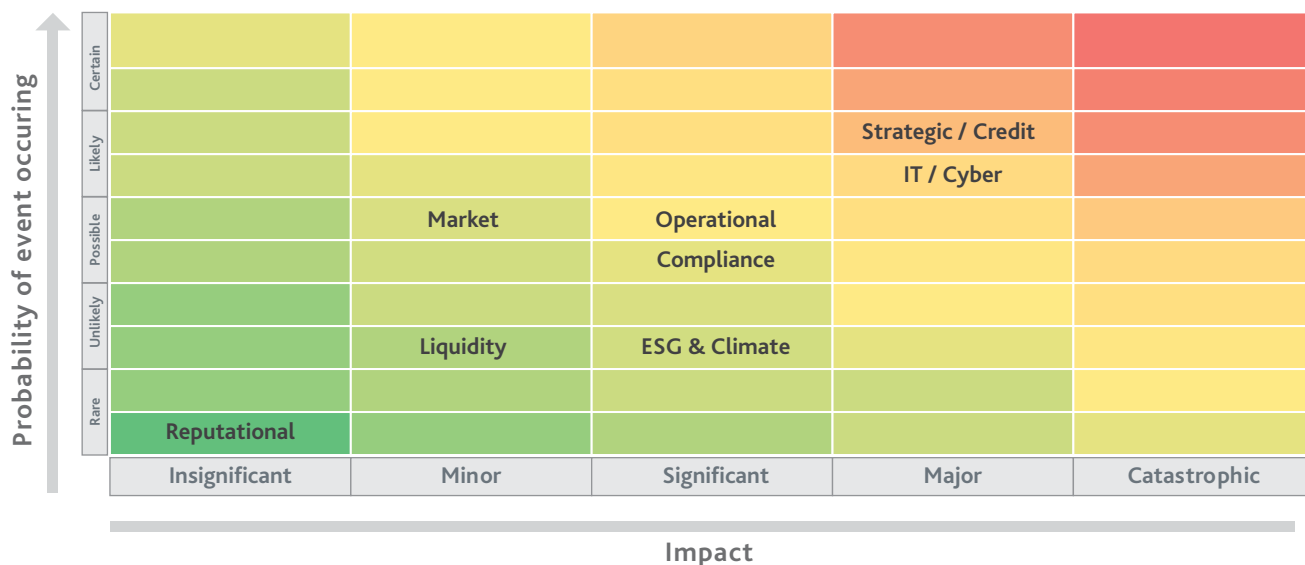
To support the transition to a low-carbon economy, we have developed climate risk policies, processes and controls with clear governance and reporting structures. We plan to roll out relevant sustainable finance solutions in 2024.

## Other measures under implementation include:

- Climate risk screening in transaction processing during lending.
- Baseline studies on subsidiaries to determine portfolio at-risk levels.
- Internal and external training and capacity building.
- Carbon offsetting activities, such as the tree-planting and growing programmes.
- Measuring and tracking our carbon emissions.
- Adopting environmentally friendly initiatives across the Group to reduce our operational carbon footprint.
- Applying our ESMS and ESDD processes to loan applications.

## Our key risks

In 2023, our risk profile evolved as a result of internal and external factors. As the Group started operationalising the 2022-2031 business growth strategy, it was critical that our risk profile remained stable. The ERMF identifies nine principal risk types that the Group continuously monitors to ensure appropriate mitigation measures are in place.



In addition to the major traditional risks associated with banking, such as credit, liquidity and capital risks, various emerging risks such as cyber and climate risk, have continued to grow in importance. We remain vigilant to their potential impacts and are continuously monitoring global and local environments for root causes that could potentially impact value creation.

## Managing our key risks

	Description	Mitigations	Risk link to capitals
1.CR	<p><b>Credit risk</b></p> <p>Credit risk remains one of the top risks that we monitor closely given the complex and challenging environment in which we operate.</p> <p>The residual impact of the post-pandemic experience and inflationary pressures arising from the high cost of living, currency depreciation and sovereign debt obligations were focus areas in 2023 and DTB took immediate action to manage its balance sheet risks in an extremely dynamic and fluid situation.</p> <p>Credit governance and processes across the Group remained efficiently and effectively managed. In 2023, our credit risk remained stable with strong liquidity and capital adequacy ratios.</p> <p>In 2024, credit risk will remain an area of focus against a backdrop of global uncertainties, volatile financial markets, persistent inflationary pressures and measures taken by authorities around the world in response to these developments.</p>	<p>DTB has a robust ERM process that it uses to identify and assess risks and propose mitigations to enable appropriate risk taking in alignment with the Bank's risk appetite.</p> <p>Management continuously monitors risks and takes action to mitigate arising exposures including:</p> <ul style="list-style-type: none"> <li>➤ Continuously monitoring the NPL ratio against the appetite limit and taking appropriate remedial actions where breaches are noted.</li> <li>➤ Intensifying its remedial and recovery efforts to curb the escalation of NPLs.</li> <li>➤ Setting up a Credit Remedial Unit to proactively manage early alert facilities in a bid to contain negative migration.</li> <li>➤ Reviewing the credit policy to enhance lending controls.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial capital</li> </ul>
2.OR	<p><b>Operational risk</b></p> <p>Our exposure to operational risk is increasing across the Group, considering that the economic environment in which we operate is marked by high inflation, increased taxation, high levels of unemployment, growing inequality and lower business and consumer confidence.</p> <p>Within the banking industry, prevalent and emerging trends are centred around loan and mobile banking fraud and embezzlement. For mobile banking fraud, individual customers proved to be the vulnerable link, inadvertently sharing confidential information with fraudsters posing as representatives of banks or mobile service providers.</p>	<ul style="list-style-type: none"> <li>➤ Implementation of real-time transaction monitoring to promptly detect and address suspicious activity.</li> <li>➤ Raise customer awareness about safe mobile banking practices and potential fraud risks.</li> <li>➤ Deployment of robust fraud detection systems that effectively identify and prevent fraudulent activities.</li> <li>➤ Deployment of a Governance Risk and Compliance (GRC) System (Operational Risk Management Tool) that supports with incident reporting, hosting risk control self-assessments (RCSA) and embedding of key risk indicators in the business.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Natural capital</li> <li>➤ Human capital</li> <li>➤ Manufactured capital</li> <li>➤ Intellectual capital</li> </ul>
3.MR	<p><b>Market risk</b></p> <p>Market risk encompasses various factors and events that can affect the value of investments, such as foreign exchange risk, interest rate risk and liquidity risk.</p> <p>2023 was characterised by rising inflation, falling currencies and slow economic growth. These were exacerbated by socio-economic shocks experienced in the region, including drought, rising commodity prices and tightened global financial conditions. There was an increase of the Central Bank Rate (CBR) in Kenya, heightening pressure on commercial borrowing with customers having to pay more to access credit from banks.</p> <p>Despite the rising interest rate risk in the market, the Bank's interest rate exposures were within the Board-approved limit in the period under review.</p> <p>Management continues to monitor the trends to ensure that interest rate movements do not adversely affect the Bank's bottom-line. This involves ensuring the quality of the loan book and maintaining an investment mix of both long-term and short-term securities.</p>	<ul style="list-style-type: none"> <li>➤ Policies and processes guide investment and trading decisions to ensure the Group is not adversely affected by changes in the market and remains compliant with regulatory requirements.</li> <li>➤ Management of concentration risk through Board-approved limits that ensure diversification.</li> <li>➤ Structuring investments as per the horizon of the Group's liabilities.</li> </ul>	<ul style="list-style-type: none"> <li>➤ Financial capital</li> <li>➤ Social and relationship capital</li> </ul>



## Description

## Mitigations

## Risk link to capitals

### 4.CIR

#### Cyber / IT risk

Organisations continue to face a multitude of cybersecurity/technology challenges, ranging from a shortage of skilled workers to increasingly sophisticated cyber-threats/technology disruptions due largely in part to advancements in artificial intelligence.

Additionally, with the economic uncertainty looming, IT decision makers face increasing pressure to make the most of every dollar invested in information systems. Exponential increase in cyber-attacks and technology disruptions has been attributed to ransomware attacks, distributed denial of service attacks, malware and state actors, among others.

According to the Communications Authority of Kenya (CAK) and the Kenya Cyber Incidence Response Team (KE-CIRT), there has been an increase in noted attacks, mainly including malware, web applications, brute force, mobile applications and system attacks.

Evolving regulatory requirements, e.g., the enforcement of Kenya's Data Protection Act of 2019, have necessitated the need to evaluate the capture, processing, use and storage of customer data to comply with the relevant laws aimed at protecting data privacy.

DTB has adopted a digital transformation strategy which involves the implementation of digital solutions by integrating with various fintechs through API connections, as well as adopting cloud technology. These developments leave the Group more susceptible to technology/cyber risk.

- Bolstering cyber-resilience to respond with agility to cyberattacks.
- Investing in technologies and reengineering customer experience and solutions.
- Up-skilling and re-skilling of staff.
- Customer awareness campaigns to avert phishing and social engineering.
- Deployed a defence-in-depth strategy anchored in zero-trust principles and architecture.

- Intellectual capital
- Manufactured capital
- Financial capital
- Human capital

### 5.SR

#### Strategic risk

In 2023, operationalising of the Group's business growth strategy gained momentum.

As such, we adopted a proactive risk management approach to ensure that we remain vigilant in managing both external and internal risks that could impede the achievement of our strategy.

- Reviewed the Group's strategic risks, i.e., governance, operational, competitive, financial and reputational risks to ensure that it has adequate strategies to mitigate both anticipated and unanticipated risks and remain resilient.
- Culture of continuous innovation to reinforce strategic muscle.
- Robust governance structures, policies and procedures.

- Financial capital
- Intellectual capital
- Human capital
- Social and relationship capital

### 6.LR

#### Liquidity risk

Management continues to monitor the trends in the market to ensure that the Group does not get exposed due to over-reliance on interbank short-term sources of funds against the long-term investment in assets like loans and securities.

Liquidity remains tight in the market. However, management continues to monitor and escalate any emerging risks in a timely manner.

- Framework for identifying, monitoring and conducting risk analyses and stress testing based on extreme and hypothetical situations.
- Maintenance of liquid assets to serve as a cushion in case of a possible shortfall.
- The contingency funding plan is revised from time to time to factor in any changes in the operating environment.
- Stress test results are regularly reported to senior management and the Board through relevant committees, as well as to the regulator.
- Continuous monitoring of risk appetite limits and proper reporting of the same to Board and management.

- Social and relationship capital
- Financial capital

## Description

## Mitigations

## Risk link to capitals

7.CRR

### Compliance and regulatory risk

Banks today face a proliferation of regulatory requirements, with associated risks and compliance challenges.

The regulatory landscape in 2023 featured a more proactive approach by the regulators, evidenced by prudential guidance, enactment of various pieces of legislation and on-site reviews aimed at ensuring that financial institutions implement strategies that focus on combating financial crime, environmental, social and governance issues, market transparency, data protection and operational resilience.

- In DTB, the Risk and Compliance departments have mechanisms and tools in place to mitigate non-compliance with regulatory requirements.
- The Group monitors various regulatory aspects, including customer due diligence, PEPs (politically exposed persons), screening against sanctions lists, regulatory submissions and reporting, combating financial crime (CFC) and consolidated money transfer Services (MTS).
- Every employee has an obligation to monitor, identify and escalate potential suspicious transactions to the Money Laundering Reporting Officer. Training is essential to ensure that all staff effectively discharge their obligations and in 2023, all employees were trained on ESG and climate risk, data protection and AML/CFT matters. The Board was also trained on these matters and is continuously apprised of emerging trends.

- Social and relationship capital

8.RR

### Reputational risk

Reputational risk remains a key focus for DTB due to the risk of exposure it carries.

In Kenya, especially in 2023, there were increased incidents of reputational risk exposures related to cybersecurity and fraud, particularly around social engineering and ransomware attacks.

- The monitoring of customer complaints and the prompt resolution of the same has been part of DTB's efforts to mitigate the impact of reputational risk.
- Implemented advanced fraud detection tools and monitoring systems that help identify and prevent fraudulent activities promptly. This includes real-time transaction monitoring, fraud analytics and customer verification procedures.
- Developed a comprehensive crisis management and response plan to address reputational risks promptly and effectively. This includes clear communication protocols, escalation procedures and coordination with relevant stakeholders in the event of a reputational crisis.

- Social and relationship capital
- Financial capital
- Human capital

9.ESG

### ESG and Climate related risk

ESG risks are environmental, social and governance related and include the potential impact on the Bank's operations and strategic, reputation and financial performance.

ESG risks and opportunities are key matters for financial institutions to consider to ensure sustainability and value creation. There are increased expectations from stakeholders to integrate sustainability risk management practises within business activities.

DTB remains committed to playing a leading role in addressing climate change in ways that are sensitive to the local socio-economic context and climate vulnerability.

- DTB Kenya finalised the development of our Sustainability and Citizenship Master Plan and defined policies and procedures required to support the implementation of the plan and the achievement of our ESG goals.
- We also undertook a portfolio mapping assessment to identify the likelihood of future climate hazards and their potential impacts on the Group's portfolio and put in place appropriate mitigations.
- DTB is focused on delivering sustainable finance solutions to customers to support their transition to low-carbon and climate-resilient business models.

- Natural capital
- Social and relationship capital

## Looking ahead

The East African region faces several external and domestic downside risks that could affect the positive economic outlook. These include a global economic slowdown, rising commodity prices, international trade policies, tightening of global financial conditions and exchange rate depreciation. At the domestic level, the risks include large gaps in infrastructure, expanded domestic conflicts and political instability, adverse climate change impacts and a high level of macroeconomic uncertainty.

We expect 2024 to still be dominated by supervisory and policy actions designed to enhance resilience within the financial sector, with a focus on credit risk, digital transformation, operational resilience, data protection, cybersecurity and ESG/climate-related risks.

We are also keenly aware of sustainability issues that require industry-wide collaboration and response. We are, therefore, working with a range of stakeholders to advance the sustainability agenda while managing our own sustainability risks as per our ERM strategy and overall business processes. We further commit to pivot more finance towards greener and more sustainable investments.

Effective risk management will require a strong and pervasive risk culture where all employees understand and recognise their role as risk champions and responsibility in identifying and managing risks. DTB maintains a risk culture that aids awareness of risk and appropriate behaviour that ensures emerging risks are identified, assessed, escalated and addressed in a timely manner.

DTB will continue to review its business environment, adapt and upgrade its systems and processes and enhance its frameworks to ensure resilience as much as compliance. In line with this, the Group shall review its ERM to ensure it remains relevant in the new normal.

Further, as our digital transformation agenda picks up pace, we will increase our vigilance of risks associated with digitisation, including the potential for cyberattacks, data breaches and technology failures.

# Financial Performance Highlights

	2023	2022	2021	2020	2019	2018
	SHS'000	SHS'000	SHS'000	SHS'000	SHS'000	SHS'000
Net interest income	27,574,589	22,887,097	19,992,573	19,307,871	20,078,388	21,009,651
Non-fund-based income	11,435,245	8,622,283	6,194,779	5,834,799	5,471,881	5,160,877
Gross operating income	39,009,834	31,509,380	26,187,352	25,142,670	25,550,269	26,170,528
Net operating profit before provisions	18,604,316	16,236,170	14,138,702	11,705,089	12,287,508	13,708,775
Charge for impairment of loans	(9,600,856)	(6,711,237)	(7,513,045)	(7,036,818)	(1,024,594)	(2,708,503)
Profit before income tax	9,003,460	9,524,933	6,625,657	4,668,271	11,262,914	11,000,272
Profit after tax and non-controlling interest	6,879,176	6,061,017	3,908,411	3,247,534	6,785,603	6,686,612
Total assets	635,040,842	526,983,269	456,842,717	425,054,034	386,230,186	377,719,314
Advances to customers (net)	308,454,062	253,674,906	220,425,335	208,592,888	199,089,371	193,074,357
Total deposits (customers and banks)	499,116,641	414,241,417	346,246,247	328,135,605	302,640,812	300,003,210
Shareholders' funds	74,888,757	68,962,487	67,294,138	61,970,587	58,850,841	53,657,050
Dividends for the year	1,677,613	1,398,011	838,807	-	754,926	726,966
Performance ratios						
Earnings per share - basic	24.60	21.68	13.98	11.61	24.27	23.91
Earnings per share - diluted	24.60	21.68	13.98	11.61	24.27	23.91
Dividend per share - basic	6.00	5.00	3.00	-	2.70	2.60
Dividend per share - diluted	6.00	5.00	3.00	-	2.70	2.60
Net loans to deposits	61.80%	61.24%	63.66%	63.56%	65.78%	64.36%
Non-performing loans to total loans (before provisions)	13.05%	11.44%	12.29%	10.06%	6.59%	6.04%
Return on average assets	1.34%	1.38%	1.00%	0.87%	1.90%	1.91%
Return on average shareholders' funds	9.56%	8.90%	6.05%	5.84%	12.06%	13.11%
Non-fund-based income to total income	29.31%	27.36%	23.66%	23.20%	21.42%	19.72%
Number of branches	152	134	129	134	137	137
Number of employees	2,777	2,534	2,156	2,231	2,269	2,252
Expenditure on property and equipment	3,006,431	679,537	234,099	1,621,240	1,452,491	1,056,731
Other indicators (Bank only)						
Core capital to customer deposits	17.34%	21.14%	22.05%	22.85%	22.29%	19.38%
Core capital to total risk weighted assets	16.31%	19.84%	19.86%	20.75%	19.05%	18.70%
Total capital to total risk weighted assets	16.96%	20.72%	21.15%	22.48%	20.91%	21.10%





# **Financial Statements**

For the year ended 31 December 2023

# Directors and Statutory Information

## Board of Directors

Name	Position
Linus Gitahi	Chairman, Non-executive Director
Shaffiq Dharamshi	Vice Chairman , Non-executive Director
Nasim Devji	Group Chief Executive Officer & Managing Director
Pamella Ager	Non-executive Director
Guedi Ainache *	Non-executive Director
Moez Jamal **	Non-executive Director
Alkarim Jiwa	Finance & Strategy Director
Irfan Keshavjee	Non-executive Director
Ismail Mawji	Non-executive Director
Sagheer Mufti ***	Non-executive Director
Jeremy Ngunze	Non-executive Director
Jamaludin Shamji	Non Executive Director ~Resigned on 14 December 2023

\*French \*\*Swiss \*\*\*Pakistani

## Company Secretary

Stephen Kodumbe

## Registered Office

DTB Centre  
 Mombasa Road  
 P.O. Box 61711 - 00200  
 NAIROBI



## Auditor

KPMG Kenya  
 Certified Public Accountants  
 8th Floor, ABC Towers - Waiyaki Way  
 PO Box 40612-00100  
 NAIROBI



# Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2023 in accordance with Section 22 of the Banking Act and the Kenyan Companies Act, 2015 which discloses the state of affairs of consolidated Diamond Trust Bank Kenya Limited (the "Group" or "DTB") and of Diamond Trust Bank Kenya Limited (the "Bank" or "Company").

## Incorporation and registered office

The Bank is incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The address of its registered office is as disclosed on page 103.

## Principal activities

The Group is engaged in the business of providing banking and other related services to the general public.

## Results and dividend

The results of the Group and Bank for the year are set out on page 117 and summarised below.

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	9,003,460	9,524,933	5,433,590	6,590,446
Income tax expense	(1,208,488)	(2,731,055)	(449,249)	(2,071,252)
Profit for the year	7,794,972	6,793,878	4,984,341	4,519,194
Non controlling interests	(915,796)	(732,861)	-	-
Profit attributable to owners of the Bank	6,879,176	6,061,017	4,984,341	4,519,194
Proposed dividends	(1,677,613)	(1,398,011)	(1,677,613)	(1,398,011)
<b>Retained profit for the year</b>	<b>5,201,563</b>	<b>4,663,006</b>	<b>3,306,728</b>	<b>3,121,183</b>

The directors recommend the approval of a final dividend of Shs 1,677,613,320 (2022:Shs 1,398,011,100).

## Equity and reserves

The authorised issued share capital and reserves of the Group and Bank as at 31 December 2023 and matters relating thereto are set out in Note 31 to 32 to the financial statements. No additional shares were issued in the year. Full details of the Group and Bank reserves and movements therein during the year are shown on pages 120 to 123 and pages 230 to 232.

## Property, plant and equipment

Details of the movements in property, plant and equipment are shown on Note 20 to the financial statements.

## Directors

The present membership of the Board is listed on page 103. Mr Jamaludin Shamji resigned on 14 December 2023.

In accordance with articles No. 101 of the Bank's Articles of Association, Messrs Sagheer Mufti, Shafiq Dharamshi and Irfan Keshavjee retire by rotation and, being eligible, offer themselves for re-election.

# Directors' Report (Continued)

## Business review

The financial sector continues to face increased volatility albeit with some divergences across the region. While demand for credit remains healthy across the region, tight liquidity and rising interest rates will slowdown lending in Kenya and Tanzania, with increased credit risks exacerbating the moderation in Kenya.

The Group performance in 2023 was affected by the adverse economic environment characterised by tight liquidity, elevated interest rates and rising operating costs, exacerbated by depreciation of the local currencies amidst constrained US Dollar supply in the jurisdictions the Group operates in. This resulted in thinner margins, elevated operating costs and higher loan impairment charges to maintain cover for dollar denominated non-performing loans.

Total assets, at Shs 635 billion were 20% over 2022, supported by a strong growth in deposits and short- and long- term borrowings, deployed in loans and high- yielding Government securities.

At Shs 18.5 billion the 2023 Group operating profit before provisions posted a strong growth of 11% over the previous year exhibiting continuing resilience in and expansion of Group's core earnings base.

## DTB strategy

The DTB Business Growth Strategy, rolled out in 2022, is underpinned on the over-arching objective to be 'socio- economically relevant' in East Africa and is built on the following thrusts;

- a) Customer reach across East Africa. DTB intends to grow its customer base from 1.3 million customers in 2023 to 10 million customers by 2026 - 2 million through its existing business model- branch network, online and mobile digital channels and refreshed products and services and a further 8 million customers through digital-enabled partnerships and distinctive ecosystems.
- b) Digital transformation strategy. The Bank has rolled out an elaborate and comprehensive digital transformation strategy to pivot DTB into a leading digital bank over the next 5 years. This is underpinned by the acquisition of specialised digital, tech, data & analytics and cyber related competencies, capabilities, technologies and digital partnerships.
- c) Leading practitioner of Sustainability / ESG excellence in East Africa. DTB Sustainability and Citizenship Master Plan was approved in 2023, paving way for its operationalisation following a robust stakeholder engagement process targeting employees, clients, suppliers and partners. The plan is anchored on six key pillars namely: climate action and net zero, sustainable financing, responsible supply chain, employee wellbeing and development, partnerships, and citizenship. To drive thought leadership, the Bank is working with leading practitioners in the development finance and sustainability area to design innovative, high impact programmes with a tangible and demonstrable effect on the society and environment.

## Principal risks and uncertainties

The Bank's activities expose it to a variety of financial risks including credit, liquidity, and market risks. The Bank's overall risk management policies are set out by the Board and implemented by management. These policies involve analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. These risk management objectives and policies are outlined in detail in Note 4, from pages 157 to 203.

As the Bank continues to scale up its operations, it ensures that the resultant commercial and operational risks are mitigated through the enforcement of appropriate policies and procedures governing various aspects of its commercial activities and operations.

## Corporate social responsibilities

As a corporate citizen, Diamond Trust Bank Kenya Limited (DTB) seeks to undertake initiatives which benefit the communities and environment it operates in. The sustainability report under pages 40 to 50 details the activities the Group has undertaken in the year.



# Directors' Report (Continued)

## Relevant audit information

The Directors in office at the date of this report confirm that:

- There is no relevant audit information of which the Bank's auditor is unaware; and
- Each Director has taken all the steps they ought to have taken as a Director so as to be aware of any relevant audit information and to establish that the Bank's auditor is aware of that information.

## Substantial shareholding

The Directors are aware of the following interests which amount to 5% or more of the issued share capital of the Bank:

	2023	2022
Shareholding %		
Aga Khan Fund For Economic Development S.A.	16.50%	16.50%
Habib Bank Limited	16.15%	16.15%
The Jubilee Life Insurance Limited	6.55%	7.86%
	<b>39.20%</b>	<b>40.51%</b>

## Directors' Interests

Directors' interest in the shares of the Bank were as follows;

Director	2023		2022	
	No of shares	Shareholding %	No of shares	Shareholding %
Nasim Devji	263,022	0.1%	263,022	0.1%
Irfan Keshavjee	1,143	0.0%	1,143	0.0%
Alkarim Jiwa	76,260	0.0%	60	0.0%

## Terms of appointment of the auditor

The Bank's auditor, KPMG Kenya, express their willingness to continue in office in accordance with the Kenyan Companies Act, 2015 and the Banking Act.

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 the financial statements

The financial statements were approved and authorised for issue by the Board of Directors on 26 March 2024.

By order of the Board



**Stephen Kodumbe**

Company Secretary  
26 March 2024  
Nairobi

# Directors' Remuneration Report

This Directors' remuneration report sets out the remuneration arrangements for Diamond Trust Bank Kenya Limited Directors for the year ended 31 December 2023.

## Information not subject to Audit

Information not subject to audit comprise the following with respect to directors:

- Policy on Directors' remuneration
- Contract of service
- Statement of voting at general meeting on Directors' remuneration
- Any substantial changes to Directors' remuneration during the year

## Details of Directors

The remuneration report details the remuneration arrangements for Directors who served during the year. The executive and non-executive Directors listed below are collectively referred to as Directors.

Name	Position
Linus Gitahi	Chairman, Non-executive Director
Shaffiq Dharamshi	Vice Chairman , Non-executive Director
Nasim Devji	Group Chief Executive Officer & Managing Director
Pamella Ager	Non-executive Director
Guedi Ainache	Non-executive Director
Moez Jamal	Non-executive Director
Alkarim Jiwa	Finance & Strategy Director
Irfan Keshavjee	Non-executive Director
Ismail Mawji	Non-executive Director
Sagheer Mufti	Non-executive Director
Jeremy Ngunze	Non-executive Director
Jamaludin Shamji*	Non-executive Director

\* Resigned on 14 December 2023

## Remuneration policy for the Non-executive Chairman and Non-executive Directors

The remuneration of the Non-executive Chairman and Non-executive Directors is approved by the Shareholders at the Annual General Meeting. These Board members receive annual fees and allowances for attending meetings. Non-executive Directors are not entitled to any performance related pay or pension.

The Non-executive Chairman and Non-executive Directors do not have service contracts. The initial appointments and any subsequent reappointments by rotation are subject to annual election and re-election by shareholders.

Fees are paid in cash, net of applicable income tax. The amount of fees reflects the attached responsibility and time commitment. Additional fees are paid for further responsibilities such as chairing committees and sitting on appointed board committees.

# Directors' Remuneration Report (Continued)

## Executive Directors Remuneration Policy

The remuneration of Executive Directors including, but not limited to, the related contract terms and monthly pay are set by the Board Nomination and Human Resource Committee.

The salary for the Executive Directors is set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. The salary is paid in cash, net of applicable income tax and other statutory deductions. This is subject to annual review.

Judgement is used but consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and company performance. Other benefits provided include medical cover and other non-cash benefits such as motor vehicle and telephone benefits. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed. These ensure the package is competitive.

## Changes to remuneration for Non-Executive Directors

There was no decrease in Director's emoluments in the year. The total sitting allowance declined due to lower number of meetings held in the year 2023 compared to 2022.

## Statement of voting at the general meeting on Directors' remuneration

In the last AGM held on 2nd June 2023, the shareholders unanimously passed a resolution to approve the Directors' remuneration report and the Directors' remuneration policy.

## Information subject to audit (Auditable part)

Information subject to audit comprise of the amounts of each Directors' emolument and compensation in the relevant year.

# Directors' Remuneration Report (Continued)

## Directors' remuneration paid during the year

### Non -Executive Directors

Name	2023			2022		
	Fees Shs '000	Sitting Allowance Shs '000	Total Shs '000	Fees Shs '000	Sitting Allowance Shs '000	Total Shs '000
Linus Gitahi *	5,362	2,250	7,612	4,980	3,000	7,980
Shaffiq Dharamshi	Waived	Waived	Waived	Waived	Waived	Waived
Pamella Ager	1,440	1,830	3,270	1,440	2,595	4,035
Guedi Ainache	1,440	1,320	2,760	1,440	1,560	3,000
Moez Jamal	1,440	780	2,220	1,440	960	2,400
Irfan Keshavjee	1,440	1,860	3,300	1,440	2,040	3,480
Ismail Mawji	1,440	1,500	2,940	1,440	1,755	3,195
Sagheer Mufti	1,440	1,845	3,285	1,440	1,665	3,105
Jeremy Ngunze	1,440	2,250	3,690	1,440	3,120	4,560
Jamaludin Shamji **	1,440	1,380	2,820	1,440	1,560	3,000
	<b>16,882</b>	<b>15,015</b>	<b>31,897</b>	<b>16,500</b>	<b>18,255</b>	<b>34,755</b>

\* Mr. Linus Gitahi was appointed to the Board of Diamond Trust Bank Tanzania PLC on 18 August 2023. The remuneration disclosed above includes fees earned in Diamond Trust Bank Tanzania PLC.

\*\* Resigned on 14 December 2023

### Contract of service – Executive Directors

	Gross Pay	Bonus	Retirement benefits	Non Cash Benefits	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000	Shs' 000
<b>2023</b>					
Nasim Devji	61,109	-	12	4,636	65,757
Alkarim Jiwa	54,560	-	4,627	1,336	60,523
	<b>115,669</b>	<b>-</b>	<b>4,639</b>	<b>5,972</b>	<b>126,280</b>
<b>2022</b>					
Nasim Devji	61,109	-	2	4,733	65,844
Alkarim Jiwa	46,203	-	3,927	1,345	51,475
	<b>107,312</b>	<b>-</b>	<b>3,929</b>	<b>6,078</b>	<b>117,319</b>



# Directors' Remuneration Report (Continued)

## Approval of the Directors' remuneration report

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

By order of the Board

**Stephen Kodumbe**



Company Secretary  
26 March 2024  
Nairobi

# Statement of Directors' Responsibilities

The Directors are responsible for the preparation and presentation of the consolidated and separate financial statements of Diamond Trust Bank Kenya Limited set out on pages 117 to 242 which comprise the Group and Bank statements of financial position as at 31 December 2023, and the Group and Bank statements of profit or loss, Group and Bank statements of other comprehensive income, the Group and Bank statements of changes in equity and the Group and Bank statements of cash flows for the year then ended, and notes to the financial statements, including a summary of material accounting policies and other explanatory information and the information identified as subject to audit in the Directors' Remuneration Report.

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

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of the operating results of the Group and Bank for that year. It also requires the Directors to ensure the Bank and its subsidiaries keep proper accounting records, which disclose with reasonable accuracy, the financial position and profit or loss of the Group and the Bank.

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

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

The Directors have made an assessment of the Group and Bank ability to continue as a going concern and have no reason to believe the Bank and its subsidiaries will not be a going concern for at least the next twelve months from the date of this statement.

## Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 26 March 2024.



**Linus Gitahi**

Chairman

26 March 2024



**Nasim Devji**

Managing Director

# Independent Auditor's Report

## to the members of Diamond Trust Bank Kenya Limited



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

#### Opinion

We have audited the consolidated and separate financial statements of Diamond Trust Bank Kenya Limited (the "Group" and the "Bank") set out on pages 117 to 242, which comprise the group and bank statements of financial position as at 31 December 2023, and the group and bank statements of profit or loss, the group and bank statements of other comprehensive income, the group and bank statements of changes in equity and the group and bank statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Diamond Trust Bank Kenya Limited as at 31 December 2023, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Kenyan Companies Act, 2015.

