

DTB

DIAMOND
TRUST
BANK

2022

INTEGRATED REPORT AND FINANCIAL STATEMENTS



ABOUT OUR COVER

'Bank with us, Bank on us' reflects our commitment to being more than just a bank. Our cover page represents a delighted DTB customer, while across the rest of the Report, we also showcase other stakeholders who have been positively impacted by the bank, symbolising our purpose to improve the quality of lives of all our stakeholders. This is anchored on our mission to make our customers prosper, our staff excel, and create value for our stakeholders.

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Empowered

Before I took part in the ROSE Women's Foundation's accelerator program by DTB, my business was barely breaking even or meeting my needs. Today, as a result of the training, my business has undergone a remarkable transformation and is on the path towards growth. Through the programme, I learned finance and bookkeeping, sales and marketing, and how to reinvest profits. We were challenged to think differently and our businesses were subjected to deep scrutiny to identify our strengths and weaknesses so that we can work on both. In addition, we were provided with mentors to guide us after the formal training sessions. As a result, my customer relations improved, and my business grew by 518%. I am also the proud employer of two people. I'm grateful for the experience and eager to pay it forward.



- Nancy Ngacha
Hardware Owner, Gikomba

**Bank on us for
women's economic
empowerment**

Empowering Women in Business

DTB recognises the fact that we cannot achieve economic nirvana if some members of the society remain on the periphery of the formal economic fold. Informed by this, we partnered with the ROSE Women's Foundation in 2022 to run a pilot **financial literacy training programme for 63 women** in the micro-enterprise space in Eastleigh.

Besides providing us with invaluable customer insights, some of the notable outputs of the programme included a **239% increase in the women's average income**, an increase in the number of women saving from **49.21% to 90.20%** and a **100% uptake of book-keeping up from 8%**. In addition to the training, **15 senior managers from the bank volunteered to mentor the women** by providing them with practical business counsel to ensure the sustainability of the programme.

We are renewing our partnership in 2023 to reach more women. Ultimately, we plan to use lessons gained from this experience to inform our women's proposition because we are committed to contributing to their success stories.

**Bank on us for
women's economic
empowerment**



ABOUT OUR INTEGRATED REPORT

Scope and Framework of Reporting

The Group's Integrated Report is produced and published annually and provides material information relating to the Group's strategy, governance, business model, operating context, material risks, stakeholder interests and financial performance covering the year ended 31 December 2022.

Reporting Standards and Frameworks

This Report is prepared in compliance with global practices and prudent accounting frameworks further guided by the principles and requirements contained in:

- » The Kenya Companies Act, 2015
- » Central Bank of Kenya (CBK) Prudential Guidelines
- » The International Integrated Reporting Council's (IIRC's) Framework
- » IFRS standards as issued by the International Accounting Standards Board (IFRS standards)
- » The Capital Markets Authority (CMA) Code of Corporate Governance for Issuers of Securities to the Public, 2015

The Report extends beyond financial reporting and includes the outcomes of non-financial initiatives undertaken during the reporting period.

Assurance

The Group's 2022 financial statements were audited as follows:

DTB Kenya by:	DTB Tanzania by:	DTB Uganda and Network Insurance Agency Limited by:	DTB Burundi by:
Diamond Trust Bancassurance Intermediary Limited by RSM Eastern Africa LLP.W			

Target Audience and Materiality

This Report is primarily intended to address the information requirements of the Group stakeholders:



Employees



Customers



Shareholders



Regulators



Community

Any additional information that is not considered material for these purposes, but may be of interest to other stakeholders, is provided in the annual financial statements that form part of this Integrated Report.

Key Topics:

- » Who we are and the role we play in society
- » Governance and how the Board deals with evolving dynamics
- » Our stakeholders, operating environment and related opportunities and challenges
- » Our strategy
- » Assessment of value created (outcomes by capital and for our stakeholders)

Statement of Board of Directors' Approval

The Board of Directors acknowledges its responsibility in ensuring integrity of the 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 2022, were approved by the Board of Directors of DTB Kenya on 27 March 2023 and signed on its behalf by:

Linus Gitahi
Chairman

Nasim Devji
Managing Director

Forward-looking Statements and Disclaimer

The 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, but statements made by the Group based on our current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance. No assurance can be given that forward-looking statements will be correct and 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 trading environment, (c) future strategies as contained in our strategic priorities and plans included in the strategic trends, (d) interest 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 or otherwise. The forward-looking statements have not been reviewed or reported upon by the Group's external auditor. The Group does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.



ABOUT OUR INTEGRATED REPORT (CONTINUED)

NAVIGATION ICONS



Financial

A balanced funding mix and solid equity position to support operations, lending and other business activities for sustainable growth.



Manufacturing

Our business structure and operational processes, physical and digital assets used in the production and delivery of products and services to our customers.



Human

A strong, ethical and compliance culture that is customer and employee centric embedded in a competent, knowledgeable, skilled and well experienced and diverse workforce.



Social and Relationship

Collaborative relationships with a range of stakeholders including our customers, service partners, regulators and communities where we operate aimed at contributing to socio-economic development and societal wellbeing.



Natural

Direct and indirect impact of our own activities and those of our stakeholders on natural resources.

Stakeholders

Stakeholder engagement is critical to furthering DTB's development impact and business growth ambitions. Engaging with stakeholders in a structured and well-coordinated manner, through meaningful and transparent communication, enables us to cultivate relationships that can serve as valuable capital in both good and challenging times. It is a process that provides important information about our business operations as well as our role in the broader social, economic and physical environments. The spectrum and scope of the unique engagements we develop with each of the stakeholder groups guide and influence how we create value for them.



Employees



Customers



Shareholders



Regulators



Community

The year 2022 marks the seventh year since the Group adopted integrated reporting. The intention of this Report is to provide a clear and meaningful understanding of the Group's purpose, strategy, business model, governance, material risks, stakeholders' interests, performance, remuneration and prospects and how these factors lead to value creation. We welcome all related feedback, which can be shared via email to dtbinvestorrelations@dtbafrica.com

Scan to download
the 2022 IR:





DTB AT A GLANCE

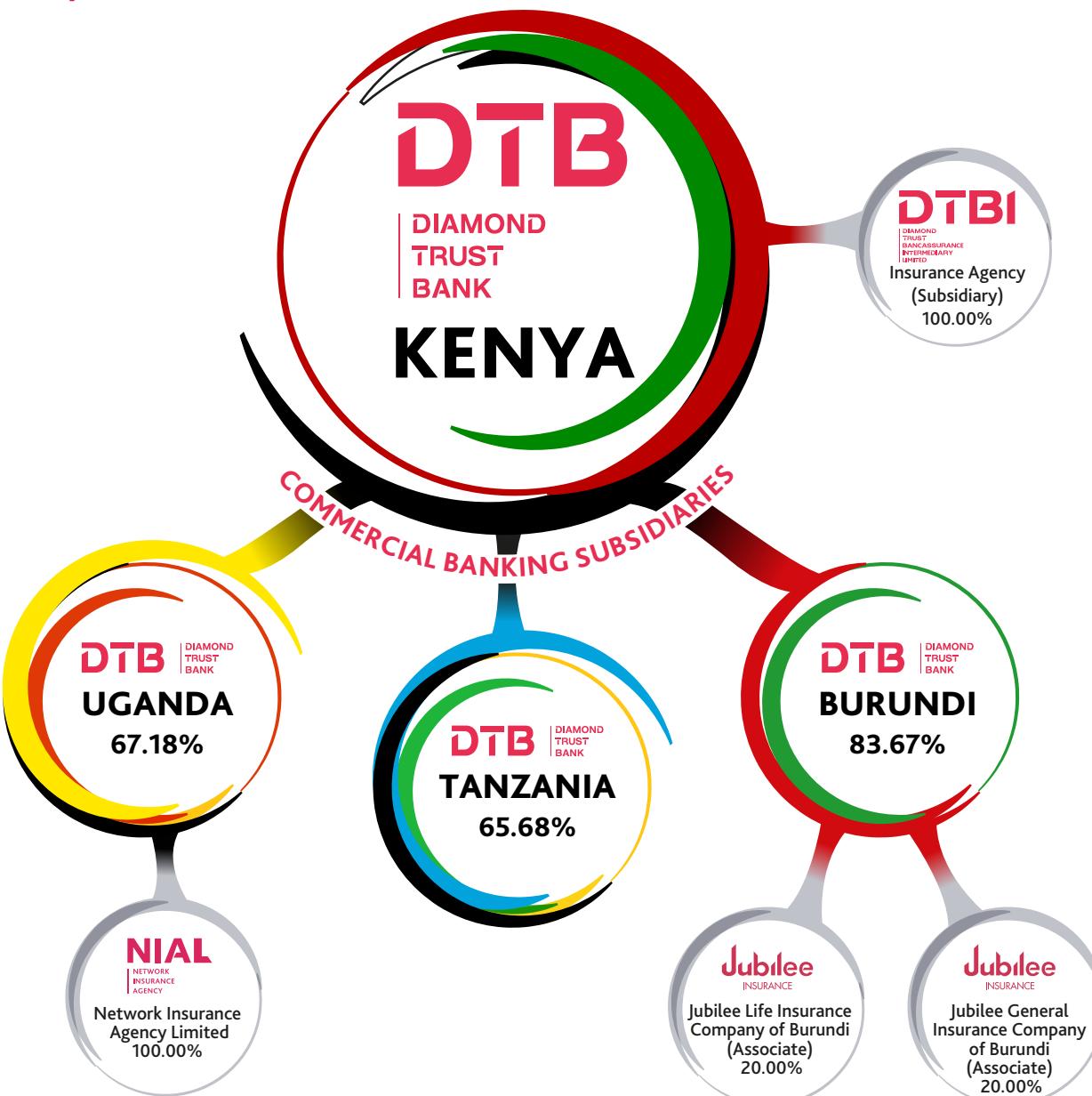
Diamond Trust Bank (DTB) is a tier one East African commercial banking franchise operating in Kenya, Tanzania, Uganda and Burundi, offering banking and insurance solutions to retail, SME and corporate customers. The Bank is listed on the Nairobi Securities Exchange (NSE) and is headquartered at DTB Centre, Mombasa Road, Nairobi, Kenya, overlooking the Nairobi National Park.

For over 75 years, we have provided relevant and bespoke solutions as well as an unparalleled service to enable our customers improve the quality of their lives. Through partnerships, we aim to generate, grow, and safeguard wealth, whilst contributing to the region's growth and sustainability because we are driven by the aspiration to participate in the social and economic development of the markets we operate in.

Footprint in East Africa (December 2022)

	Customers	Employees	ATMs	Branches	Mobile Banking Customers
KENYA	365,434	1,262	64	67	287,656
TANZANIA	354,674	577	39	29	276,137
UGANDA	153,675	652	52	34	87,779
BURUNDI	3,207	47	-	4	-
876,990	2,538	155	134	651,572	

Group Structure





DTB AT A GLANCE (CONTINUED)



OUR PURPOSE

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



VISION

Enabling people to advance with confidence and success.



MISSION

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



VALUES

Our values are the fundamental principles that define our culture and are brought to life in our attitudes and behavior as we create value for our various stakeholders. They shape the way we operate and serve our customers. Deeply entrenched in us, these values enable us to perform our roles meaningfully and ethically, as well as interact with our stakeholders through that special human element which creates enriched connections and builds sustainable relationships. Over time, we have invested in the most valuable anchor of our strategy -i) our people - by continuously enriching their skills, ii) re-architecting ourselves to make technology and innovation our backbone, and iii) fostering a customer-centric culture.