#### Basis for opinion

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

#### Key audit matters

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

### Loss allowance on loans and advances to customers in the consolidated and separate financial statements

The disclosure associated with the loss allowances on loans and advances to customers is set out in the consolidated and separate financial statements in the following notes:

- ⊗ Note 2 (i) – Financial instruments: Impairments of financial assets, measurement of ECL and significant increase in credit risk (SICR)
- ⊗ Note 3 (b) (ii) – Assumptions and estimation uncertainties, determination of significant increase in credit risk (SICR)
- ⊗ Note 4 (a) – Financial risk management, credit risk management
- ⊗ Note 17 – Loans and advances to customers

## Independent Auditor's Report to the members of Diamond Trust Bank Kenya Limited (Continued)

### Key audit matters (Continued)

The key audit matter	How the matter was addressed
<p><b>Subjective estimate</b></p> <p>The measurement of loss allowances for expected credit losses (ECL) on loans and advances to customers, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement in the Group's and Bank's loss allowance assessment and therefore increased levels of audit focus are the following:</p> <ul style="list-style-type: none"> <li>⊗ Model estimations. Inherently judgemental modelling is used to estimate the ECL which involves determining the probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). The PD model is a key driver of complexity in the Group's and Bank's loss allowance modelling approach.</li> <li>⊗ Significant increase in credit risk ("SICR") – for certain sectors, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's and Bank's loss allowance calculation as these criteria determine whether a 12-month or lifetime credit loss is recorded.</li> <li>⊗ Macroeconomic scenarios – IFRS 9, Financial Instruments ("IFRS 9") requires the Group and Bank to measure loss allowance on an unbiased forward-looking basis reflecting a range of future economic conditions. Management judgement is applied in determining the forward-looking information in the economic scenarios used as input to calculate the loss allowance and the probability weightings applied in estimating the loss allowance, especially when considering the current uncertain economic conditions.</li> </ul>	<p>Our procedures in this area included:</p> <ul style="list-style-type: none"> <li>⊗ Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of the loss allowance and assessing the relevant general IT and applications controls. This included assessing the design and operating effectiveness of the key controls over the staging criteria and challenging the accuracy of the key inputs and assumptions into the IFRS 9 impairment models. This was performed by; <ul style="list-style-type: none"> <li>• Selecting a sample of outstanding loans from the Group's and Bank's loan book and evaluating whether significant facilities are correctly staged based on IFRS 9 principles as well as regulatory considerations.</li> <li>• For a sample of key data inputs and assumptions applied in the determination of the loss allowance, assessing the accuracy of economic forecasts and challenging PD assumptions applied by involving our internal specialists in the reperformance of the economic forecasts and PDs.</li> <li>• Evaluating the appropriateness of the Group's and Bank's assessment of SICR criteria used by assessing qualitative factors such as days past due and quantitative factors such as negative operating cashflows, breaches of loan agreements, among others, used by management in their evaluation of the classification of the loans and advances into stages 1, 2, and 3.</li> <li>• Evaluating management's basis for establishing the loss allowances in terms of the Group's and Bank's policies and in terms of the requirements of IFRS 9. This included challenging the reasonability of management's assumptions on cashflow projections and the recovery periods for collateral for a sample of the facilities by comparing the assumptions with historical realisation experience.</li> </ul> </li> </ul>



## Independent Auditor's Report to the members of Diamond Trust Bank Kenya Limited (Continued)

### Key audit matters (Continued)

The key audit matter	How the matter was addressed
	<p>Making use of our internal financial risk modelling specialists to:</p> <ul style="list-style-type: none"> <li>➤ Assess the appropriateness of the Group's and Bank's methodology for determining the economic scenarios used in the forward-looking information and the probability weightings applied to the base, best and worst cases economic scenarios.</li> <li>➤ Assess the key economic indicators used in the determination of the loss allowance such as GDP, public debt, and money supply. This included agreeing a sample of these economic indicators) to external sources, as well as the overall reasonableness of the economic forecasts by comparing the Group's and Banks' forecasts to reputable, external sources of macroeconomic forecasts.</li> </ul> <p>Assessing the adequacy of the disclosures related to the loss allowances on loans and advances to customers in the financial statements in accordance with IFRS 7, Financial instruments disclosures.</p>

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Diamond Trust Bank Kenya Limited 2023 Integrated Report and Financial statements but does not include the consolidated and separate financial statements, and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express 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 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the directors for the consolidated and separate financial statements.

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

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

## Independent Auditor's Report to the members of Diamond Trust Bank Kenya Limited (Continued)

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

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

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

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

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

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

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

## Independent Auditor's Report to the members of Diamond Trust Bank Kenya Limited (Continued)

### Report on other legal and regulatory requirements

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

- i. The information given in the report of the directors on pages 104 to 106 is consistent with the consolidated and separate financial statements; and
- ii. The auditable part of the directors' remuneration report on page 109 has been 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 Jacob Gathecha - P/1610.



*For and behalf of:*

**KPMG Kenya**

**Certified Public Accountants**

8th Floor, ABC Towers

Waiyaki Way

26 March 2024

# Group and Bank statements of profit or loss

for the year ended 31 December 2023

	Note	Group		Bank	
		2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Interest income calculated using effective interest method	5	53,311,533	40,066,887	34,884,715	27,692,795
Interest expense	6	(25,736,944)	(17,179,790)	(18,419,398)	(13,321,044)
<b>Net interest income</b>		<b>27,574,589</b>	<b>22,887,097</b>	<b>16,465,317</b>	<b>14,371,751</b>
Fee and commission income	7 a)	5,139,972	4,009,522	2,873,324	2,165,760
Fee and commission expense		(100,917)	(79,490)	(86,956)	(61,590)
Net fee and commission income		5,039,055	3,930,032	2,786,368	2,104,170
Foreign exchange income		5,586,977	4,304,957	3,970,312	3,368,585
Other operating income	7 b)	809,213	387,294	355,451	257,001
<b>Operating income</b>		<b>39,009,834</b>	<b>31,509,380</b>	<b>23,577,448</b>	<b>20,101,507</b>
Operating expenses	8	(20,548,717)	(14,940,263)	(10,639,807)	(8,248,648)
Net impairment charge on loans and advances	17	(9,600,856)	(6,711,237)	(7,768,646)	(4,949,087)
<b>Profit from operations</b>		<b>8,860,261</b>	<b>9,857,880</b>	<b>5,168,995</b>	<b>6,903,772</b>
Share of results of associate after tax	25(b)	30,010	16,963	-	-
Gain/(loss) on modified assets	4 (a)	113,189	(349,910)	264,595	(313,326)
<b>Profit before income tax</b>		<b>9,003,460</b>	<b>9,524,933</b>	<b>5,433,590</b>	<b>6,590,446</b>
Income tax expense	10	(1,208,488)	(2,731,055)	(449,249)	(2,071,252)
<b>Profit for the year</b>		<b>7,794,972</b>	<b>6,793,878</b>	<b>4,984,341</b>	<b>4,519,194</b>
<b>Profit attributable to:</b>					
Owners of the Bank		6,879,176	6,061,017	4,984,341	4,519,194
Non controlling interests	25(e)	915,796	732,861	-	-
		<b>7,794,972</b>	<b>6,793,878</b>	<b>4,984,341</b>	<b>4,519,194</b>
<b>Earnings per share (Shs per share)</b>					
Basic and diluted	11	24.60	21.68		

The notes on pages 125 to 242 are an integral part of these financial statements



# Group and Bank statements of other comprehensive income

for the year ended 31 December 2023

	Note	Group		Bank	
		2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
<b>Profit for the year</b>		<b>7,794,972</b>	<b>6,793,878</b>	<b>4,984,341</b>	<b>4,519,194</b>
<b>Other comprehensive income</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translating foreign operations		5,321,483	1,610,626	-	-
Net loss from changes in fair value of government securities		(2,929,702)	(2,780,733)	(3,170,632)	(3,526,050)
<i>Items that will not be reclassified to profit or loss</i>					
Net (loss) gain from changes in fair value of equity investments	24	-	(1,289,691)	-	(1,289,691)
Revaluation of land and buildings under property and equipment	20	-	95,186	-	-
Income tax relating to these items	23	(98,920)	(431,490)	-	(154,948)
<b>Other comprehensive income for the year, net of tax</b>		<b>2,292,861</b>	<b>(2,796,102)</b>	<b>(3,170,632)</b>	<b>(4,970,689)</b>
<b>Total comprehensive income for the year</b>		<b>10,087,833</b>	<b>3,997,776</b>	<b>1,813,709</b>	<b>(451,495)</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Bank		7,324,279	2,541,570	1,813,709	(451,495)
Non controlling interests	25(e)	2,763,554	1,456,206	-	-
		<b>10,087,833</b>	<b>3,997,776</b>	<b>1,813,709</b>	<b>(451,495)</b>

The notes on pages 125 to 242 are an integral part of these financial statements

# Group and Bank statements of financial position

As at 31 December 2023

	Group			Bank	
	Note	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Assets					
Cash and balances with Central Banks	14	50,233,669	36,992,122	19,679,004	15,803,197
Government Securities	15	201,650,174	188,277,334	120,103,924	133,693,810
Deposits and balances due from banking institutions	16	36,323,394	19,453,132	21,832,443	8,389,828
Loans and advances to customers	17	308,454,062	253,674,906	208,074,672	177,757,616
Derivative Assets	34 (b)	74,362	91,649	72,042	73,732
Other assets	18	4,169,038	3,967,689	2,435,944	2,016,889
Current tax asset	10(c)	2,454,786	156,874	2,445,450	138,388
Intangible assets - software costs	19	1,468,008	919,193	885,353	476,891
Property and equipment	20	7,434,515	6,221,764	4,384,971	3,762,662
Intangible assets - goodwill	21	173,372	173,372	-	-
Right of use asset	22	5,823,533	5,107,693	3,633,253	3,268,111
Deferred tax asset	23	16,634,128	11,945,520	10,265,873	8,205,242
Equity investment - at fair value through other comprehensive income (FVOCI)	24	55,550	56,000	50,000	50,000
Investments in subsidiaries and associates	25	92,251	70,453	5,752,702	5,752,702
Total assets		635,040,842	527,107,701	399,615,631	359,389,068
Liabilities					
Balances due to Central Banks	26	13,026,047	-	13,026,047	-
Deposits from customers	27	486,090,594	387,562,471	296,727,294	250,592,898
Deposits and balances from banking institutions	28	12,313,515	26,678,946	2,745,794	22,213,787
Derivative liabilities	34 (b)	436,649	124,432	435,408	119,182
Other liabilities	29	7,377,154	5,197,438	3,716,058	2,934,930
Current tax liabilities	10(c)	370,637	66,329	-	-
Borrowings	30	23,980,814	25,512,526	23,268,936	24,699,186
Lease liabilities	22	5,093,908	4,303,857	3,003,314	2,552,003
Total liabilities		548,689,318	449,445,999	342,922,851	303,111,986
Shareholders' equity					
Share capital	31	1,118,409	1,118,409	1,118,409	1,118,409
Share premium	31	9,006,569	9,006,569	9,006,569	9,006,569
Retained earnings	32 (c)	64,370,411	58,900,970	51,864,184	48,531,609
Statutory loan loss reserve	32 (d)	258,083	542,996	-	-
Other reserves	32	(1,542,330)	(2,004,468)	(6,973,995)	(3,777,516)
Proposed dividend	12	1,677,613	1,398,011	1,677,613	1,398,011
Equity attributable to owners of the Bank		74,888,755	68,962,487	56,692,780	56,277,082
Non controlling interests	25(c)	11,462,769	8,699,215	-	-
Total equity		86,351,524	77,661,702	56,692,780	56,277,082
Total liabilities and equity		635,040,842	527,107,701	399,615,631	359,389,068

The financial statements on pages 117 - 242 approved and authorised for issue by the Board of Directors on 26 March 2024 and signed on its behalf by:

  
**Linus Gitahi**  
 Chairman

  
**Nasim Devji**  
 Managing Director & Group Chief Executive Officer

  
**Guédi Ainache**  
 Director

  
**Stephen Kodumbe**  
 Company Secretary

The notes on pages 125 to 242 are an integral part of these financial statements

# Group statement of changes in equity

For the year ended 31 December 2023

		Share capital	Share premium	Statutory loan loss reserve	Other reserves	Retained earnings	Proposed dividend	Attributable to equity holders of the Bank	Non controlling interests	Total
	Note	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2023		1,118,409	9,006,569	542,996	(2,004,468)	58,900,970	1,398,011	68,962,487	8,699,215	77,661,702
Profit for the year		-	-	-	-	6,879,176	-	6,879,176	915,796	7,794,972
Other comprehensive income		-	-	-	445,103	-	-	445,103	1,847,758	2,292,861
Transfer of excess depreciation		-	-	-	(40,242)	40,242	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	7,511	(7,511)	-	-	-	-
Statutory loan loss reserve		-	-	(284,913)	-	284,913	-	-	-	-
Legal and public investment reserve		-	-	-	49,766	(49,766)	-	-	-	-
<b>Total comprehensive income</b>		-	-	(284,913)	462,138	7,147,054	-	7,324,279	2,763,554	10,087,833
<b>Transactions with owners in their capacity as owners:</b>										
<b>Dividends:</b>										
- Final for 2022 paid	12	-	-	-	-	-	(1,398,011)	(1,398,011)	-	(1,398,011)
- Proposed for 2023	12	-	-	-	-	(1,677,613)	1,677,613	-	-	-
<b>Total transactions with owners, recognised directly in equity</b>		-	-	-	-	(1,677,613)	279,602	(1,398,011)	-	(1,398,011)
<b>At end of year</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>258,083</b>	<b>(1,542,330)</b>	<b>64,370,411</b>	<b>1,677,613</b>	<b>74,888,755</b>	<b>11,462,769</b>	<b>86,351,524</b>

The notes on pages 125 to 242 are an integral part of these financial statements

# Group statement of changes in equity

For the year ended 31 December 2022

		Share capital	Share premium	Statutory loan loss reserve	Other reserves	Retained earnings	Proposed dividend	Attributable to equity holders of the Bank	Non controlling interests	Total
	Note	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 1 January 2022</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>-</b>	<b>1,476,079</b>	<b>54,854,274</b>	<b>838,807</b>	<b>67,294,138</b>	<b>7,258,846</b>	<b>74,552,984</b>
Profit for the year		-	-	-	-	6,061,017	-	6,061,017	732,861	<b>6,793,878</b>
Other comprehensive income		-	-	-	(3,408,262)	-	-	(3,408,262)	700,478	<b>(2,707,784)</b>
Net revaluation surplus on property and equipment		-	-	-	43,763	-	-	43,763	22,867	<b>66,630</b>
Transfer of excess depreciation		-	-	-	(35,609)	35,609	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	6,121	(6,121)	-	-	-	-
Increase in deferred tax on revaluation following change in tax rate from 5% to 15%		-	-	-	(154,948)	-	-	(154,948)	-	<b>(154,948)</b>
Statutory loan loss reserve		-	-	542,996	-	(542,996)	-	-	-	-
Legal and public investment reserve		-	-	-	68,388	(68,388)	-	-	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>542,996</b>	<b>(3,480,547)</b>	<b>5,479,121</b>	<b>-</b>	<b>2,541,570</b>	<b>1,456,206</b>	<b>3,997,776</b>
<b>Transactions with owners in their capacity as owners:</b>										
Dividends:										
- Final for 2021 paid		-	-	-	-	-	(838,807)	(838,807)	-	<b>(838,807)</b>
- Proposed for 2022	12	-	-	-	-	(1,398,011)	1,398,011	-	-	-
Expenses related to issue of bonus shares in DTB Uganda		-	-	-	-	(34,414)	-	(34,414)	(15,837)	<b>(50,251)</b>
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,432,425)</b>	<b>559,204</b>	<b>(873,221)</b>	<b>(15,837)</b>	<b>(889,058)</b>
<b>At end of year</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>542,996</b>	<b>(2,004,468)</b>	<b>58,900,970</b>	<b>1,398,011</b>	<b>68,962,487</b>	<b>8,699,215</b>	<b>77,661,702</b>

The notes on pages 125 to 242 are an integral part of these financial statements



# Bank statement of changes in equity

For the year ended 31 December 2023

	Note	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
<b>At 1 January 2023</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>(3,777,516)</b>	<b>48,531,609</b>	<b>1,398,011</b>	<b>56,277,082</b>
Profit for the year		-	-	-	4,984,341	-	<b>4,984,341</b>
Net loss from changes in fair value of government securities		-	-	(3,170,632)	-	-	<b>(3,170,632)</b>
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	4,561	(4,561)	-	-
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(3,196,479)</b>	<b>5,010,188</b>	<b>-</b>	<b>1,813,709</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends:							
- Final for 2022 paid	12	-	-	-	-	(1,398,011)	<b>(1,398,011)</b>
- Proposed for 2023	12	-	-	-	(1,677,613)	1,677,613	-
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,677,613)</b>	<b>279,602</b>	<b>(1,398,011)</b>
<b>At end of year</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>(6,973,995)</b>	<b>51,864,184</b>	<b>1,677,613</b>	<b>56,692,780</b>

The notes on pages 125 to 242 are an integral part of these financial statements

# Bank statement of changes in equity

For the year ended 31 December 2022

	Note	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
<b>At 1 January 2022</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>1,219,020</b>	<b>45,384,579</b>	<b>838,807</b>	<b>57,567,384</b>
Profit for the year		-	-	-	4,519,194	-	<b>4,519,194</b>
Net loss from changes in fair value of government securities		-	-	(3,526,050)	-	-	<b>(3,526,050)</b>
Net gain from changes in fair value of equity investments		-	-	(1,289,691)	-	-	<b>(1,289,691)</b>
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	4,561	(4,561)	-	-
Increase in deferred tax on revaluation following change in tax rate from 5% to 15%		-	-	(154,948)	-	-	<b>(154,948)</b>
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>(4,996,536)</b>	<b>4,545,041</b>	<b>-</b>	<b>(451,495)</b>
<b>Transactions with owners in their capacity as owners:</b>							
Dividends:							
- Final for 2021 paid		-	-	-	-	(838,807)	<b>(838,807)</b>
- Proposed for 2022	12	-	-	-	(1,398,011)	1,398,011	-
<b>Total transactions with owners, recognised directly in equity</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,398,011)</b>	<b>559,204</b>	<b>(838,807)</b>
<b>At end of year</b>		<b>1,118,409</b>	<b>9,006,569</b>	<b>(3,777,516)</b>	<b>48,531,609</b>	<b>1,398,011</b>	<b>56,277,082</b>

The notes on pages 125 to 242 are an integral part of these financial statements

# Group and Bank statements of cash flows

For the year ended 31 December 2023

		Group		Bank	
		2023	2022	2023	2022
	Note	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cash generated from/(used in) operating activities</b>					
Cash generated from /(used in) operating activities	33	22,267,721	(21,635,550)	18,939,864	(22,006,952)
Interest received		53,048,130	40,129,625	35,207,116	28,054,856
Interest paid		(21,917,275)	(14,271,594)	(15,738,819)	(11,026,414)
Income taxes paid	10(c)	(6,980,652)	(5,190,971)	(4,816,942)	(4,080,585)
<b>Net cash generated from/(used in) operating activities</b>		<b>46,417,924</b>	<b>(968,490)</b>	<b>33,591,219</b>	<b>(9,059,095)</b>
<b>Cash flows used in investing activities</b>					
Purchase of property and equipment	20	(2,201,837)	(1,774,397)	(1,145,938)	(963,154)
Purchase of intangible assets - software costs	19	(804,594)	(516,785)	(657,735)	(296,601)
Net proceeds from sale of investment in Government securities		193,828	(10,594)	3,617	(10,594)
Proceeds from sale of property and equipment		36,242	6,818	30,927	742
Dividend received	7	-	-	180,000	150,000
<b>Net cash used in investing activities</b>		<b>(2,776,361)</b>	<b>(2,294,958)</b>	<b>(1,589,129)</b>	<b>(1,119,607)</b>
<b>Cash flows (used in)/generated from financing activities</b>					
Proceeds from borrowings		9,966	12,437,500	-	12,437,500
Payment of principal portion of borrowings		(6,576,498)	(8,505,383)	(6,774,971)	(8,730,587)
Interest paid on borrowings		(2,130,584)	(1,234,359)	(1,571,915)	(726,749)
Payments for principal portions of the lease liabilities	22	(489,951)	(516,793)	(77,984)	(113,881)
Payments for interest portions of the lease liabilities	22	(513,611)	(432,122)	(337,272)	(283,640)
Dividends paid to equity holders of the bank	12	(1,398,011)	(838,807)	(1,398,011)	(838,807)
<b>Net cash (used in)/ generated from financing activities</b>		<b>(11,098,689)</b>	<b>910,036</b>	<b>(10,160,153)</b>	<b>1,743,836</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>32,542,874</b>	<b>(2,353,412)</b>	<b>21,841,937</b>	<b>(8,434,866)</b>
Cash and cash equivalents at start of year		9,267,831	12,774,268	(8,489,516)	(54,650)
Effect of exchange rate fluctuations		1,468,413	(1,153,025)	-	-
		<b>10,736,244</b>	<b>11,621,243</b>	<b>(8,489,516)</b>	<b>(54,650)</b>
<b>Cash and cash equivalents at end of year</b>	<b>36</b>	<b>43,279,118</b>	<b>9,267,831</b>	<b>13,352,421</b>	<b>(8,489,516)</b>

The notes on pages 125 to 242 are an integral part of these financial statements

# Notes

## 1. General information

Diamond Trust Bank Kenya Limited (the "Company"/"Bank") and its subsidiaries (together the "Group") provide banking and other related services to the general public. The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The address of its registered office is as disclosed on page 103. The shares of the Company are listed on the Nairobi Securities Exchange. Diamond Trust Bank Kenya Limited and its subsidiaries operate in Kenya, Tanzania, Uganda and Burundi through the subsidiaries Diamond Trust Bancassurance Intermediary Limited, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited and Diamond Trust Bank Burundi S.A. respectively.

## 2. 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 periods presented, unless otherwise stated.

Certain comparative amounts in the statement of financial position, statement of profit or loss and the statement of cashflows have been reclassified to reflect a more appropriate classification (see note 2 (v)).

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position, and the profit and loss by the statement of profit or loss in these financial statements. There are no other discrepancies between the requirements of Kenyan Companies Act, 2015 and the IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards).

### a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards and in the manner required by the Kenyan Companies Act, 2015. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

### Basis of measurement

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. For those assets and liabilities measured at 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 between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

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

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

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

### 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 Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are material to the financial statements, are disclosed in Note 3.



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### Changes in accounting policy and disclosures

###### *(i) New standards, amendments and interpretations effective and adopted during the year*

In the current year, the group has applied a number of amendments to IFRS Accounting Standards that are mandatorily effective for an accounting period that begins on or after 1 January 2023. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

##### IFRS 17 Insurance Contracts (including the June 2020 and December 2021 Amendments to IFRS 17)

IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts. IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The group does not have any material contracts that meet the definition of an insurance contract under IFRS 17.

##### Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements— Disclosure of Accounting Policies

The group has adopted the amendments to IAS 1 for the first time in the current year. The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendments replace all instances of the term 'material accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The IASB has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

##### Amendments to IAS 12 Income Taxes —Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The group has adopted the amendments to IAS 12 for the first time in the current year. The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences. Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting profit nor taxable profit.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

##### Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors —Definition of Accounting Estimates

The group has adopted the amendments to IAS 8 for the first time in the current year. The amendments replace the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty". The definition of a change in accounting estimates was deleted.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### Changes in accounting policy and disclosures (Continued)

(ii) *New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2023*

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are summarised below;

Standard/ Interpretation	Effective date
Amendments to IFRS 10 and IAS 28-Sale or Contribution of Assets between an Investor and its Associate or Company	Available for optional adoption/effective date deferred indefinitely
Amendments to IAS 1 -Classification of Liabilities as Current or Non-current	1 January 2024
Lack of exchangeability (Amendments to IAS 21)	1 January 2025
Amendments to IAS 1 -Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and IFRS 7 Supplier Finance Arrangements	1 January 2024
Lease liability in a sale and leaseback - Amendments to IFRS 16	1 January 2024

##### Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)

The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted. The directors of the Company anticipate that the application of these amendments may have an impact on the Group's consolidated financial statements in future periods should such transactions arise.

##### Classification of Liabilities as Current or Non-current (Amendments to IAS 1)

The amendments to IAS 1 published in January 2020 affect only the presentation of liabilities as current or noncurrent in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2024, with early application permitted. The IASB has aligned the effective date with the 2022 amendments to IAS 1. If an entity applies the 2020 amendments for an earlier period, it is also required to apply the 2022 amendments early. The directors of the parent company anticipate that the application of these amendments may have an impact on the group's consolidated financial statements in future periods.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### Changes in accounting policy and disclosures (Continued)

##### Lack of exchangeability (Amendments to IAS 21)

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable. A lack of exchangeability might arise when a government imposes currency controls in response to macro-economic instability and balance-of-payments problems. In addition, the currencies of hyperinflationary economies often experience a lack of exchangeability. An entity assesses whether a currency is exchangeable into another currency at a measurement date and for a specified purpose. In making that assessment, an entity must consider its ability to obtain the other currency, rather than its intention or decision to do so. A currency is not exchangeable into the other currency if the entity is able to obtain no more than an insignificant amount of the other currency at the measurement date for the specified purposes.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

##### Amendments to IAS 1 Presentation of Financial Statements —Non-current Liabilities with Covenants

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or noncurrent). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date). The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments are applied retrospectively for annual reporting periods beginning on or after 1 January 2024. Earlier application of the amendments is permitted. If an entity applies the amendments for an earlier period, it is also required to apply the 2020 amendments early.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

##### Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures —Supplier Finance Arrangements

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk. The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information. To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements
- The carrying amount, and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (a) Basis of preparation (Continued)

##### Changes in accounting policy and disclosures (Continued)

- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers
- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement
- Liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

#### Amendment to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate.

The amendments are effective for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. If a seller-lessee applies the amendments for an earlier period, it is required to disclose that fact. A seller-lessee applies the amendments retrospectively in accordance with IAS 8 to sale and leaseback transactions entered into after the date of initial application, which is defined as the beginning of the annual reporting period in which the entity first applied IFRS 16.

The Directors of the Group do not anticipate that the application of the amendments in the future will have an impact on the Group's financial statements.

#### b) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of Diamond Trust Bank Kenya Limited and its subsidiaries, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited, Diamond Trust Bank Burundi S.A, Diamond Trust Bancassurance Intermediary Limited and Premier Savings and Finance Limited, made up to 31 December 2023.

#### Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value 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, at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (b) Consolidation (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.

All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the Group companies are eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank.

##### *Investment in associates*

Associates are undertakings in which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for any impairment in value.

Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising in the statement of profit or loss the Group's share of the associates' profit or loss for the year. The Group's interest in the associates is carried in the statement of financial position at an amount that reflects its share of the net assets of the associates and includes goodwill at acquisition.

##### *Investment in subsidiaries*

Investments in the subsidiaries (details of which are disclosed in Note 25) are stated in the Bank's statement of financial position at cost less provision for impairment loss where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

##### *Loss of control*

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

#### c) Foreign currency translation

##### *(i) Functional and presentation currency*

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 ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Bank's functional and presentation currency.

##### *(ii) Transactions and balances*

Foreign currency transactions are transactions denominated or that require settlement, in a foreign currency. These are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (c) Foreign currency translation (Continued)

##### (iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions). On consolidation, exchange differences arising from the translation of the net investment in foreign entities are reported as 'exchange differences on translation of foreign operations' and are recognised as other comprehensive income and accumulated in the translation reserve in shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

#### d) Interest income and expense

##### *Effective interest rate*

All Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- ⊗ the gross carrying amount of the financial asset; or
- ⊗ the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss (ECL). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

##### *Calculation of interest income and expense*

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance. The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest. The effective interest rate is also revised for fair value hedge adjustments at the date amortisation of the hedge adjustment begins.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see Note 2 (i).

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (d) Interest income and expense (Continued)

##### *Presentation*

Interest income calculated using the effective interest method presented in the statement of profit or loss and other comprehensive income (OCI) includes:

- ⊗ interest on financial assets and financial liabilities measured at amortised cost
- ⊗ interest on debt instruments measured at fair value through other comprehensive income (FVOCI)
- ⊗ the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and
- ⊗ the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

Interest expense presented in the statement of profit or loss and OCI includes:

- ⊗ financial liabilities measured at amortised cost; and
- ⊗ the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

#### e) Fees and commission income

Unless included in the effective interest calculation in (d) above, fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan appraisal fees for loans that have been or are likely to be drawn down are deferred and recognised over the period of the loan using the effective interest method. Fees and commission expense are deferred and recognised on an accrual basis when incurred.

Other fee and commission income – including account servicing fees, sales commission, placement fees and syndication fees – is recognised as the related services are performed.

A contract with a customer that results in a recognised financial instrument in the Group's financial statements may be partially in the scope of IFRS 9 and partially in the scope of IFRS 15. If this is the case, then the Group first applies IFRS 9 to separate and measure the part of the contract that is in the scope of IFRS 9 and then applies IFRS 15 to the residual. Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

#### Net trading income

Trading positions are held at fair value and the resulting gains and losses are included in profit or loss, together with interest and dividends arising from long and short positions and funding costs relating to trading activities. Income arises from both the sale and purchase of trading positions, margins which are achieved through market-making and customer business and from changes in fair value caused by movements in interest and exchange rates, equity prices and other market variables. Gains or losses on assets or liabilities reported in the trading portfolio are included in profit or loss under net trading income together with interest and dividends arising from long and short positions and funding costs relating to trading activities.

#### f) Property and equipment

Property and equipment are initially recorded at cost. Leasehold land and buildings are subsequently shown at market value, based on valuations carried out every 3 to 5 years by external independent valuers, less subsequent depreciation and accumulated impairment losses. All other property and equipment are stated at historical cost less depreciation and accumulated impairment losses.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (f) Property and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred. Increases in the carrying amount arising on revaluation are credited in other comprehensive income and accumulated in equity in a revaluation reserve. Decreases that offset previous increases of the same asset are charged in other comprehensive income; all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. Revaluation surpluses are not distributable.

Depreciation is calculated on a straight line basis by reference to the expected useful lives of the assets concerned. The rates used are as follows:-

Leasehold land and buildings	Period of lease, 20% and 25%
Leasehold improvements	Period of lease
Motor vehicles	25%
Furniture, fittings and equipment	12.5%, 20% and 25%

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit. On disposal of revalued assets, amounts in the revaluation surplus reserve relating to that asset are transferred to retained earnings.

#### g) Intangible assets – software costs

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production or procurement of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the software implementation consultancy costs and an appropriate portion of relevant overheads. The costs are amortised on a straight line basis over the expected useful life of four years (at the rate of 25% per year).

Subsequent expenditure on software assets is capitalised only when it increases the future, economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as it is incurred.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

#### h) Intangible assets – goodwill

Goodwill is the excess of the cost of an acquisition (including costs directly attributable to the acquisition) over the fair value of the Group's share of net identifiable assets of acquired subsidiaries at the date of acquisition. Goodwill is tested annually for impairment as well as when there are indications of impairment. Goodwill arising on acquisition of subsidiaries is stated at cost less accumulated impairment losses.

Goodwill is allocated to cash-generating units or groups of cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified in accordance with IFRS 8.

Goodwill is tested annually as well as whenever a trigger event has been observed for impairment by comparing the present value of the expected future cash flows from a cash generating unit with the carrying value of its net assets, including attributable goodwill carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### i) Financial instruments

##### *Initial recognition and initial measurement of financial assets*

The Group recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. Financial asset (except for certain trade receivables) is measured at initial recognition at its fair value plus, for financial assets not subsequently measured 'at fair value through profit or loss' transaction costs that are directly attributable to the acquisition of the financial asset.

The Group's Trade receivables that do not have a significant financing component (determined in accordance with IFRS 15- Revenue from Contracts with Customers) are not initially measured at fair value, rather they are initially measured at their transaction price. The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

In addition, on initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

##### *Classification and measurement of financial assets*

Subsequent to initial recognition, the Group's financial assets are measured at:

- ⊗ amortised cost
- ⊗ fair value through other comprehensive income (FVOCI) or
- ⊗ fair value through profit or loss (FVPL).

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss, the Group's financial asset is classified on the basis of both:

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

##### **(i) amortised cost**

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss the Group's financial asset is measured at amortised cost only if both of the following conditions are met:

- a) the financial asset of the Group is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
- b) the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

If the Group's financial asset satisfies both of these conditions, the Group measures the financial asset at amortised cost unless it is designated as at fair value through profit or loss (FVPL) on initial recognition.

Any of the Group's Financial assets that do not meet the conditions stated above, are required to be subsequently measured at fair value through profit or loss except for investments in equity instruments not held for trading that are elected at initial recognition to be measured at fair value through other comprehensive income.

Financial assets of the Group that meets the condition in

(b) above but do not meet the condition in

(a) above, may meet the criteria to be measured at fair value through other comprehensive income.

Because both conditions (the business model test and the contractual cash flows characteristics test) must be met for amortised cost measurement, the order in which the tests are performed is irrelevant for the Group.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss (FVPL); equity investments designated as at fair value through other comprehensive income (FVOCI) and financial assets at amortised cost. Management determines the appropriate classification of its investment at initial recognition. The classification of financial instruments can be seen in the table below:

	Class as defined by IFRS 9 and as determined by the group	Subclasses
On Balance sheet Financial assets	Financial assets at fair value through profit and loss (FVPL)	<ul style="list-style-type: none"> <li>• Government securities held for trading</li> <li>• Equity investments</li> <li>• Derivative assets</li> </ul>
	Investments as at fair value through other comprehensive income (FVOCI)	<ul style="list-style-type: none"> <li>• Equity investments</li> <li>• Government securities acquired for both holding and selling</li> </ul>
	Financial assets at amortised cost	<ul style="list-style-type: none"> <li>• Loans and advances to customers</li> <li>• Deposits and balances due from banking institutions</li> <li>• Government securities held to collect contractual cash-flows</li> <li>• Cash and balances with Central Banks</li> <li>• Corporate bond</li> <li>• Other assets</li> </ul>
On balance sheet Financial liabilities	Financial liabilities at amortised cost	<ul style="list-style-type: none"> <li>• Customer deposits</li> <li>• Deposits and balances due to banking institutions</li> <li>• Other liabilities</li> <li>• Borrowings</li> </ul>
	Financial liabilities at FVPL	<ul style="list-style-type: none"> <li>• Derivative liabilities</li> </ul>
Off-balance sheet financial instruments	Off-balance sheet financial instruments	<ul style="list-style-type: none"> <li>• Guarantees, acceptances and other financial facilities</li> </ul>

#### Business model assessment for amortised cost measurement

For amortised cost measurement, the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows. Financial assets of the Group that are held within a business model whose objective is to hold assets in order to collect contractual cash flows are managed to realise cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling assets).

In determining whether cash flows are going to be realized by collecting the Group's financial assets' contractual cash flows, the Group considers the frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However sales in themselves do not determine the business model of the Group and therefore cannot be considered in isolation. Instead, information about the Group's past sales and expectations about future sales provide evidence related to how the Group's stated objective for managing the financial assets is achieved and, specifically, how cash flows are realized. The Group considers information about past sales within the context of the reasons for those sales and the conditions that existed at that time as compared to current conditions.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

*Classification and measurement of financial assets (Continued)*

*Business model assessment for amortised cost measurement (Continued)*

Except for financial assets of the Group that are designated at initial recognition as at fair value through profit or loss the Group's financial asset is measured at fair value through other comprehensive income (FVOCI) if both of the following conditions are met:

- a. the Group's financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- b. the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets of the Group that do not meet the condition in (b) above, are required to be subsequently measured at fair value through profit or loss or in the case of certain investments in equity instruments may be elected at initial recognition to be measured at fair value through other comprehensive income. Financial asset of the Group that meets the condition in (b) above, but does not meet the condition in (a) above, may meet the criteria to be measured at amortised cost.

#### *Designation of equity instruments as at FVOCI*

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3- Business Combinations applies. The Group's financial asset is held for trading if:

- a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- b. on initial recognition it is 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; or
- c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The election by the Group to designate an investment in an equity instrument at FVOCI is made on an instrument-by-instrument (i.e. share-by-share) basis. If the election is made, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognised in profit or loss, with all other gains and losses (including those relating to foreign exchange) recognised in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. However, the Group may transfer the cumulative gain or loss within equity as a reserve movement.

#### *Business model assessment for FVOCI measurement*

Fair value through other comprehensive income measurement financial assets must be held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model.

For example, the objective of the Group's business model may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to the Group's business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it. However, there is no threshold for the frequency or value of sales that must occur in this business model because both collecting contractual cash flows and selling the Group's financial assets are integral to achieving its objective.

#### *(iii) Fair value through profit or loss (FVPL)*

The Group classifies assets that do not qualify for amortised cost measurement or measurement at FVOCI to be measured subsequently to initial recognition at FVPL (except if it is an investment in an equity instrument designated at FVOCI). The Group may irrevocably elect on initial recognition to designate a financial asset that meets the conditions for amortised cost measurement or FVOCI as at FVPL if that designation eliminates or significantly reduces accounting mismatch that would have occurred if the financial asset had been measured at amortised cost or FVOCI.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Classification and measurement of financial assets (Continued)*

##### *(iii) Fair value through profit or loss (FVPL) (Continued)*

Financial assets of the Group classified as at FVPL are measured at fair value. Gains and losses that arise as a result of changes in fair value are recognised in profit or loss, except for those arising on hedging instruments that are designated in effective cash flow hedges or hedges of a net investment in a foreign operation.

Gains and losses that arise between the end of the last annual reporting period and the date an instrument is derecognised do not constitute a separate 'profit/loss on disposal'. Such gains and losses will have arisen prior to disposal, while the item is still being measured at FVPL, and should be recognised in profit or loss when they occur.

#### *Business model assessment*

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio levels because this best reflects the way the business is managed and information is provided to management. The information considered includes:

1. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
2. How the performance of the portfolio is evaluated and reported to the Group's management;
3. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
4. Compensation of business managers – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
5. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

#### *Contractual cash flows characteristics test*

Financial asset of the Group that are debt instruments to be measured at amortised cost or fair value through comprehensive income, contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For the purposes of applying this requirement, principal is the fair value of the financial asset at initial recognition, however that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

The assessment as to whether contractual cash flows are solely payments of principal and interest is made in the currency in which the financial asset is denominated.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

However, in such an arrangement, interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. In extreme economic circumstances, interest can be negative if, for example, the holder of a financial asset either explicitly or implicitly pays for the deposit of its money for a particular period of time (and that fee exceeds the consideration that the holder receives for the time value of money, credit risk and other basic lending risks and costs). However, contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. An originated or an acquired or purchased financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)*

'Principal' is the fair value of the Group's financial asset on initial recognition. 'Interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the Group's financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage features;
- Prepayment and extension terms;
- Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that makes its consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

##### *Reclassification of financial assets*

The Group reclassifies financial assets when it changes its business model for managing financial assets. Investments in equity instruments that are designated as at FVOCI at initial recognition are not reclassified. Reclassifications are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line. The following are not considered to be changes in the Group's business model:

- a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- a temporary disappearance of a particular market for financial assets; or
- a transfer of financial assets between parts of the Group with different business models

When the Group's financial asset converts into a different financial asset during the instrument's life, the Group considers whether the original asset should continue to be recognised or whether, on conversion, the old instrument is derecognised and a new one is recognised. If the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets. The reclassification applies prospectively from the reclassification date and therefore previous recognised gains, losses (including impairment gains or losses) or interest are not restated. Changes in the objective of the Group's business model are usually effected before the reclassification date.

##### *Measurement at the date of reclassification*

When the Group's financial asset is reclassified from amortised cost to FVOCI (or vice versa) the measurement of expected credit losses will not change as both classification categories apply the same impairment approach. However, the presentation and disclosure of the impairment allowance will differ. If the Group's financial asset is reclassified out of FVOCI to amortised cost measurement, for presentation purposes, a loss allowance would be recognised as an adjustment to the gross carrying amount of the financial asset from the reclassification date. If the Group's financial asset is reclassified out of amortised cost to FVOCI measurement, for presentation purposes, a loss allowance would be derecognised (and thus would no longer be recognised as an adjustment to the gross carrying amount) but instead would be recognised as an accumulated impairment amount (of an equal amount) in other comprehensive income and would be disclosed from the reclassification date.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

If the Group reclassifies a financial asset from amortised cost to FVPL, it discloses as a separate line item in its statement of comprehensive income any gain or loss arising from a difference between the previous carrying amount and its fair value on reclassification. Similarly, if the Group reclassifies a financial asset from FVOCI to FVPL, it discloses as a separate line in its statement of comprehensive income any gain or loss arising from reclassifying the previously recognised amount in other comprehensive income to profit or loss.

#### *Impairments of financial asset*

The Group's impairment approach, is based on expected credit losses and the Group uses the general approach in determining the impairment of financial assets. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised; instead, a loss allowance is always recognised for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. The only exception is for purchased or credit-impaired financial assets where a different impairment approach applies. Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVPL:

- Financial assets that are debt instruments;
- Other Loans and receivables
- Lease receivables;
- Financial guarantee contracts issued; and
- Loan and advances to customers
- Loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition.
- Loss allowances for lease and other receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. In the case of the Group, debt instruments of AAA, AA, A and BBB grade qualify as low credit risk. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

#### *Measurement of ECL*

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

**Stage 1:** Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, the Group recognise a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

**Stage 2:** Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Group measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the Effective Interest Rate (EIR) multiplied by the gross carrying amount.

**Stage 3:** Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### Measurement of ECL (Continued)

The Group's policy for classification of financial assets into stages 1, 2 and 3 are shown below;

Stage	Description	Criteria (Quantitative)	Criteria (Qualitative)	Criteria (Others)
Stage 1: Performing	12-Month ECL	<ul style="list-style-type: none"> <li>i. Interest and principal repayment up to date.</li> <li>ii. Repayment of principal and interest is less than 30 days past due on loans and advances.</li> <li>iii. Significantly positive loan to value and solvency ratio.</li> </ul>	<ul style="list-style-type: none"> <li>i. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition.</li> </ul>	
Stage 2: (Watch Lists)	Lifetime ECL – Loans that have witnessed significant increase in credit risk	<ul style="list-style-type: none"> <li>i. Repayment of principal and interest is past due for more than 30 days, but less than 90 days.</li> <li>ii. Consistent drop in turnover figures for 2 months.</li> <li>iii. Drop in ratings (internal or external) by 2 notches.</li> <li>iv. Significant decline in the value of the collateral, third party guarantees or credit enhancements.</li> <li>v. Significant changes in internal price, external market indicators (e.g. credit default swaps prices for the borrower), rates or terms of existing financial instrument, credit and affordability scores.</li> <li>vi. Decrease in estimated future cash flows of the instrument/ cash flow difficulty of the customer.</li> </ul>	<ul style="list-style-type: none"> <li>i. Negative/Bad report from Credit Risk Management System (CRMS) and Credit Bureaus.</li> <li>ii. Failure to submit Audited Financial Statement more than a year after the reporting date.</li> <li>iii. Report of management squabbles /trade union dispute / issues of unpaid salaries.</li> <li>iv. Adverse changes in business, financial and economic conditions.</li> <li>v. Breaches of covenant/ contract.</li> <li>vi. Delay by customer in providing perfection documents.</li> <li>vii. Under - performing instruments.</li> </ul>	<ul style="list-style-type: none"> <li>i. Evidences of misapplication of loan proceeds by customer.</li> <li>ii. Litigations likely to have material impact.</li> <li>iii. Profit warnings.</li> </ul>

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### Measurement of ECL (Continued)

Stage	Description	Criteria (Quantitative)	Criteria (Qualitative)	Criteria (Others)
<b>Stage 3:</b> <b>Substandard</b> <b>Doubtful</b> <b>Loss</b>	Lifetime ECL – default	i. Past due for more than 90 days.  ii. Significant deterioration of loan to value ratio.  iii. Significant financial difficulty of the customer.  iv. Breaches in financial covenants.	i. Events such as adverse circumstances of the obligor such as: death, unemployment, bankruptcy.  ii. Restructuring of the facility. Liquidation and rebooking of new loan.  iii. Refusal by customer in providing perfection documents.  iv. Credit-impaired /Non-performing instruments.	i. Evidences of misapplication of loan proceeds by customer.  ii. Adverse changes in business, financial or economic conditions.  iii. Macro-economic forward looking information.

#### Significant increase in credit risk (SICR)

The Group decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration. The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

#### 1. Quantitative criteria

The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due. The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognised depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

the financial instruments only have significant payment obligations beyond the next 12 months;

changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or

changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Significant increase in credit risk (SICR) (Continued)*

#### 2. Qualitative criteria

There are other factors that are considered by the Group policies in the determination of significant increase in credit risk. They include but are not limited to the following:

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
- Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g. credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortised cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).
- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

#### *Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that the Group's financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter Group bankruptcy or other financial re-organization; or
- The disappearance of an active market for a security because of financial difficulties.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Credit-impaired financial assets (Continued)*

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

The market's assessment of creditworthiness as reflected in the bond yields.

The rating agencies' assessments of creditworthiness.

The country's ability to access the capital markets for new debt issuance.

The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.

The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Loss allowances for ECL are presented in the statement of financial position as follows:

Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

Loan commitments and financial guarantee contracts: generally, as a provision;

Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

##### *General approach to collective or individual assessment*

The Group's measurement of expected credit losses is based on the weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis although measurement on a collective basis is accepted by the Group if more practical for large portfolios of items.

When it comes to the assessment of whether there has been a significant increase in credit risk it may be necessary to perform the assessment of significant increases in credit risk on a collective basis. Where the Group is not able to identify significant changes in credit risk on individual financial instruments before the financial instrument becomes past due (e.g. there may be little or no information for an individual retail loan until a customer fails to pay), the Group assesses significant increase in credit risk on a collective basis. This is because loss allowance based only on credit information at an individual financial instrument level would not faithfully represent the changes in credit risk since initial recognition.

When assessing for significant increases in credit risk and recognizing a loss allowance on a collective basis, financial instruments are grouped on the basis of shared credit risk characteristics to enable significant increases in credit risk to be identified on a timely basis. The Group uses the following for segmentation based on shared credit risk characteristics:

- Product type;
- Industry;
- Economic sectors;

##### *Collateral*

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer in the event that the customer defaults. The Group may also use other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce their credit risk.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Collateral (Continued)*

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from Group or other counterparties.

##### *Financial liabilities and equity*

(i) A financial liability is any liability that is a contractual obligation:

- to deliver cash or another financial asset to another entity (e.g. a payable); or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group (e.g. a financial option written by the Group); or

(ii) a contract that will or may be settled in the Group's own equity instruments and is:

- a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments (e.g. an instrument that is redeemable in own shares to the value of the carrying amount of the instrument); or
- a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments (e.g. a net-share settled written call over own shares). For this purpose, rights, options or warrants to acquire a fixed number of the Group's own equity instruments for a fixed amount of any currency are equity instruments if the Group offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also for these purposes, the Group's own equity instruments do not include puttable financial instruments that are classified as equity instruments, the instruments that impose on the Group an obligation to deliver to another party a pro rata share of the net assets of the Group only on liquidation and are classified as equity instruments in accordance with, or instruments that are contracts for the future receipt or delivery of the Group's own equity instruments.
- The Group's equity instrument is any contract that represents a residual interest in the assets of the Group after deducting all of its liabilities. The Group classifies all financial liabilities at amortised cost with the exception of derivative liabilities which are FVPL or where fair value option is elected provided specific criteria are met. Where the Group measures any financial liability at FVPL, fair value gains or losses related to credit risk are presented separately in other comprehensive income while all other fair value gains or losses are presented in profit or loss.

##### *Contractual obligation to deliver cash or another financial asset*

The key feature in determining whether a financial instrument of the Group is a liability is the existence of a contractual obligation of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable. In contrast, in the case of an equity instrument (e.g. ordinary shares) the right to receive cash in the form of dividends or other distributions is at the issuer's discretion and, therefore, there is no obligation to deliver cash or another financial asset to the holder of the instrument. There is an exception to this rule for certain puttable instruments and instruments with an obligation to deliver a pro rata share of net assets only at liquidation.

Items such as deferred revenue and warranty obligations require delivery of goods or services rather than an obligation to deliver cash or another financial asset and, therefore, are not financial liabilities.

##### *Classification of financial liabilities*

All financial liabilities of the Group are classified and subsequently measured at amortised cost using the effective interest rate method except for:

- financial liabilities at fair value through profit or loss (FVPL);
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach; financial guarantee contracts not designated as at FVPL that are not accounted for under IFRS 4- Insurance Contracts; and
- financial guarantee contracts not designated as at FVPL that are not accounted for under IFRS 4- Insurance Contracts; and
- Commitments to provide a loan at a below-market interest.

Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Classification of financial liabilities (Continued)*

##### ***Financial liabilities at FVPL***

This category of financial liabilities can further be divided into the following two sub-categories:

- a. financial liabilities classified as held for trading; and
- b. Financial liabilities designated by the Group as at FVPL.

##### ***a. Financial liabilities classified as held for trading***

Financial liability of the Group is held for trading if it falls into one of the following categories:

- financial liabilities incurred principally for the purpose of repurchasing them in the near term;
- financial liabilities that on initial recognition 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; and
- derivative liabilities, unless the derivative is a financial guarantee contract or it forms part of a designated and effective hedging relationship.

The fact that a financial liability of the Group is used to provide funding for trading activities does not of itself mean that liability is to be classified as held for trading. Thus, a borrowing that the Group uses to fund its trading portfolio of debt and equity securities is not automatically classified as held for trading.

The following are examples of liabilities that would be classified as held for trading and thus included in the FVPL category:

- an interest rate swap that has negative fair value that is not accounted for as a hedging instrument;
- a derivative liability incurred upon writing a foreign exchange option that is not accounted for as a hedging instrument;
- an obligation to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it has borrowed and does not yet own); and
- a quoted debt instrument that the issuer plans to buy back in the near term depending on movements in the debt instrument's fair value, i.e. a financial liability that is incurred with an intention to repurchase it in the near term.

##### ***b. Financial liabilities designated as at FVPL***

Financial liability of the Group can only be designated as at FVPL when it meets one of three specified criteria (see below). The designation is irrevocable so that, once it has been made, the liability cannot subsequently be reclassified into another category during its life. The Group's financial liability may upon initial recognition be designated as at FVPL only in one of the following circumstances:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases (commonly referred to as an 'accounting mismatch');
- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Financial liabilities arising from continuing involvement accounting and failed derecognition*

When the Group transfers a financial asset but neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset, and retains control of that asset, the Group continues to recognise the asset to the extent of its continuing involvement. A corresponding liability is also recognised in accordance with and measured so that the net carrying amount of the asset and the liability is:

- The amortised cost of the rights and obligations retained (if the asset is measured at amortised cost); or
- The fair value of the rights and obligations retained (if the asset is measured at fair value).

##### *Reclassification of financial liabilities*

The Group does not reclassify financial liabilities in and out of the FVPL category. The following changes in circumstances are not reclassifications:

- A derivative that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such; and
- A derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge.

##### *Classification of financial liabilities acquired in a business combination*

When the Group's financial liabilities are assumed in a business combination, those liabilities are classified in the consolidated financial statements of the acquirer into one of the permitted categories. It is entirely possible that the classification of the Group's financial liability for these purposes may differ from its classification in the financial statements of the acquiree. For example, the Group, in its consolidated financial statements may choose to designate a financial liability as at FVPL at initial recognition even though the acquiree may have classified it otherwise when it first recognised the liability. These differences can arise because 'initial recognition' from the acquirer's perspective is the date of acquisition of the subsidiary and its classification decisions are made at that date.

#### *Dividends*

Dividends of the Bank are recognised in profit or loss only when: a) the Bank's right to receive payment of the dividend is established; b) it is probable that the economic benefits associated with the dividend will flow to the Bank; and c) the amount of the dividend can be measured reliably.

However, if the dividend income clearly represents a recovery of part of the cost of investment, the dividend is not recognised in profit or loss.

#### *Investment equity securities*

##### *Model adopted and the rationale*

Investment in equity instruments are usually FVPL or elected to be designated at FVOCI at initial recognition. Investments in the subsidiaries are stated at cost less provision for impairment loss where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

#### *Quoted equity*

Whenever the Group has investment in quoted equities, these are usually marked to market at each reporting date.

#### *Other policies*

##### *Written loan commitment*

For written loan commitments of the Group that are not measured at FVPL the impairment requirements form part of a 'higher of' test with regard to the measurement of the instrument. For example, loan commitments below-market interest rates are measured subsequent to initial recognition at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 and
- The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of IFRS 15- Revenue from Contracts with Customers.



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Other policies (Continued)*

##### *Financial guarantee contracts*

Similar to loan commitments, the impairment requirements are applicable to the subsequent measurement of all written financial guarantee contracts of the Group that are in the scope of IFRS 9 and that are not measured at FVPL. These are measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9 and
- The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of IFRS 15- Revenue from Contracts with Customers

##### *Derivatives*

Derivative instruments are contracts whose value is derived from one or more underlying financial instruments or indices defined in the contract. They include swaps, forward rate agreements, futures, options and combinations of these instruments and primarily affect the Bank's net interest income, net trading income, and derivative assets and liabilities. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, interest rate swaps and cross currency swaps.

Derivatives are initially recognised at fair value at the date the derivative contracts are entered into and are subsequently re-measured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately. Derivatives embedded in non-derivative host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

##### *Modification of loans*

##### *(a) Modifications leading to derecognition*

Where the renegotiation or modification of the contractual cash flows of a financial asset lead to the derecognition of the existing financial asset in accordance with IFRS 9 the modified asset is considered a 'new' financial asset for the purposes of IFRS 9. Accordingly, the date of the modification should be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit-impaired at initial recognition.

##### *(b) Modifications not leading to derecognition*

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognised, the Group assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

- the risk of a default occurring at the reporting date (based on the modified contractual terms); and
- the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When assessing whether there has been significant increases in credit risk since initial recognition the Group uses all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification.

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognised, that financial asset is not automatically considered to have lower credit risk. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up to date and timely payment performance against the modified contractual terms.

Typically a customer would need to demonstrate consistently good payment behavior over a period of time before the credit risk is considered to have decreased. For example, a history of missed or incomplete payments would not typically be erased by simply making one payment on time following a modification of the contractual terms.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Other policies (Continued)*

##### *30 day rebuttable presumption*

The Group assumes a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Consequently, when the Group determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

##### *90 day rebuttable presumption*

The Group assumes a rebuttable presumption that a default does not occur later than when a financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

##### *Cure definition under IFRS 9*

The Group's definition of cure, is the extent to which financial assets return to a performing status from a non-performing status. Payment of amounts in arrears constitutes cure.

##### *Deterioration definition*

This is the rate at which modified loans that revert to 12 month expected losses on modification then subsequently move to lifetime expected credit losses.

##### *Default definition under IFRS 9*

The Group has established its own policy for what it considers a default, and applied a definition consistent with that used for internal credit risk management purposes for the relevant financial instrument. The Group considers qualitative indicators (e.g. financial covenants) when appropriate. The definition of default used for these purposes is applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. The default point is defined at 90 days.

##### *Recognition of regular way purchases and sales of financial assets*

Regular way purchase or/and sale of the Group's financial assets can be recognised (and derecognised) using either trade date or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category. When trade date accounting is applied, the Group recognises the financial asset to be received and the corresponding liability to pay for it at the trade date; on disposal, the financial asset is removed from the statement of financial position on the trade date.

When the settlement approach is applied, the asset is recognised on the date on which it is received by the Group; on disposal, the asset is not derecognised until the asset is delivered to the buyer. When the purchase of an asset is accounted for using settlement date accounting, between the trade date and settlement date, although the asset itself is not yet recognised, the Group accounts for changes in its fair value, applying the same measurement basis that will be used to account for the acquired asset once it is recognised; therefore, changes in fair value are recognised in profit or loss for assets classified or designated as at FVPL, in other comprehensive income (OCI) for assets designated as at fair value through other comprehensive income, and not recognised for assets measured at amortised cost.

##### *Valuation techniques:*

When the price for an asset or a liability cannot be observed directly, it must be estimated using a valuation technique. When used in the context of fair value measurement, 'valuation technique' is a generic term and its application is not limited to complex fair valuation models. For example, valuing an asset or a liability using quoted prices in an active market for identical assets and liabilities is a valuation technique. In other cases, when prices cannot be observed directly and more judgement is required the Group may use more complex valuation techniques.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Observable inputs are defined as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Other policies (Continued)*

##### *Valuation techniques (Continued)*

##### *(a) Market approach*

The 'market approach' is defined as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. A quoted price for an identical asset or liability in an active market that the Group can access at the measurement date provides the most reliable evidence of fair value. Quoted prices for the identical asset or liability are regarded as Level 1 inputs within the fair value hierarchy. When a quoted price exists for an identical asset or liability, it should be used without adjustment, except in the circumstances below:

- When the Group holds a large number of similar (but not identical) assets or liabilities (e.g. debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (i.e. given the large number of similar assets or liabilities held by the Group, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In such circumstances, as a practical expedient, the Group may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g. matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy.
- When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market or announcements) take place after the close of a market but before the measurement date. The Group shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy.
- When measuring the fair value of a liability or the Group's own equity instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset. If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy.

When a quoted price for an asset or a liability exists in multiple active markets, the Group identifies the market and price which represents fair value for the specific facts and circumstances. Valuation techniques consistent with the market approach often use market multiples derived from a set of comparable assets or liabilities. A range of multiples may be derived, with a different multiple for each comparable asset or liability. The selection of the appropriate multiple within the range requires the exercise of judgement – with appropriate consideration of the qualitative and quantitative factors specific to the measurement.

Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark quoted securities.

##### *(b) Cost/replacement cost approach*

The 'cost approach' is defined as a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). This method is often used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

##### *(c) Income approach*

The 'income approach' is defined as valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Income approaches that are used for measuring the fair value of financial instruments include, for example:

- Present value techniques and
- Option pricing models, such as Black-Scholes-Merton formula or a binomial model (i.e. a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Other policies (Continued)*

##### *Valuation techniques (Continued)*

This approach describes two types of present value techniques:

- The discount rate adjustment technique and
- The expected cash flow (expected present value) technique does not specifically require that one of these present value techniques be used. The most appropriate present value technique for the measurement of fair value in a particular scenario will depend on the facts and circumstances specific to the asset or liability being measured (e.g. whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.

##### *Disclosure requirements*

The Group classifies financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes reconciled to the line items presented in the statement of financial position. The classes are determined by the Group and are distinct from the categories of financial instruments. The classes distinguish between those financial instruments that are measured at amortised cost and those that are measured at fair value. amortised cost financial assets are the financial instrument category that comprise various classes such as term loans, overdraft, unsecured medium-term loans etc.

##### *Categories of financial assets and financial liabilities*

The Group discloses the carrying amount for each financial instrument category as defined by IFRS 9 either in the statement of financial position or in the notes to the financial statements. The carrying amounts of each of the following categories are disclosed:

- a) **financial assets measured at fair value through profit or loss, showing separately**
  - i. those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVPL and ii. those mandatorily measured at fair value in accordance with IFRS 9
- b) **financial liabilities at fair value through profit or loss, showing separately**
  - i. those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVPL and ii. those that meet the definition of held for trading in IFRS 9;
- c) **financial assets measured at amortised cost;**
- d. **financial liabilities measured at amortised cost; and**
- e. **financial assets measured at fair value through other comprehensive income, showing separately:**
  - i. financial assets that are measured at fair value through other comprehensive income in accordance with (e.g. debt instruments that are held within a business model that is collecting contractual cash flows and selling financial assets); and
  - ii. investments in equity instruments designated as such upon initial recognition.

##### *Financial assets at FVPL*

If the Group designates certain debt instruments (or a group of debt instruments) as at fair value through profit or loss (FVPL), it provides extensive disclosures. The Group discloses the following information for financial assets (or groups of financial assets) that have been designated as measured at fair value through profit or loss:

- The maximum exposure to credit risk of the financial asset (or group of financial assets) designated as at fair value through profit or loss, or group of financial assets, at the end of the reporting period;
- The amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;
- The amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets), that is attributable to changes in the credit risk of the financial asset determined either:
  - i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or
  - ii) using an alternative method the Group believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Disclosure requirements (Continued)*

##### *Financial assets at FVPL (Continued)*

- changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and
- the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

In addition, the Group discloses:

- a) the methods used to comply with the requirements in (c) above; and
- b) if the Group believes that the disclosure it has given to comply with the requirements in (c) above does not faithfully represent the change in the fair value of the financial asset attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

##### *Financial liabilities at FVPL*

When the Group has designated financial liabilities as at FVPL, it discloses, in particular the reporting entity's creditworthiness. The disclosure requirements vary depending on whether all of the fair value gains or losses are recognised in profit or loss or whether only part of the fair value gains or losses are recognised in profit or loss because the effects of changes in the liability's credit risk are recognised in other comprehensive income. If the Group has designated a financial liability as at FVPL, it presents the effects of changes in that liability's credit risk in other comprehensive income, it discloses:

- The cumulative change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
- The difference between the financial liability's carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the obligation;
- Any transfers of the cumulative gain or loss within equity during the period, including the reason for such transfers;
- If a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realized at derecognition.

If the Group designates a financial liability as at FVPL and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss, it discloses:

- The amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability; and
- The difference between the financial liability's carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the obligation.

##### *Write off*

The Group writes off a loan and advance balance (and any related allowance for impairment losses) when Group credit determines that there is no realistic prospect of recovery. This is reached after considering information such as a significant change in the borrower/issuers financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay the bank the entire exposure. The Group shall seek to recover amounts it is legally owed in full but which have been partially written due to no reasonable expectation of full recovery.

##### *Reclassification*

When financial assets of the Group are reclassified from amortised cost to FVPL, or vice versa, as a result of a change in the Group's business model for managing financial assets, the Group discloses:

- The date of reclassification;
- detailed explanation of the change in business model and a qualitative description of its effect on the Group's financial statements; and
- the amount reclassified into and out of each category.

For each reporting period following reclassification until derecognition, when a financial asset of the Group is reclassified from FVPL to amortised cost, the Group discloses the effective interest rate determined on the date of reclassification and the interest income or expense recognised. If since its last annual reporting date the Group has reclassified financial assets so that they are measured at amortised cost, it discloses:



## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (i) Financial instruments (Continued)

##### *Reclassification (Continued)*

- The fair value of the financial assets at the end of the reporting period; and
- The fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.

#### (j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16. This policy is applied to contracts existent (or changed) on or after 1 January 2019.

##### (a) Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero. The Group has disclosed the lease liability and right-of-use assets separately in the statement of financial position. Long-term leases of over 50 years have been separately disclosed under property and equipment. The Group has also assessed that the interest payments constitute financing activities in the statement of cashflows.

##### Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### (j) Leases (Continued)

##### (b) Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

#### k) Sale and repurchase agreements

Reverse repurchase agreements (and stock borrowing or similar transactions) are a form of secured lending whereby the Group provides a loan or cash collateral in exchange for the transfer of collateral, generally in the form of marketable securities subject to an agreement to transfer the securities back at a fixed price in the future. Repurchase agreements are where the Group obtains such loans or cash collateral, in exchange for the transfer of collateral.

The Group purchases securities (under a reverse repurchase agreement) or borrows securities subject to a commitment to resell or return them. The securities are not included on the statement of financial position as the Group does not acquire the risks and rewards of ownership. Consideration paid (or cash collateral provided) is accounted for as a loan asset. The Group may also sell securities (under a repurchase agreement) or lend securities subject to a commitment to repurchase or redeem them. The securities are retained on the statement of financial position since the Group retains substantially all the risks and rewards of ownership. Consideration received (or cash collateral provided) is accounted for as a financial liability.

Securities sold subject to repurchase agreement (reverse repos) are classified in the financial statements as pledged assets when the transferee has a right by contract to resell the collateral: the counter liability is included in amounts due to other banks, deposits from banks or balances due to Central Bank as appropriate

#### l) Statutory loan loss reserve

Where impairment losses required by the regulators exceed those computed under IFRS Accounting Standards, the excess is recognised as a statutory loan loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is not distributable.

#### m) Income tax expense

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act and in accordance with the tax legislation for the respective subsidiaries. The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

#### n) Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### o) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any

#### p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less from the date of acquisition, including: cash and balances with the Central Banks and amounts due from other banks. Cash and cash equivalent exclude the cash reserve requirement held with the Central Banks. These are restricted and are not available for use in the Group's day to day operations. Cash and cash equivalents are carried at amortised cost on the statement of financial position.

#### q) Employee benefits

##### *(i) Defined contribution plan*

The Group operates a defined contribution retirement scheme, the assets of which are held in a separate trustee-administered fund. The Group's contributions to the defined contribution scheme are charged to the statement of profit or loss in the year to which they relate. The Group has no further payment obligation once the contributions have been paid. The Group and all its employees also contribute to the National Social Security Fund, operating in the respective countries, which is a defined contribution scheme.

##### *(ii) Other short term employee benefits*

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has 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.

#### r) Proposed dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until approved by the shareholders at the Annual General Meeting.

#### s) Acceptances, guarantees and letters of credit

Acceptances, guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

#### t) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. All transactions with related parties are at commercial terms in the normal course of business, and on terms and conditions similar to those applicable to other customers.

#### u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments (Geographic segments). Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision-maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Group level.

## Notes (Continued)

### 2. Material accounting policies (Continued)

#### v) Change in classification/ correction of prior year errors

During 2023 the group modified the classification and presentation of the items set out below;

- (i) Derivative assets and derivative liabilities previously accounted for under other assets is now shown separately under derivative assets and derivative liabilities.
- (ii) In the cash flow statement, payments for the principal and interest portions of lease liabilities are now disclosed separately whereas previously those were combined.
- (iii) Share of results of associates previously not adjusted from operating activities now amended consequently changing the cashflows from operating activities and the effect of exchange rate fluctuations.