OUR VALUES MAKE US UNIQUE AND UNMISTAKABLE:

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 products and services around their needs
- We 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

Key Non-Financial Metrics



Employed Female : Male Ratio Across the Group

2022: 50:50

2021: 49:51



Procurement spend: East Africa Vendors

2022: Shs 5.9 Billion (86%)

2021: Shs 4.1 Billion (80%)



Carbon Footprint

2022: 505.28 tCO2e

2021: 446.26 tCO2e



Social Community Investments

Invested over Shs 100 Million in support of community projects.



Sustainable Development

Recycled 7 tonnes of paper.



Staff Retention Rate

Maintained a 91% staff retention rate.



Regulatory Compliance

100% participation in regulatory related trainings.



Transactions

89% of payments transactions were conducted outside of Group branch network.



SMEs

USD 50 Million used to impact over 250 SMEs through IFC funding.



DTB OFFERINGS

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



Our Accounts

- Savings Accounts
- Transactional Accounts
- Chama Accounts
- Just4me Children's Accounts
- Diaspora Accounts
- Foreign Currency Current Accounts
- Fixed Deposit Accounts
- Recurring Deposits



Digital Channels

- 24/7 access to our services through *i24/7*- our internet banking service, *m24/7*- our mobile banking service and our USSD *382#
- Enable access to quick mobile loans through *DTB Weza* for Kenyan customers and *Mgodii* for our Tanzanian customers



Our Customer Segments

- Retail
- Small and Medium Enterprises (SMEs)
- Corporate



Credit Facilities

- **Hire Purchase**- Asset financing that enables SMEs to acquire new and secondhand/reconditioned assets and repay over a period of time.
- **Mortgage**- A loan financing facility for the purchase or maintenance of property and land. It is available to business owners, employed and self-employed individuals, and has an upto twenty-year repayment period.
- **Term Loan**- This is a secured facility designed to finance both individuals and businesses. With affordable monthly or quarterly installments of up to a hundred and twenty months, we enable you to achieve life and business goals with ease.
- **The Credit Guarantee Scheme**- An arrangement with the Government of Kenya designed to reduce the risks associated with lending to SMEs and promote enterprise growth by enabling access to quality and affordable credit.
- **Overdraft**- This is offered to clients to help them meet their day-to-day working capital requirements.
- **Scheme lending**- These are check-off loans for enterprise customers and employees.
- **Asset Financing Beba Leo**- A 100% vehicle financing scheme by DTB that enables SMEs to acquire brand-new vehicles for either business or family use.
- **Supply Chain Financing**- This product facilitates financing for customers' invoices to boost their working capital.
- **Insurance Premium Financing**- DTB pays the premium amount to be financed for clients directly to an underwriter.
- **Leasing**- DTB offers leasing facilities to a handful of companies, individuals and insurance companies in partnership with leasing companies by way of a full sale option.



Cards

Internationally accepted:

- Debit Cards
- Credit Cards
- Multi-Currency Prepaid Cards



Trade Financing

- Letters of Credit
- Collections
- Bank Guarantees



Other Propositions

- Insurance products for retail business customers and corporate customers
- Money transfer services
- Custodial services
- Treasury and foreign exchange
- *Till Moja* Payment Solution - instant credits to your business account whenever your customers pay via mobile money platforms
- Point of sale acquisition
- Diaspora remittances
- Transactional banking



DTB Group Awards



**Uganda- Best Digital
Bank in the People's
Choice Awards
2022**



**Kenya- 2nd
Runner up in the
Organisation of
the Year Award
from the Women
on Boards
Network Kenya
Awards**



**Tanzania- Best
Customer Service
Award in the
Consumer Choice
Awards-2022**



**Kenya- 2nd
Runner up in the
Banking Category
for Excellence in
Financial Reporting
at the FiRe Awards**



**Kenya- Best Talent
Management
Award 2022**
from the Institute of
Human Resource
Management (IHRM)



**Kenya- Best Practice
in Capacity Building
after 20 members of
our staff were certified
in the Fundamentals
of Credit Risk
Management from
the Chartered Institute
for Securities and
Investment (CISI)**



CORPORATE HISTORY AND SIGNIFICANT MILESTONES

1946

Incorporated as the Diamond Jubilee Investment Trust (DJIT) to commemorate the Diamond Jubilee of the ascension to the Imamat by the late Aga Khan III. DJIT operated in East Africa with its head office in Dar-es-Salaam (Tanzania) and branches in Mombasa (Kenya) and Kampala (Uganda).

1974

Diamond Trust House, Nairobi.

1965

DJIT was split into three companies – DJIT (Kenya), DJIT (Tanzania) and DJIT (Uganda) – with head offices in Nairobi, Dar-es-Salaam and Kampala respectively. It transformed itself from a community-based finance house into a growing non-bank financial institution (NBFI) specialising in installment credit/hire purchase and serving the general public.

1972

DJIT Kenya changed its name to Diamond Trust of Kenya (DTK), and was floated on the Nairobi Securities Exchange (NSE) through an Initial Public Offering with over 8,500 shareholders.

1983

Equity participation of institutional shareholders, including International Finance Corporation (IFC) who built up a 10% shareholding in DTK.

1986

The shares held by the Aga Khan and members of his family in DTK were consolidated under the Aga Khan Fund for Economic Development (AKFED). AKFED had 20.2% shareholding in DTK.

1995

DTK and AKFED re-capitalised DJIT (Tanzania) and DJIT (Uganda) which were renamed as Diamond Trust of Tanzania (DTT) and Diamond Trust of Uganda (DTU) respectively. All three entities continued to operate as non-bank financial institutions (NBFI), with DTK holding an equity stake of 33% in DTT and 27% in DTU.

1997

The Group acquired a licence to conduct commercial banking business in all three countries. DTK, DTT and DTU were renamed as Diamond Trust Bank Kenya Limited (DTB Kenya), Diamond Trust Bank Tanzania Limited (DTB Tanzania) and Diamond Trust Bank Uganda Limited (DTB Uganda) respectively.

1992

Nation Centre, Nairobi.



CORPORATE HISTORY AND SIGNIFICANT MILESTONES (CONTINUED)

1999

DTB Kenya acquired the assets and liabilities of its fully-owned subsidiary, Premier Savings & Finance Limited, which was operating as an Non-banking Financial Institution (NBFI).

2009

DTB Burundi, a commercial banking subsidiary of DTB Kenya (67%) started operations with one branch in Bujumbura, Burundi. Diamond Trust Bancassurance Intermediary Ltd (DTBI), DTB's fully-owned insurance agency subsidiary, commenced operations.

2012 - 2016

DTB Kenya participated in successive rights issues of DTB Tanzania and DTB Uganda, progressively increasing its shareholding to 66% and 62% respectively in both the subsidiaries.

2013



DTB Centre, Nairobi

2007

DTB Kenya increased its shareholding in DTB Tanzania to 55% from 33% following a rights issue by the latter.



DTB Corporate Rebranding.

2008

DTB Kenya increased its shareholding in DTB Uganda to 51%, from 27%, after participating in a rights issue by the latter.

2017

DTB Kenya acquired HBL's branch operations and assets in Kenya by way of a merger (i.e. acquisition of HBL's assets and liabilities in exchange for shares of DTB Kenya). DTB Kenya increased its shareholding in DTB Uganda to 67%, from 62%, after participating in a rights issue by the latter.

2022

DTB rolled out a business strategy premised on achieving rapid and meaningful customer growth, agile digital transformation and sustainability excellence. The three strategic aspirations give life to our overall objective of being socio-economically relevant. The strategy is underpinned by our core purpose, which is to improve the quality of lives of all our stakeholders in a sustainable and impactful way.

2018 - 2021

In keeping with universal trends, DTB observed a rapid and significant acceleration in the use of digital channels by its customers, following the Covid-19 pandemic. In 2021, 88% of all customer transactions across the Group were done outside banking halls compared to 45% in 2019.



BOARD OF DIRECTORS PROFILES



Linus Gitahi, MBS

Chairman - 60 years

Linus Gitahi, MBS, was appointed to the Board in April 2017. He is a business leader with professional experience spanning different sectors within the continent. He is currently the Chairman of Tropikal Brands (Africa) Limited, and Oxygene Communication Limited. He is also a director of Simba Corp, Outspan Hospital and Medical College, Jubilee Allianz Insurance (K) Limited and the Kenya Association of Manufacturers (KAM). He has previously served as the Chief Executive Officer of the Nation Media Group, and Group Chief Executive Officer for GlaxoSmithKline in West Africa after having held diverse management positions with them. He holds an MBA from the United States International University, a B.Com (Hons) in Accounting from the University of Nairobi and a Diploma in Management from the Kenya Institute of Management. He is also a Fellow of the Kenya Institute of Management and a member of the Institute of Directors (Kenya).



Shaffiq Dharamshi

Vice-Chairman - 58 years

Shaffiq Dharamshi joined the Board in April 2015. He is a professional banker with over twenty years of senior management experience in the Middle East and Africa. Mr. Dharamshi is the Head of Banking for the Aga Khan Fund for Economic Development (AKFED) and is responsible for providing oversight on the operations of financial institutions in the AKFED portfolio across Asia and Africa. He also serves as a Director of DTB Tanzania, DTB Uganda, HBL Pakistan, Kyrgyz Investment and Credit Bank, Kyrgyzstan and First Microfinance Bank, Tajikistan. Mr. Dharamshi has previously served as a Director of DCB Bank, India. Prior to taking this position with AKFED, he was Senior Vice President, Wholesale Credit Risk Management at Mashreq Bank in Dubai, UAE. Before joining Mashreq Bank, Mr. Dharamshi spent 17 years with Citibank in a wide range of positions across different areas of the bank in Africa and the Middle East. Mr. Dharamshi also holds a BSc. and MSc. from the London School of Economics and is a member of the Institute of Directors (Kenya).



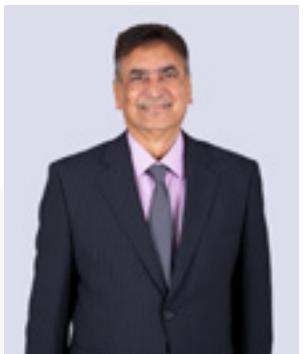
Nasim Devji

Group Chief Executive Officer & Managing Director - 69 years

Nasim Devji joined the Group in 1996 and was appointed Group Chief Executive Officer & Managing Director in 2001. Ms. Devji is a director of DTB Tanzania, DTB Uganda, DTB Burundi, Jubilee Insurance Burundi and Diamond Trust Bancassurance Intermediary Limited. She is also a member of the National Steering Committee on Drought Response and has previously served as a director of the Nairobi Securities Exchange Limited and the Kenya Deposit Insurance Corporation. She is a Fellow of The Institute of Chartered Accountants of England and Wales, an Associate of the Institute of Taxation (United Kingdom), a Fellow of the Kenya Institute of Bankers and a member of the Institute of Directors (Kenya).



BOARD OF DIRECTORS PROFILES (CONTINUED)

**Ismail Mawji**

Director - 72 years

Ismail Mawji was appointed to the Board in September 2014. He is the founder and senior partner of Mawji Sennik and Company, Certified Public Accountants and director of Kolobot Gardens Limited, Mawara Investments Limited, Kingsway Nominees Limited and Kaempf Properties Limited. He also acts as the Company Secretary to various private companies and non- profit organisations including Aga Khan Health Service Kenya, Aga Khan Education Service Kenya and Mburu Trust. For many years, Mawji has also served on the Insurance Committee of the Institute of Certified Public Accountants of Kenya and on the Corporate Governance Committee of The Institute of Certified Public Secretaries of Kenya (ICPSK). He is a member of the Institute of Certified Public Secretaries of Kenya, a Chartered Accountant from the United Kingdom and a member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is also a member of the Institute of Directors (Kenya).

**Pamella Ager**

Director - 52 years

Pamella Ager was appointed to the Board in May 2013. She is a Managing Partner at Oraro and Company Advocates. Besides being an Advocate of the High Court of Kenya, Pamella is a member of the Law Society of Kenya, Federation of Women Lawyers, East African Law Society and Commonwealth Lawyers Association. She holds a First Class Honours LLM Degree from Auckland University, a Bachelor of Laws Degree from the University of Waikato - Hamilton, New Zealand and a diploma from the Kenya School of Law. She is also a member of the Institute of Directors (Kenya) and sits on various boards for education and non-profit organisations.

**Jeremy Ngunze**

Director - 57 years

Jeremy Ngunze was appointed to the Board in June 2021. He is a career banker with broad experience, in financial services, spanning over 30 years across Africa and Asia. He is currently the Chairman of Integrated Payment Solutions Limited and Nairobi Baptist Investment Company Limited. He is a board member of PACT Global, Old Mutual Investment Group and UAP Old Mutual Uganda Insurance Ltd, amongst other organisations. Mr. Ngunze previously served as the Group Executive Director for Regional Business at NCBA Group. Prior to that, he was the Chief Executive Officer of Commercial Bank of Africa, Kenya. He holds an MBA from the University of Manchester and a Bachelor of Commerce Degree from the University of Nairobi. He is also member of the Kenya Institute of Bankers.



BOARD OF DIRECTORS PROFILES (CONTINUED)



Guedi Ainache

Director - 47 years

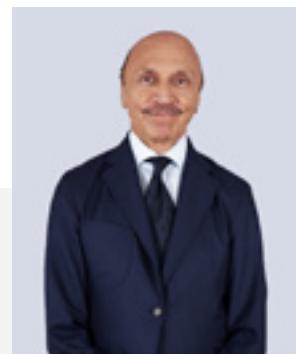
Guedi Ainache was appointed to the Board in April 2017. He is currently the Corporate Finance Director for MMD Group in Nairobi. He has previously served as the Head of the Syndication for The Eastern and Southern African Trade and Development Bank (PTA Bank) in Nairobi and as the Regional Director for PROPARCO in East Africa. He has held diverse positions with PROPARCO and Credit Agricole Corporate and Investment Banking, in Paris. Mr. Ainache holds a Masters' Degree in Economic Science and Management from the University of Le Mans, France and a Post Graduate Degree in Audit and Risk Management from the University of Angers, France. He is also a member of the Institute of Directors (Kenya).



Sagheer Mufti

Director - 65 years

Sagheer Mufti was appointed to the Board in January 2020. He has 42 years of experience in banking and is currently the Chief Operating Officer at HBL, responsible for building a corporate culture based on operational excellence and technological capabilities, for the fulfilment of client services to over 30 million HBL customers in 15 countries. He oversees HBL's operations, technology, shared services and control functions including Cyber Security, Business Continuity, Legal, Marketing and also leads HBL's Digital Transformation agenda. In addition to his directorship at DTB, he is a trustee of HBL Foundation, and is also on the Boards of HBL Bank UK, Jubilee Life Insurance Company Limited, Pakistan and FINJA (PVT) LTD. Prior to his current role, he served as the COO for ADIB based in Abu Dhabi and worked for 34 years at Citibank in different management and leadership roles where he led various enterprise transformation and business redesign programmes regionally and globally. In his last role at Citibank, he served as the Global Head of Anti-Money Laundering operations. Mr. Mufti has an MBA from The George Washington University and is also member of the Institute of Directors (Kenya).



Moez Jamal

Director - 67 years

Moez Jamal was appointed to the Board in December 2009. He has vast experience in banking and is currently a Director of HBL Pakistan. Mr. Jamal has previously worked in senior positions with Credit Suisse and Lloyds Bank International London/New York. He holds an MBA in Finance from Stern Business School, New York University and a BA (Hons.) from Manchester University in England. He is also a member of the Institute of Directors (Kenya).



BOARD OF DIRECTORS PROFILES (CONTINUED)



Jamaludin Shamji

Director - 60 years

Jamaludin Shamji was appointed to the Board in March 2010. Mr. Shamji is a director of various companies including DTB Burundi, A. Jiwa Shamji Limited and Sansora Bakers and Confectioners Limited. He is currently the Chairman of the Kisii Municipal Board, member of the Kisii County Public Private Partnership Committee and the Kisii County Budget and Economic Forum Committee. He is a former member of the Board of Directors at Kisii Teaching and Referral Hospital, and Chairman of the Board of Governors of Kisii Special School for the Mentally Handicapped. He has previously served on the Boards of the Aga Khan Health Services, Kenya and the Aga Khan Education Services, Kenya. He holds a B.A. (Hons.) in Business Administration from Washington State University, U.S.A and is a Fellow of the Kenya Institute of Bankers. He is also a member of the Institute of Directors (Kenya).



Irfan Keshavjee

Director - 52 years

Irfan Keshavjee was appointed to the Board in May 2013. Mr. Keshavjee has over 25 years of commercial experience in East Africa as a Director of the White Rose Group of Companies and also the Founder of Karibu Homes, an organisation dedicated to providing affordable housing to hardworking Kenyans, with over 1,000 homes currently under development in peri-urban Kenya. He was awarded the prestigious Ashoka Fellowship and the Acumen Fund East Africa Fellowship for co-founding award-winning enterprises that impact on the livelihoods of low-income Kenyans. He has an MBA from the University of Oxford, UK and a Bachelors' Degree in Civil-Environmental Engineering from Queen's University, Canada. He also holds a certificate in Housing Finance from the Wharton Real Estate Centre, University of Pennsylvania. He is also a member of the Institute of Directors (Kenya).



Alkarim Jiwa

Finance & Strategy Director - 53 years

Alkarim Jiwa joined DTB in 1998 and became the Chief Finance Officer in 2001. He joined the Board in September 2018 as the Finance Director. He is also a director of DTB Burundi, Diamond Trust Bancassurance Intermediary, TPS Eastern Africa PLC, amongst others. Prior to joining the Bank, Mr. Jiwa worked for several years with an accountancy and audit firm in Nairobi, Kenya. He is a Fellow of the United Kingdom- based Association of Chartered Certified Accountants (ACCA), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and holds a certificate in management audits from the London School of Economics (2008). He is also a member of the Institute of Directors (Kenya).



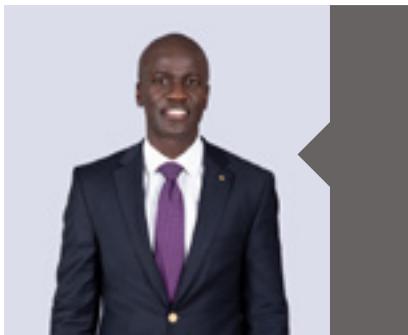
EXECUTIVE COMMITTEE



Nasim Devji
Group CEO & Managing Director
Years of Service: 26



Alkarim Jiwa
Finance & Strategy Director
Years of Service: 25



Stephen Kodumbe
Company Secretary and Head of Legal
and Debt Recovery
Years of Service: 15



Jamie Loden
Chief Operating Officer
Years of Service: 1



Dr. Kennedy Nyakomitta
Director, Sales
Years of Service: 23



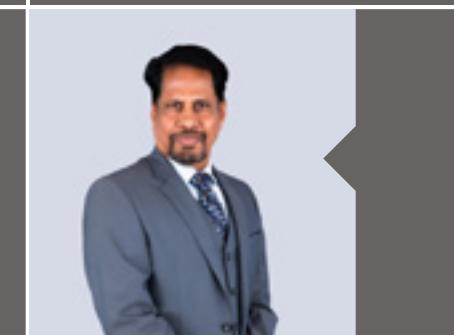
Shahzad Karim
Head of Corporate and
Institutional Banking
Years of Service: 37



Suraj Shah
Head of Business Banking
Years of Service: 20



George Otiende
Head of Retail Banking
Years of Service: 16



Venkatramani Iyer
Head of Treasury
Years of Service: 8



Lillian Ngala
Head of Human Resources
Years of Service: 11



Constance Macharia
Head of Credit
Years of Service: 2



Hilda Gituro
Head of Compliance and Combating
Financial Crime
Years of Service: 19



Dancan Okun
Head of Risk
Years of Service: 2



Farouk Khimji
Chief of Staff - to the Group CEO &
Managing Director
Years of Service: 19



Peter Kimani
Head of Internal Audit
Years of Service: 22



OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE

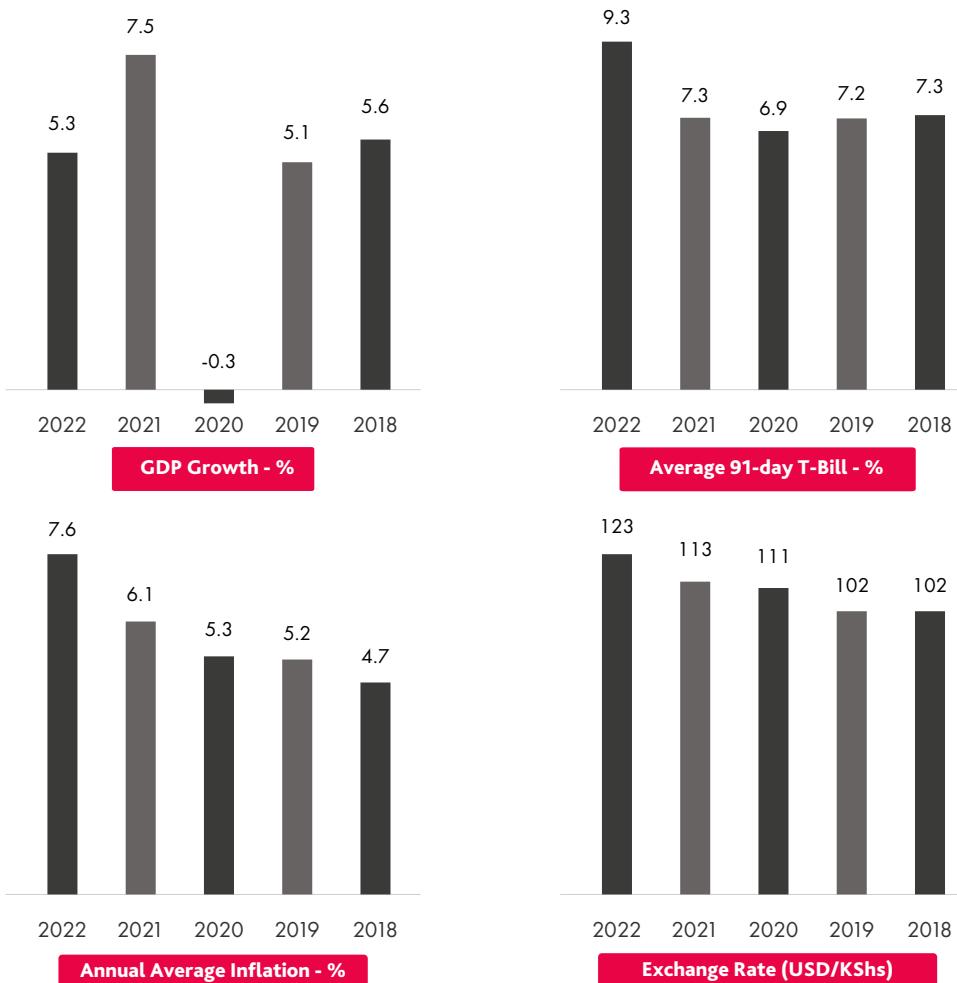


DIAMOND TRUST BANK KENYA LIMITED

Performance Highlights (December 2022)