#### Statement of Financial position

31 December 2022		As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
	Notes	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Total Assets</b>		<b>526,983,269</b>	<b>124,432</b>	<b>527,107,701</b>	<b>359,269,886</b>	<b>119,182</b>	<b>359,389,068</b>
Derivative assets	34 (b)	-	91,649	91,649	-	73,732	73,732
Other assets	18	3,934,906	32,783	3,967,689	1,971,439	45,450	2,016,889
<b>Total liabilities and Equity</b>		<b>526,983,269</b>	<b>124,432</b>	<b>527,107,701</b>	<b>359,269,886</b>	<b>119,182</b>	<b>359,389,068</b>
Derivative assets	34 (b)	-	124,432	124,432	-	119,182	119,182

#### Group and Bank statements of cash flows for the year ended 31 December 2022

31 December 2022		As previously reported	Adjustment	As restated	As previously reported	Adjustment	As restated
	Notes	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Cash flows (used in)/generated from financing activities</b>							
Payments for principal and interest portions of the lease liability	22	(948,915)	948,915	-	(397,521)	397,521	-
Payments for principal portions of the lease liabilities	22	-	(516,793)	(516,793)	-	(113,881)	(113,881)
Payments for interest portions of the lease liabilities	22	-	(432,122)	(432,122)	-	(283,640)	(283,640)
		<b>(948,915)</b>	<b>-</b>	<b>(948,915)</b>	<b>(397,521)</b>	<b>-</b>	<b>(397,521)</b>
<b>Cash generated from/ (used in) operating activities</b>							
Share of results of associates	25(b)	-	(16,963)	(16,963)	-	-	-
Effect of exchange rate fluctuations	18	(1,169,988)	16,963	(1,153,025)	-	-	-

## Notes (Continued)

### 3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### (a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements includes the following;

- Note 2 (i) Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Note 2 (i) & 4 (a): Impairment of financial assets classified as amortised cost and FVOCI: The most significant judgements relate to defining what is considered to be a significant increase in credit risk, determining lifetime expected credit losses and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making assumptions that are highly subjective and sensitive to risk factors.
- Note 2(i): Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Note 2 (b) Determination of control over investees.

#### (b) Assumptions and estimation uncertainties

##### (i) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

##### (ii) Determination of Significant Increase in Credit Risk (SICR)

The Bank assesses SICR by incorporating all relevant, reasonable and supportable information, including forward-looking information. These include qualitative information, non-statistical quantitative information and information from statistical models or credit rating processes. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' and viceversa requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.



## Notes (Continued)

### 4. Financial risk management

#### Introduction

Effective risk management is fundamental to the business activities of the Group. Whilst we remain committed to the objective of increasing shareholder value by developing and growing our business in a way that is consistent with our board-determined risk appetite, we are also cognisant of the need to balance this objective with the interests of depositors, debt holders and our regulators. We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment. Risk management is at the core of the operating structures of the Group. The Group seeks to limit adverse variations in earnings and equity by managing the risk exposures and capital within agreed levels of risk appetite.

Managing and controlling risks, minimising undue concentrations of exposure and limiting potential losses from stress events are all essential elements of the Group's risk management and control framework. The risks are managed through a framework, organisational structure, risk management and monitoring processes that are closely aligned with the activities of the Group and in line with the guidelines given by the Central Bank of Kenya (CBK) or the regulators under which it is operating in other countries.

The Group defines risk as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the Group appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and enhanced.

The Group operates in an environment of numerous risks as shown below that may cause financial and non-financial results to differ significantly from anticipated objectives. The Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organisation. These risks are classified as follows;

- Credit risk
- Liquidity risk
- Market risks that fall within:
  - Interest rate risk
  - Price risk
  - Foreign exchange risk

The main pillars of the Group's risk management framework are set out below:

#### *(a) Active Board and Senior Management Oversight*

The Board and the Senior management bear the responsibility of implementing strategies in a manner that limits risks associated with each strategy. Management is therefore fully involved in the activities of the bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, procedures, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

#### *(b) Adequate Policies, Procedures and Limits*

The Group's policies, procedures and limits provide for adequate and timely identification, measurement, monitoring, control and mitigation of the risks posed by its lending, investing, trading, off balance sheet and other significant activities at the business/functional line and bank-wide levels. These clearly delineate accountability and lines of authority across the Bank's various business activities, and ensure there is a clear segregation between business/ functional lines and the risk function as well as escalate and address breaches of limits.

#### *(c) Adequate Risk Monitoring and Management Information Systems*

The Group maintains an effective MIS system that facilitates the Bank's risk monitoring practices and avails risk reports that address all of its material risks for both management and board purposes.

#### *(d) Internal Controls*

The Group maintains a system of internal controls consistent to the type and level of risks posed by the nature and scope of its business activities. This also includes clearly delineated lines of authority and responsibility for monitoring adherence to policies, procedures, and limits.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### Risk management principles

The following key principles form part of our approach to risk management.

- The Board of directors provides overall risk & capital management supervision of the Bank. The Board, through its comprehensive sub-committee structure, oversees risk management, reviews and approves enterprise- wide risk policies and procedures and sets tolerance limits wherever required. The procedures describe the facility types, aggregate facility exposures and conditions under which the Group is prepared to do business.
- The risk management function is independent of the Group's business and operating units. This function, which is headed by the Head of Risk manages Credit, Market, Reputational, Strategic and Regulatory risks on an integrated basis.
- Various committees at functional levels oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units.
- Market and liquidity risks are overseen by the Board Risk Management Committee (BRMC) and managed by a well-represented Asset and Liabilities Committee (ALCO). The members of ALCO are the Chief Executive Officer and the Heads of Risk, Treasury, Finance and business units.
- The compliance function is independent of the Group's business and operating units, reporting to the Board Audit & Compliance Committee on a quarterly basis. The function, on a pro-active basis, identifies and assesses the compliance and operational risks associated with the Group's business. It helps management accomplish its objectives by addressing the current and prospective risk to earnings or capital arising from violations or on non-conformance with laws, rules, regulations, prescribed practice or ethical standards issued by the Board and the regulator from time to time.
- The Credit and Operational Risk Management committees are responsible for defining and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee respectively.
- Independent review of the effectiveness of the overall risk framework is undertaken by the internal audit function which reports directly to the Board Audit & Compliance Committee. The Internal audit department independently monitors the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks.
- External audit has a statutory duty to report its independent opinion on the Group's financial statements to shareholders and acts as a third line of defence.

#### (a) Credit risk management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. It arises principally from, but is not limited to, commercial loans and advances, commitments from forward foreign exchange contracts, financial guarantees, letters of credit and acceptances, investments in debt securities and other exposures arising from trading and settlement activities with market counterparties.

Credit risk makes up the largest part of the Group's risk exposures. The Group's credit process is governed by centrally established credit policies and procedures, rules and guidelines with an aim to maintain a well-diversified credit portfolio.

Credit risk policies and procedures are reviewed by the management and are approved by the Board. The Group has a system of checks and balances in place around the extension of credit that comprise of:

- an independent credit risk management function;
- multiple credit approvers; and
- independent audit, risk review and compliance functions.

The Group's Credit Policy reflects the Groups' tolerance for risk i.e. credit risk appetite. This, as a minimum, reflects the Groups' strategy to grant credit based on various products, economic sectors, client segments, target markets giving due consideration to risks specific to each target market.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

Salient features of the Group's risk approval process include:

- Every extension of credit to any counterparty requires approval by various pre-defined levels of approving authorities as defined in the Credit Policy manual.
- All business units must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level.

The disbursement of credit facilities at each Group's bank is managed by a centralised Credit Administration Department (CAD), reporting to the respective Risk Management function. CAD is also responsible for collateral/documents management including safe-keeping.

The Group monitors its credit portfolio on a continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problem loans is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposure. The Bank has an established Debt Recovery Unit to focus on expediting recoveries of problem credits. The Unit negotiates with problem borrowers and recommends restructuring and rescheduling of stuck up loans to the Management, the Board Credit Committee and the full Board. For cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated.

#### Significant increase in credit risk

As explained in note 2 under the policies, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward migration. Significant increase in credit risk may include indications of a financial asset experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

#### Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group;
- overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of expected credit loss (ECL). The Group sources macroeconomic information from a reputable data vendor that sources and forecasts using information from World Bank, International Monetary Fund (IMF), Economist Intelligence Unit (EIU), Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS) among others. These sources have invested in statistical modelling tools and procedures that over the years has made them reputable and reliable. The base case scenario is the single most-likely outcome. The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2024 to 2028, for Kenya which is the country where the parent operates and therefore is the country that has a material impact in ECLs.

Macroeconomic variables	2024	2025	2026	2027	2028
Exports of goods and services real growth y-o-y					
• Base case	0.329	0.088	0.081	0.079	0.050
• Best case	0.349	0.094	0.086	0.084	0.053
• Worst case	0.309	0.083	0.076	0.074	0.047
Nominal GDP LCU, % chg y-o-y					
• Base case	0.105	0.113	0.120	0.112	0.110
• Best case	0.109	0.118	0.125	0.116	0.114
• Worst case	0.101	0.109	0.116	0.107	0.106
Nominal GDP per Capita LCU % chg y-o-y					
• Base case	0.083	0.092	0.099	0.090	0.089
• Best case	0.086	0.095	0.102	0.094	0.092
• Worst case	0.080	0.088	0.095	0.087	0.086
Money Supply M1, LCU, % chg y-o-y					
• Base case	0.105	0.113	0.120	0.112	0.110
• Best case	0.114	0.123	0.131	0.121	0.119
• Worst case	0.096	0.104	0.110	0.102	0.101
Total revenue, LCU, % chg y-o-y					
• Base case	0.169	0.095	0.150	0.171	0.117
• Best case	0.182	0.102	0.161	0.184	0.126
• Worst case	0.156	0.088	0.138	0.157	0.108

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### Incorporation of forward-looking information (Continued)

Macroeconomic variables	2024	2025	2026	2027	2028
Total expenditure_LCU_chg_yoy					
• Base case	0.114	0.075	0.111	0.141	0.125
• Best case	0.128	0.084	0.125	0.158	0.140
• Worst case	0.100	0.066	0.098	0.124	0.109
Public External Debt Stock USD % chg y-o-y					
• Base case	0.093	0.097	0.096	0.093	0.089
• Best case	0.084	0.087	0.086	0.084	0.081
• Worst case	0.102	0.106	0.105	0.103	0.098
Real GDP Growth % chg y-o-y					
• Base case	0.052	0.052	0.053	0.053	0.055
• Best case	0.046	0.047	0.048	0.048	0.050
• Worst case	0.057	0.057	0.058	0.058	0.061

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 10 years.

#### Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario.

	2023	2022
Base case	40%	40%
Best case	20%	20%
Worst case	40%	40%

#### ECL - Sensitivity analysis

Given current economic uncertainties (exchange rate fluctuations, rising inflation and public debt) and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL as at 31 December 2023:

	ECL	Impact
	Shs'000	Shs'000
100% upside scenario	21,866,720	820
100% base scenario	22,082,547	(215,007)
100% downside scenario	22,299,800	(432,260)

#### Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

- its remaining lifetime probability of default (PD) at the reporting date based on the modified terms; with
- the remaining lifetime probability of default (PD) estimated based on data on initial recognition and the original contractual terms.



## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time). The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

The Group Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators. Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 2). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

#### Measurement of ECL

The key inputs used for measuring ECL are:

- probability of default (PD);
- loss given default (LGD); and
- exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PD parameter is calculated for each non-defaulted risk group within given risk portfolio. For each risk portfolio separate migration matrix is constructed. The method of PD parameter estimation was based on the migrations of principal balance.

Calculation of transition matrices under transaction approach will be applied to different segments such as trade, manufacturing, tourism, real estate etc. The transaction approach is applied in order to reflect the significant differences in respect of risk profile between particular segments. Therefore, risk parameters are calculated for each risk portfolio (segment) separately.

Under this method, migrations are weighted with principal and thus the quarterly migration matrix presents the probabilities that 1 unit of exposure (e.g. 1 Shs ) will migrate to defined statuses over a month or year within a given risk portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account, time to realisation of collateral, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate (EIR) of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### Measurement of ECL (Continued)

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.

##### Loan modifications

The Group has granted flexible but reasonable modification terms to support its clientele who may have cashflow constraints. The terms on modifications includes; temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates. Taking cognisance of the impact, the Group has duly computed and recognised the gain/losses arising from these modifications as per the dictates of IFRS 9 standards.

The impact on financial statements is summarised below:

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Gain/(loss) on modification of loans	113,189	(349,910)	264,595	(313,326)

##### Credit quality analysis

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Purchased or originated credit impaired financial assets (POCI) are analysed under a separate category. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## On Balance Sheet

Loans and advances to customers at amortised cost

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI	Total Shs'000
<b>Gross carrying amount as at 31 December 2022 and as at 1 January 2023</b>	<b>161,574,546</b>	<b>78,671,085</b>	<b>31,031,190</b>	<b>-</b>	<b>271,276,821</b>
Changes in the gross carrying amount					
– Transfer to stage 1	884,807	(1,093,435)	208,628	-	-
– Transfer to stage 2	(25,676,080)	12,418,316	13,257,764	-	-
– Transfer to stage 3	(662,108)	(855,004)	1,517,112	-	-
New financial assets originated or purchased	94,205,034	28,238,287	-	-	<b>122,443,321</b>
Financial assets that have been derecognised	(129,029,045)	(52,011,223)	1,074,047	-	<b>(179,966,221)</b>
Write-offs	-	-	(6,467,975)	-	<b>(6,467,975)</b>
Foreign exchange and other movements	101,997,410	18,773,428	2,510,734	-	<b>123,281,572</b>
<b>Gross carrying amount as at 31 December 2023</b>	<b>203,294,564</b>	<b>84,141,454</b>	<b>43,131,500</b>	<b>-</b>	<b>330,567,518</b>
Loss allowance as at 31 December 2023	822,944	3,476,394	17,572,592	-	<b>21,871,930</b>
<b>Net carrying amount as at 31 December 2023</b>	<b>202,471,620</b>	<b>80,665,060</b>	<b>25,558,908</b>	<b>-</b>	<b>308,695,588</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

Group	Stage 1	Stage 2	Stage 3		
Other financial assets	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000

## Gross carrying amount as at 31 December 2022 and as at 1 January 2023

## Deposits and balances due from banks- at amortised cost:

- Gross carrying amount	36,349,806	-	-	-	36,349,806
- ECL	(26,412)	-	-	-	(26,412)
<b>Net carrying amount as at 31 December 2023</b>	<b>36,323,394</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,323,394</b>

## Government securities

- Gross carrying amount	201,676,145			-	201,676,145
- ECL	(25,971)			-	(25,971)
				-	
<b>Net carrying amount as at 31 December 2023</b>	<b>201,650,174</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>201,650,174</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## Off balance sheet

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Gross carrying amount as at 31 December 2022 and 1 January 2023	46,476,634	3,172,359	377	-	49,649,370
Changes in the gross carrying amount					
– Transfer to stage 1	(213,867)	(225,151)	439,018	-	-
– Transfer to stage 2	(2,895,866)	2,895,866	-	-	-
– Transfer to stage 3	(137,651)	-	137,4651	-	-
New financial assets originated or purchased	86,767,695	271,880	2,302	-	87,041,877
Financial assets that have been derecognised	(20,699,881)	(676,882)	(6,648)	-	(21,383,411)
Foreign exchange and other movements	(9,445,049)	(324,456)	(78,129)	-	(9,847,634)
Gross carrying amount as at 31 December 2023	99,852,015	5,113,616	494,571	-	105,460,202
Loss allowance as at 31 December 2023	238,647	2,879	-	-	241,526
Net carrying amount as at 31 December 2023	99,613,368	5,110,737	494,571	-	105,218,676



## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## On balance sheet facilities

	Stage 1	Stage 2	Stage 3		
Loss allowance – Loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance as at 1 January 2023	808,728	2,914,872	13,716,759	-	17,440,359
Changes in the loss allowance					
– Transfer to stage 1	95,246	(70,362)	(24,884)	-	-
– Transfer to stage 2	(92,782)	(24,409)	117,191	-	-
– Transfer to stage 3	(3,586)	(48,747)	52,333	-	-
– Write-offs	-	-	(6,467,975)	-	(6,467,975)
New financial assets originated or purchased	552,011	1,275,963	5,894,256	-	7,722,230
Financial assets that have been derecognised	(231,289)	(886,665)	421,213	-	(696,741)
Changes in models/risk parameters	44,809	20,964	(9,208)	-	56,565
Foreign exchange and other movements	(350,193)	294,778	3,872,907	-	3,817,492
<b>Loss allowance as at 31 December 2023</b>	<b>822,944</b>	<b>3,476,394</b>	<b>17,572,592</b>	<b>-</b>	<b>21,871,930</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## Off balance Sheet Facilities

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
<b>Loss allowance – Loans and advances to customers at amortised cost</b>					
Loss allowance as at 1 January 2023	159,606	1,950			161,556
Changes in the loss allowance					-
– Transfer to stage 1	2,423	(2,423)			-
– Transfer to stage 2	(9,619)	9,619			-
– Transfer to stage 3	-	-			-
– Write-offs	-	-			-
– Changes due to modifications that did not result in derecognition	-	-			-
New financial assets originated or purchased	100,028	1,969			101,997
Financial assets that have been derecognised	(160,017)	(31,731)			(191,748)
Changes in models/risk parameters	17,123	231			17,354
Foreign exchange and other movements	129,103	23,264			152,367
<b>Loss allowance as at 31 December 2023</b>	<b>238,647</b>	<b>2,879</b>	<b>-</b>	<b>-</b>	<b>241,526</b>
<b>Total Loss Allowance</b>	<b>1,061,591</b>	<b>3,479,273</b>	<b>17,572,592</b>	<b>-</b>	<b>22,113,456</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## On Balance Sheet

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loans and advances to customers at amortised cost					
Gross carrying amount as at 31 December 2021 and as at 1 January 2022	158,026,330	47,915,714	28,789,968	-	234,732,012
Changes in the gross carrying amount					
– Transfer to stage 1	842,686	(1,274,008)	431,322	-	-
– Transfer to stage 2	(11,292,100)	11,144,909	147,191	-	-
– Transfer to stage 3	(989,281)	(1,720,176)	2,709,457	-	-
New financial assets originated or purchased	84,169,332	36,057,331	-	-	120,226,663
Financial assets that have been derecognised	(52,765,656)	(26,584,156)	(995,582)	-	(80,345,394)
Write-offs	-	-	(3,950,190)	-	(3,950,190)
Foreign exchange and other movements	(16,416,765)	13,131,471	3,899,024	-	613,730
Gross carrying amount as at 31 December 2022	161,574,546	78,671,085	31,031,190	-	271,276,821
Loss allowance as at 31 December 2022	(808,728)	(2,914,872)	(13,716,759)	-	(17,440,359)
Net carrying amount as at 31 December 2022	160,765,818	75,756,213	17,314,431	-	253,836,462

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

Group	Stage 1	Stage 2	Stage 3		
Other financial assets	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Deposits and balances due from banks- at amortised cost:					
- Gross carrying amount	19,484,592	-	-	-	19,484,592
- ECL	(31,460)	-	-	-	(31,460)
<b>Net carrying amount as at 31 December 2022</b>	<b>19,453,132</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>19,453,132</b>
Government securities					
- Gross carrying amount	188,277,334	-	-	-	188,277,334
- ECL	-	-	-	-	-
<b>Net carrying amount as at 31 December 2022</b>	<b>188,277,334</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>188,277,334</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## Off balance sheet

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
<b>Gross carrying amount as at 31 December 2021 and 1 January 2022</b>	51,843,007	2,350,310	3,288	-	54,196,605
- Transfer to stage 1	534,058	(534,058)	-	-	-
- Transfer to stage 2	(1,818,624)	1,818,624	-	-	-
- Transfer to stage 3	(714)	-	714	-	-
New financial assets originated or purchased	25,700,678	157,424	1,016	-	25,859,118
Financial assets that have been derecognised	(19,901,047)	(551,463)	(4,968)	-	(20,457,478)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	(9,880,724)	(68,478)	327	-	(9,948,875)
<b>Gross carrying amount as at 31 December 2022</b>	<b>46,476,634</b>	<b>3,172,359</b>	<b>377</b>	<b>-</b>	<b>49,649,370</b>
Loss allowance as at 31 December 2022	(159,606)	(1,950)	-	-	(161,556)
<b>Net carrying amount as at 31 December 2022</b>	<b>46,317,028</b>	<b>3,170,409</b>	<b>377</b>	<b>-</b>	<b>49,487,814</b>



## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## On balance sheet facilities

	Stage 1	Stage 2	Stage 3		
Loss allowance – Loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance as at 1 January 2022	948,274	1,940,554	11,354,391	-	14,243,219
Changes in the loss allowance					
– Transfer to stage 1	101,818	(99,636)	(2,182)	-	-
– Transfer to stage 2	(10,541)	8,908	1,633	-	-
– Transfer to stage 3	(271)	(53,518)	53,789	-	-
– Write-offs	-	-	(3,950,190)	-	(3,950,190)
New financial assets originated or purchased	542,813	1,463,281	2,650,962	-	4,657,056
Financial assets that have been derecognised	(744,142)	(257,909)	868,928	-	(133,123)
Changes in models/risk parameters	(364,013)	(53,036)	(21,514)	-	(438,563)
Foreign exchange and other movements	334,790	(33,772)	2,760,942	-	3,061,960
Loss allowance as at 31 December 2022	808,728	2,914,872	13,716,759	-	17,440,359

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Group

## Off balance Sheet Facilities

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI	Total Shs'000
Loss allowance – Loans and advances to customers at amortised cost					
Loss allowance as at 1 January 2022	60,875	2,583	-	-	63,458
Changes in the loss allowance					
– Transfer to stage 1	5,170	(5,170)	-	-	-
– Transfer to stage 2	(4,171)	4,171	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
– Changes due to modifications that did not result in derecognition	-	-	-	-	-
New financial assets originated or purchased	84,028	154	-	-	84,182
Financial assets that have been derecognised	(73,440)	(8,323)	-	-	(81,763)
Changes in models/risk parameters	6,702	(299)	-	-	6,403
Foreign exchange and other movements	80,442	8,834	-	-	89,276
<b>Loss allowance as at 31 December 2022</b>	<b>159,606</b>	<b>1,950</b>	<b>-</b>	<b>-</b>	<b>161,556</b>
<b>Total Loss Allowance</b>	<b>968,334</b>	<b>2,916,822</b>	<b>13,716,759</b>	<b>-</b>	<b>17,601,915</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	2023	2022
	Shs'000	Shs'000
Credit-impaired loans and advances to customers at 1 January	31,031,190	28,854,848
Classified as credit-impaired during the year	17,087,090	3,243,588
Transferred to not credit-impaired during the year	(668,261)	(356,699)
Net repayments	(2,088,880)	(60,027)
Disposals	(6,467,975)	(3,950,190)
Other movements	4,238,336	3,299,670
<b>Credit-impaired loans and advances to customers at 31 December</b>	<b>43,131,500</b>	<b>31,031,190</b>

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is Shs 6.5 billion (2022-Shs. 3.9 billion).

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## On balance sheet

	Stage 1	Stage 2	Stage 3		
Loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000

## Gross carrying amount as at 31 December 2022 and 1 January 2023

102,027,733	63,249,952	27,094,507	-	192,372,192
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## Changes in the gross carrying amount

– Transfer to stage 1	2,778,859	(2,645,157)	(133,702)	-	-
– Transfer to stage 2	(24,273,420)	12,501,806	11,771,614	-	-
– Transfer to stage 3	(322,784)	(665,201)	987,985	-	-
New financial assets originated or purchased	64,113,125	21,026,038	(1,161,134)	-	83,978,029
Financial assets that have been derecognised	(20,911,189)	(42,749,479)	2,307,193	-	(61,353,475)
Write-offs	-	-	(4,656,558)	-	(4,656,558)
Foreign exchange and other movements	84,278	14,162,769	1,344,349	-	15,591,396
<b>Gross carrying amount as at 31 December 2023</b>	<b>123,496,602</b>	<b>64,880,728</b>	<b>37,554,254</b>	<b>-</b>	<b>225,931,584</b>
Loss allowance as at 31 December 2023	706,588	1,993,004	14,967,655	-	17,667,247
<b>Net carrying amount as at 31 December 2023</b>	<b>122,790,014</b>	<b>62,887,724</b>	<b>22,586,599</b>	<b>-</b>	<b>208,264,337</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## Other financial assets

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000

## Deposits and balances due from banks- at amortised cost:

- Gross carrying amount	21,834,968	-	-	-	21,834,968
- ECL	(2,525)	-	-	-	(2,525)
<b>Net carrying amount as at 31 December 2023</b>	<b>21,832,443</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,832,443</b>

## Government securities

- Gross carrying amount	120,129,895	-	-	-	120,129,895
- ECL	(25,971)	-	-	-	(25,971)
<b>Net carrying amount as at 31 December 2023</b>	<b>120,103,924</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>120,103,924</b>



## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## Off balance sheet

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
<b>Gross carrying amount as at 31 December 2022 and 1 January 2023</b>	36,242,993	4,285,674	-	-	40,528,667
Changes in the gross carrying amount					
– Transfer to stage 1	383,500	(383,500)	-	-	-
– Transfer to stage 2	(2,029,060)	2,029,060	-	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	73,738,488	(367,597)	-	-	73,370,891
Financial assets that have been derecognised	(19,135,935)	385,501	-	-	(18,750,434)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	853,869	(734,131)	-	-	119,739
<b>Gross carrying amount as at 31 December 2023</b>	<b>90,053,855</b>	<b>5,215,007</b>	<b>-</b>	<b>-</b>	<b>95,268,863</b>
Loss allowance as at 31 December 2023	185,099	4,566	-	-	189,665
<b>Net carrying amount as at 31 December 2023</b>	<b>89,868,756</b>	<b>5,210,441</b>	<b>-</b>	<b>-</b>	<b>95,079,198</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## On balance sheet facilities at amortised cost

	Stage 1	Stage 2	Stage 3		
Loss allowance – Loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance as at 1 January 2023	917,327	1,354,488	12,225,797	-	14,497,612
Changes in the loss allowance					
– Transfer to stage 1	109,041	(82,299)	(26,742)	-	-
– Transfer to stage 2	(87,350)	99,306	(11,956)	-	-
– Transfer to stage 3	(3,032)	(33,197)	36,229	-	-
– Write-offs	-	-	(4,656,558)	-	(4,656,558)
New financial assets originated or purchased	339,383	780,215	5,103,813	-	6,223,411
Financial assets that have been derecognised	(560,544)	(1,174,251)	(2,008,762)	-	(3,743,557)
Changes in models/risk parameters	23,189	(45,066)	(12,945)	-	(34,822)
Foreign exchange and other movements	(31,426)	1,093,808	4,318,779	-	5,381,161
<b>Loss allowance as at 31 December 2023</b>	<b>706,588</b>	<b>1,993,004</b>	<b>14,967,655</b>	<b>-</b>	<b>17,667,247</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## Off balance Sheet Facilities

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance – Loans and advances to customers at amortised cost					
Loss allowance as at 1 January 2023	115,047	1,917	-	-	116,964
Changes in the loss allowance					
– Transfer to stage 1	2,439	(2,439)	-	-	-
– Transfer to stage 2	(9,596)	9,596	-	-	-
New financial assets originated or purchased	70,693	1,214	-	-	71,907
Financial assets that have been derecognised	(133,774)	(31,400)	-	-	(165,174)
Changes in models/risk parameters	16,190	190	-	-	16,380
Foreign exchange and other movements	124,100	25,488	-	-	149,588
Loss allowance as at 31 December 2023	185,099	4,566	-	-	189,665
Total Loss Allowance	891,687	1,997,570	14,967,655	-	17,856,912

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## On balance sheet

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
Gross carrying amount as at 31 December 2021 and 1 January 2022	Shs'000	Shs'000	Shs'000		Shs'000
	105,967,689	38,747,934	26,057,876	-	170,773,499
Changes in the gross carrying amount					
– Transfer to stage 1	3,725,960	(3,719,058)	(6,902)	-	-
– Transfer to stage 2	(10,422,299)	10,490,093	(67,794)	-	-
– Transfer to stage 3	(696,468)	(1,288,801)	1,985,269	-	-
New financial assets originated or purchased	58,215,451	30,407,275	(1,308,136)	-	87,314,590
Financial assets that have been derecognised	(36,126,886)	(21,878,721)	(685,054)	-	(58,690,661)
Write-offs	-	-	(1,872,341)	-	(1,872,341)
Foreign exchange and other movements	(18,635,714)	10,491,230	2,991,589	-	(5,152,895)
Gross carrying amount as at 31 December 2022	102,027,733	63,249,952	27,094,507	-	192,372,192
Loss allowance as at 31 December 2022	(917,327)	(1,354,488)	(12,225,979)	-	(14,497,794)
Net carrying Amount as at 31 December 2022	101,110,406	61,895,464	14,868,528	-	177,874,398

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Deposits and balances due from banks- at amortised cost:					
- Gross carrying amount	8,394,023	-	-	-	8,394,023
- ECL	(4,195)	-	-	-	(4,195)
<b>Net carrying amount as at 31 December 2022</b>	<b>8,389,828</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,389,828</b>
Government securities					
- Gross carrying amount	133,693,810	-	-	-	133,693,810
- ECL	-	-	-	-	-
<b>Net carrying amount as at 31 December 2022</b>	<b>133,693,810</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>133,693,810</b>



## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## Off balance sheet

Stage 1	Stage 2	Stage 3		
12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
Shs'000	Shs'000	Shs'000		Shs'000

## Gross carrying amount as at 31 December 2021 and 1 January 2022

44,935,452	1,884,478	-	-	46,819,930
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## Changes in the gross carrying amount

– Transfer to stage 1	383,500	(383,500)	-	-	-
– Transfer to stage 2	(1,153,413)	1,153,413	-	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	13,369,780	88,431	-	-	13,458,211
Financial assets that have been derecognised	(19,135,935)	385,501	-	-	(18,750,434)
Write-offs	-	-	-	-	-
Foreign exchange and other movements	(2,156,391)	1,157,351	-	-	(999,040)
<b>Gross carrying amount as at 31 December 2022</b>	<b>36,242,993</b>	<b>4,285,674</b>	<b>-</b>	<b>-</b>	<b>40,528,667</b>
Loss allowance as at 31 December 2022	(115,047)	(1,917)	-	-	(116,964)
<b>Net carrying Amount as at 31 December 2022</b>	<b>36,127,946</b>	<b>4,283,757</b>	<b>-</b>	<b>-</b>	<b>40,411,703</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## On balance sheet facilities

	Stage 1	Stage 2	Stage 3		
Loss allowance – Loans and advances to customers at amortised cost	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance as at 1 January 2022	628,856	1,189,042	9,733,402	-	11,551,300
Changes in the loss allowance					
– Transfer to stage 1	103,157	(97,117)	(6,040)	-	-
– Transfer to stage 2	(18,761)	24,048	(5,287)	-	-
– Transfer to stage 3	(9,145)	(53,518)	62,663	-	-
– Write-offs	-	-	(1,872,341)	-	(1,872,341)
New financial assets originated or purchased	385,309	783,863	2,352,346	-	3,521,518
Financial assets that have been derecognised	(273,385)	(819,791)	(353,213)	-	(1,446,389)
Changes in models/risk parameters	19,666	(54,475)	(21,514)	-	(56,323)
Foreign exchange and other movements	81,630	382,436	2,335,781	-	2,799,847
<b>Loss allowance as at 31 December 2022</b>	<b>917,327</b>	<b>1,354,488</b>	<b>12,225,797</b>	<b>-</b>	<b>14,497,612</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Bank

## Off balance Sheet Facilities

	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL	Lifetime ECL	POCI	Total
	Shs'000	Shs'000	Shs'000		Shs'000
Loss allowance as at 1 January 2022	40,611	719	-	-	41,330
Changes in the loss allowance					
– Transfer to stage 1	5,170	(5,170)	-	-	-
– Transfer to stage 2	(3,807)	3,807	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	59,059	123	-	-	59,182
Financial assets that have been derecognised	(57,739)	(8,323)	-	-	(66,062)
Changes in models/risk parameters	5,531	(299)	-	-	5,232
Foreign exchange and other movements	66,222	11,060	-	-	77,282
<b>Loss allowance as at 31 December 2022</b>	<b>115,047</b>	<b>1,917</b>	<b>-</b>	<b>-</b>	<b>116,964</b>
<b>Total Loss Allowance</b>	<b>1,032,374</b>	<b>1,356,405</b>	<b>12,225,797</b>	<b>-</b>	<b>14,614,576</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (a) Credit risk management (Continued)

## Credit quality analysis (Continued)

## Credit-impaired financial assets

The following table sets out a reconciliation of changes in the net carrying amount of credit impaired loans and advances to customers.