	KShs million
Total Revenue	33,423
Total Deposits	250,593
Total Assets	359,270
PBT	6,590
Customers	365,434
Employees	1,262
ATMs	64
Branches	67
Mobile Banking Customers	287,656

Economic Overview



Refer to pages 12-15 for DTB Kenya's Board of Directors



OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)



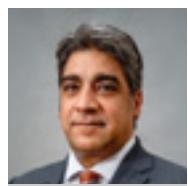
DIAMOND TRUST BANK TANZANIA LIMITED

Performance Highlights (December 2022)

	KShs million
Total Revenue	7,450
Total Deposits	71,430
Total Assets	88,882
PBT	1,342

Customers	354,674
Employees	577
ATMs	39
Branches	29
Mobile Banking Customers	276,137

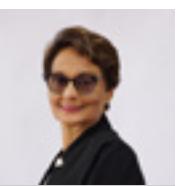
Board of Directors



Karim Wissanji
Chairman



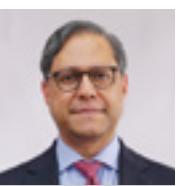
Uday Bhasin
Director



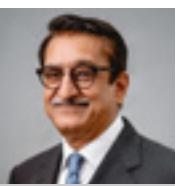
Nasim Devji
Director



Zulobia Dhalla
Director



Shaffiq Dharamshi
Director



Zahir Jiwani
Director



Muzaffer Khawaja
Director

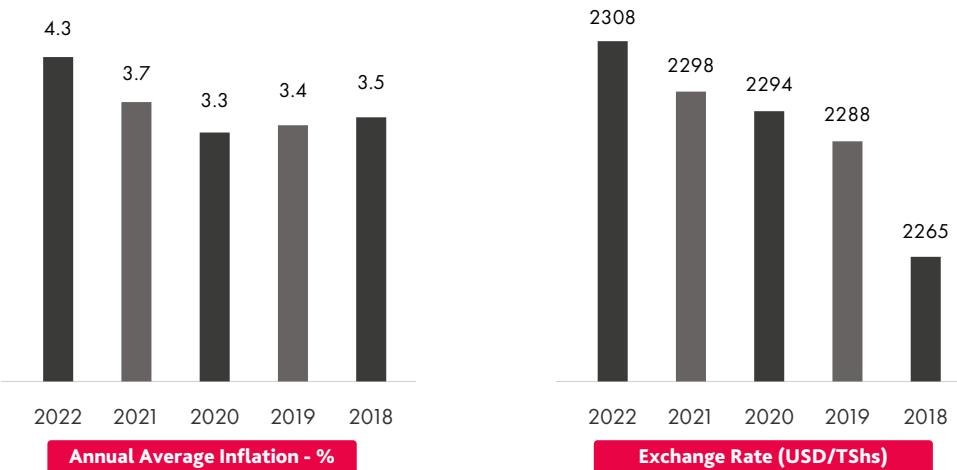
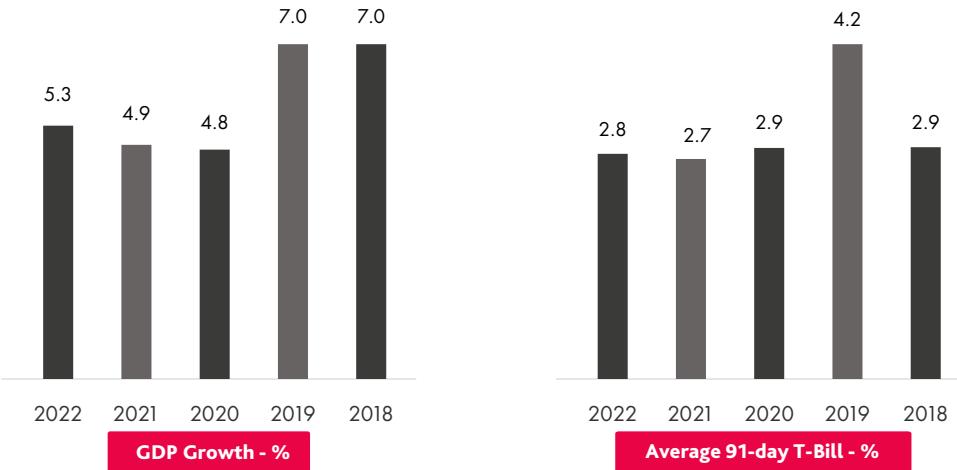


Xavier Lucas
Director



Ravneet Chowdhury
Chief Executive Officer

Economic Overview





OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)



DIAMOND TRUST BANK UGANDA LIMITED

Performance Highlights (December 2022)

	KShs million
Total Revenue	7,288
Total Deposits	62,841
Total Assets	81,090
PBT	1,371

Customers	153,675
Employees	652
ATMs	52
Branches	34
Mobile Banking Customers	87,779

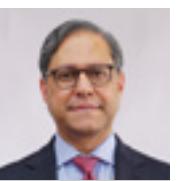
Board of Directors



Azim Kassam
Chairman



Nasim Devji
Director



Shaffiq Dharamshi
Director



Jane Kabbale
Director



Kenneth Kitariko
Director



Dalal Murtzaali
Director

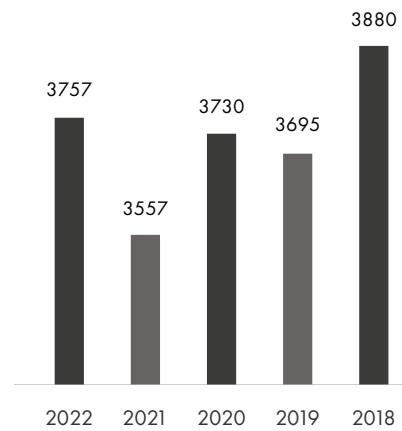
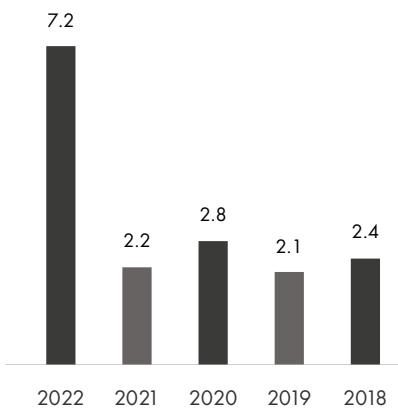
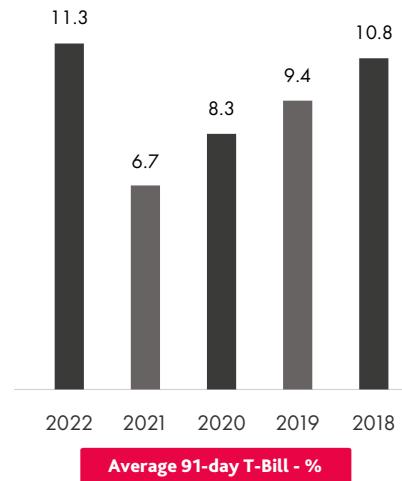
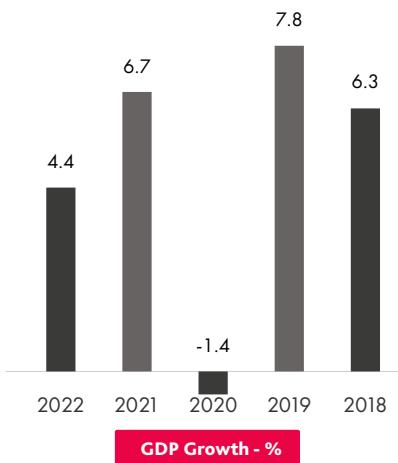


Varghese Thambi
Managing Director



Mbabazi Emejeit
Executive Director

Economic Overview





OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)



DIAMOND TRUST BANK BURUNDI LIMITED

Performance Highlights (December 2022)

	KShs million
Total Revenue	465
Total Deposits	2,732
Total Assets	4,944
PBT	163

Customers	3,207
Employees	47
ATMs	-
Branches	4
Mobile Banking Customers	-

Board of Directors



Nasim Devji
Chairperson



Alkarim Jiwa
Director



Xavier Lucas
Director

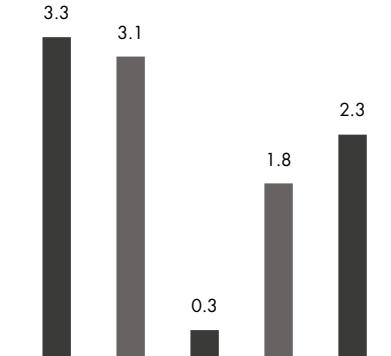


Jamaludin Shamji
Director

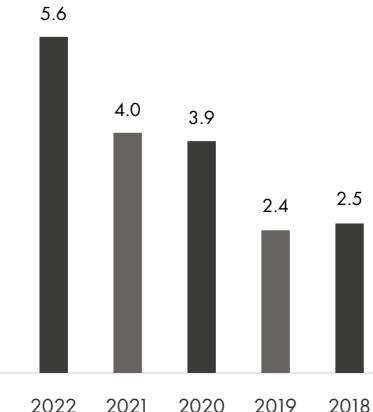
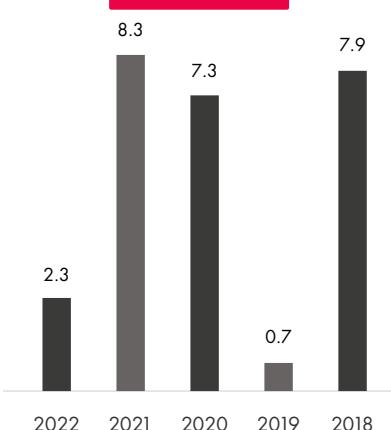


Ida Marie Mabushi
Managing Director

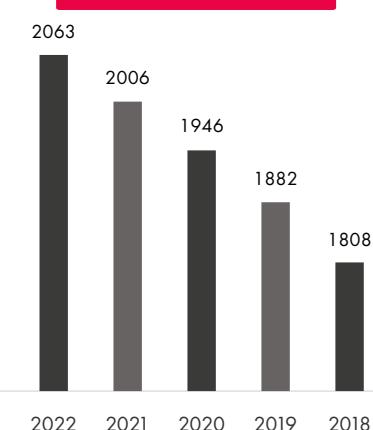
Economic Overview



Annual Average Inflation - %

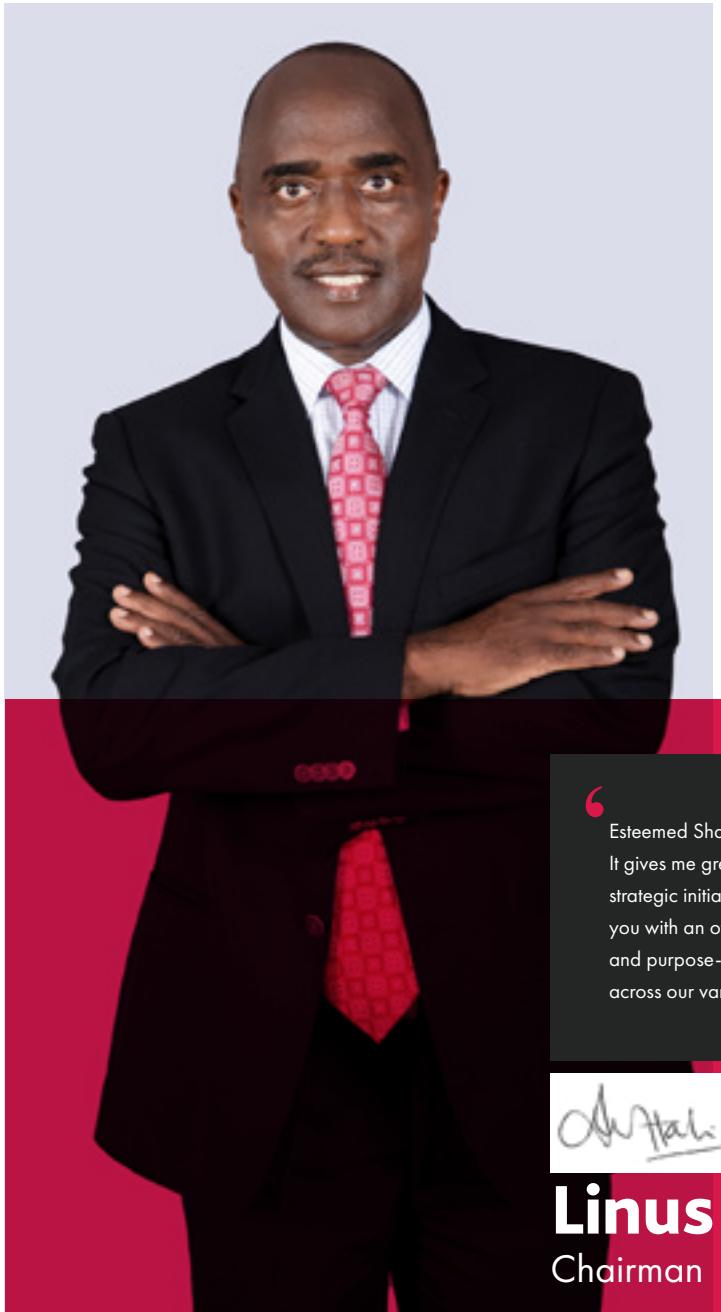


Exchange Rate (USD/BIF)





CHAIRMAN'S REFLECTIONS



‘

Esteemed Shareholders,

It gives me great pleasure to present to you the highlights of the Group's strategic initiatives and financial performance for FY2022 and provide you with an overview of how we are working to pivot DTB into a relevant and purpose-driven corporate citizen, driving socio-economic impact across our various stakeholders in East Africa.

’

Linus Gitahi

Chairman

2022: a pivotal year, laying the building blocks

The year 2022 was the inaugural year of implementing our business growth strategy and the various initiatives we have taken in the past year are beginning to show results:

- DTB has been driving an aggressive customer acquisition and retention journey with a view to realising our strategic intent to have over 10 million active and loyal customers across East Africa by 2026. This was buoyed by a 54% YoY growth in customer numbers to 876,990 by end of 2022.
- The digital transformation journey embarked on in 2022 is anchored on building capacity, fostering partnerships with fintechs and tech-enabled companies, acquiring new competencies in cloud computing, software engineering and data analytics and investing in world leading technology. As part of this journey, DTB is embracing Agile ways of working and an increasingly nimble mindset to ensure we

deliver for our customers. We are confident that these enablers will play a pivotal role in achieving our strategic ambition of being a technology company with a banking licence. As part of this transition, we want to change the perception of banks as slow to innovate and bureaucratic and to ensure we can attract and retain the younger talent where there is a greater richness of digital skills and expertise.

The afore-mentioned strategic initiatives have begun to bear fruits as seen in an improvement in DTB's financial performance last year. In 2022, the Group's total asset base crossed the half a trillion shilling threshold, closing at Shs 527 billion, a growth of 15% over the previous year. This was driven by 17% increase in customer deposits during the year to close at Shs 388 billion. The Group's loan book stood at Shs 254 billion, rising by 15% from the previous year. Consequently, the Group's 2022 earnings were augmented with the Group pre-tax profits growing by 44% compared to 2021 to stand at Shs 9.5 billion.

On the back of this strong performance, your Board is proposing a dividend of Shs. 5 per share, which represents a 67% growth in the dividends paid last year. At this level, the dividend payout ratio is 23.1%, up from 21.5%, in the previous year. Going forward, we will continue to progressively increase the dividend payout ratio, on the back of an improving performance by your Bank as well as ensuring that there is an equitable balance between rewarding shareholders and conserving capital to fund the ambitious growth aspirations of the Group.

Looking to 2023 and beyond

We will continue to pursue our relentless drive to augment DTB's customer base across its segments of retail, SMEs and corporates. We will also pursue our business growth strategy of expanding our customer base by adopting an ecosystem approach of servicing our customers who operate, across segments, in some of East Africa's key economic sectors. In developing value propositions we will leverage both our traditional channels as well as digital platforms.

In this connection, I am pleased to announce that our branch expansion drive, rebooted in 2022 when we opened seven new branches in Kenya and Tanzania, will continue. In 2023, we plan to open up to 24 branches, principally in Kenya. We believe that this will provide ease of access to our growing customer base who operate in the sectors that we have traditionally been strong in, such as trade, real estate and manufacturing, as well as some of the new sectors which provide opportunity for growth including agriculture, health, education, etc. It is important to emphasise that the role of our existing and expanding branch network is transforming fundamentally.



CHAIRMAN'S REFLECTIONS (CONTINUED)

We see branches no longer as just transaction processing centres but, increasingly as centres where our customers can consult and get advice from our staff as well as business meeting points for their use.

We will also continue to invest significantly in augmenting our people skills, tech capabilities and partnership networks in the digital and innovations sphere. These investments are geared at providing convenient and digitally-anchored value propositions, all aimed at tapping into a significant pool of new customers across all our segments: retail, SMEs, and corporates.

Sustainability Excellence: rooting for the long haul

As we pursue growth, we do so by ensuring that we create shared value for our other stakeholders and the environment because for us, it is about doing business in a responsible and right way. As such, one of the three pillars on which our business growth strategy is built is the pursuit of sustainability excellence, as guided by the Environmental Social and Governance (ESG) principles. This year, we plan to roll out a comprehensive Sustainability strategy that will cover our own operations, lending to customers, procurements from supply chain, partnership engagement, among others.

As a Group, we are alive to the immense business opportunities presented by growing prominence of Sustainability and in particular, the budding green economy. We therefore intend to play an active role in spurring its growth through the provision of affordable loans to incentivize its growth. Consequently, we are in discussions with various partners to explore funding alternatives as well as crafting the right value propositions for our customers.

At a governance level, the Bank has tasked its Board Strategy Committee to provide oversight over DTB's Sustainability framework, incorporating, *inter alia*, the Group's approach to climate risk management. DTB has formed the Sustainability Management Committee (SUSCO), which comprises members of the management team led by the Group CEO, to ensure the implementation of the Group's ESG agenda. SUSCO reports to the Board Strategy Committee (BSC) which provides oversight over DTB's implementation of demonstrably impactful programmes and making our disclosures in a transparent, effective and timely manner.

Appreciation

I would like to thank our shareholders for the confidence they continue to show in us and their unwavering support, especially now when we are rolling out our new growth strategy in a challenging operating environment. I would also like to thank all our employees across the Group who, under the leadership of Nasim Devji, show up everyday to work to ensure that they delight our customers and other stakeholders. Our customers are our reason for being. We do not take your continued patronage, in an environment where you are spoilt for choice for granted. We promise to continuously review our solutions and service to ensure that we meet your expectations. I would also like to thank our regulators, Government, partners, suppliers and the communities within which we operate for choosing to work with us.



TAFAKARI YA MWENYEKITI

Wenye hisa Wapendwa,

Nina furaha isyo na kifani kuwasilisha kwenu vidokezo muhimu kuhusu matokeo ya mikakati muhimu ya Kundi na matokeo ya kifedha kwa mwaka wa kifedha wa 2022. Nitawaeleza pia jinsi tunavyofanya juhudi kuibadilisha DTB kuwa kampuni ya manufaa na yenyehisa na maana, na kuwa raia mwema, na kuchangia ufanisi wa kijamii na kiuchumi kwa wadau mbalimbali Afrika Mashariki.

2022: mwaka muhimu, kuweka msingi

Mwaka 2022 ulikuwa wa kwanza wa utekelezaji wa mkakati wetu wa ukuaji wa biashara na matunda ya mipango mingi ambayo tumeitekeleza katika mwaka huo uliopita yameanza kuonekana:

- DTB imekuwa kwenye safari ya kuwatafuta wateja wapya na kuwahifadhi kwa lengo la kutimiza nia yetu ya kimkakati ya kuwa na zaidi ya wateja hai 10 milioni na walio waaminifu kote Afrika Mashariki kufikia 2026. Hii ilisaidiwa na ukuaji wa mwaka baada ya mwaka wa 54% katika idadi ya wateja wetu hadi 876,990 kufikia mwisho wa mwaka 2022.
- Safari ya mageuzi makubwa ya kidijitali tulioianzisha 2022 ina msingi wake katika kujenga uwezo wetu, kufanikisha ushirikiano na kampuni za kiteknolojia zinazotoa huduma za kifedha pamoja na kampuni nyingine zenyehisa uwezo kiteknolojia. Pia, kupata ujuzi mpya katika teknolojia ya uhifadhi wa data katika sava za mtandaoni, uhandisi wa programu za kompyuta na data kuhusu watumiaji mtandaoni pamoja na kuwekeza katika teknolojia zinazoongoza duniani. Kama sehemu ya safari hii, DTB inakumbatia nija za kuchukua hatua kwa haraka katika utendaji kazi wake na mtazamo mwelesi kuhakikisha tunawahudumia wateja ipasavyo. Tuna imani kwamba viwezeshi hivi vitatekeleza mchango muhimu katika kutimiza lengo letu la mkakati ya kuwa kampuni ya kiteknolojia zenyehisa leseni ya benki. Kama sehemu ya mabadiliko haya, tunataka kubadilisha mtazamo wa benki kama taasisi zinazovutua katika ubunifu na uvumbuzi na zenyehisa mwingu. Hii ni ili kuhakikisha tunawavutua na kuwahifadhi wafanyakazi wa umri mdogo na zenyehisa ambao wana ujuzi mwingu wa kidijitali.

Mikakati hii niliyoitaja hapa imeanza kuzaa matunda kama ilivyodhiihika katika kuimariika kwa matokeo ya kifedha ya DTB ya mwaka jana. Mwaka 2022, mali ya Kundi kwa jumla ilizidi thamani ya nusu trilioni kwa mara ya kwanza, na kufikia Shs 527 bilioni, huu ukiwa ni ukuaji wa 15% ukilinganisha na mwaka uliotangulia. Hii ilichangia na ongezeko la pesa zilizowekwa na wateja benki la 17% hadi Shs 388 bilioni. Mikopo iliyotolewa na benki ilifikia Shs 254 bilioni, baada ya kuongezeka 15% kutoka mwaka uliotangulia. Mapato ya Kundi kwa mwaka 2022 yaliimariika kutokana na hayo ambapo faida ya Kundi kabla ya kutozwa ushuru ilikua kwa 44%, ukilinganisha na 2021, na kufikia Shs 9.5 bilioni.

Kutokana na matokeo haya ya kuridhisha, Bodi inapendekeza mgawo wa faida wa Shs. 5 kwa kila hisa, ambao ni ukuaji wa 67% ukilinganisha na mgawo uliolipwa mwaka uliopita. Katika kiwango hicho, kipimo cha uwiano cha malipo ya mgawo wa faida ni 23.1%, baada ya kuongezeka 21.5%, ukilinganisha na mwaka uliotangulia. Tukisonga mbele, tutaendelea kuongezeka kipimo hiki cha malipo ya mgawo wa faida, matokeo ya kifedha yanavyoendelea kuimariika pamoja na kuhakikisha kwamba kuna uwiano kati ya kuwatuza wenye hisa na kuhifadhi mtaji wa kufadili malengo makubwa ya ukuaji ya Kundi.