	Bank	
	2023 Shs'000	2022 Shs'000
Credit-impaired loans and advances to customers at 1 January	27,094,507	26,057,876
Classified as credit-impaired during the year	13,726,311	3,141,835
Transferred to not credit-impaired during the year	(201,599)	(67,757)
Net repayments	(1,924,009)	(40,676)
Disposals	(4,656,559)	(1,872,341)
Other movements	3,515,603	(124,430)
<b>Credit-impaired loans and advances to customers at 31 December</b>	<b>37,554,254</b>	<b>27,094,507</b>

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2023 and that are still subject to enforcement activity is 4.7 billion (2022 - Shs 1.9 million).

Loans and advances are summarised as follows:

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Neither past due nor impaired	203,294,564	178,278,363	123,496,602	114,908,171
Past due but not impaired (Including advances not past due but in stage 2 using qualitative criteria)	84,141,454	61,967,269	64,880,728	50,369,514
Impaired	43,131,500	31,031,190	37,554,254	27,094,507
Gross	330,567,518	271,276,822	225,931,584	192,372,192
Less: Provision for impairment of loans and advances				
Stage 3 impairment	(17,572,592)	(13,716,755)	(14,967,655)	(12,225,798)
Stage 1 and 2 impairment	(4,540,864)	(3,885,156)	(2,889,257)	(2,388,778)
	<b>308,454,062</b>	<b>253,674,911</b>	<b>208,074,672</b>	<b>177,757,616</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (a) Credit risk management (Continued)

##### Credit quality analysis (Continued)

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Past due up to 30 days	47,086,061	33,490,112	42,798,066	31,416,410
Past due 31 - 60 days (Including advances not past due but in stage 2 using qualitative criteria)	22,523,712	12,015,409	14,505,235	11,207,620
Past due 61 - 90 days	14,531,681	16,461,748	7,577,427	7,745,484
	<b>84,141,454</b>	<b>61,967,269</b>	<b>64,880,728</b>	<b>50,369,514</b>
Maximum exposure to credit risk before collateral held				
Balances with Central Banks	37,984,835	27,381,187	13,804,823	10,686,309
Government securities	201,650,174	188,277,334	120,103,924	133,693,810
Deposits and balances due from banking institutions	36,323,394	19,453,132	21,832,443	8,389,828
Loans and advances to customers	308,454,062	253,674,906	208,074,672	177,757,616
Other assets	2,531,842	2,611,244	1,582,692	1,280,435
Credit risk exposures relating to off-balance sheet items:				
- Acceptances and letters of credit	44,461,809	12,950,673	39,378,511	8,309,102
- Guarantee and performance bonds	33,527,622	15,372,726	25,435,469	10,644,289
	<b>665,008,100</b>	<b>519,721,202</b>	<b>430,212,534</b>	<b>350,761,389</b>

##### Collateral, other credit enhancements

The Group holds collateral and other enhancements against its credit exposures mainly loans and advances to customer. The collateral is in the form of cash, properties, motor vehicles and corporate and personal guarantees.

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Fair value of collateral	394,035,905	342,888,558	273,304,472	270,994,874

##### Settlement risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when the Group pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. The risk is mitigated by setting counterparty limits. These limits are set after assessing the financial strength of the concerned counterparties.

##### (b) Concentration of risk

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The analysis of credit risk concentrations presented below are based on the economic sector in which they are engaged.



## Notes (Continued)

## 4. Financial risk management (Continued)

## (b) Concentration of risk (Continued)

Economic sector risk concentrations within the customer loan and other financial assets portfolios were as follows:

Group	Manufacturing Shs '000	Wholesale and retail trade Shs '000	Transport and communications Shs '000	Business and financial services Shs '000	Agriculture Shs '000	Building and construction and real estate Shs '000	Retail housing Shs '000	Tourism and hotels Shs '000	Individuals Shs '000	Others Shs '000	Total Shs '000
<b>31 December 2023</b>											
<b>On balance sheet</b>											
Equity investment - at fair value through OCI	-	-	-	55,550	-	-	-	-	-	-	55,550
Loans and advances to customers (Gross)	55,620,348	54,058,911	27,106,982	39,155,258	15,404,126	71,042,145	1,026,618.00	45,854,474	13,373,435	7,925,221	330,567,518
Deposits due from banking institutions	-	-	-	36,323,394	-	-	-	-	-	-	36,323,394
Derivative assets	-	-	-	74,362	-	-	-	-	-	-	74,362
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	2,531,842	2,531,842
	<b>55,620,348</b>	<b>54,058,911</b>	<b>27,106,982</b>	<b>75,608,564</b>	<b>15,404,126</b>	<b>71,042,145</b>	<b>1,026,618</b>	<b>45,854,474</b>	<b>13,373,435</b>	<b>10,457,063</b>	<b>369,552,666</b>
<b>Off balance sheet</b>											
Off balance sheet assets	11,679,798	13,077,956	3,743,698	674,051	1,883,102	5,600,166	-	598,458	37,798	40,694,404	77,989,431
Undrawn credit lines	3,639,386	6,991,261	1,463,102	1,715,376	48,880	1,591,344	86,460	2,312,955	643,309	1,391,734	19,883,807
	<b>15,319,184</b>	<b>20,069,217</b>	<b>5,206,800</b>	<b>2,389,427</b>	<b>1,931,982</b>	<b>7,191,510</b>	<b>86,460</b>	<b>2,911,413</b>	<b>681,107</b>	<b>42,086,138</b>	<b>97,873,238</b>
<b>31 December 2022</b>											
<b>On balance sheet</b>											
Equity investment - at fair value through OCI	-	-	-	56,000	-	-	-	-	-	-	56,000
Loans and advances to customers (Gross)	42,787,097	47,166,696	24,023,120	34,856,567	12,823,768	55,473,928	1,106,286	38,418,546	8,710,315	5,910,498	271,276,821
Deposits due from banking institutions	-	-	-	19,453,132	-	-	-	-	-	-	19,453,132
Derivative assets	-	-	-	91,649	-	-	-	-	-	-	91,649
Other assets (excluding prepayments & Statutory receivables)	180	-	-	-	-	1,623	-	-	-	2,642,224	2,644,027
	<b>42,787,277</b>	<b>47,166,696</b>	<b>24,023,120</b>	<b>54,457,348</b>	<b>12,823,768</b>	<b>55,475,551</b>	<b>1,106,286</b>	<b>38,418,546</b>	<b>8,710,315</b>	<b>8,552,722</b>	<b>293,521,629</b>
<b>Off balance sheet</b>											
Off balance sheet assets	9,795,619	9,185,337	2,945,175	2,504,089	94,292	1,791,092	-	565,782	23,379	1,418,634	28,323,399
Undrawn credit lines	2,559,346	2,216,140	983,668	4,317,667	96,663	2,127,270	163,800	467,149	409,636	1,067,071	14,408,410
	<b>12,354,965</b>	<b>11,401,477</b>	<b>3,928,843</b>	<b>6,821,756</b>	<b>190,955</b>	<b>3,918,362</b>	<b>163,800</b>	<b>1,032,931</b>	<b>433,015</b>	<b>2,485,705</b>	<b>42,731,809</b>

## Notes (Continued)

## 4. Financial risk management (Continued)

## (b) Concentration of risk (Continued)

Economic sector risk concentrations within the customer loan and other financial assets portfolios were as follows:

Bank	Manufacturing Shs '000	Wholesale and retail trade Shs '000	Transport and communications Shs '000	Business and financial services Shs '000	Agriculture Shs '000	"Building and construction and real estate" Shs '000	Retail housing Shs '000	Tourism and hotels Shs '000	Individuals Shs '000	Others Shs '000	Total Shs '000
<b>31 December 2023</b>											
<b>On balance sheet</b>											
Equity investment - at fair value through OCI	-	-	-	50,000	-	-	-	-	-	-	50,000
Loans and advances to customers (Gross)	22,646,362	31,206,529	19,867,241	36,979,030	10,765,641	56,034,673	1,026,618	33,832,511	13,366,283	206,697	225,931,584
Deposits due from banking institutions	-	-	-	21,832,443	-	-	-	-	-	-	21,832,443
Derivative assets	-	-	-	72,042	-	-	-	-	-	-	72,042
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,582,692	1,582,692
	<b>22,646,362</b>	<b>31,206,529</b>	<b>19,867,241</b>	<b>58,933,515</b>	<b>10,765,641</b>	<b>56,034,673</b>	<b>1,026,618</b>	<b>33,832,511</b>	<b>13,366,283</b>	<b>1,789,389</b>	<b>249,468,761</b>
<b>Off balance sheet</b>											
Off balance sheet assets	9,678,632	6,780,833	3,211,595	529,164	1,824,332	2,930,933	-	346,787	37,798	39,473,905	64,813,980
Undrawn credit lines	461,880	4,357,485	813,384	1,300,000	-	1,408,298	86,460	1,709,065	643,309	666,200	11,446,081
	<b>10,140,512</b>	<b>11,138,318</b>	<b>4,024,979</b>	<b>1,829,164</b>	<b>1,824,332</b>	<b>4,339,231</b>	<b>86,460</b>	<b>2,055,852</b>	<b>681,107</b>	<b>40,140,105</b>	<b>76,260,061</b>
<b>31 December 2022</b>											
<b>On balance sheet</b>											
Equity investment - at fair value through OCI	-	-	-	50,000	-	-	-	-	-	-	50,000
Loans and advances (Gross)	18,164,400	28,009,845	17,818,155	32,509,153	9,428,306	46,371,441	1,051,712	30,130,835	8,701,604	186,741	192,372,192
Deposits due from banking institutions	-	-	-	8,389,828	-	-	-	-	-	-	8,389,828
Derivative assets	-	-	-	73,732	-	-	-	-	-	-	73,732
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,325,885	1,325,885
	<b>18,164,400</b>	<b>28,009,845</b>	<b>17,818,155</b>	<b>41,022,713</b>	<b>9,428,306</b>	<b>46,371,441</b>	<b>1,051,712</b>	<b>30,130,835</b>	<b>8,701,604</b>	<b>1,512,626</b>	<b>202,211,637</b>
<b>Off balance sheet</b>											
Off balance sheet assets	8,495,126	4,054,729	1,929,763	1,990,410	83,120	972,557	-	455,702	23,379	948,604	18,953,391
Undrawn credit lines	724,692	775,353	256,660	3,286,478	52,941	1,845,761	163,800	119,477	409,636	261,520	7,896,318
	<b>9,219,818</b>	<b>4,830,082</b>	<b>2,186,423</b>	<b>5,276,888</b>	<b>136,061</b>	<b>2,818,318</b>	<b>163,800</b>	<b>575,179</b>	<b>433,015</b>	<b>1,210,124</b>	<b>26,849,709</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (c) Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by treasury and structural positions housed in the banking books.

Market risk management is undertaken by the Treasury function under the supervision of ALCO, while Risk department maintains an overall oversight role.

Tolerance limits for market risk are approved by the Board. The limits are further allocated to the banking and trading books that are monitored at pre-defined frequencies. Risk measurement is currently based on sensitivity analysis and stress testing.

#### (i) Price risk

The Group's exposure to price risk was limited to its investment in Government securities held at fair value through OCI and fair value through p&L. The impact on financial assets from a yield movement of +/-1% in the coupon of the securities would be as follows:

	Group	Bank
	Shs '000	Shs '000
+ 1% movement	(2,755,913)	(1,558,642)
- 1% movement	2,755,913	1,558,642

#### (ii) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, i.e. the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

A substantial part of the Group's assets and liabilities are subject to floating rates, hence are re-priced simultaneously. However, the Group is exposed to interest rate risk as a result of mismatches on a relatively small portion of its fixed rate assets and liabilities. The major portion related to this risk is reflected in the banking book owing to investments in fixed rate treasury bonds. The overall potential impact of the mismatches on the earnings in short-term and economic value of the portfolio in the long-term is not material and is being managed within the tolerance limits approved by the Board.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear an interest rate risk on off-balance sheet items.

## Notes (Continued)

## 4. Financial risk management (Continued)

## (c) Market Risk Management (Continued)

## (ii) Interest rate risk (Continued)

Group	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Non-interest sensitive Shs '000	Total Shs '000
<b>At 31 December 2023</b>							
<b>FINANCIAL ASSETS</b>							
Cash and balances with Central Banks	-	-	-	-	-	50,233,669	50,233,669
Government securities	15,301,023	27,768,094	37,312,649	104,359,493	16,908,915	-	201,650,174
Deposits and balances due from banking institutions	25,574,680	5,739,594	-	-	-	5,009,120	36,323,394
Loans and advances to customers	67,902,067	221,173,675	711,817	2,374,232	-	16,292,271	308,454,062
Derivative assets	-	-	-	-	-	74,362	74,362
Other assets	-	-	-	-	-	2,531,842	2,531,842
<b>Total financial assets</b>	<b>108,777,770</b>	<b>254,681,363</b>	<b>38,024,466</b>	<b>106,733,725</b>	<b>16,908,915</b>	<b>74,215,626</b>	<b>599,341,865</b>
<b>FINANCIAL LIABILITIES</b>							
Balances due to Central Bank	13,026,047	-	-	-	-	-	13,026,047
Customer deposits	262,537,813	60,999,674	102,939,191	15,912,867	-	43,701,049	486,090,594
Deposits and balances due to banking institutions	12,226,413	-	-	-	-	87,102	12,313,515
Borrowings	-	977,842	22,989,505	-	-	13,467	23,980,813
Derivative liabilities	-	-	-	-	-	436,649	436,649
Other liabilities	-	-	-	-	-	5,164,390	5,164,390
Lease liabilities	42,234	64,875	319,682	4,667,117	-	-	5,093,908
<b>Total financial liabilities</b>	<b>287,832,507</b>	<b>62,042,391</b>	<b>126,248,378</b>	<b>20,579,984</b>	<b>-</b>	<b>49,402,657</b>	<b>546,105,917</b>
<b>Interest sensitivity gap</b>	<b>(179,054,737)</b>	<b>192,638,972</b>	<b>(88,223,912)</b>	<b>86,153,741</b>	<b>16,908,915</b>	<b>24,812,969</b>	<b>53,235,948</b>
<b>At 31 December 2022</b>							
Total financial assets	71,567,680	219,171,827	38,245,567	84,390,841	26,526,910	61,105,913	501,008,738
Total financial liabilities	209,338,509	65,709,477	121,505,937	14,128,551	592	37,161,012	447,844,078
<b>Interest sensitivity gap</b>	<b>(137,770,829)</b>	<b>153,462,350</b>	<b>(83,260,370)</b>	<b>70,262,290</b>	<b>26,526,318</b>	<b>23,944,901</b>	<b>53,164,660</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (c) Market Risk Management (Continued)

##### (ii) Interest rate risk (Continued)

Bank	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Non-interest sensitive Shs '000	Total Shs '000
<b>At 31 December 2023</b>							
<b>FINANCIAL ASSETS</b>							
Cash and balances with Central Banks	-	-	-	-	-	19,679,004	19,679,004
Government securities	8,948,974	17,750,484	8,038,270	68,457,281	16,908,915	-	120,103,924
Deposits and balances due from banking institutions	21,832,443	-	-	-	-	-	21,832,443
Loans and advances to customers	76,213	185,292,944	118,255	660	-	22,586,600	208,074,672
Derivative assets	-	-	-	-	-	72,042	72,042
Other assets	-	-	-	-	-	1,582,692	1,582,692
<b>Total financial assets</b>	<b>30,857,630</b>	<b>203,043,428</b>	<b>8,156,525</b>	<b>68,457,941</b>	<b>16,908,915</b>	<b>43,920,338</b>	<b>371,344,777</b>
<b>FINANCIAL LIABILITIES</b>							
Balances due to Central Bank	13,026,047	-	-	-	-	-	13,026,047
Customer deposits	182,709,301	49,597,969	62,330,254	2,089,770	-	-	296,727,294
Deposits and balances due to banking institutions	2,745,794	-	-	-	-	-	2,745,794
Borrowings	-	2,203,770	16,998,702	4,066,464	-	-	23,268,936
Derivative liabilities	-	-	-	-	-	435,408	435,408
Other liabilities	-	-	-	-	-	3,497,579	3,497,579
Lease liabilities	23,816	31,961	173,156	1,058,394	1,715,987	-	3,003,314
<b>Total financial liabilities</b>	<b>198,504,958</b>	<b>51,833,700</b>	<b>79,502,112</b>	<b>7,214,628</b>	<b>1,715,987</b>	<b>3,932,987</b>	<b>342,704,372</b>
<b>Interest sensitivity gap</b>	<b>(167,647,328)</b>	<b>151,209,728</b>	<b>(71,345,587)</b>	<b>61,243,313</b>	<b>15,192,928</b>	<b>39,987,351</b>	<b>28,640,405</b>
<b>At 31 December 2022</b>							
Total financial assets	16,427,721	190,329,408	11,347,912	60,340,594	26,526,910	31,952,341	336,924,886
Total financial liabilities	153,117,862	56,117,745	67,818,460	21,522,451	1,481,356	2,777,607	302,835,481
<b>Interest sensitivity gap</b>	<b>(136,690,141)</b>	<b>134,211,663</b>	<b>(56,470,548)</b>	<b>38,818,143</b>	<b>25,045,554</b>	<b>29,174,734</b>	<b>34,089,405</b>



## Notes (Continued)

### 4. Financial risk management (Continued)

#### (c) Market Risk Management (Continued)

##### (ii) Interest rate risk (Continued)

#### Interest rate risk sensitivity analysis

The impact on the after tax profit or loss and equity as a result of a 5% increase or decrease in interest rates on financial assets, net of financial liabilities, would be as follows:

##### Group

	2023	2022
	Shs'million	Shs'million
+ 5% movement	2,935	2,635
- 5% movement	(2,935)	(2,635)

##### Bank

	2023	2022
	Shs'million	Shs'million
+ 5% movement	2,073	1,836
- 5% movement	(2,073)	(1,836)

##### (iii) Foreign exchange risk

The Group's assets are typically funded in the same currency as the business transacted to eliminate foreign exchange exposure. However, the Group maintains an open position within the tolerance limits prescribed by the Central Banks and approved in the various countries it operates in.

End-of-the-day positions are marked to market daily. The intra-day positions are managed by treasury/dealing room through stop loss/dealers limits.

The table below summarises the Group's and Bank's exposure to foreign currency exchange rate risk at 31 December 2023. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (c) Market Risk Management (Continued)

##### (iii) Foreign exchange risk (Continued)

Group	USD Shs 000	GBP Shs 000	EURO Shs 000	OTHERS Shs 000	TOTAL Shs 000
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At 31 December 2023

#### FINANCIAL ASSETS

Cash and balances with Central Banks	9,365,058	485,385	489,546	6,013	10,346,002
Deposits and balances due from banking institutions	26,423,766	4,329,780	3,917,926	594,101	35,265,573
Other assets	816,289	2	36	145	816,472
Loans and advances to customers	187,083,637	306,933	5,509,992	87,783	192,988,345
<b>Total financial assets</b>	<b>223,688,750</b>	<b>5,122,100</b>	<b>9,917,500</b>	<b>688,042</b>	<b>239,416,392</b>

#### FINANCIAL LIABILITIES

Customer deposits	144,697,936	5,992,944	8,508,322	322,744	159,521,946
Deposits and balances due to banking institutions	59,071	26,090	5,227	120,381	210,769
Other liabilities	909,191	1,884	7,918	5,174	924,167
Borrowings	23,967,347	-	-	13,467	23,980,814
Lease liabilities	1,281,875	11	801	23	1,282,710
<b>Total financial liabilities</b>	<b>170,915,420</b>	<b>6,020,929</b>	<b>8,522,268</b>	<b>461,789</b>	<b>185,920,406</b>
<b>Net balance sheet position</b>	<b>52,773,330</b>	<b>(898,829)</b>	<b>1,395,232</b>	<b>226,253</b>	<b>53,495,986</b>
<b>Net off balance sheet position</b>	<b>(7,588,346)</b>	<b>5,096,872</b>	<b>(2,717,425)</b>	<b>316,149</b>	<b>(4,892,750)</b>
<b>Overall net position</b>	<b>45,184,984</b>	<b>4,198,043</b>	<b>(1,322,193)</b>	<b>542,402</b>	<b>48,603,236</b>

At 31 December 2022

<b>Total financial assets</b>	<b>165,427,433</b>	<b>929,162</b>	<b>6,912,828</b>	<b>395,426</b>	<b>173,664,849</b>
<b>Total financial liabilities</b>	<b>158,819,208</b>	<b>5,270,905</b>	<b>6,304,197</b>	<b>322,091</b>	<b>170,716,401</b>
<b>Net balance sheet position</b>	<b>6,608,225</b>	<b>(4,341,743)</b>	<b>608,631</b>	<b>73,335</b>	<b>2,948,448</b>
<b>Net off balance sheet position</b>	<b>(7,745,597)</b>	<b>4,384,277</b>	<b>(449,428)</b>	<b>163,282</b>	<b>(3,647,466)</b>
<b>Overall net position</b>	<b>(1,137,372)</b>	<b>42,534</b>	<b>159,203</b>	<b>236,617</b>	<b>(699,018)</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (c) Market Risk Management (Continued)

##### (iii) Foreign exchange risk (Continued)

Bank	USD Shs '000	GBP Shs '000	EURO Shs '000	OTHERS Shs '000	TOTAL Shs '000
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At 31 December 2023

#### FINANCIAL ASSETS

Cash and balances with Central Banks	2,187,867	224,092	246,197	-	2,658,156
Deposits and balances due from banking institutions	16,346,811	3,787,307	1,139,164	490,919	21,764,201
Other assets	9,606	-	-	-	9,606
Loans and advances to customers	114,605,351	-	5,214,350	-	119,819,701
<b>Total financial assets</b>	<b>133,149,635</b>	<b>4,011,399</b>	<b>6,599,711</b>	<b>490,919</b>	<b>144,251,664</b>

#### FINANCIAL LIABILITIES

Customer deposits	94,689,622	5,590,936	5,765,064	310,003	106,355,625
Deposits and balances due to banking institutions	2,594,097	26,090	5,227	120,380	2,745,794
Other liabilities	203,096	384	51	2,150	205,681
Borrowings	23,268,936	-	-	-	23,268,936
Lease liabilities	262,557	-	-	-	262,557
<b>Total financial liabilities</b>	<b>121,018,308</b>	<b>5,617,410</b>	<b>5,770,342</b>	<b>432,533</b>	<b>132,838,593</b>
<b>Net balance sheet position</b>	<b>12,131,327</b>	<b>(1,606,011)</b>	<b>829,369</b>	<b>58,386</b>	<b>11,413,071</b>
<b>Net off balance sheet position</b>	<b>(8,698,527)</b>	<b>5,101,349</b>	<b>(2,708,616)</b>	<b>281,749</b>	<b>(6,024,045)</b>
<b>Overall net position</b>	<b>3,432,800</b>	<b>3,495,338</b>	<b>(1,879,247)</b>	<b>340,135</b>	<b>5,389,026</b>

At 31 December 2022

<b>Total financial assets</b>	<b>103,805,195</b>	<b>355,439</b>	<b>5,838,926</b>	<b>296,611</b>	<b>110,296,171</b>
<b>Total financial liabilities</b>	<b>98,176,316</b>	<b>4,500,725</b>	<b>5,261,883</b>	<b>287,512</b>	<b>108,226,436</b>
<b>Net balance sheet position</b>	<b>5,628,879</b>	<b>(4,145,286)</b>	<b>577,043</b>	<b>9,099</b>	<b>2,069,735</b>
<b>Net off balance sheet position</b>	<b>(7,406,926)</b>	<b>4,158,833</b>	<b>(455,295)</b>	<b>186,247</b>	<b>(3,517,141)</b>
<b>Overall net position</b>	<b>(1,778,047)</b>	<b>13,547</b>	<b>121,748</b>	<b>195,346</b>	<b>(1,447,406)</b>

### Currency risk sensitivity analysis

At 31 December 2023, if the local currency in each country the Group operates in, had strengthened or weakened by 5% against the major trading currencies, with all other variables held constant, the impact on the after-tax profit and equity would have been as shown below:

2023	USD Shs'million	GBP Shs'million	EURO Shs'million	OTHERS Shs'million	TOTAL Shs'million
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#### Group

+ 5% movement	1,581.5	146.9	(46.3)	19.0	1,701.1
- 5% movement	(1,581.5)	(146.9)	46.3	(19.0)	(1,701.1)

#### Bank

+ 5% movement	120.0	122.0	(66.0)	12.0	189.0
- 5% movement	(120.0)	(122.0)	66.0	(12.0)	(189.0)

#### 2022

#### Group

+ 5% movement	(39.8)	1.5	5.6	8.3	(24.4)
- 5% movement	39.8	(1.5)	(5.6)	(8.3)	24.4

#### Bank

+ 5% movement	(62.0)	-	4.0	7.0	(51.0)
- 5% movement	62.0	-	(4.0)	(7.0)	51.0

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (d) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet cash flow obligations as they become due, because of an inability to liquidate assets, or to obtain adequate funding.

At management level, ALCO has the responsibility for the formulation and management of the overall strategy and oversight of the asset liability management function. At Board level and, through its sub-committee, BRMC reviews the strategy adopted by ALCO and provides direction on a periodic basis.

The Group follows a comprehensive liquidity risk management policy and procedures duly recommended by the ALCO, reviewed by the BRMC and approved by the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of the Group's liquidity under normal and crisis situation (stress testing).

The Group also performs stress tests for exceptional and worst scenarios to monitor and consolidate its position in the market. DTB liquidity measures have remained above regulatory requirements throughout this period.

The table below presents the undiscounted cash flows receivable and payable by the Group and Bank under financial assets and liabilities by remaining contractual maturities at the reporting date.

## Notes (Continued)

## 4. Financial risk management (Continued)

## (d) Liquidity risk management (Continued)

Group	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Total Shs '000
<b>At 31 December 2023</b>						
<b>FINANCIAL ASSETS</b>						
Cash and balances with Central Banks	36,569,493	2,747,808	4,643,071	629,742	13	44,590,127
Government securities	16,260,473	23,959,814	43,374,214	125,204,370	43,935,561	252,734,432
Deposits and balances due from banking institutions	36,309,660	2,574,675	-	-	-	38,884,335
Loans and advances to customers	49,058,121	37,561,168	68,676,742	118,064,172	83,839,766	357,199,969
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	55,550	55,550
Derivative assets	-	-	74,362	-	-	74,362
Other assets	2,500,837	8,406	22,599	-	-	2,531,842
<b>Total financial assets</b>	<b>140,698,584</b>	<b>66,851,871</b>	<b>116,790,988</b>	<b>243,898,284</b>	<b>127,830,890</b>	<b>696,070,617</b>
<b>FINANCIAL LIABILITIES</b>						
Balances due to Central Banks	13,042,619	-	-	-	-	13,042,619
Customer deposits	303,579,510	64,167,580	106,543,574	16,668,007	16,218	490,974,889
Deposits and balances due to banking institutions	14,785,346	-	-	-	-	14,785,346
Derivative liabilities	-	-	436,649	-	-	436,649
Borrowings	26,515	2,368,836	18,254,851	4,590,381	-	25,240,583
Other liabilities	5,147,695	8,434	-	-	8,261	5,164,390
Lease liabilities	64,702	92,448	488,318	4,099,470	3,009,500	7,754,438
<b>Total financial liabilities</b>	<b>336,646,387</b>	<b>66,637,298</b>	<b>125,723,392</b>	<b>25,357,858</b>	<b>3,033,979</b>	<b>557,398,914</b>
<b>Net liquidity gap</b>	<b>(195,947,803)</b>	<b>214,573</b>	<b>(8,932,404)</b>	<b>218,540,426</b>	<b>124,796,911</b>	<b>138,671,703</b>
<b>At 31 December 2022</b>						
Total financial assets	102,313,062	54,650,532	87,457,713	199,429,073	109,220,927	553,071,307
Total financial liabilities	253,209,163	65,920,741	106,563,415	32,773,522	3,153,560	461,620,401
<b>Net liquidity gap</b>	<b>(150,896,101)</b>	<b>(11,270,209)</b>	<b>(19,105,702)</b>	<b>166,655,551</b>	<b>106,067,367</b>	<b>91,450,906</b>



## Notes (Continued)

### 4. Financial risk management (Continued)

#### (d) Liquidity risk management (Continued)

Bank	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Total Shs '000
<b>At 31 December 2023</b>						
<b>FINANCIAL ASSETS</b>						
Cash and balances with Central Bank of Kenya	13,923,742	2,378,981	3,264,208	112,073	-	19,679,004
Government securities	8,977,900	18,033,958	8,652,302	91,495,006	34,793,964	161,953,130
Deposits and balances due from banking institutions	21,846,710	-	-	-	-	21,846,710
Loans and advances to customers	31,150,883	21,970,157	35,495,275	73,350,582	75,500,550	237,467,447
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	50,000	50,000
Other assets	1,582,692	-	-	-	-	1,582,692
Derivative assets	-	-	72,042	-	-	72,042
<b>Total financial assets</b>	<b>77,481,927</b>	<b>42,383,096</b>	<b>47,483,827</b>	<b>164,957,661</b>	<b>110,344,514</b>	<b>442,651,025</b>
<b>FINANCIAL LIABILITIES</b>						
Balances due to Central Bank of Kenya	13,042,619	-	-	-	-	13,042,619
Customer deposits	182,405,018	50,957,819	62,405,723	1,499,696	-	297,268,256
Deposits and balances due to banking institutions	2,748,118	-	-	-	-	2,748,118
Borrowings	-	2,202,906	18,070,327	4,174,227	-	24,447,460
Lease liabilities	44,519	59,743	323,674	1,978,414	3,207,630	5,613,980
Other liabilities	3,497,579	-	-	-	-	3,497,579
Derivative liabilities	-	-	435,408	-	-	435,408
<b>Total financial liabilities</b>	<b>201,737,853</b>	<b>53,220,468</b>	<b>81,235,132</b>	<b>7,652,337</b>	<b>3,207,630</b>	<b>347,053,420</b>
<b>Net liquidity gap</b>	<b>(124,255,926)</b>	<b>(10,837,372)</b>	<b>(33,751,305)</b>	<b>157,305,324</b>	<b>107,136,884</b>	<b>95,597,605</b>
<b>At 31 December 2022</b>						
Total financial assets	48,723,633	44,516,216	40,917,975	140,836,113	91,597,405	366,591,342
Total financial liabilities	158,664,707	55,772,187	72,139,920	22,375,642	2,749,746	311,702,202
<b>Net liquidity gap</b>	<b>(109,941,074)</b>	<b>(11,255,971)</b>	<b>(31,221,945)</b>	<b>118,460,471</b>	<b>88,847,659</b>	<b>54,889,140</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (e) Operational risk management

Operational risk is the risk that the Group will face direct or indirect loss resulting from inadequate or failed internal processes, people, technology failures and from external events. The Group has in place Board-approved Operations Risk Management Policy and Procedures.

At management level, the Operational Risk Management Committee (ORCO) has the responsibility for assessing the risk associated with the Group's activities, ensuring they are clearly identified, assessed and controlled in line with the Group's Operational Risk Management Policy. ORCO is charged with ensuring that the Group has adequate internal policies and procedures, technology, business continuity, and ensuring that the appropriate knowledge, skills, resources and expertise are available within the Group to enable the staff to meet the risk management and control requirements within each of their respective areas of operation.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit and coordinated on an overall basis by the Group's Risk function.

#### (f) Climate related risk

Climate-Related Risk refers to the potential negative impacts of Climate Change on the organisation. The Bank is likely to experience the financial risk related to the physical consequences of climate change (Physical risks) as well as the transition to a climate-neutral economy (transition risk). These risk channels are drivers of conventional risk types (i.e., credit, liquidity, reputational, legal, compliance and operational risks).

Presently, climate change is becoming an increasingly important issue for financial institutions, regulators, investors, and clients. The Bank remains committed to addressing the climate crisis by supporting the transition to a sustainable, low-carbon economy that balances society's environmental, social, and economic needs.