Kutazama 2023 na baadaye

Tutaendelea na juhudi zetu za kuongezza idadi ya wateja wa DTB katika vitengo vya rejareja, biashara ndogo ndogo na za wastani na mashirika na kampuni. Tutaendelea pia kutekeleza mkakati wetu wa ukuaji wa biashara kwa kupanua idadi ya wateja wetu kwa kutekeleza mifumo wa kuwahudumia wateja, wanaofanya shughuli katika vitengo mbalimbali kwa pamoja, katika baadhi ya sekta muhimu zaidi kiuchumi Afrika Mashariki. Katika kuandaa huduma za kuwauzia, tutatumia mifumo yetu ya kitamaduni na pia majukwaa ya kidijitali.

Kuhusiana na hili, nina furaha kuwatangazia kwamba kampeni yetu ya kuongezza matawi, ilishika kasi tenu 2022 ambapo tulifungua matawi saba mapya Kenya na Tanzania na itaendelea. Mwaka 2023, tunapanga kufungua matawi takriban 24, hasa Kenya. Tunaamini kuwa hii itarhisisha upatikanaji wa huduma kwa wateja wetu wanaoongezeka na wanaofanya kazi katika sekta ambazo tumekuwa tukifanya vyema kwa muda mrefu, kama vile biashara, nyumba na mashamba na viwanda, pamoja na sekta mpya zinazotoa fursa ya ukuaji zikiwa kilimo, afya, elimu, na kadhalika. Ni muhimu kusisitiza kwamba kazi ya mtandao wetu wa matawi ya benki inabadilika. Tunayatazama matawi haya sio tu kama vituo vya kutekeleza shughuli za kibiashara, lakini zaidi, kama vituo ambapo wateja wetu wanawenza kuuliza maswali na kupata ushauri kutoka kwa wafanyakazi wetu pamoja na kuwa vituo vya mikutano ya kibiashara vya kutumiwa na wateja.

Tutaendelea pia kuwekeza pakubwa katika kuimariika ujuzi wa wafanyakazi wetu, uwezo wa kiteknolojia na mitandao ya ushirikiano katika nyanja ya dijitali na ubunifu na uvumbuzi. Lengo la uwekezaji huu ni kuandaa huduma zenyehisa uwezo wa kifedha ya kifedha kwa lengo la kuwawutia wateja zaidi kutoka vitengo vyote: rejareja, bishara ndogo ndogo na za wastani, na kampuni na mashirika.

Uendelevu: kujitolea kwa kipindi kirefu

Tunapotafuta ukuaji, huwa tunahakikisha tunaunda thamani ya pamoja kwa wadau wetu na mazingira pia kwa sababu kwetu sisi ni muhimu kufanya biashara katika nija sahihi, ya haki na ya uwajibikaji. Moja ya nguzo kuu tatu ambazo zimetumiwa kuandaa mkakati wetu wa ukuaji wa biashara ni uendelevu, kwa kuongozwa na maadili ya Mazingira, Jamii na Utawala (ESG). Mwaka huu, tunapanga kuzindua mkakati wa kina wa Uendelevu ambao utaangazia shughuli zetu, ukopeshajji kwa wateja, ununuzi wa bidhaa na huduma kutoka kwa wauzaji na wasambazaji wa bidhaa na huduma, mashauriano na washirika, mionganoni mwa mengine.

Kama Kundi, tunafahamu fursa kubwa za kibiashara zinazotolewa na Uendelevu na hasa, sekta ya uchumi wa kijani. Kwa hivyo, tunakusudia kutekeleza mchango muhimu katika kusaidia ukuaji wa sekta hiyo kupitia kutoa mikopo nafuu ya kuchochea ukuaji. Tunafanya mashauriano na washirika mbalimbali kutafuta nija za ufadili pamoja na kuandaa huduma na bidhaa sahihi za kuwafaa wateja wetu.

Katika ngazi ya utawala, Benki imeipa kazi Kamati ya Mkakati katika Bodi kusimamia mifumo wa Uendelevu wa DTB, na kuangazia mionganoni mwa mengine msimamo wa Kundi kuhusu kusimamia hatari zinazotokana na mabadiliko ya tabia nchi.



TAFAKARI YA MWENYEKITI (CONTINUED)

DTB imeunga pia Kamati ya Usimamizi wa Uendelevu (SUSCO), ambayo inajumuisha wanachama kutoka kwa kundi la wasimamizi wakiongozwa na CEO wa Kundi, kuhakikisha utekelezaji wa ajenda ya ESG ya Kundi. SUSCO huripoti kwa Kamati ya Mkakati ya Bodi (BSC) ambayo husimamia utekelezaji wa miradi mbalimbali ya DTB na kuhakikisha ripoti zinawasilishwa kwa njia wazi na kwa wakati.

Shukrani

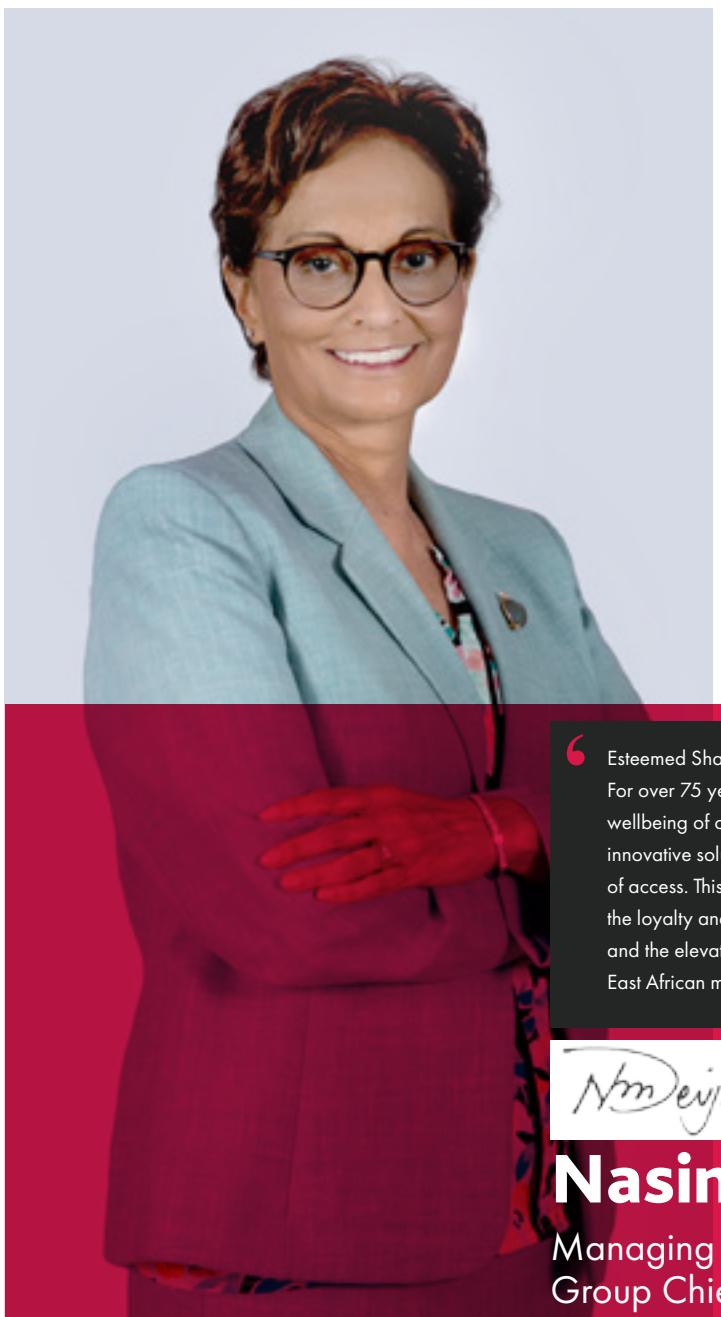
Ningependa kuwashukuru wenyehisa wetu kwa imani ambayo wameendelea kuwa nayo kwetu na kwa kutuunga mkono hasa wakati huu tunapotekeleza mkakati wetu mpya wa ukuaji katika mazingira yenyе changamoto. Ningependa pia kuwashukuru wafanyakazi wetu kote katika Kundi ambaao, chini ya uongozi wa Nasim Devji, hufika kazini kila siku kuhakikisha wanawahudumia wateja wetu kwa weledi na kuhakikisha wadau wengine wetu wanaridhika. Tunathamini sana mchango wenu, na kwa kutuchagua sisi. Tunaahidi kuendelea kuchunguza na kuboresha huduma na bidhaa zetu kuhakikisha zinatimiza matarajio yenu. Ningependa pia kuwashukuru wasimamizi wa sekta yetu, Serikali, washirika, wanaotuuzia bidhaa na huduma na jamii katika maeneo ambayo tunahudumu kwa kuamua kufanya kazi nasi.

Taarifa iliyoko hapa juu ni tafsiri ya tafakari ya mwényekiti iliyoko [ukurasa wa 21-22](#). Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kiingereza ndiyo itakayo tawala.

The text set above is a swahili translation of the Chairman's Reflections, which appears on [pages 21-22](#). In the event of any dispute in the interpretation of the Swahili version, the English version shall be the authoritative version.



MANAGING DIRECTOR'S REFLECTIONS



As the Chairman has highlighted in his reflections, the year 2022 was pivotal for the Group. It was also an inflection year for us, with the operationalisation of our growth strategy ushering an exciting new phase in our journey towards achieving socio- economic relevance.

Underpinning the strategy is our over-arching objective, which is to contribute to the region's social and economic growth in a meaningful, impactful and sustainable way. This is by continuously offering holistic financial solutions to deepen access to financial services not just to the banked but also the underserved segments and sectors in our markets.

Informed by this, we spent the better part of 2022 laying a solid foundation for the successful implementation of DTB's growth strategy focused on building and enriching our customer value propositions and investing in people and digital capacities and skills.

Esteemed Shareholders,
For over 75 years, DTB has prided itself as a contributor to the financial wellbeing of our customers by offering them unmatched services and innovative solutions, anchored on convenience, agility in response and ease of access. This service delivery culture has paid dividends, as evidenced by the loyalty and patronage of our customers, sustained growth in business and the elevation of DTB as a Tier 1 financial services provider in all our key East African markets: Kenya, Tanzania and Uganda.

Nasim Devji

Managing Director &
Group Chief Executive Officer

We augmented this by embarking on a brand awareness and positioning journey in 2022, under the thematic: Bank with us, Bank on us. This campaign which will run through in 2023 is aimed at deepening our market visibility and presence in a fast-growing region, whilst underscoring our commitment to remain customer-centric and innovative. Importantly, we have also stayed true to our purpose of ensuring not just the financial well-being of our customers, but also in contributing positively to our employees' welfare and development.

Our people

For us to successfully implement our strategy, an enthused and engaged employee complement is an irreducible minimum. Informed by this imperative value, we are continuously investing in upskilling them to enhance their ability to successfully address existing and emerging market opportunities, and in improving their welfare.

In 2022, our employees invested over 2,200 hours in training, with half of the staff taking part in specialised trainings, with a particular focus on customer service, AML, cyber and sustainability matters, in line with market developments.

To increase our agility and drive our market penetration strategy, we created new roles which included the recruitment of a strong sales force to drive lead generation; we also augmented our business and innovation teams creating new and diverse verticals, focusing on transaction banking and various retail offerings. As a result, last year, the DTB Group opened its doors to over 500 new employees who brought on board the mix of talent and experience required to align our competencies and capacities to deliver the business growth strategy.

Customer Value Proposition

We operate in an environment where our customer is multi-banked and increasingly, our competition is coming from products, especially mobile/digital offerings, as well as the cost of living. We are also witnessing a generational change amongst our customers with millennials increasingly influencing market dynamics.