The Bank has set up a Climate Risk management strategy within the overall Environmental Social Governance (ESG) risk management framework. The framework was presented to the board for approval in September 2023. The Bank has revamped its Social Environmental Management System (SEMS) to a more robust Environmental Social Governance (ESG) and Climate-related Risk Management framework. The enhanced framework includes policies, processes and controls geared towards effective management of ESG and climate related risks. These policies, procedures and controls ensure that the bank's internal operations, client on boarding, financing to customers, engaging outsourced business partners and overall supply chain of the bank are in compliance with emerging regulatory requirements and all stakeholders' expectations. Key among the enhancements is inclusion of climate related stress test scenarios within the existing stress test framework.

The Bank has identified the following climate-related risk factors as having an impact on its financial instruments and included them in its principal risk management processes.

**Industries exposed to increased transition risks:** The Bank has identified industries that have the potential to be affected by transition risks negatively affecting their business model. Lending limits have been set for these industries.

**Physical risk to real estate:** The Bank has identified areas in which it operates that are exposed to potential increase in physical risk such as floods. Heightened physical risk is considered in valuing collateral, such as real estate, plant, or inventory.

**Imposing limitations or defining exclusion criteria** i.e, exclusion control measures for sectors which do not align with its' ESG and climate risk strategy

In addition, the Bank is in the process of developing models that aim to assess how borrowers' performance is linked to climate -related risk management. The Bank plans to use these models in pricing credit risk and in calculating expected credit losses (ECLs). The goal is to accelerate sustainable finance by supporting clients as the world moves towards a net zero economy and helping them build resilience to climate risks.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (h) Fair values of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following sets out the Group's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances are on floating rates and re-price within 12 months, hence their fair value approximates their carrying amounts.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and balances with Central Banks are measured at amortised cost and their fair value approximates their carrying amount.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (h) Fair values of financial assets and liabilities (Continued)

The fair values of Group and Bank's financial assets and liabilities are as shown below:

2023 Group	Carrying value		Fair value		
	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<b>Financial assets</b>					
Cash and balances with Central Banks	50,233,669	-	-	50,233,669	50,233,669
Government securities	201,650,174	200,501,932	-	-	200,501,932
Deposits and balances due from banking institution	36,323,394	-	-	36,323,394	36,323,394
Loans and advances to customers	308,454,062	-	-	308,454,062	308,454,062
Derivative assets	74,362	-	74,362	-	74,362
Other assets	2,531,842	-	-	2,531,842	2,531,842
Equity investment - at fair value through OCI	55,550	-	-	55,550	55,550
<b>Total financial assets</b>	<b>599,323,053</b>	<b>200,501,932</b>	<b>74,362</b>	<b>397,598,517</b>	<b>598,174,811</b>

<b>Financial liabilities</b>					
Balances due to Central Banks	13,026,047	-	-	13,026,047	13,026,047
Customer deposits	486,090,594	-	-	486,090,594	486,090,594
Deposits and balances due to banking institutions	12,313,515	-	-	12,313,515	12,313,515
Borrowings	23,980,814	-	-	23,980,814	23,980,814
Derivative liabilities	436,649	-	436,649	-	436,649
Lease liabilities	5,093,908	-	-	5,093,908	5,093,908
Other liabilities	5,164,390	-	-	5,164,390	5,164,390
<b>Total financial liabilities</b>	<b>546,105,917</b>	<b>-</b>	<b>436,649</b>	<b>545,669,268</b>	<b>546,105,917</b>

2022 Group	Carrying value		Fair value		
	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<b>Financial assets</b>					
Cash and balances with Central Banks	36,992,122	-	-	36,992,122	36,992,122
Government securities	188,277,334	183,533,537	-	-	183,533,537
Deposits and balances due from banking institutions	19,453,132	-	-	19,453,132	19,453,132
Loans and advances to customers	253,674,906	-	-	253,674,906	253,674,906
Derivative assets	91,649	-	91,649	-	91,649
Other assets	2,644,027	-	-	2,644,027	2,644,027
Equity investment - at fair value through OCI	56,000	-	-	56,000	56,000
<b>Total financial assets</b>	<b>501,189,170</b>	<b>183,533,537</b>	<b>91,649</b>	<b>312,820,187</b>	<b>496,445,373</b>

<b>Financial liabilities</b>					
Customer deposits	387,562,471	-	-	387,562,471	387,562,471
Deposits and balances due to banking institutions	26,678,946	-	-	26,678,946	26,678,946
Borrowings	25,512,526	-	-	25,512,526	25,512,526
Derivative liabilities	124,432	-	124,432	-	124,432
Lease liabilities	4,303,857	-	-	4,303,857	4,303,857
Other liabilities	3,786,278	-	-	3,786,278	3,786,278
<b>Total financial liabilities</b>	<b>447,968,510</b>	<b>-</b>	<b>124,432</b>	<b>447,844,078</b>	<b>447,968,510</b>

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (h) Fair values of financial assets and liabilities (Continued)

2023	Carrying value		Fair value		
Bank	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<b>Financial assets</b>					
Cash and balances with Central Bank of Kenya	19,679,004	-	-	19,679,004	19,679,004
Government securities	120,103,924	120,154,528	-	-	120,154,528
Deposits and balances due from banking institutions	21,832,443	-	-	21,832,443	21,832,443
Loans and advances to customers	208,074,672	-	-	208,074,672	208,074,672
Derivative assets	72,042	-	72,042	-	72,042
Other assets	1,582,692	-	-	1,582,692	1,582,692
Equity investment - at fair value through OCI	50,000	-	-	50,000	50,000
<b>Total financial assets</b>	<b>371,394,777</b>	<b>120,154,528</b>	<b>72,042</b>	<b>251,218,811</b>	<b>371,445,381</b>
<b>Financial liabilities</b>					
Balances due to Central Bank of Kenya	13,026,047	-	-	13,026,047	13,026,047
Customer deposits	296,727,294	-	-	296,727,294	296,727,294
Deposits and balances due to banking institutions	2,745,794	-	-	2,745,794	2,745,794
Derivative liabilities	435,408	-	435,408	-	435,408
Borrowings	23,268,936	-	-	23,268,936	23,268,936
Lease liabilities	3,003,314	-	-	3,003,314	3,003,314
Other liabilities	3,497,579	-	-	3,497,579	3,497,579
<b>Total financial liabilities</b>	<b>329,678,325</b>	<b>-</b>	<b>435,408</b>	<b>329,242,917</b>	<b>329,678,325</b>

2022	Carrying value		Fair value		
Bank	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
<b>Financial assets</b>					
Cash and balances with Central Bank of Kenya	15,803,197	-	-	15,803,197	15,803,197
Government securities	133,693,810	133,375,473	-	-	133,375,473
Deposits and balances due from banking institutions	8,389,828	-	-	8,389,828	8,389,828
Loans and advances to customers	177,757,616	-	-	177,757,616	177,757,616
Derivative assets	73,732	-	73,732	-	73,732
Other assets	1,325,885	-	-	1,325,885	1,325,885
Equity investment - at fair value through OCI	50,000	-	-	50,000	50,000
<b>Total financial assets</b>	<b>337,094,068</b>	<b>133,375,473</b>	<b>73,732</b>	<b>203,326,526</b>	<b>336,775,731</b>
<b>Financial liabilities</b>					
Customer deposits	250,592,898	-	-	250,592,898	250,592,898
Deposits and balances due to banking institutions	22,213,787	-	-	22,213,787	22,213,787
Derivative liabilities	119,182	-	119,182	-	119,182
Borrowings	24,699,186	-	-	24,699,186	24,699,186
Lease liabilities	2,552,003	-	-	2,552,003	2,552,003
Other liabilities	2,777,607	-	-	2,777,607	2,777,607
<b>Total financial liabilities</b>	<b>302,954,663</b>	<b>-</b>	<b>119,182</b>	<b>302,835,481</b>	<b>302,954,663</b>



## Notes (Continued)

### 4. Financial risk management (Continued)

#### (i) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The risk weighted assets are measured by means of a hierarchy, classified according to the nature and reflecting an estimate, of the credit risk associated with each assets and counter party. A similar treatment is adopted for off balance sheet exposure, with some adjustment to reflect the more contingent nature of the potential losses.

The Group manages its capital to meet the Central Bank requirements. In the case of the bank, the requirements are listed below:

- hold the minimum level or regulatory capital of Shs 1 billion;
- maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 8%;
- maintain core capital of not less than 8% of total deposit liabilities; and
- maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

Banks in Kenya are also required to maintain a capital conservation buffer of 2.5% over and above the minimum capital requirements. The statutory minimum capital adequacy ratios (CARs) including the buffer are as follows:

• Core capital to Total risk weighted assets (TRWA) ratio	<b>10.50%</b>
• Core capital to deposits ratio	<b>8.00%</b>
• Total capital to TRWA ratio	<b>14.50%</b>

The Bank maintains an internally set and Board- approved Board minimum CAR requirement of 1% and 1.5% over and above the CBK prescribed minimum of Core capital/TRWA ratio of 11.50 % and Total capital to TRWA ratio of 16.0% respectively.

As at 31 December 2023, the Bank's capital ratios are above the enhanced minimum capital requirements.

The Bank's total regulatory capital is divided into two tiers:

1. Tier 1 capital (core capital): share capital, share premium plus retained earnings.
2. Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments and statutory loan reserve. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

During the year, the Group and Bank have complied with requirements of the regulators; Central Bank of Kenya, Bank of Tanzania, Bank of Uganda, Banque de la Republique du Burundi, the Capital Markets Authority as well as the Nairobi Securities Exchange.

## Notes (Continued)

### 4. Financial risk management (Continued)

#### (i) Capital management (Continued)

The table below summarises the composition of regulatory capital and the ratios of the Group and Bank as at 31 December:

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Tier 1 Capital	75,267,273	68,881,369	51,404,728	52,984,880
Tier 1 + Tier 2 Capital	77,889,717	72,133,981	53,463,809	55,334,288
Risk-weighted assets				
On-balance sheet	340,808,338	277,799,236	230,722,523	194,243,168
Off-balance sheet	40,433,868	26,612,312	30,290,465	17,153,221
Operational and market risk	104,022,069	85,206,515	54,342,825	55,610,510
Total risk-weighted assets	485,264,275	389,618,063	315,355,813	267,006,899
Basel ratio				
Tier 1 (CBK minimum - 10.5%)	15.5%	17.7%	16.3%	19.8%
Tier I + Tier II (CBK minimum - 14.5%)	16.1%	18.5%	17.0%	20.7%
The capital adequacy ratios for the subsidiaries are summarised below;			2023	2022
Tier 1				
DTB Tanzania - Bank of Tanzania (BOT) minimum - 12.5%;			16.5%	17.6%
DTB Uganda - Bank of Uganda (BOU) minimum - 10.5%			25.8%	24.6%
DTB Burundi - Banque de la Republique du Burundi minimum - 12.5%			37.6%	42.4%
Tier I + Tier II				
DTB Tanzania (BOT) minimum - 14.5%;			16.5%	18.5%
DTB Uganda - (BOU) minimum -14.5%			27.4%	23.4%
DTB Burundi - Banque de la Republique du Burundi minimum - 14.5%			38.9%	43.6%

## Notes (Continued)

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
<b>5. Interest income</b>				
Loans and advances	28,537,534	21,070,891	19,174,650	14,091,521
Government securities	24,140,699	18,692,325	15,563,540	13,546,387
Placements and bank balances	633,300	303,671	146,525	54,887
	<b>53,311,533</b>	<b>40,066,887</b>	<b>34,884,715</b>	<b>27,692,795</b>
<b>6. Interest expense</b>				
Deposits from customers	20,881,383	14,636,005	14,335,691	11,239,814
Deposits due to banking institutions	2,306,804	1,051,438	1,771,560	780,032
Borrowings	2,035,146	1,060,225	1,974,875	1,017,558
Lease liability (note 22)	513,611	432,122	337,272	283,640
	<b>25,736,944</b>	<b>17,179,790</b>	<b>18,419,398</b>	<b>13,321,044</b>
<b>7. (a) Fee and commission income</b>				
Fees and commissions on loans and advances	2,011,460	1,691,644	1,475,541	1,232,380
Other fees and commissions income	3,128,512	2,317,878	1,397,783	933,380
	<b>5,139,972</b>	<b>4,009,522</b>	<b>2,873,324</b>	<b>2,165,760</b>
<b>7. (b) Other operating income</b>				
Dividend income	-	-	180,000	150,000
Rental income	66,485	63,950	66,179	63,719
Commission from insurance business	406,797	335,184	70,967	59,968
(Loss)/gain on sale of property and equipment	(7,807)	(9,429)	3,617	(7,761)
Gain/(loss) on sale of Government securities	193,828	(10,594)	15,785	(10,594)
Other	149,910	8,183	18,903	1,669
	<b>809,213</b>	<b>387,294</b>	<b>355,451</b>	<b>257,001</b>
<b>8. Operating expenses</b>				
<b>Operating expenses include:</b>				
Staff costs (Note 9)	8,604,175	6,254,029	5,146,424	3,750,874
Depreciation on property and equipment (Note 20)	1,194,352	839,117	494,184	409,216
Amortisation of software costs (Note 19)	466,314	352,580	251,408	176,407
Depreciation charge on right of use assets (Note 22)	645,353	608,123	250,600	235,038
Auditor's remuneration	49,525	40,922	19,554	18,280
Other expenses	9,588,998	6,845,492	4,477,637	3,658,833
	<b>20,548,717</b>	<b>14,940,263</b>	<b>10,639,807</b>	<b>8,248,648</b>
<b>9. Staff costs</b>				
Salaries and allowances	7,090,966	5,199,766	4,327,313	3,171,971
Contribution to defined contribution retirement scheme	298,050	217,199	294,119	214,803
National Social Security Fund contribution	265,430	189,398	16,076	2,824
Others including insurance and training expenses	949,729	647,666	508,916	361,276
	<b>8,604,175</b>	<b>6,254,029</b>	<b>5,146,424</b>	<b>3,750,874</b>

The average number of employees for the Group during the year was 2,777 (2022: 2,538).

## Notes (Continued)

### 10. Income tax expense

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
a) Tax charge				
Current income tax	4,873,941	5,554,258	2,509,880	3,981,647
Under provision of income tax in previous year	113,107	117,074	-	-
Deferred income tax (Note 23)	(3,688,189)	(2,938,670)	(2,052,091)	(1,908,791)
Over provision of deferred tax credit in previous year (Note 23)	(90,371)	(1,607)	(8,540)	(1,604)
	<b>1,208,488</b>	<b>2,731,055</b>	<b>449,249</b>	<b>2,071,252</b>

b) The tax on the profit before income tax differs from the theoretical amount that would arise using the basic tax rate as follows:

Profit before income tax	9,003,460	9,524,933	5,433,590	6,590,446
Tax calculated at the statutory tax rate of 30% (2022-30%)	2,701,038	2,857,480	1,630,077	1,977,134

#### Tax effect of:

Income not subject to tax	(2,585,304)	(1,302,425)	(2,033,999)	(811,126)
Expenses not deductible for tax purposes	1,070,018	1,060,533	861,711	906,848
Under provision of income tax in previous year	113,107	117,074	-	-
Over provision of deferred tax credit in previous year	(90,371)	(1,607)	(8,540)	(1,604)

<b>Income tax expense</b>	<b>1,208,488</b>	<b>2,731,055</b>	<b>449,249</b>	<b>2,071,252</b>
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#### c) Tax receivable

At 1 January	(90,545)	(570,906)	(138,388)	(39,450)
Income tax charge	4,873,941	5,554,258	2,509,880	3,981,647
Prior year under provision	113,107	117,074	-	-
Tax paid	(6,980,652)	(5,190,971)	(4,816,942)	(4,080,585)
<b>At 31 December</b>	<b>(2,084,149)</b>	<b>(90,545)</b>	<b>(2,445,450)</b>	<b>(138,388)</b>

#### Comprising of:

Tax payable	370,637	66,329	-	-
Tax receivable	(2,454,786)	(156,874)	(2,445,450)	(138,388)
	<b>(2,084,149)</b>	<b>(90,545)</b>	<b>(2,445,450)</b>	<b>(138,388)</b>

### 11. Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Bank by the weighted average number of ordinary shares outstanding during the year.

	Group	
	2023	2022
Profit attributable to shareholders (Shs thousands)	6,879,176	6,061,017
Weighted average number of ordinary shares in issue (thousands)	279,602	279,602
Earnings per share (Shs per share) - basic and diluted	24.60	21.68

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2023. There were no potentially dilutive shares outstanding at 31 December 2023.

### 12. Dividends per share

A final dividend in respect of the year ended 31 December 2023 of Shs 6.00 (2022: Shs 5.00) per share amounting to a total of Shs 1,677,613,320 is proposed. (2022:Shs 1,398,011,100)

Payment of dividends is subject to withholding tax at a rate of 5% for shareholders who are citizens of East Africa Partner States, 0% for shareholders who are insurance companies or whose dividend income is exempt from tax and 15% for all other shareholders.

## Notes (Continued)

### 13. Classification of financial assets and liabilities

#### a) Group

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2023	Designated at FVPL	Investment at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	-	-	50,233,669	50,233,669
Government securities	-	121,093,693	80,556,481	201,650,174
Deposits and balances due from banking institutions	-	-	36,323,394	36,323,394
Loans and advances to customers	-	-	308,454,062	308,454,062
Equity investment - at fair value through OCI	-	55,550	-	55,550
Derivative assets	74,362	-	-	74,362
Other assets	-	-	2,531,842	2,531,842
<b>Total financial assets</b>	<b>74,362</b>	<b>121,149,243</b>	<b>478,173,810</b>	<b>599,397,415</b>
Balances due to Central Banks	-	-	13,026,047	13,026,047
Customer deposits	-	-	486,090,594	486,090,594
Deposits and balances due to banking institutions	-	-	12,313,515	12,313,515
Derivative liabilities	436,649	-	-	436,649
Other liabilities	-	-	5,164,390	5,164,390
Borrowings	-	-	23,980,814	23,980,814
Lease liabilities	-	-	5,093,908	5,093,908
<b>Total financial liabilities</b>	<b>436,649</b>	<b>-</b>	<b>545,669,268</b>	<b>546,105,917</b>
<b>31 December 2022</b>				
Cash and balances with Central Banks	-	-	36,992,122	36,992,122
Government securities	509,115	98,721,650	89,046,569	188,277,334
Deposits and balances due from banking institutions	-	-	19,453,132	19,453,132
Loans and advances to customers	-	-	253,674,910	253,674,910
Equity investment - at fair value through OCI	-	56,000	-	56,000
Derivative assets	91,649	-	-	91,649
Other assets	-	-	2,611,244	2,611,244
<b>Total financial assets</b>	<b>600,764</b>	<b>98,777,650</b>	<b>401,777,977</b>	<b>501,156,391</b>
Customer deposits	-	-	387,562,471	387,562,471
Deposits and balances due to banking institutions	-	-	26,678,946	26,678,946
Derivative liabilities	124,432	-	-	124,432
Other liabilities	-	-	3,786,278	3,786,278
Borrowings	-	-	25,512,526	25,512,526
Lease liabilities	-	-	4,303,857	4,303,857
<b>Total financial liabilities</b>	<b>124,432</b>	<b>-</b>	<b>447,844,078</b>	<b>447,968,510</b>



## Notes (Continued)

### 13. Classification of financial assets and liabilities (Continued)

#### a) Bank

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2023	Designated at FVPL	Investment at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	-	-	19,679,004	19,679,004
Government securities	-	61,559,983	58,543,941	120,103,924
Deposits and balances due from banking institutions	-	-	21,832,443	21,832,443
Loans and advances to customers	-	-	208,074,672	208,074,672
Equity investment - at fair value through OCI	-	50,000	-	50,000
Derivative assets	72,042	-	-	72,042
Other assets	-	-	1,582,692	1,582,692
<b>Total financial assets</b>	<b>72,042</b>	<b>61,609,983</b>	<b>309,712,752</b>	<b>371,394,777</b>
Balances due to Central Banks	-	-	13,026,047	13,026,047
Customer deposits	-	-	296,727,294	296,727,294
Deposits and balances due to banking institutions	-	-	2,745,794	2,745,794
Derivative liabilities	435,408	-	-	435,408
Other liabilities	-	-	3,497,579	3,497,579
Borrowings	-	-	23,268,936	23,268,936
Lease liabilities	-	-	3,003,314	3,003,314
<b>Total financial liabilities</b>	<b>435,408</b>	<b>-</b>	<b>342,268,964</b>	<b>342,704,372</b>
<b>31 December 2022</b>				
Cash and balances with Central Banks	-	-	15,803,197	15,803,197
Government securities	509,115	59,655,225	73,529,470	133,693,810
Deposits and balances due from banking institutions	-	-	8,389,828	8,389,828
Loans and advances to customers	-	-	177,757,616	177,757,616
Equity investment - at fair value through OCI	-	50,000	-	50,000
Derivative assets	73,732	-	-	73,732
Other assets	-	-	1,280,435	1,280,435
<b>Total financial assets</b>	<b>582,847</b>	<b>59,705,225</b>	<b>276,760,546</b>	<b>337,048,618</b>
Customer deposits	-	-	250,592,898	250,592,898
Deposits and balances due to banking institutions	-	-	22,213,787	22,213,787
Derivative liabilities	119,182	-	-	119,182
Other liabilities	-	-	2,777,607	2,777,607
Borrowings	-	-	24,699,186	24,699,186
Lease liabilities	-	-	2,552,003	2,552,003
<b>Total financial liabilities</b>	<b>119,182</b>	<b>-</b>	<b>302,835,481</b>	<b>302,954,663</b>

## Notes (Continued)

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
<b>14. Cash and balances with Central Banks</b>				
Cash in hand	12,248,834	9,610,935	5,874,181	5,116,888
Balances with Central Banks				
-Unrestricted balances	20,020,040	6,851,250	1,415,113	213,360
-Restricted balances (Statutory Minimum Reserve)	17,964,795	20,529,937	12,389,710	10,472,949
	<b>50,233,669</b>	<b>36,992,122</b>	<b>19,679,004</b>	<b>15,803,197</b>

Banks are required to maintain a prescribed minimum cash balance with the Central Banks that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 4.25% (2022: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

## 15. Government securities

### -At amortised cost

Treasury bills	24,576,424	43,004,343	9,431,419	34,157,596
Treasury bonds	56,006,028	46,042,226	49,138,493	39,371,874
Impairment losses	(25,971)	-	(25,971)	-
	<b>80,556,481</b>	<b>89,046,569</b>	<b>58,543,941</b>	<b>73,529,470</b>

### -At fair value through OCI

Treasury bills	13,899,303	9,332,189	-	-
Treasury bonds	110,124,092	89,389,461	64,730,615	63,181,275
Fair value loss on government securities	(2,929,702)	(2,780,733)	(3,170,632)	(3,526,050)
	<b>121,093,693</b>	<b>98,721,650</b>	<b>61,559,983</b>	<b>59,655,225</b>

### -At fair value through profit and loss

Treasury bonds	-	509,115	-	509,115
<b>Total Government securities</b>	<b>201,650,174</b>	<b>188,277,334</b>	<b>120,103,924</b>	<b>133,693,810</b>

Treasury bills and bonds are debt securities issued by the Republic of Kenya in the case of the Bank, as well as the United Republic of Tanzania, Republic of Uganda and Republique du Burundi in the case of the Group.

The maturity profile of Government securities is as follows:

Less than 1 year	80,381,766	78,725,448	34,737,728	46,826,404
1-5 years	104,359,493	83,024,976	68,457,281	60,340,496
Over 5 years	16,908,915	26,526,910	16,908,915	26,526,910
	<b>201,650,174</b>	<b>188,277,334</b>	<b>120,103,924</b>	<b>133,693,810</b>

## 16. Deposits and balances due from banking institutions

Due from other banks	36,349,806	19,484,592	21,834,968	8,394,023
Expected credit loss	(26,412)	(31,460)	(2,525)	(4,195)
	<b>36,323,394</b>	<b>19,453,132</b>	<b>21,832,443</b>	<b>8,389,828</b>

All deposits due from banking institutions are due within one year.

## Notes (Continued)

### 17. Loans and advances to customers

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Loans and advances	326,863,993	268,114,271	222,228,059	189,209,642
Finance leases	3,703,525	3,162,550	3,703,525	3,162,550
<b>Gross loans and advances</b>	<b>330,567,518</b>	<b>271,276,821</b>	<b>225,931,584</b>	<b>192,372,192</b>
<b>Less: Provision for impairment</b>				
Stage 3 impairment	(17,572,592)	(13,716,759)	(14,967,655)	(12,225,798)
Stage 1&2 impairment	(4,540,864)	(3,885,156)	(2,889,257)	(2,388,778)
<b>Net loans and advances</b>	<b>308,454,062</b>	<b>253,674,906</b>	<b>208,074,672</b>	<b>177,757,616</b>

Movements in provisions for impairment of loans and advances are as follows:

	Group		Bank	
	Stage 3	Stage 1&2	Stage 3	Stage 1&2
	Impairment Shs'000	Impairment Shs'000	Impairment Shs'000	Impairment Shs'000
<b>Year ended 31 December 2022</b>				
At start of year	11,354,391	2,952,286	9,733,402	1,859,228
Provision for loan impairment	6,672,503	1,113,415	4,678,989	529,550
Loans written off during the year as uncollectible	(3,950,190)	-	(1,872,341)	
Recoveries	(559,049)	(264,714)	(314,252)	
Translation difference	199,104	84,169	-	
<b>At end of year</b>	<b>13,716,759</b>	<b>3,885,156</b>	<b>12,225,798</b>	<b>2,388,778</b>
<b>Year ended 31 December 2023</b>				
At start of year	13,716,759	3,885,156	12,225,798	2,388,778
Provision for loan impairment	9,961,357	349,848	7,398,415	500,479
Loans written off during the year as uncollectible	(6,467,975)	-	(4,656,558)	
Recoveries	(173,315)	-	-	
Translation difference	535,766	305,860	-	
<b>At end of year</b>	<b>17,572,592</b>	<b>4,540,864</b>	<b>14,967,655</b>	<b>2,889,257</b>

## 17. Loans and advances to customers (Continued)

### Group

Charge to statement of profit or loss	Stage 3	Stage 1&2	Total
	Impairment Shs'000	Impairment Shs'000	Impairment Shs'000
<b>Year ended 31 December 2022</b>			
Provision for loan impairment	6,672,503	1,113,415	7,785,918
Recoveries	(559,049)	(264,714)	(823,763)
Net increase in provision	6,113,454	848,701	6,962,155
Amounts recovered previously written off	(430,539)	-	(430,539)
Loans written off through the statement of profit or loss	179,621	-	179,621
<b>Net charge to statement of profit or loss</b>	<b>5,862,536</b>	<b>848,701</b>	<b>6,711,237</b>
<b>Year ended 31 December 2023</b>			
Provision for loan impairment	9,961,357	349,848	10,311,205
Recoveries	(173,315)	-	(173,315)
Net increase in provision	9,788,042	349,848	10,137,890
Amounts recovered previously written off	(719,738)	-	(719,738)
Loans written off through the statement of profit or loss	182,704	-	182,704
<b>Net charge to statement of profit or loss</b>	<b>9,251,008</b>	<b>349,848</b>	<b>9,600,856</b>

### Bank

#### Charge to statement of profit or loss

##### Year ended 31 December 2022

Provision for loan impairment	4,678,989	529,550	5,208,539
Recoveries	(314,252)	-	(314,252)
Net increase in provision	4,364,737	529,550	4,894,287
Amounts recovered previously written off	(40,676)	-	(40,676)
Loans written off through the statement of profit or loss	95,476	-	95,476
<b>Net charge to statement of profit or loss</b>	<b>4,419,537</b>	<b>529,550</b>	<b>4,949,087</b>

##### Year ended 31 December 2023

Provision for loan impairment	7,398,415	500,479	7,898,894
Amounts recovered previously written off	(172,509)	-	(172,509)
Loans written off through the statement of profit or loss	42,261	-	42,261
<b>Net charge to statement of profit or loss</b>	<b>7,268,167</b>	<b>500,479</b>	<b>7,768,646</b>

All non performing loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans, net of provision for identified impairment losses, at 31 December 2023, was Group: Shs 25.5 billion, Bank: Shs 22.6 billion (2022 - Group: Shs 17.3 billion, Bank: Shs 14.9 billion )

## Notes (Continued)

## 17. Loans and advances to customers (Continued)

## Charge to statement of profit or loss (Continued)

Loans and advances to customers include finance leases receivables as follows:

	Group and Bank	
	2023	2022
	Shs'000	Shs'000
Gross investment in finance leases:		
Not later than 1 year	2,070	258
Later than 1 year and not later than 5 years	3,853,589	3,099,754
Later than 5 years	568,376	563,332
	<b>4,424,035</b>	<b>3,663,344</b>
Unearned future finance income on finance leases	(720,510)	(500,794)
<b>Net investment in finance leases</b>	<b>3,703,525</b>	<b>3,162,550</b>

The net investment in finance leases may be analysed as follows:

Not later than 1 year	2,006	254
Later than 1 year and not later than 5 years	3,279,407	2,691,560
Later than 5 years	422,112	470,736
<b>Net investment in finance leases</b>	<b>3,703,525</b>	<b>3,162,550</b>

## 18. Other assets

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Uncleared cheques	924,919	966,065	908,046	966,178
Deposits and prepayments	1,637,196	1,323,662	853,252	691,004
Others	1,606,923	1,677,962	674,646	359,707
	<b>4,169,038</b>	<b>3,967,689</b>	<b>2,435,944</b>	<b>2,016,889</b>

## 19. Intangible assets-software costs

At start of year	919,193	675,803	476,891	356,697
Additions	804,594	516,785	657,735	296,601
Transfer from property and equipment (Note 20)	137,542	67,687	2,372	-
Amortisation charge for the year	(466,314)	(352,580)	(251,408)	(176,407)
Write offs/disposal	(237)	-	(237)	-
Translation difference	73,230	11,498	-	-
<b>At the end of year</b>	<b>1,468,008</b>	<b>919,193</b>	<b>885,353</b>	<b>476,891</b>
Cost	4,982,044	3,824,968	2,862,561	2,291,919
Accumulated amortisation	(3,514,036)	(2,905,775)	(1,977,208)	(1,815,028)
<b>Net book amount</b>	<b>1,468,008</b>	<b>919,193</b>	<b>885,353</b>	<b>476,891</b>

## Notes (Continued)

## 20. Property and equipment

## (a) Group

	Freehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>							
Opening net book amount	48,496	3,099,504	355,882	35,619	1,297,239	275,740	5,112,480
Translation difference	2,796	79,794	17,316	599	47,564	14,683	162,752
Additions	-	185,459	10,883	302	560,358	1,017,395	1,774,397
Transfer from work in progress	-	18,283	37,397	23,003	754,877	(833,560)	-
Transfer to intangible assets (Note 19)	-	-	-	-	(1,480)	(66,207)	(67,687)
Disposals - cost	-	-	(59,979)	(8,313)	(21,863)	-	(90,155)
Disposals - accumulated depreciation	-	-	48,882	7,451	17,575	-	73,908
Revaluation surplus	-	95,186	-	-	-	-	95,186
Depreciation charge	-	(86,862)	(100,207)	(19,088)	(632,960)	-	(839,117)
<b>Closing net book amount</b>	<b>51,292</b>	<b>3,391,364</b>	<b>310,174</b>	<b>39,573</b>	<b>2,021,310</b>	<b>408,051</b>	<b>6,221,764</b>
<b>At 31 December 2022</b>							
Cost or valuation	51,292	3,472,839	1,921,692	252,958	8,497,465	408,051	14,604,297
Accumulated depreciation	-	(81,475)	(1,611,518)	(213,385)	(6,476,155)	-	(8,382,533)
<b>Net book amount</b>	<b>51,292</b>	<b>3,391,364</b>	<b>310,174</b>	<b>39,573</b>	<b>2,021,310</b>	<b>408,051</b>	<b>6,221,764</b>
<b>At 31 December 2022</b>							
Cost	2,064	2,243,081	1,921,692	252,958	8,497,465	408,051	13,325,311
Revaluation surplus	49,228	1,229,758	-	-	-	-	1,278,986
<b>Cost or valuation</b>	<b>51,292</b>	<b>3,472,839</b>	<b>1,921,692</b>	<b>252,958</b>	<b>8,497,465</b>	<b>408,051</b>	<b>14,604,297</b>