Against this backdrop, in 2022, we piloted *Weza*, our mobile lending platform in Kenya, in response to customer feedback and are planning to scale its reach in H1 2023. Commensurately, we launched a partnership with Vodacom's *Mgodi* in Tanzania, which resulted in an unprecedented 173% customer growth for our Tanzania subsidiary. We also introduced employee scheme lending for our corporate customers and rolled out *Till Moja*, a cash collection solution for SMEs.



MANAGING DIRECTOR'S REFLECTIONS (CONTINUED)

Cognisant of the important role women- owned micro and small enterprises play in driving economic development, we carried out a series of engagements with these groups and continue customer value propositions for these segments. Additionally, given their criticality in promoting both economic and societal growth, from 2023 we plan to deepen our presence in key sectors of opportunity including agriculture, health, education, technology and the public sector.

Augmenting our Digital Propositions

I am pleased to advise that we have leveraged our digital capabilities, partnerships and people skills to launch key value propositions targeting different customer segments. To this end, we have launched *DTB X*, a sub-brand that will grow to signify DTB's innovation and transition into a technology company and all things digital. The X builds on DTB's brand strength, adding modern connotations of X factor and X times growth. *DTB X* will represent the innovation arm of DTB; encapsulated in the innovation hub that is currently under construction at the bank's Head Office - DTB Centre, Nairobi. This hub will provide a modern open working space to incubate and co-create with other technology companies to introduce new products to the market.

The other digital initiatives we have launched include:

- *Astra* – is our **Banking As A Service** proposition where we extend digital financial services components to tech- enabled companies to enable them to provide products and services to their customers. DTB becomes the enabling partner responsible for ensuring all regulatory requirements are met and maintained. This will allow DTB to significantly increase the customers we can serve, and provides a vehicle for output of the products and services developed by *DTB X*.
- *Infiniti Pay* – is a smart phone banking application targeting small and medium enterprises, providing a low- cost solution to the needs of the small business owner, including stock and inventory management, accounting, billing, invoicing, payments and collections.

Responsible Corporate Citizen

We are a purpose driven bank and inherent in our DNA is doing business in the right way with due regards to the society and the environment. Consequently, we are an active member of the UN Global Compact and a signatory to its ten principles and support the UN SDGs. In 2022, together with 53 other business leaders, I lent our support to the *Africa Business Leaders' Climate statement by the Africa Business Leaders Coalition (ABLC)* which is committed to bringing Africa's perspective to the climate change global conversation.

Further to this, we invested Shs 100 million in support of environmental, health, education and economic empowerment community projects among others. This included a Shs 21 million donation towards drought relief efforts in Northern Kenya.

Recognising the importance of promoting an inclusive culture in the workplace and in our interactions with our stakeholders, we proactively pursued and achieved a 50-50 gender ratio in our workforce. Notably, we also became the first bank to provide sign language and disability etiquette training to 45 staff members under the Kenya Bankers' Association Persons With Disability (PWD) digital accessibility initiative.

Conclusion

Looking forward, we will continue to invest in our people, systems and processes to improve our internal efficiencies and agility. We are also leveraging the power of partnerships, to scale the impact of our solutions and initiatives. We are looking at a future where we will go beyond banking by positioning ourselves as a technology firm with a banking licence. Our ultimate aim is to offer sustainable value creation for the benefit of all our stakeholders.



TAFAKARI YA AFISA MKUU

Wenye hisa Wapendwa,

Kwa zaidi ya miaka 75, DTB imejivunia kuwa mhusika katika uhabiti wa kifedha wa wateja wetu kwa kuwapa huduma bora na za kipekee pamoja na ubunifu na uvumbuzi. Msingi wa huduma hizi umekuwa kurahisishia mteja mambo na wepesi wa kushughulikia masuala yanayojoitokeza. Utamaduni huu wa kuweka utoaji huduma mbele umezaa matunda, kama inavyoijonyesha katika uaminifu wa wateja wetu kwetu na ukuaji ulioendelea wa biashara yetu. Pia, DTB imepandishwa ngazi na kuwa mtoaji huduma za kifedha wa Kitengo cha 1 katika masoko yetu makuu Afrika Mashariki: Kenya, Tanzania na Uganda.

Kama Mwenyekiti alivyoeleza katika tafakari yake, mwaka 2022 ulikuwa muhimu sana kwa Kundi. Ulikuwa pia mwaka wa mabadiliko kwetu. Tulanza kutekeleza mkakati wetu wa ukuaji uliofungua ukurasa mpya katika safari yetu ya kuwa na manufaa ya kijamii na kiuchumi.

Kilichoongoza mkakati huo ni lengo letu kuu la kuchangia ukuaji wa kijamii na kiuchumi katika kanda hii kwa njia ya maana na endelevu. Hii ni kupitia kutoa huduma bora na pana za kifedha zitakazosaidia kuwafikia wale wasiopata huduma za benki lakini pia makundi ya jamii na sekta ambazo hazijakumbatiwa kikamilifu kwenye mfumo rasmi wa kifedha.

Kwa kuongozwa na hili, tulitumia sehemu kubwa ya mwaka 2022 tukiweka msingi imara wa utekelezaji wa mkakati wa ukuaji wa DTB tukiangazia kuunda na kuboresha huduma zetu kwa wateja na kuwekeza katika wafanyakazi wetu uwezo na ujuzi wa kidijitali.

Tulisaidia hili kwa kuanzisha kampeni ya kuhamasisha watu kuhusu sifa na utambulisho wa benki yetu mwaka 2022 kwa kutumia kauli mbiu ya **Bank with us, Bank on us**, kwa maana ya kuwa wateja wanaopata huduma za benki kwetu wanaweza kututegemea sisi. Kampeni hii itaendelea mwaka 2023 na ina lengo la kukoleza kufahamika kwetu sokoni katika kanda hii inayokua kwa kasi. Pia, inasisitiza kujitolea kwetu kuendelea kumjali mteja zaidi na kuwa wabunifu. Muhimu zaidi ni kwamba tumeendelea kutimiza lengo letu kuu la kuhakikisha kuwa kando na kuwajali wateja wetu kifedha, tunachangia pia maslahi na ukuaji wa wafanyakazi wetu.

Watu wetu

Ili kufanikiwa katika kutekeleza mkakati wetu, tunawahitaji wafanyakazi waliojitlea na wanaoshiriki kikamilifu. Kwa kufahamu hili, tumekuwa tukiwekeza katika kuwapa ujuzi kuimarisha uwezo wao wa kutumia vyema fursa zilizopo na zinazojiteza sokoni, na pia kuboresha maslahi yao binafsi.

Mwaka 2022, wawekezaji wetu walitumia zaidi ya saa 2,200 katika mafunzo, ambapo nusu ya wafanyakazi walishiriki katika mafunzo maalum yaliyoangazia huduma kwa wateja, AML (kukabiliana na utakatishaji wa fedha), masuala ya mtandao na vendelevu, kuambatana na matukio sokoni.

Ili kuongeza wepesi wetu wa kuchukua hatua na kutusaidia kupenyeza zaidi sokoni, tulianzisha nafasi mpya za kazi ikiwa ni pamoja na kuajiri kikosi thabiti cha mauzo cha kuwatafuta wateja watarajiwa; pia tuliongeza wafanyakazi wetu wa biashara na uvumbuzi kwa lengo la kuunda huduma maalum za kufaa makundi maalum ya wateja, na kuangazia pia shughuli za kifedha katika benki na huduma nyingine za rejareja. Matokeo yake ni kwamba Kundi la DTB liliwapokea zaidi ya wafanyakazi 500 wapya waliojunga nasi wakiwa na mseto wa ujuzi, maarifa na uzoefu unaohitajika kufanikisha mkakati wetu wa ukuaji.

Huduma zetu kwa wateja

Tunahudumu katika mazingira ambapo wateja wengi wanatumia zaidi ya benki moja na ushindani mkubwa tunaokumbana nao ni wa huduma, hasa huduma za benki kupitia simu au dijitali, pamoja na gharama ya maisha. Tunashuhudia pia kubadilika kwa vizazi ambapo sasa watu waliozaliwa miaka ya themanini na tisini, maarufu kama *millennials*, sasa wanaongoza mitindo sokoni.

Kutokana na hili, mwaka 2022, tulanza kufanya majaribio huduma ya *Weza*, ambayo ni huduma ya kutoa mikopo kupitia simu Kenya. Hii ilitokana na mapendekezo kutoa kwa wateja na tunapanga kupanua upatikanaji wake katika nusu ya kwanza ya mwaka 2023. Vilevile, tulizindua ushirikiano na huduma ya *Mgodi* ya Vodacom nchini Tanzania. Hatua hii ilichangia ukuaji mkubwa wa 173% katika idadi ya wateja katika biashara yetu tanzu nchini Tanzania. Tulianzisha pia mpango wa kuwakopesha wafanyakazi kwa wateja wetu ambao ni mashirika au kampuni. Kadhalika, tulizindua *Till Moja*, ambayo ni huduma ya kupokea pesa ya kutumiwa na biashara ndogo ndogo na za wastani.

Kwa kutambua mchango muhimu unaotolewa na biashara ndogo ndogo na za wastani zinazomilikiwa na wanawake katika ukuaji wa uchumi, tulifanya mikutano kadhaa nao na tunaendelea kutoa huduma zinazoangazia mahitaji yao. Kadhalika, ukizingatia umuhimu wao katika ukuaji wa kiuchumi na kijamii, kuanzia 2023, tunapanga kuzidisha uwepo wetu katika sekta muhimu zilizo za fursa mbalimbali zikiwemo kilimo, afya, teknolojia na sekta ya umma.

Kuboresha huduma zetu za Dijitali

Nina furaha kuwajulisha kwamba tumetumia uwezo wetu wa kidijitali, ushirikiano na ujuzi wa wafanyakazi wetu kuzindua huduma muhimu za kidijitali zinazowalenga wateja wa makundi mbalimbali. Kuhusiana na hili, tumezindua DTB X, ambayo ni nembo ya kuashiria uvumbuzi na ubunifu wa DTB ambayo itakua na kuwa kampuni ya kiteknolojia na kuangazia mambo yote ya dijitali. X itatumia nguvu za nembo ya DTB, pamoja na kuongeza sifa za kisasa za X za ubora wa kipekee na kupiga mara ukuaji. DTB X itasimamia kitengo cha uvumbuzi cha DTB; dhana ambayo kwa sasa inasimamia na kitovu cha uvumbuzi ambacho kinaundwa katika afisi kuu za benki - DTB Centre, Nairobi. Kitovu hiki kitatoa nafasi wazi ya kisasa ya kufanya kazi na kuunda, kukuza na kulea miradi na mawazo mbalimbali kwa pamoja na kampuni nyingine za kiteknolojia kwa lengo la kuingiza bidhaa na huduma mpya sokoni.

Mikakati mingine ya kidijitali ambayo tumezindua ni pamoja na:

- **Astra** – ni huduma yetu ya '**Benki kama Huduma**' ambapo tunatoa huduma za kifedha za kidijitali kwa kampuni zenyte teknolojia inayohitajika kuziwezesha kutoa huduma na bidhaa kwa wateja wao. DTB katika mpangilio huo inakuwa mshirika anayewajibika kuhakikisha mahitaji yote ya kisheria yanatimizwa na kudumishwa. Hii itawezesha DTB kuongeza pakubwa idadi ya wateja, na kuwa jukwaa la kutolewa kwa bidhaa na huduma zitakazoundwa na kuanzishwa na DTB X.
- **Infiniti Pay** – ni programu ya simu ya huduma za benki inayolenga biashara ndogo ndogo na za wastani, kwa kutoa huduma za bei naafuu kwa wenye biashara hizo, zikiwemo usimamizi wa hesabu ya bidhaa na orodha ya mali, uhasibu, bili, rekodi za madai ya malipo, risiti na malipo yenyeve pamoja na makusanyo.