## Notes (Continued)

## 20. Property and equipment (Continued)

## (a) Group (Continued)

	Freehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2023</b>							
Opening net book amount	51,292	3,391,364	310,174	39,573	2,021,310	408,051	6,221,764
Translation difference	(3,847)	141,765	43,092	2,552	184,783	18,275	386,620
Additions	-	50,760	80,819	31,545	935,302	1,103,411	2,201,837
Transfer from work in progress	-	37,581	148,945	-	706,835	(893,361)	-
Transfer to intangible assets (Note 19)	-	-	-	-	(2,372)	(135,170)	(137,542)
Disposals - cost	-	-	(13,021)	(17,681)	(152,490)	(25,539)	(208,731)
Disposals - accumulated depreciation	-	-	13,021	17,681	134,217	-	164,919
Depreciation charge	-	(99,717)	(102,916)	(23,379)	(968,340)	-	(1,194,352)
<b>Closing net book amount</b>	<b>47,445</b>	<b>3,521,753</b>	<b>480,114</b>	<b>50,291</b>	<b>2,859,245</b>	<b>475,667</b>	<b>7,434,515</b>
<b>At 31 December 2023</b>							
Cost or valuation	47,445	3,718,815	2,398,516	287,784	10,802,817	475,667	17,731,044
Accumulated depreciation	-	(197,062)	(1,918,402)	(237,493)	(7,943,572)	-	(10,296,529)
<b>Net book amount</b>	<b>47,445</b>	<b>3,521,753</b>	<b>480,114</b>	<b>50,291</b>	<b>2,859,245</b>	<b>475,667</b>	<b>7,434,515</b>
<b>At 31 December 2022</b>							
Cost	2,064	2,431,988	2,398,516	287,784	10,802,817	475,667	16,398,836
Revaluation surplus	45,381	1,286,827	-	-	-	-	1,332,208
<b>Cost or valuation</b>	<b>47,445</b>	<b>3,718,815</b>	<b>2,398,516</b>	<b>287,784</b>	<b>10,802,817</b>	<b>475,667</b>	<b>17,731,044</b>

## Notes (Continued)

## 20. Property and equipment (Continued)

## (b) Bank

	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>						
Opening net book amount	2,498,642	65,346	23,866	539,726	89,647	3,217,227
Additions	11,379	7,041	-	267,779	676,955	963,154
Transfers from work in progress	22,702	29,285	11,437	398,536	(461,960)	-
Disposals - cost	-	(54,943)	-	(16,361)	-	(71,304)
Disposals - accumulated depreciation	-	48,246	-	14,555	-	62,801
Depreciation charge	(46,513)	(27,559)	(9,908)	(325,236)	-	(409,216)
<b>Closing net book amount</b>	<b>2,486,210</b>	<b>67,416</b>	<b>25,395</b>	<b>878,999</b>	<b>304,642</b>	<b>3,762,662</b>
<b>At 31 December 2022</b>						
Cost or valuation	2,532,723	669,535	129,137	4,385,363	304,642	8,021,400
Accumulated depreciation	(46,513)	(602,119)	(103,742)	(3,506,364)	-	(4,258,738)
<b>Net book amount</b>	<b>2,486,210</b>	<b>67,416</b>	<b>25,395</b>	<b>878,999</b>	<b>304,642</b>	<b>3,762,662</b>
<b>At 31 December 2022</b>						
Cost	1,948,498	669,535	129,137	4,385,363	304,642	7,437,175
Revaluation surplus	584,225	-	-	-	-	584,225
<b>Cost or valuation</b>	<b>2,532,723</b>	<b>669,535</b>	<b>129,137</b>	<b>4,385,363</b>	<b>304,642</b>	<b>8,021,400</b>

## Notes (Continued)

## 20. Property and equipment (Continued)

## (b) Bank (Continued)

	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
<b>Year ended 31 December 2023</b>						
Opening net book amount	2,486,210	67,416	25,395	878,999	304,642	3,762,662
Additions	24,282	69,885	31,138	339,302	681,331	1,145,938
Transfer from work in progress	37,581	105,066	-	445,592	(588,239)	-
Transfer to intangible assets (Note 19)	-	-	-	(2,372)	-	(2,372)
Disposals - cost	-	(12,429)	(8,379)	(46,333)	(25,539)	(92,680)
Disposals - accumulated depreciation	-	12,429	8,379	44,799	-	65,607
Depreciation charge	(46,841)	(29,043)	(16,151)	(402,149)	-	(494,184)
<b>Closing net book amount</b>	<b>2,501,232</b>	<b>213,324</b>	<b>40,382</b>	<b>1,257,838</b>	<b>372,195</b>	<b>4,384,971</b>
<b>At 31 December 2023</b>						
Cost or valuation	2,594,586	832,057	151,896	5,121,552	372,195	9,072,286
Accumulated depreciation	(93,354)	(618,733)	(111,514)	(3,863,714)	-	(4,687,315)
<b>Net book amount</b>	<b>2,501,232</b>	<b>213,324</b>	<b>40,382</b>	<b>1,257,838</b>	<b>372,195</b>	<b>4,384,971</b>
<b>At 31 December 2022</b>						
Cost	2,010,361	832,057	151,896	5,121,552	372,195	8,488,061
Revaluation surplus	584,225	-	-	-	-	584,225
<b>Cost or valuation</b>	<b>2,594,586</b>	<b>832,057</b>	<b>151,896</b>	<b>5,121,552</b>	<b>372,195</b>	<b>9,072,286</b>

## Notes (Continued)

### 20. Property and equipment (Continued)

Land and buildings for Diamond Trust Bank Kenya Limited and Diamond Trust Bank Burundi SA were revalued as at 31 December 2021 while those for Diamond Trust Bank Tanzania Limited were revalued in 2022 by independent valuers Redfearn Valuers Limited, Construction and Design Engineering & Business Company ""Debuco"" and Let Consultants Limited respectively. The land and building are valued using level 2 model. The fair values of land and buildings have been derived by using the following methods:

1. Replacement cost method. The method involves inspection and assessment of the condition of the property and determining the current replacement cost. The replacement cost was depreciated to reflect accumulated obsolescence which the asset has suffered as a result of passage of time, use, wear and tear, change in taste and technology and any other adverse factors that may make it less desirable to use. The depreciable replacement cost is used as a proxy for the market value.
2. Income method - This takes regard to the current rentals received. The revisionary potential if appropriate and where there is vacant accommodation, the potential market rentals are included after suitable periods of deferment.
3. Comparable method - The value was derived by comparing the property being valued to similar properties that have recently been sold, applying appropriate units of comparison and making adjustments to the sale prices of comparable sales. The assessment of the market value was based on how much it would cost to buy a square foot of lettable area or for a vacant plot, the current market price of similar properties in the area where the property is located.

The book values of the properties were adjusted to the revaluations and the resultant surplus was credited to reserves in shareholders' equity. Land and buildings are revalued every 3 - 5 years.

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

	Group		Bank	
	2023	2022	2023	2022
	Building Shs'000	Building Shs'000	Building Shs'000	Building Shs'000
Cost	2,332,608	2,244,267	1,987,659	1,925,796
Accumulated depreciation	(348,154)	(347,933)	(325,027)	(324,806)
<b>Net book amount</b>	<b>1,984,454</b>	<b>1,896,334</b>	<b>1,662,632</b>	<b>1,600,990</b>

### 21. Intangible assets - goodwill

	Group	
	2023	2022
	Shs'000	Shs'000
Goodwill on acquisition of control in subsidiaries	173,372	173,372

The above goodwill is attributable to the strong position and profitability of Diamond Trust Bank Tanzania Limited and Diamond Trust Bank Uganda Limited in their respective markets.

#### Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to subsidiaries.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a five-year period and discounted at rates comparable to that earned from risk assets. The discount rate reflects specific risks relating to the relevant subsidiaries and the countries in which they operate. The Group assessed the impairment by comparing the recoverable amount to the carrying value of the subsidiaries net assets.

Based on the above, the Group does not consider the goodwill impaired.

## Notes (Continued)

## 22. Leases

## Leases as a lessee (IFRS 16)

The Group leases a number of branch and office premises. The leases typically run for a period of 6 to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Information about leases for which the Group is a lessee is presented below.

## i) Right-of-use assets

Right-of-use assets relate to leasehold land, equipment, leased branch and office premises as set out below;

	2023				2022			
	Land	Equipment	Building	Total	Land	Equipment	Building	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Group</b>								
Balance at 1 January	1,692,016	37,888	3,377,789	5,107,693	1,722,867	79,468	3,358,127	5,160,462
Modifications/additions	-	111,265	1,295,020	1,406,285	-	-	611,385	611,385
Depreciation charge for the year	(34,299)	(31,558)	(579,496)	(645,353)	(30,851)	(41,580)	(535,692)	(608,123)
De-recognition	-	-	(347,509)	(347,509)	-	-	(160,195)	(160,195)
Translation difference	53,741	-	248,676	302,417	-	-	104,164	104,164
	<b>1,711,458</b>	<b>117,595</b>	<b>3,994,480</b>	<b>5,823,533</b>	<b>1,692,016</b>	<b>37,888</b>	<b>3,377,789</b>	<b>5,107,693</b>
<b>Bank</b>								
Balance at 1 January	1,364,649	-	1,903,462	3,268,111	1,395,500	-	1,784,519	3,180,019
Modifications/additions	-	-	798,918	798,918	-	-	432,295	432,295
Depreciation charge for the year	(30,851)	-	(219,749)	(250,600)	(30,851)	-	(204,187)	(235,038)
De-recognition	-	-	(183,176)	(183,176)	-	-	(109,165)	(109,165)
	<b>1,333,798</b>	<b>-</b>	<b>2,299,455</b>	<b>3,633,253</b>	<b>1,364,649</b>	<b>-</b>	<b>1,903,462</b>	<b>3,268,111</b>

## Notes (Continued)

### 22. Leases (Continued)

#### Leases as lessee (IFRS 16) (Continued)

##### ii) Lease liability

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Expected to be settled within 12 months after the year end	312,032	241,703	228,933	193,843
Expected to be settled more than 12 months after the year end	4,781,876	4,062,154	2,774,381	2,358,160
	<b>5,093,908</b>	<b>4,303,857</b>	<b>3,003,314</b>	<b>2,552,003</b>

##### The total cash outflow for leases in the year was:

Payments of principal portion of the lease liability	489,951	516,793	77,984	113,881
Interest paid on lease liabilities	513,611	432,122	337,272	283,640
	<b>1,003,562</b>	<b>948,915</b>	<b>415,256</b>	<b>397,521</b>

##### Lease liability movement

Balance at 1 January	4,303,857	4,378,520	2,552,003	2,478,269
Modification/additions	1,380,671	504,671	798,918	343,077
Interest expense	513,611	432,122	337,272	283,640
Lease payments	(1,003,562)	(948,915)	(415,256)	(397,521)
Derecognition	(448,158)	(208,523)	(269,623)	(155,462)
Translation difference	347,489	145,982	-	-
	<b>5,093,908</b>	<b>4,303,857</b>	<b>3,003,314</b>	<b>2,552,003</b>



## Notes (Continued)

### 22. Leases (Continued)

#### Leases as lessee (IFRS 16) (Continued)

##### iii) Amounts recognised in profit or loss

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liabilities	(513,611)	(432,122)	(337,272)	(283,640)
Depreciation of right to use asset	(645,353)	(608,123)	(250,600)	(235,038)
<b>Total</b>	<b>(1,158,964)</b>	<b>(1,040,245)</b>	<b>(587,872)</b>	<b>(518,678)</b>

##### iv) Extension options

Some leases of office premises contain extension options exercisable by the Group up to one term after the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

### 23. Deferred tax asset

Deferred tax asset is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2022: 30%). The movement on the deferred tax account is as follows:

#### Deferred tax asset

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	11,945,520	9,279,037	8,205,242	6,449,795
Charged through the statement of profit or loss (Note 10)	3,688,189	2,938,670	2,052,091	1,908,791
Charged through other comprehensive income	(98,920)	(431,490)	-	(154,948)
Understatement of deferred tax in previous year	90,371	1,607	8,540	1,604
Translation difference	1,008,968	157,696	-	-
<b>At end of the year</b>	<b>16,634,128</b>	<b>11,945,520</b>	<b>10,265,873</b>	<b>8,205,242</b>

## Notes (Continued)

### 23. Deferred tax asset (Continued)

#### Deferred tax (liabilities)/assets

Consolidated deferred tax assets and liabilities, deferred tax charge in the statement of profit or loss and deferred tax charge through other comprehensive income are attributable to the following items:

Group Year ended 31 December 2022						
Deferred tax (liabilities)/assets	1.1.2022 Shs'000	Prior year under statement Shs'000	Translation Shs'000	Charged through OCI Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2022 Shs'000
Unrealised foreign exchange gain	(31,703)	-	(15)	-	51,076	19,358
Software, property and equipment	558,333	-	175	-	(76,929)	481,579
Revaluation surplus	(117,028)	-	(3,555)	(183,504)	2,155	(301,932)
Provisions for loan impairment	5,707,032	-	53,860	-	1,827,242	7,588,134
Other provisions	(47,683)	1,607	8,253	-	176,180	138,357
Tax losses	2,109,521	-	104,523	-	703,736	2,917,780
Fair value changes in Government securities	(29,380)	-	(1,457)	(247,986)	-	(278,823)
IFRS 16	261,163	-	5,719	-	(18,175)	248,707
Interest Payable	868,782	-	(9,807)	-	273,385	1,132,360
<b>Net deferred tax asset</b>	<b>9,279,037</b>	<b>1,607</b>	<b>157,696</b>	<b>(431,490)</b>	<b>2,938,670</b>	<b>11,945,520</b>

Year ended 31 December 2023						
Deferred tax (liabilities)/assets	1.1.2023 Shs'000	Prior year under statement Shs'000	Translation Shs'000	Charged through OCI Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2023 Shs'000
Unrealised foreign exchange gain	19,358	-	1,512	-	57,353	78,223
Software, property and equipment	481,579	121,650	(4,501)	-	(156,385)	442,343
Revaluation surplus	(301,932)	-	(12,342)	-	4,093	(310,181)
Provisions for loan impairment	7,588,134	83,523	367,313	-	2,391,778	10,430,748
Other provisions	138,357	-	-	-	(14,374)	123,983
Tax losses	2,917,780	-	696,783	-	1,204,579	4,819,142
Fair value changes in Government securities	(278,823)	-	(50,411)	(98,920)	-	(428,154)
IFRS 16	248,707	(114,392)	9,946	-	9,727	153,988
Interest Payable	1,132,360	-	-	-	191,677	1,324,037
<b>Net deferred tax asset</b>	<b>11,945,520</b>	<b>90,781</b>	<b>1,008,300</b>	<b>(98,920)</b>	<b>3,688,448</b>	<b>16,634,129</b>

## Notes (Continued)

## 23. Deferred tax asset (Continued)

The tax losses were incurred by the Bank's Ugandan subsidiary. Effective from 1 July 2023, tax losses can be carried forward for a period of 7 years after which only 50% of the losses are allowed as deductible from future income. The aging of the tax losses is as shown below:

Year of origin	Tax loss amount	Tax credit recognised
	Shs'000	Shs'000
2016	105,450	31,635
2017	1,253,243	375,973
2018	1,631,120	489,336
2019	1,917,510	575,253
2020	2,232,380	669,714
2021	2,003,080	600,924
2022	2,905,760	871,728
2023	4,015,263	1,204,579
<b>Total</b>	<b>16,063,806</b>	<b>4,819,142</b>

## Bank

## Year ended 31 December 2022

	1.1.2022	Prior year under statement	Charged through OCI	Charged to the statement of profit or loss	31.12.2022
Deferred tax (liabilities)/assets	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Software, property and equipment	591,985	1,606	-	(58,665)	534,926
Revaluation surplus	(77,474)	-	(154,948)	-	(232,422)
Lease under IFRS 16	208,125	-	-	(13,563)	194,562
Loan loss allowance	4,937,525	(4)	-	1,486,944	6,424,465
Interest payable	868,782	(9,807)	-	273,385	1,132,360
Other provisions	1,145	9,806	-	82,188	93,139
Unrealised foreign exchange gain	(31,465)	3	-	44,504	13,042
Loss on modified assets	(48,828)	-	-	93,998	45,170
<b>Net deferred tax asset</b>	<b>6,449,795</b>	<b>1,604</b>	<b>(154,948)</b>	<b>1,908,791</b>	<b>8,205,242</b>

## Notes (Continued)

### 23. Deferred tax asset (Continued)

#### Bank (Continued)

#### Year ended 31 December 2023

	1.1.2023	Prior year under statement	Charged to the statement of profit or loss	31.12.2023
	Shs'000	Shs'000	Shs'000	Shs'000
Software, property and equipment	534,926	-	(134,049)	400,877
Revaluation surplus	(232,422)	-	-	(232,422)
Lease under IFRS 16	194,562	-	16,596	211,158
Loan loss allowance	6,424,465	8,540	1,924,824	8,357,829
Interest payable	1,132,360	-	191,677	1,324,037
Other provisions	93,139	-	64,968	158,107
Unrealised foreign exchange gain	13,042	-	67,453	80,495
Loss on modified assets	45,170	-	(79,378)	(34,208)
<b>Net deferred income tax asset</b>	<b>8,205,242</b>	<b>8,540</b>	<b>2,052,091</b>	<b>10,265,873</b>

## Notes (Continued)

### 24. Investments securities- at fair value through OCI

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Kenya Mortgage Refinancing Company ( KMRC)	50,000	50,000	50,000	50,000
BI-Switch S.M- Investment	5,550	6,000	-	-
	<b>55,550</b>	<b>56,000</b>	<b>50,000</b>	<b>50,000</b>

The movement of the balance is set out below:

Balance at the beginning of the year	56,000	1,345,364	50,000	1,339,691
Fair value loss through OCI	-	(1,289,691)	-	(1,289,691)
Translation	(450)	327	-	-
<b>Balance at year end</b>	<b>55,550</b>	<b>56,000</b>	<b>50,000</b>	<b>50,000</b>

The investments relate to investment by the Bank in 2019 in KMRC shares and Diamond Trust Bank Burundi SA investment in a Switch project to support ATM and cards system sponsored by Banque de la Republique du Burundi (BRB).

### 25. Investments in subsidiaries and associates

#### (a) Investment at cost

The cost of the investment in the subsidiaries and the associates are listed below together with the interests held.

	Beneficial Ownership		Group		Bank	
	2023	2022	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
<b>Subsidiaries</b>						
Diamond Trust Bank Tanzania Limited	65.68%	65.68%			2,058,576	2,058,576
Diamond Trust Bank Uganda Limited	67.18%	67.18%			3,026,081	3,026,081
Diamond Trust Bank Burundi S.A.	83.67%	83.67%			636,907	636,907
Diamond Trust Bancassurance Intermediary Limited	100%	100%			2,000	2,000
Premier Savings and Finance Limited	100%	100%			29,137	29,137
					<b>5,752,701</b>	<b>5,752,701</b>
<b>Associates</b>						
Services and Systems Limited	40%	40%	1	1	1	1
Jubilee Insurance Company of Burundi S.A.	20%	20%	8,392	9,072	-	-
Jubilee Life Insurance Company of Burundi S.A.	20%	20%	4,196	4,536	-	-
			<b>12,589</b>	<b>13,609</b>	<b>5,752,702</b>	<b>5,752,702</b>

Premier Savings and Finance Limited and Services and Systems Limited, which are incorporated in Kenya, are dormant. All subsidiaries undertakings are included in the consolidation.

## Notes (Continued)

### 25. Investments in subsidiaries and associates (Continued)

#### (b) Equity accounting - investment in associates

The movement in the investment in associates, Jubilee Insurance Company of Burundi S.A. and Jubilee Life Insurance Company of Burundi S.A. using equity method of accounting, is shown below:

	Group	
	2023	2022
	Shs'000	Shs'000
At start of year	70,453	62,756
Share of results after tax	30,010	16,963
Dividends received	-	(12,884)
Translation	(8,212)	3,618
<b>At end of year</b>	<b>92,251</b>	<b>70,453</b>

#### (c) Non-controlling interests

As at 1 January	8,699,215	7,258,846
Profit for the year	915,796	732,861
Other comprehensive income	1,847,758	700,478
Net revaluation surplus on property and equipment	-	22,867
Expenses related to issue of bonus shares in DTB Uganda	-	(15,837)
<b>As at 31 December</b>	<b>11,462,769</b>	<b>8,699,215</b>

#### (d) Significant restrictions

There are no restrictions on the Group's ability to access or use assets and settle liabilities in the countries the Group operates in.

#### (e) Summarised financial information on subsidiaries with material non-controlling interests

Summarised balance sheet	Diamond Trust Bank Tanzania PLC		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi S.A.		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets	112,703,098	88,882,099	124,723,812	81,089,566	5,974,674	4,943,757	243,401,584	174,915,422
Liabilities	97,097,622	76,180,581	106,979,859	68,756,618	4,235,937	3,151,035	208,313,418	148,088,234
Equity attributable to owners of the Bank	10,249,678	8,342,358	11,920,919	8,285,645	1,454,801	1,499,970	23,625,398	18,127,973
Non controlling interests	5,355,799	4,359,160	5,823,035	4,047,304	283,936	292,752	11,462,769	8,699,215
Total equity	15,605,477	12,701,518	17,743,954	12,332,948	1,738,737	1,792,722	35,088,167	26,827,188
Total liabilities and equity	112,703,098	88,882,099	124,723,812	81,089,566	5,974,674	4,943,757	243,401,584	174,915,422



## Notes (Continued)

### 25. Investments in subsidiaries and associates (Continued)

#### (e) Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statement of profit or loss	Diamond Trust Bank Tanzania PLC		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi S.A.		Total	
	2023	2022	2023	2022	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total operating income	7,931,063	5,810,065	6,842,301	5,088,638	370,494	383,612	15,143,858	11,282,315
Profit before tax	1,616,632	1,341,937	1,703,378	1,370,699	151,606	162,591	3,471,616	2,875,227
Income tax expense	(499,639)	(478,771)	(138,387)	(124,054)	(36,106)	5,879	(674,132)	(596,946)
Profit for the year	1,116,993	863,166	1,564,991	1,246,645	115,500	168,470	2,797,484	2,278,281
Total profit allocated to non-controlling interests	383,352	296,239	513,583	409,111	18,861	27,511	915,796	732,861
Total comprehensive income allocated to non-controlling interests	996,639	830,074	1,775,731	585,731	(8,816)	40,401	2,763,554	1,456,206

Summarised Statement of cash flows	Diamond Trust Bank Tanzania PLC		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi S.A.	
	2023	2022	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash (used in)/generated from operations	(1,398,296)	4,209,382	(137,419)	328,634	638,514	289,317
Net cash used in investing activities	(611,591)	(470,890)	(550,708)	(530,522)	(32,124)	(14,757)
Net cash used in financing activities	(535,170)	(401,100)	(412,500)	(443,963)	(32,956)	(37,540)
Net (decrease)/increase in cash and cash equivalents	(2,545,057)	3,337,392	(1,100,627)	(645,851)	573,434	237,020
Cash and cash equivalents at start of year	14,271,960	9,844,006	6,151,736	6,476,679	(160,886)	210,611
Exchange differences in cash and cash equivalents	3,461,851	1,090,562	(4,741,358)	320,908	47,618	(608,517)
Cash and cash equivalents at end of year	15,188,754	14,271,960	309,751	6,151,736	460,166	(160,886)

## Notes (Continued)

### 26. Balances due to Central Bank

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Reverse Repo	13,026,047	-	13,026,047	-

During its normal course of business, the Bank borrows and lends securities and may also sell securities under agreements to repurchase (repos) and purchase securities under agreements to resell (reverse repos). The borrowing from the central bank is secured against the Bank's Government securities worth Shs 14 billion. The repo matured on 4 January 2024.

### 27. Deposits from customers

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Current and demand deposits	203,072,131	145,089,682	124,063,641	85,336,709
Savings accounts	66,751,641	50,087,681	28,971,177	23,267,267
Fixed and call deposit accounts	216,266,822	192,385,108	143,692,476	141,988,922
	486,090,594	387,562,471	296,727,294	250,592,898

### 28. Deposits and balances from banking institutions

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits due to banking institutions	10,707,572	25,605,845	1,998,522	21,750,442
Current account balances due to banking institutions	1,605,943	1,073,101	747,272	463,345
	12,313,515	26,678,946	2,745,794	22,213,787

### 29. Other liabilities

Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	156,310	167,281	120,536	132,395
Accrued expenses	1,319,394	685,282	539,642	247,424
Unearned income on funded and non funded income	557,312	390,773	203,303	142,242
Refundable deposits	1,655,452	1,020,387	15,176	15,081
Other payables	3,688,686	2,933,715	2,757,841	2,318,228
	7,377,154	5,197,438	3,716,058	2,934,930

## Notes (Continued)

### 30. Borrowings

#### (a) Subordinated debt

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
<b>(i) Deutsche Investitions- und Entwicklungsgesellschaft (DEG)</b>				
At start of year	385,354	518,084	-	-
Accrued interest	29,468	26,789	-	-
Paid during the year	(276,055)	(213,174)	-	-
Translation difference	109,613	53,655	-	-
	<b>248,381</b>	<b>385,354</b>	<b>-</b>	<b>-</b>
<b>(ii) African Development Bank (AfDB)</b>				
At start of year	3,214,601	2,886,957	3,214,601	2,886,957
Accrued interest	333,747	139,146	333,747	139,146
Paid during the year	(596,854)	(150,153)	(596,854)	(150,153)
Translation difference	460,175	338,651	460,175	338,651
	<b>3,411,669</b>	<b>3,214,601</b>	<b>3,411,669</b>	<b>3,214,601</b>
<b>Total - Subordinated debts</b>	<b>3,660,050</b>	<b>3,599,955</b>	<b>3,411,669</b>	<b>3,214,601</b>

#### (b) Senior loan

##### (i) International Finance Corporation (IFC)

At start of year	12,474,347	5,701,163	12,474,347	5,701,163
Additions during the year	-	12,437,500	-	12,437,500
Accrued interest	1,113,327	247,776	1,113,327	247,776
Paid during the year	(1,124,224)	(6,408,099)	(1,124,224)	(6,408,099)
Translation difference	3,270,653	496,007	3,270,653	496,007
	<b>15,734,103</b>	<b>12,474,347</b>	<b>15,734,103</b>	<b>12,474,347</b>

##### (ii) Deutsche Investitions- und Entwicklungsgesellschaft (DEG)

At start of year	1,146,958	1,546,015	1,146,958	1,546,015
Accrued interest	70,912	59,938	70,912	59,938
Paid during the year	(692,599)	(560,423)	(692,599)	(560,423)
Translation difference	204,190	101,428	204,190	101,428
	<b>729,461</b>	<b>1,146,958</b>	<b>729,461</b>	<b>1,146,958</b>

## Notes (Continued)

### 30. Borrowings

#### (b) Senior loan (Continued)

	Group		Bank	
	2023	2022	2023	
	Shs'000	Shs'000	Shs'000	Shs'000
<b>(iii) African Development Bank (AfDB)</b>				
At start of year	3,730,799	4,305,938	3,730,799	4,305,938
Accrued interest	289,883	192,553	289,883	192,553
Paid during the year	(1,402,064)	(1,139,252)	(1,402,064)	(1,139,252)
Translation difference	775,085	371,560	775,085	371,560
	<b>3,393,703</b>	<b>3,730,799</b>	<b>3,393,703</b>	<b>3,730,799</b>
<b>(v) Agence Francaise Development (AFD)</b>				
At start of year	810,087	854,191	385,603	410,493
Accrued interest	8,470	18,789	5,673	13,729
Paid during the year	(489,911)	(144,879)	(405,770)	(76,297)
Translation difference	121,384	81,986	14,494	37,678
	<b>450,030</b>	<b>810,087</b>	<b>-</b>	<b>385,603</b>
<b>Total - Senior loans</b>	<b>20,307,297</b>	<b>18,162,191</b>	<b>19,857,267</b>	<b>17,737,707</b>

#### (c) Trade Finance

<b>Caixa Bank</b>				
At start of year	3,746,878	3,396,187	3,746,878	3,396,187
Accrued interest	70,763	88,970	70,763	88,970
Paid during the year	(4,125,375)	(73,742)	(4,125,375)	(73,742)
Translation difference	307,734	335,463	307,734	335,463
<b>Total - Trade finance</b>	<b>-</b>	<b>3,746,878</b>	<b>-</b>	<b>3,746,878</b>

#### (c) Administered funds

Bank of Uganda	13,467	3,501	-	-
<b>Total - Borrowings</b>	<b>23,980,814</b>	<b>25,512,526</b>	<b>23,268,936</b>	<b>24,699,186</b>

## Notes (Continued)

### 30. Borrowings (Continued)

#### Description of Borrowings

##### i. Subordinated debts

###### Diamond Trust Bank Kenya Limited

As at 31 December 2023, Diamond Trust Bank Kenya Limited has one long-term subordinated debt facility amounting to US\$ 20.8 million (2022:US\$ 25 million raised from the African Development Bank (AfDB). The unsecured facility was issued in October 2018, with a tenure of 8 years.

###### Diamond Trust Bank Tanzania Limited

In September 2014, Diamond Trust Bank Tanzania Limited received a 10 year subordinated debt facility of US\$ 7.5 million from DEG which Matures in August 2024. The outstanding balance on this facility as at 31 December 2023 was US\$ 1.5 million. (2022- US\$ 3.0 million).

##### i. Senior loans

###### Diamond Trust Bank Kenya Limited

The bank has a 7 year loan from Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a 8 year loan from AFDB and a US\$ 100 million Covid-19 working capital solutions facility from IFC drawn in October 2022. The total exposure at year end was US\$ 125.3 million (2022 US\$ 142.7million)

###### Diamond Trust Bank Uganda Limited

On 11 May 2017, the Bank received USD 5 million from AFD (Agence Française De Développement) for 11.2 years. The outstanding balance as at 31 December 2023 was US\$ 2.8 million (2022-US\$ 3.3 million). The loan is reference to the 6 months Term Secured Overnight Financing Rate (SOFR) effective 30 June 2023.

##### iii. Trade finance

The trade finance borrowing related to funds sourced to finance trade transactions. The outstanding balance as at 31 December 2023 was nil (2022: US\$ 30million).

##### iii. Administered funds

In 2022, the Government of Uganda (GoU) through Bank of Uganda (BOU) introduced the Small Business Recovery Fund (SBRF) to provide loans to small businesses that have been adversely affected by the COVID-19 pandemic and have suffered financial distress but show potential for recovery if provided with financial support. The funding is done on a 50 – 50 risk sharing basis where the 50% funding by GoU is at zero interest rate with maximum loan amount set at US\$ 200 million ( Kshs 8 million) for a maximum tenure of 4 years for the credit facilities to eligible borrowers.

## Notes (Continued)

### 31. Share capital and reserves

#### Share capital and share premium

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000	Total Shs'000
1 January and 31 December 2022	279,602	1,118,409	9,006,569	10,124,978
1 January and 31 December 2023	279,602	1,118,409	9,006,569	10,124,978

The total authorised number of ordinary shares is 300,000,000 (2022: 300,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2023 are 279,602,220 (2022: 279,602,220) and are fully paid.

Ordinary shares rank equally with regard to residual assets. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at the annual general meetings of the company.

### 32. Other reserves

#### Consolidated statement of changes in other reserves

	Note	Revaluation surplus Shs'000	Fair value reserve on government securities/ equity investments Shs'000	Translation reserve Shs'000	Other reserves Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>						
At start of year		2,069,179	(595,802)	303,784	(301,082)	1,476,079
Excess depreciation		(35,609)	-	-	-	(35,609)
Deferred tax on transfer of excess depreciation		6,121	-	-	-	6,121
Net loss from changes in fair value of government securities		-	(3,557,807)	-	-	(3,557,807)
Translation adjustment	(i)	-	-	1,439,236	-	1,439,236
Legal and public investment reserve	(ii)	-	-	-	68,388	68,388
Net gain from changes in fair value of equity investments		-	(1,289,691)	-	-	(1,289,691)
Increase in deferred tax on revaluation following change in tax rate from 5% to 15%		(154,948)	-	-	-	(154,948)
Net revaluation surplus on property		43,763	-	-	-	43,763
<b>At end of year</b>		<b>1,928,506</b>	<b>(5,443,300)</b>	<b>1,743,021</b>	<b>(232,694)</b>	<b>(2,004,468)</b>



## Notes (Continued)

## 32. Other reserves (Continued)

## Consolidated statement of changes in other reserves (Continued)

		Revaluation surplus	Fair value reserve on government securities/ equity investments	Translation reserve	Other reserves	Total
	Note	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>Year ended 31 December 2023</b>						
At start of year		1,928,506	(5,443,300)	1,743,021	(232,694)	(2,004,468)
Excess depreciation		(40,242)	-	-	-	(40,242)
Deferred tax on transfer of excess depreciation		7,511	-	-	-	7,511
Net loss from changes in fair value of government securities		-	(2,551,701)	-	-	(2,551,701)
Translation adjustment	(i)	-	-	2,996,804	-	2,996,804
Legal and public investment reserve	(ii)	-	-	-	49,766	49,766
<b>At end of year</b>		<b>1,895,775</b>	<b>(7,995,001)</b>	<b>4,739,825</b>	<b>(182,928)</b>	<b>(1,542,330)</b>

(i) These differences arise on translation of the financial statements of the foreign subsidiaries at the end of period exchange rates.

(ii) The prudential guidelines in Burundi require banks to set aside 5% of their previous year's retained earnings in a reserve that is not distributable to shareholders (legal reserve). Further the law requires all Financial Institutions to set aside a reserve equivalent to 30% of the Bank's profit after tax as investment reserve intended to finance the public infrastructure of large scale after ten years.

## Notes (Continued)

### 32. Other reserves (Continued)

#### Bank statement of changes in reserves

Other reserves	Revaluation surplus Shs'000	Fair value reserve on equity investment Shs'000	Total Shs'000
<b>Year ended 31 December 2022</b>			
At start of year	1,911,717	(692,697)	1,219,020
Fair value changes on valuation of Government securities	-	(3,526,050)	(3,526,050)
Fair value changes on valuation of Equity investments	-	(1,289,691)	(1,289,691)
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	4,561	-	4,561
Increase in deferred tax on revaluation following change in tax rate from 5% to 15%	(154,948)	-	(154,948)
At end of year	1,730,922	(5,508,438)	(3,777,516)
<b>Year ended 31 December 2023</b>			
At start of year	1,730,922	(5,508,438)	(3,777,516)
Fair value changes on valuation of Government securities	-	(3,170,632)	(3,170,632)
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	4,561	-	4,561
	1,705,075	(8,679,070)	(6,973,995)

Other reserves represent surplus on the revaluation of leasehold land and buildings net of income tax and the fair value changes on equity investment at fair value through OCI. The reserves are non distributable.

#### (a) Revaluation surplus on property

Revaluation reserve is made up of the periodic adjustments arising from the fair valuation of leasehold land and buildings, net of the related deferred taxation. The reserve is not available for distribution to the shareholders.

#### (b) Translation reserve

The reserves represent exchange differences arising from translation of the net assets of the Group's foreign operation in Tanzania, Uganda and Burundi from their functional currency to the Group's presentation currency (Kenya Shillings). These differences are recognised directly through other comprehensive income and accumulated in the translation reserve.

#### (c) Retained earnings

This represents undistributed profits from current and previous years.

#### (d) Statutory loan loss reserve

Where impairment losses required by prudential guidelines issued by the banking regulators exceed those computed under the IFRS Accounting Standards, the excess is recognised as a statutory reserve and accounted for as an appropriation from revenue reserves. The reserve is not available for distribution to the shareholders.

#### (e) Proposed dividend

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until approved by the shareholders at the Annual General Meeting.

## Notes (Continued)

### 33. Cash flows (used in)/generated from operating activities

		Group		Bank	
		2023	2022	2023	2022
	Note	Shs'000	Shs'000	Shs'000	Shs'000

#### Cash flows generated from/(used in) operating activities

Profit before income tax		9,003,460	9,524,933	5,433,590	6,590,446
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#### Adjustments for:

Depreciation of property and equipment	20	1,194,352	839,117	494,184	409,216
Depreciation of right of use assets	22	645,353	608,123	250,600	235,038
Amortisation of intangible assets	19	466,314	352,580	251,408	176,407
Interest income	5	(53,311,533)	(40,066,887)	(34,884,715)	(27,692,795)
Interest expense on deposits	6	23,188,187	15,687,443	16,107,251	12,019,846
Dividend income		-	-	(180,000)	(150,000)
Interest expense on lease liability	6	513,611	432,122	337,272	283,640
Interest expense on borrowings	6	2,035,146	1,060,225	1,974,875	1,017,558
Gain/(loss) on modified assets		(113,189)	349,910	(264,595)	313,326
Share of results of associates	25(b)	(30,010)	(16,963)	-	-
Right of use derecognition	22	347,509	160,195	183,176	109,165
Right of use modifications/additions	22	(1,406,285)	(611,385)	(798,918)	(432,295)
Lease liability derecognition	22	(448,158)	(208,523)	(269,623)	(155,462)
Lease liability modifications/additions	22	1,380,671	504,671	798,918	343,077
(Loss)/gain on disposal of property and equipment	7	7,807	9,429	(3,617)	7,761
Commitment fees on borrowings		(118,575)	(280,726)	(90,570)	(245,672)
Exchange rate on borrowings		5,248,833	1,431,695	5,032,331	1,741,616
Credit impairment charge	17	9,600,856	6,711,237	7,768,646	4,949,087
Recovery of loans previously written off	17	719,738	430,539	172,509	40,676
Gain/(loss) on sale of treasury bonds	7	(193,828)	10,594	(3,617)	10,594
ECL on deposits with other banks		(5,048)	(7,395)	(1,670)	380

<b>Operating profit before movements in operating assets and liabilities</b>		<b>(1,274,789)</b>	<b>(3,079,066)</b>	<b>2,307,435</b>	<b>(428,391)</b>
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#### Changes in operating assets and liabilities:

- cash reserve requirement		2,565,142	(4,228,193)	(1,916,761)	(1,016,875)
- Government securities		(14,319,162)	(20,703,851)	9,008,245	(13,128,187)
- loans and advances to customers		(64,268,552)	(40,663,374)	(36,905,008)	(24,023,867)
- derivative assets		17,287	(91,649)	1,690	(73,732)
- other assets		(201,349)	(1,392,722)	(419,055)	(536,023)
- customer deposits		97,257,211	54,694,949	45,765,964	23,816,701
- other liabilities		2,179,716	(6,296,076)	781,128	(6,735,760)
- derivative liabilities		312,217	124,432	316,226	119,182

<b>Cash (used in)/generated from operating activities</b>		<b>22,267,721</b>	<b>(21,635,550)</b>	<b>18,939,864</b>	<b>(22,006,952)</b>
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## Notes (Continued)

### 34. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties.

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000

#### Off balance sheet liabilities

Acceptances and letters of credit	44,461,809	12,950,673	39,378,511	8,309,102
Guarantees and performance bonds	33,527,622	15,372,726	25,435,469	10,644,289
	<b>77,989,431</b>	<b>28,323,399</b>	<b>64,813,980</b>	<b>18,953,391</b>

#### Nature of contingent liabilities

An acceptance is an undertaking by a Group to pay a bill of exchange drawn on a customer. The Group expects the acceptances to be presented and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customers default.

#### (a) Commitments

	Group		Bank	
	2023 Shs'000	2022 Shs'000	2023 Shs'000	2022 Shs'000
Undrawn credit lines and other commitments to lend	19,883,807	14,408,410	11,446,081	7,896,318
Capital commitments	262,657	80,101	39,369	45,580
	<b>20,146,464</b>	<b>14,488,511</b>	<b>11,485,450</b>	<b>7,941,898</b>

#### Nature of commitments

Commitments to lend are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for a fixed period.

#### (b) Foreign exchange derivatives

The Bank's principal exchange rate-related contracts are forward foreign exchange contracts, options and currency swaps. Forward foreign exchange contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. A currency swap generally involves the exchange, or notional exchange, of equivalent amounts of two currencies and a commitment to exchange interest periodically until the principal amounts are re-exchanged on a future date. As compensation for assuming the option risk, the option writer generally receives a premium at the start of the option period.

The Bank trades foreign exchange forwards and swaps (forward contracts). These are binding contracts locking in the exchange rate for the purchase or sale of a currency on a future date. The Bank's forward book is marked to market on a daily basis.

## Notes (Continued)

### 34. Off balance sheet financial instruments, contingent liabilities and commitments (Continued)

Group	Notional Contract Amount	Carrying value assets	Carrying value liabilities
	Shs'000	Shs'000	Shs'000
<b>2023</b>			
Foreign exchange forward contracts	18,497,679	71,423	434,370
Foreign exchange spot transactions	4,418,308	2,939	2,279
	<b>22,915,987</b>	<b>74,362</b>	<b>436,649</b>
<b>2022</b>			
Foreign exchange forward contracts	13,238,351	85,595	103,967
Foreign exchange spot transactions	3,195,563	6,054	20,465
	<b>16,433,914</b>	<b>91,649</b>	<b>124,432</b>
<b>Bank</b>			
<b>2023</b>			
Foreign exchange forward contracts	15,634,978	69,103	433,129
Foreign exchange spot transactions	410,130	2,939	2,279
	<b>16,045,108</b>	<b>72,042</b>	<b>435,408</b>
<b>2022</b>			
Foreign exchange forward contracts	11,030,831	67,678	98,717
Foreign exchange spot transactions	1,630,787	6,054	20,465
	<b>12,661,618</b>	<b>73,732</b>	<b>119,182</b>

### 35. Business segments information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board for the purposes of resource allocation and assessment of segment performance is focused on geographical regions. Although the Burundi segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the Board.

The reportable operating segments derive their revenue primarily from banking services including current, savings and deposits accounts, credit cards, asset finance, money transmission, treasury and commercial lending. The parent Bank also operates a fully owned Bancassurance intermediary in Kenya. The assets and profit of the intermediary are not material and make up less than 10% of the combined assets and profit of the Group. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

For management and reporting purposes, Diamond Trust Bank is organised into the following business segments;

- Diamond Trust Bank Tanzania Limited, which became a subsidiary company in June 2007, with operations in Tanzania.
- Diamond Trust Bank Uganda Limited, which became a subsidiary company in October 2008, with operations in Uganda. Network Insurance Agency Limited, which is a wholly owned subsidiary of Diamond Trust Bank Uganda Limited, operates in Uganda.
- Diamond Trust Bank Burundi S.A., which was set up as a subsidiary company in November 2008, with operations in Burundi.
- Kenya is the home country of the parent Bank and its fully owned Bancassurance intermediary, Diamond Trust Bancassurance Intermediary Limited.

The Group did not have any single customer who represented more than 10% of its revenues. The following is the segment information:

## Notes (Continued)

## 35. Business segments information (Continued)

## (a) Financial summary

	Kenya	Tanzania	Uganda	Burundi	Total	Consolidation adjustments	Group
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 31 December 2023</b>							
Interest income from external customers	34,886,335	7,786,370	10,189,049	449,779	53,311,533	-	<b>53,311,533</b>
Other income from external customers	7,235,760	2,616,779	1,568,735	13,971	11,435,245	-	<b>11,435,245</b>
<b>Total income from external customers</b>	<b>42,122,095</b>	<b>10,403,149</b>	<b>11,757,784</b>	<b>463,750</b>	<b>64,746,778</b>	<b>-</b>	<b>64,746,778</b>
Share of results of associate after tax	-	-	-	30,010	30,010	-	<b>30,010</b>
Gain/(loss) on modified assets	264,594	(108,100)	(43,305)	-	113,189	-	<b>113,189</b>
Inter-segment income	11,874	1,729	60,347	938	74,888	(74,888)	-
<b>Total income</b>	<b>42,398,563</b>	<b>10,296,778</b>	<b>11,774,826</b>	<b>494,698</b>	<b>64,964,865</b>	<b>(74,888)</b>	<b>64,889,977</b>
Interest expense from external customers	(18,346,267)	(2,365,258)	(4,931,225)	(94,194)	(25,736,944)	-	<b>(25,736,944)</b>
Other expenses – external	(9,680,531)	(4,120,703)	(4,208,137)	(233,327)	(18,242,698)	-	<b>(18,242,698)</b>
Inter-segment expenses	(73,131)	(457)	(1,300)	-	(74,888)	74,888	-
Depreciation and amortisation	(998,144)	(612,369)	(657,637)	(37,869)	(2,306,019)	-	<b>(2,306,019)</b>
Impairment losses	(7,768,646)	(1,581,359)	(273,149)	22,298	(9,600,856)	-	<b>(9,600,856)</b>
<b>Total expenses</b>	<b>(36,866,719)</b>	<b>(8,680,146)</b>	<b>(10,071,448)</b>	<b>(343,092)</b>	<b>(55,961,405)</b>	<b>74,888</b>	<b>(55,886,517)</b>
Segment profit before tax	5,531,844	1,616,632	1,703,378	151,606	9,003,460	-	<b>9,003,460</b>
Income tax expense	(534,356)	(499,639)	(138,387)	(36,106)	(1,208,488)	-	<b>(1,208,488)</b>
<b>Segment profit after tax</b>	<b>4,997,488</b>	<b>1,116,993</b>	<b>1,564,991</b>	<b>115,500</b>	<b>7,794,972</b>	<b>-</b>	<b>7,794,972</b>
Segment assets	399,750,644	112,703,098	124,723,813	5,974,674	643,152,229	(8,111,387)	<b>635,040,842</b>
Segment liabilities	342,993,724	97,097,622	106,979,859	4,235,937	551,307,142	(2,617,824)	<b>548,689,318</b>



## Notes (Continued)

## 35. Business segments information (Continued)

## (a) Financial summary (Continued)

	Kenya	Tanzania	Uganda	Burundi	Total	Consolidation adjustments	Group
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 31 December 2022</b>							
Interest income from external customers	27,691,259	5,820,189	6,152,222	403,217	40,066,887	-	<b>40,066,887</b>
Other income from external customers	<b>5,808,716</b>	<b>1,632,689</b>	<b>1,119,445</b>	<b>61,433</b>	<b>8,622,283</b>	-	<b>8,622,283</b>
Total income from external customers	33,499,975	7,452,878	7,271,667	464,650	48,689,170	-	<b>48,689,170</b>
Share of results of associate after tax	-	-	-	16,963	16,963	-	<b>16,963</b>
Loss on modified assets	(313,327)	-	(36,583)	-	(349,910)	-	<b>(349,910)</b>
Inter-segment income	11,551	1,158	16,714	723	30,146	(30,146)	-
Total income	<b>33,198,199</b>	<b>7,454,036</b>	<b>7,251,798</b>	<b>482,336</b>	<b>48,386,369</b>	<b>(30,146)</b>	<b>48,356,223</b>
Interest expense from external customers	(13,293,875)	(1,643,601)	(2,160,553)	(81,761)	(17,179,790)	-	<b>(17,179,790)</b>
Other expenses – external	(7,456,138)	(2,667,405)	(2,833,170)	(183,730)	(13,140,443)	-	<b>(13,140,443)</b>
Inter-segment expenses	(27,169)	(370)	(2,607)	-	(30,146)	30,146	-
Depreciation and amortisation	(822,224)	(507,889)	(436,442)	(33,265)	(1,799,820)	-	<b>(1,799,820)</b>
Impairment losses	(4,949,087)	(1,292,834)	(448,327)	(20,989)	(6,711,237)	-	<b>(6,711,237)</b>
Total expenses	<b>(26,548,493)</b>	<b>(6,112,099)</b>	<b>(5,881,099)</b>	<b>(319,745)</b>	<b>(38,861,436)</b>	<b>30,146</b>	<b>(38,831,290)</b>
Segment profit before tax	6,649,706	1,341,937	1,370,699	162,591	9,524,933	-	<b>9,524,933</b>
Income tax expense	(2,134,109)	(478,771)	(124,054)	5,879	(2,731,055)	-	<b>(2,731,055)</b>
Segment profit after tax	<b>4,515,597</b>	<b>863,166</b>	<b>1,246,645</b>	<b>168,470</b>	<b>6,793,878</b>	-	<b>6,793,878</b>
Segment assets	<b>359,483,294</b>	<b>88,882,099</b>	<b>81,094,816</b>	<b>4,943,757</b>	<b>534,403,966</b>	<b>(7,296,266)</b>	<b>527,107,700</b>
Segment liabilities	<b>303,155,220</b>	<b>76,180,581</b>	<b>68,761,868</b>	<b>3,151,035</b>	<b>451,248,704</b>	<b>(1,802,705)</b>	<b>449,445,999</b>

## Notes (Continued)

### 35. Business segments information (Continued)

#### (b) Additions to non current assets

	Kenya	Tanzania	Uganda	Burundi	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 31 December 2023</b>					
Property and equipment	1,148,183	555,846	470,675	27,133	2,201,837
Intangible assets- software	657,735	60,798	81,002	5,059	804,594
	<b>1,805,918</b>	<b>616,644</b>	<b>551,677</b>	<b>32,192</b>	<b>3,006,431</b>
<b>At 31 December 2022</b>					
Property and equipment	964,366	356,420	451,532	2,079	1,774,397
Intangible assets- software	298,623	123,870	82,642	11,650	516,785
	<b>1,262,989</b>	<b>480,290</b>	<b>534,174</b>	<b>13,729</b>	<b>2,291,182</b>

#### (c) Revenue by products

An analysis of revenue by product from external customers is presented below:

	Kenya	Tanzania	Uganda	Burundi	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
<b>At 31 December 2023</b>					
<b>Interest income</b>					
Loans and advances	19,174,650	5,267,075	3,746,375	349,434	28,537,534
Government securities	15,564,980	2,259,915	6,226,171	89,633	24,140,699
Placement and bank balances	146,705	259,380	216,503	10,712	633,300
	<b>34,886,335</b>	<b>7,786,370</b>	<b>10,189,049</b>	<b>449,779</b>	<b>53,311,533</b>
<b>Interest expense</b>					
Customer deposits	14,323,637	2,191,098	4,286,301	80,347	20,881,383
Deposits due to banking institutions	1,708,726	55,064	533,801	9,213	2,306,804
Interest from borrowings and lease liability	2,312,147	119,553	112,423	4,634	2,548,757
	<b>18,344,510</b>	<b>2,365,715</b>	<b>4,932,525</b>	<b>94,194</b>	<b>25,736,944</b>
<b>Net interest income</b>	<b>16,541,825</b>	<b>5,420,655</b>	<b>5,256,524</b>	<b>355,585</b>	<b>27,574,589</b>
<b>Non interest income</b>					
Fee and commission income	2,786,368	1,186,088	1,031,516	35,083	5,039,055
Foreign exchange income	3,970,312	1,223,087	415,720	(22,142)	5,586,977
Other income	479,080	207,604	121,499	1,030	809,213
	<b>7,235,760</b>	<b>2,616,779</b>	<b>1,568,735</b>	<b>13,971</b>	<b>11,435,245</b>

## Notes (Continued)

## 35. Business segments information (Continued)

## (c) Revenue by products (continued)

An analysis of revenue by product from external customers is presented below:

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
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## At 31 December 2022

## Interest income

Loans and advances	14,091,521	4,027,755	2,663,173	288,442	21,070,891
Government securities	13,547,827	1,574,882	3,454,797	114,819	18,692,325
Placement and bank balances	51,911	217,552	34,208	-	303,671
	<b>27,691,259</b>	<b>5,820,189</b>	<b>6,152,178</b>	<b>403,261</b>	<b>40,066,887</b>

## Interest expense

Customer deposits	11,231,239	1,463,733	1,875,993	65,040	14,636,005
Deposits due to banking institutions	758,461	75,794	205,814	11,369	1,051,438
Interest from borrowings and lease liability	1,301,198	104,444	81,353	5,352	1,492,347
	<b>13,290,898</b>	<b>1,643,971</b>	<b>2,163,160</b>	<b>81,761</b>	<b>17,179,790</b>
<b>Net interest income</b>	<b>14,400,361</b>	<b>4,176,218</b>	<b>3,989,018</b>	<b>321,500</b>	<b>22,887,097</b>

## Non interest income

Fee and commission income	2,104,170	1,002,284	775,801	47,777	3,930,032
Foreign exchange income	3,368,585	594,489	328,367	13,516	4,304,957
Other income	335,961	35,916	15,277	140	387,294
	<b>5,808,716</b>	<b>1,632,689</b>	<b>1,119,445</b>	<b>61,433</b>	<b>8,622,283</b>

## Notes (Continued)

### 36. Analysis of cash and cash equivalents as shown in the statement of cash flows

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with the central banks (Note 14)	50,233,669	36,992,122	19,679,004	15,803,197
Cash reserve requirement	(17,964,795)	(20,529,937)	(12,389,710)	(10,472,949)
Balances due to Central Bank (Note 26)	(13,026,047)	-	(13,026,047)	-
Deposits and balances due from banking institutions (Note 16)	36,349,806	19,484,592	21,834,968	8,394,023
Deposits and balances due to banking institutions (Note 28)	(12,313,515)	(26,678,946)	(2,745,794)	(22,213,787)
	<b>43,279,118</b>	<b>9,267,831</b>	<b>13,352,421</b>	<b>(8,489,516)</b>

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition, including: cash and balances with Central Banks, treasury bills and bonds and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

Banks are required to maintain a prescribed minimum cash balance with the Central Banks that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 4.25% (2022: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

### 37. Related party transaction

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial or operational decisions.

The Group holds deposits from directors, companies associated with directors and employees. Advances to customers include advances and loans to directors, companies associated with directors and employees. Contingent liabilities include guarantees and letters of credit for companies associated with the directors.

#### (a) Group Companies

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000

#### Amounts due to:

Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	2,519,087	1,712,489
Interest expense paid on amounts due to group Companies	-	-	73,132	27,300

#### Amounts due from:

Other group companies (Included in deposits due from banking institutions and borrowed funds)	-	-	16,135	4,981
Interest income earned from amounts due from group Companies	-	-	1,757	2,977

## Notes (Continued)

### 37. Related Party Transactions (Continued)

#### (b) Directors

Advances to customers at 31 December 2023 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
<b>Loans to directors:</b>				
At start of year	21,422	25,199	11,799	12,992
Advanced during the year	3,423	1,545	1,565	1,253
Repaid during the year	(4,439)	(6,410)	(950)	(2,446)
Translation adjustment	1,691	1,088	-	-
<b>At end of year</b>	<b>22,097</b>	<b>21,422</b>	<b>12,414</b>	<b>11,799</b>
<b>Interest income earned from directors loans</b>	<b>1,836</b>	<b>2,029</b>	<b>864</b>	<b>1,085</b>

These are loans to executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

#### Deposits by directors:

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	1,616,442	1,328,783	1,254,629	920,078
Net movement during the year	(734,821)	251,147	(505,621)	334,551
Translation adjustment	66,939	36,512	-	-
<b>At end of year</b>	<b>948,560</b>	<b>1,616,442</b>	<b>749,008</b>	<b>1,254,629</b>
<b>Interest paid on directors' deposits</b>	<b>67,700</b>	<b>61,199</b>	<b>67,697</b>	<b>61,174</b>

## Notes (Continued)

### 37. Related Party Transactions (Continued)

#### (c) Other disclosures

	Group		Bank	
	2023	2022	2023	2022
	Shs'000	Shs'000	Shs'000	Shs'000

#### Advances to other related parties

Advances to companies related through control by a common shareholder, controlled by directors or their families

2,561,910      3,223,218      1,516,078      1,967,210

Advances to employees

2,780,609      2,134,085      1,930,613      1,615,114

Contingent liabilities including letters of credit and guarantees issued for the account of companies related through shareholding, common directorship and companies controlled by directors or their families

383,416      289,168      352,504      282,132

Interest income earned from related companies and employees

445,201      427,425      326,262      314,014

#### Deposits with other related parties

Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families

21,848,246      15,991,806      6,193,023      4,432,531

Deposits by employees

376,285      291,426      261,798      207,705

Interest expense incurred on deposits by related companies and employees

1,054,082      847,754      261,798      360,587

Advances to employees comprise of check-off loans repayable at an average interest rate of 9% per annum and property mortgages.

#### Key management compensation

Salaries and other short-term employment benefits

1,262,945      1,026,127      595,411      507,522

Termination benefits

79,419      54,534      35,715      28,175

**1,342,364      1,080,661      631,126      535,697**

#### Director's remuneration

-fees for services as a director

51,057      49,237      30,705      34,755

-other emoluments (included in key management compensation above)

207,140      193,435      126,280      117,319

**258,197      242,672      156,985      152,074**

### 38. Assets pledged as security

As at 31 December 2023, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities (2022: nil).

### 39. Subsequent events

The directors are not aware of events after the reporting date that require disclosure or adjustment to the financial statement as at the date of this report.



# Administration

## Acronyms and definitions

#	
4IR	Fourth Industrial Revolution

A	
AFAWA	Affirmative Finance Action for Women in Africa
AGF	African Guarantee Fund
AGM	Annual General Meeting
AI	Artificial Intelligence
ALCO	Asset Liability Committee
AML	Anti-money Laundering

B	
B2B2C	Business to Business to Customer
BaaS	Banking as a Service
BACC	Board Audit and Compliance Committee
BCC	Board Credit Committee
BDMC	Business Development Management Committee
BITC	Board Innovation and Technology Committee
BNHRC	Board Nomination and Human Resources Committee
BoU	Bank of Uganda
BRI	Belt and Road Initiative
BRMC	Board Risk Management Committee
BSC	Board Strategy Committee

C	
CBK	Central Bank of Kenya
CES	Customer Effort Score
CFC	Combating of Financial Crime
CMA	Capital Markets Authority
CSAT	Customer Satisfaction Score

D	
DEI	Diversity, Equity and Inclusion
DPO	Data Protection Officer
DTB	Diamond Trust Bank

E	
EACOP	East Africa Crude Oil Pipeline
EDD	Enhanced Due Diligence
ERM	Enterprise Risk Management
ERMF	Enterprise Risk Management Framework
ESG	Environmental, Social and Governance
ESMS	Environmental and Social Management System
ESSD	Environmental and Social Due Diligence
EVP	Employee Value Proposition
Exco	Executive Committee

F	
FDI	Foreign Direct Investment
FYDPIII	Five-year Development Plan III (Tanzania)

G	
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GRI	Global Reporting Initiative

H	
HRMC	Human Resource Management Committee

I	
ICAAP	Internal Capital Adequacy Assessment Process
ICT	Information and Communications Technology
IFC	International Finance Corporation
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information
IFRS S2	Climate Related Disclosures

IMEC	Indian-Middle East-European Corridor
IVR	Interactive Voice Response

K	
KSHS	Kenyan Shilling
KBA	Kenya Bankers' Association
KPI	Key Performance Indicator

## M

MCC	Management Credit Committee
MSMEs	Micro, Small and Medium-sized Enterprises
MTS	Money Transfer Service

## N

NPL	Non-performing Loan
NPS	Net Promotor Score
NSE	Nairobi Securities Exchange

## O

OECD	Organisation for Economic Cooperation and Development
OPCO	Operating Subcommittee
ORM	Operational Risk Management

## P

PDIC	Product Development and Innovation Committee
PEP	Politically Exposed Person

## R

RAS	Risk Appetite Statement
RMCC	Risk Management Compliance Committee
RPA	Robotic Process Automation

## S

SME	Small and Medium Enterprises
SSA	Sub-Saharan Africa
SUSCO	Sustainability Committee

## T

TCFD	Task Force on Climate-related Financial Disclosures
ToR	Terms of Reference
TZS	Tanzanian Shilling

## U

UFAA	Unclaimed Financial Assets Authority
UGX	Ugandan Shilling
UNEP FI	United Nations Environment Programme Finance Initiative
UN SDGs	United Nations Sustainable Development Goals
USD	United States Dollar

## V

VUCA	Volatile, Uncertain, Complex and Ambiguous
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## W

WWF	World Wide Fund for Nature
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# GRI content index

**Statement of use** DTB has reported the information cited in this GRI content index for the period 1 January to 31 December 2023 with reference to the GRI Standards.

**GRI 1 used** GRI 1: Foundation 2021

GRI Standard	Disclosure	Location	Page
<b>GRI 2:</b> General Disclosures 2021	<b>2-1</b> Organizational details	About us	05
	<b>2-2</b> Entities included in the organization's sustainability reporting	About our integrated report	01
	<b>2-3</b> Reporting period, frequency and contact point	About our integrated report	01
	<b>2-5</b> External assurance	About our integrated report	01
	<b>2-6</b> Activities, value chain and other business relationships	About us	05
	<b>2-7</b> Employees	Human capital and culture	57
	<b>2-8</b> Workers who are not employees	Human capital and culture	57
	<b>2-9</b> Governance structure and composition	How we are led	77
	<b>2-10</b> Nomination and selection of the highest governance body	How we are led	77
	<b>2-11</b> Chair of the highest governance body	How we are led	77
	<b>2-12</b> Role of the highest governance body in overseeing the management of impacts	How we are led	77
	<b>2-13</b> Delegation of responsibility for managing impacts	How we are led	77
	<b>2-14</b> Role of the highest governance body in sustainability reporting	How we are led	77
	<b>2-15</b> Conflicts of interest	How we are led	77
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	<b>2-18</b> Evaluation of the performance of the highest governance body	How we are led	77
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	<b>2-20</b> Process to determine remuneration	How we are led	77
	<b>2-22</b> Statement on sustainable development strategy	How we create value	29
	<b>2-23</b> Policy commitments	How we are led	87
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	<b>2-25</b> Processes to remediate negative impacts	How we are led	87
	<b>2-26</b> Mechanisms for seeking advice and raising concerns	How we are led	87
	<b>2-27</b> Compliance with laws and regulations	Risk management	91
	<b>2-28</b> Membership associations	Stakeholder engagement	63
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	<b>2-30</b> Collective bargaining agreements	Human capital and culture	57
<b>GRI 3:</b> Material Topics 2021	<b>3-1</b> Process to determine material topics	Stakeholder engagement	63
	<b>3-2</b> List of material topics	Stakeholder engagement	63
	<b>3-3</b> Management of material topics	Stakeholder engagement	63
<b>GRI 201:</b> Economic Performance 2016	<b>201-1</b> Direct economic value generated and distributed	Financial review	23
		Financial review	23
	<b>201-2</b> Financial implications and other risks and opportunities due to climate change	Risk management	91







GRI Standard	Disclosure	Location	Page
	<b>201-3</b> Defined benefit plan obligations and other retirement plans	Risk management	103
<b>GRI 203:</b> Indirect Economic Impacts 2016	<b>203-1</b> Infrastructure investments and services supported	How we create value	29
	<b>203-2</b> Significant indirect economic impacts	Financial review	23
		How we create value	29
		financial statements	103
<b>GRI 204:</b> Procurement Practices 2016	<b>204-1</b> Proportion of spending on local suppliers	Stakeholder engagement	63
<b>GRI 205:</b> Anti-corruption 2016	<b>205-1</b> Operations assessed for risks related to corruption	Risk management	91
	<b>205-2</b> Communication and training about anti-corruption policies and procedures	Human capital and culture	57
<b>GRI 207:</b> Tax 2019	<b>207-1</b> Approach to tax	Stakeholder engagement	63
	<b>207-2</b> Tax governance, control, and risk management	How we are led	77
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	<b>207-3</b> Stakeholder engagement and management of concerns related to tax	Stakeholder engagement	63
	<b>207-4</b> Country-by-country reporting	Financial review	23
<b>GRI 301:</b> Materials 2016	<b>301-2</b> Recycled input materials used	How we create value	29
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<b>GRI 303:</b> Water and Effluents 2018	<b>303-1</b> Interactions with water as a shared resource	How we create value	29
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<b>GRI 304:</b> Biodiversity 2016	<b>304-2</b> Significant impacts of activities, products and services on biodiversity	How we create value	29
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GRI Standard	Disclosure	Location	Page
<b>GRI 306:</b> Waste 2020	<b>306-1</b> Waste generation and significant waste-related impacts	How we create value	29
	<b>306-2</b> Management of significant waste-related impacts	How we create value	29
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<b>GRI 308:</b> Supplier Environmental Assessment 2016	<b>308-1</b> New suppliers that were screened using environmental criteria	How we create value	29
<b>GRI 401:</b> Employment 2016	<b>401-1</b> New employee hires and employee turnover	Human capital and culture	57
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<b>GRI 403:</b> Occupational Health and Safety 2018	<b>403-1</b> Occupational health and safety management system	Human capital and culture	57
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<b>GRI 404:</b> Training and Education 2016	<b>404-1</b> Average hours of training per year per employee	Human capital and culture	57
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<b>GRI 405:</b> Diversity and Equal Opportunity 2016	<b>405-1</b> Diversity of governance bodies and employees	How we are led	77
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<b>GRI 413:</b> Local Communities 2016	<b>413-1</b> Operations with local community engagement, impact assessments, and development programs	How we create value	29
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# TCFD index mapping

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<b>Governance</b>	a) We describe the Board's oversight of climate related risk and opportunities	How we are led	81, 85, 86
	b) We describe management's role in assessing and managing climate related risk and opportunities		
<b>Strategy</b>	a) We describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	How we are led	29, 41
	b) We describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		
	c) We describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.		
<b>Risk management</b>	a) We describe the organisation's process for identifying, assessing, and managing climate-related risks	Risk management	91
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	c) We describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.		
<b>Metrics and targets</b>	a) We disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	How we create value	43, 44, 45, 46, 94, 95, 96, 99
	b) We disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.		
	c) We describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.		



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