TAFAKARI YA AFISA MKUU (CONTINUED)

Kampuni raia mwema

Benki yetu huongozwa na lengo kuu, na msingi wetu ni kufanya biashara kwa njia ya haki na kwa kujali jamii na mazingira. Kutohama na hilo, sisi ni wanachama wa Mkataba wa Dunia wa Umoja wa Mataifa na tumetia saini maadili yake kumi na tunaunga mkono Malengo ya Maendeleo Endelevu ya Umoja wa Mataifa (SDGs). Mwaka 2022, pamoja na viongozi wengine 53 wa kibashara, niliunga mkono *Taarifa ya Viongozi wa Kibashara Afrika* kuhusu *Tabia Nchi ilioandaliwa na Muungano wa Viongozi wa Kibashara Afrika (ABLC)* ambao umejitelea kuhakikisha mtazamo wa Afrika unasikika katika mjadala kuhusu mabadiliko ya tabia nchi duniani. Kando na hili, tuliwekeza Shs 100 milioni kusaidia miradi ya kuiwezesha jamii katika mazingira, afya, elimu na uchumi. Hii ni pamoja na msaada wa Shs 21 milioni wa kusaidia juhudini za kukabiliana na ukame kaskazini mwa Kenya.

Kwa kutambua umuhimu wa kufanikisha utamaduni wa kujumuisha jinsia wote kazini pamoja na mazungumzo yetu na wadau, tumeazimia na kufanikiwa kufikisha uwiano wa jinsia wa 50-50 katika wafanyakazi wetu.

Muhimu zaidi, tulikuwa pia benki ya kwanza kutoa mafunzo ya lugha ya ishara na adabu kuhusu ulemavu kwa wafanyakazi wetu 45 chini ya mkakati wa kuboresha ufkiaji wa huduma za kidijitali kwa Watu wanaoishi na Ulemavu (PWD) wa Chama cha Wanabenki Kenya.

Hitimisho

Tukitazama mbele, tutaendelea kuwekeza katika watu wetu, mifumo na shughuli zetu ili kuboresha utoaji huduma wetu. Tutatumia pia nguvu ya ziada inayotokana na ushirikiano na wengine kuongeza manufaa na faida kutoka kwa huduma na mikakati yetu. Tunatazamia siku za usoni ambapo tutapiga hatua zaidi ya huduma za benki tu na kuijweka kama kampuni ya teknolojia yenye leseni ya kutoa huduma za benki. Lengo lengu tu mwishowe ni kutoa fursa endelevu ya kujenga thamani kwa manufaa ya wadau wetu wote.

Taarifa iliyoko hapa juu ni tafsiri ya Tafakari ya Afisa Mkuu iliyoko [ukurasa wa 25-26](#). Iwapo patatakea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kiingereza ndiyo itakayo tawala.

The text set above is a swahili translation of the Managing Director's Reflections, which appears on [pages 25-26](#). In the event of any dispute in the interpretation of the Swahili version, the English version shall be the authoritative version.



FINANCE & STRATEGY DIRECTOR'S REFLECTIONS



Esteemed Shareholders,

In line with its strategic aspirations, DTB has rolled out an ambitious growth strategy to pivot it as a socio-economically relevant player in East Africa. The strategy is underpinned by key initiatives spanning across new technology adoption, investment in human capital, branch expansion and strategic partnerships with fintechs and other tech start ups.



Alkarim Jiwa
Finance & Strategy Director

Operating Environment

After enduring prolonged market uncertainties, firstly due to the Covid-19 pandemic and, more recently, the Russian-Ukraine conflict, the East African banking environment demonstrated continued resilience. Credit demand recovered strongly across the markets with notable gains in services, trade, and manufacturing. The improving risk landscape evidenced by reduced NPLs, also enhanced the supply of credit by commercial banks. However, the economy across the region remained below potential, bedeviled by: the impact of rising global interest rates, elevated inflation, volatile foreign exchange markets and the ravaging drought. Mid-term economic and financial conditions are expected to remain resilient although short-term uncertainties will remain apparent.

Performance Highlights

The Group pre-tax earnings (PBT) improved by 44% compared to 2021, on the back of a strong growth in top line revenue.



Net Interest Income (NII)

The growth in NII was underpinned by higher yields, principally, government securities and a growing low-cost deposit base.



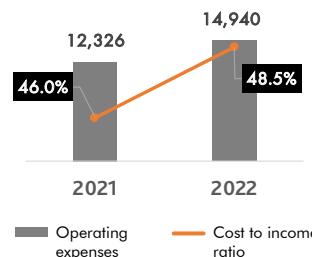
Fee income

On the backdrop of an expanded customer base, higher transaction throughput and wider FX spreads, non-interest revenues across key streams improved in 2022.



Operating Expenses

The significant investments the Group made in technology, people capacity and branch expansion has increased the cost base. The projected business growth and augmented revenue from these investments will be realised over the medium term and result in the cost income ratio trajectory taking a downward trend.

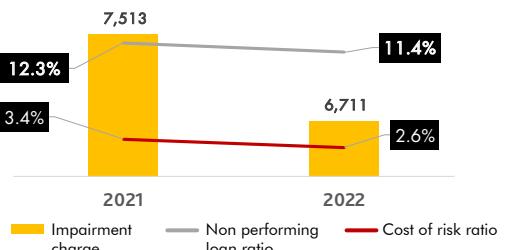




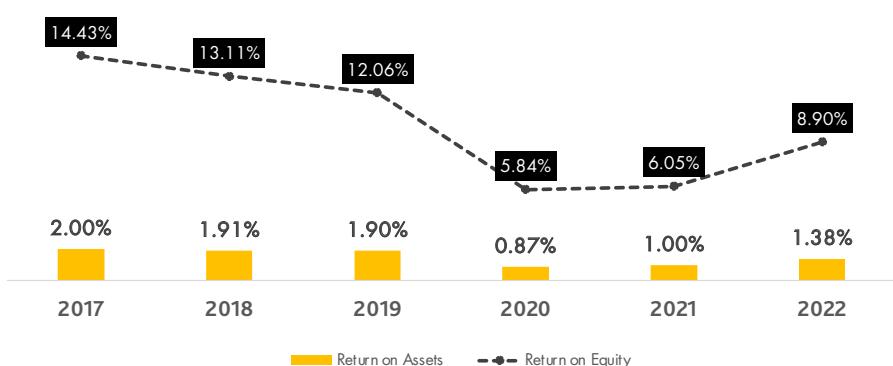
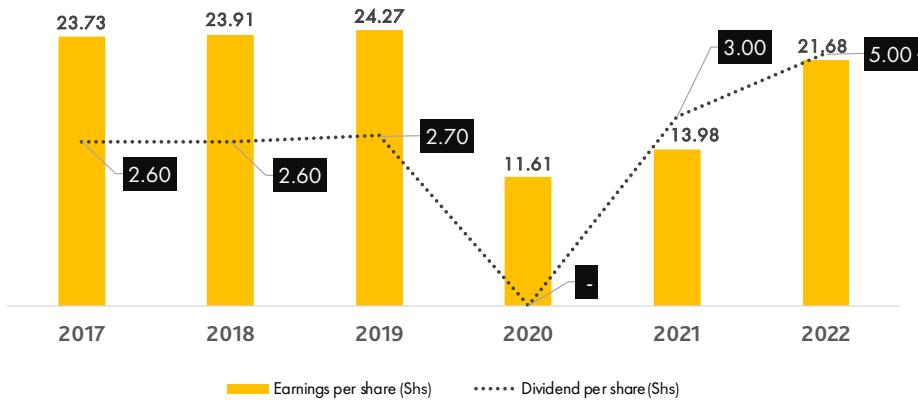
FINANCE & STRATEGY DIRECTOR'S REFLECTIONS (CONTINUED)

Cost of Risk

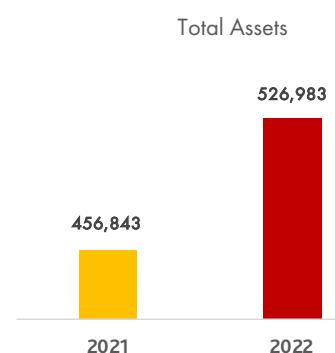
The Group impairment charge has declined on account of improving asset quality as the impact of the Covid-19 wanes away and the economy rebounds to its pre-pandemic levels.



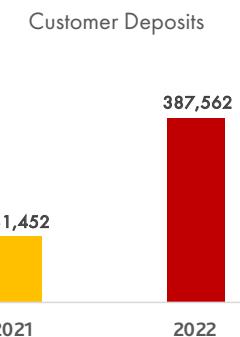
Drivers of Shareholder Value Creation



Total Assets



Customer Deposits



Deposit growth has been driven by the strong loyalty and custom received from both existing and new customers. DTB's growing branch and digital footprint and expanded value propositions is expected to sustain this trajectory.



FINANCE & STRATEGY DIRECTOR'S REFLECTIONS (CONTINUED)

Capital and Liquidity Strength

DTB's capital and liquidity ratios remain at healthy levels with sufficient headroom over the regulatory requirements. The capital and liquidity positions have been built to support the expansion drive currently in progress. This is expected to deliver additional value to all our stakeholders across the East Africa region going forward.

Based on this, the Board has recommended a first and final dividend of Shs 5 per share signifying the commitment of the Group to continually reward its shareholders in line with the improved performance of the Group, whilst retaining adequate resources to leverage further growth.

Capital Adequacy Ratio (Total capital/ TRWA)	2022	2021	Minimum Requirement	
			Board	Regulatory
Kenya	20.7%	21.2%	16.0%	14.5%
Tanzania	18.5%	19.5%	16.5%	14.5%
Uganda	21.8%	27.8%	17.0%	14.5%
Burundi	42.9%	48.5%	15.5%	14.5%

Liquidity Ratio	2022	2021	Minimum Requirement	
			Board	Regulatory
Kenya	58.2%	61.6%	30.0%	20.0%
Tanzania	32.3%	23.6%	30.0%	20.0%
Uganda	63.6%	70.5%	30.0%	20.0%
Burundi	218.0%	172.0%	110.0%	100.0%

Responsible Taxpayers

As a responsible corporate citizen, DTB remains compliant with its tax obligations through on time remittances and disclosure of taxable revenue and tax obligations. For the year ended December 2022, our tax payment increased by Shs 1.4 bn (50%) on account of higher taxable income driven by the improving business environment. This philosophy considers the needs of all stakeholders, including shareholders, customers, tax authorities, regulators and wider society. We ensure that all taxes are paid in accordance with the legislative requirements of the countries in which we operate.

Outlook

The Group's financial performance turned around notably in 2022, with a 54% increase in after tax profits and 15% rise in total assets. This was on the back of a 54% growth in the customer base, increased value acquisition and transactions throughput during the year.

DTB's business growth strategy, rolled out in 2022, is underpinned by delivering value propositions, that meet its customers needs, on both its traditional as well as digital platforms and channels. Building on this momentum, the Group is confident that the investments being made in augmenting its people skills and capacity, branch and digital platforms will yield an even stronger financial performance and market position in the future.

Transformative



As an aerospace engineering graduate, I wasn't sure that I would fit into the bank's Graduate Management Trainee programme. I was however pleasantly surprised by the diverse skill sets represented in the programme which helped me feel included. I had unbridled access to various departments and leaders, which deepened my understanding of the bank. As a result, I now have a great appreciation of the banking sector, making me multi-skilled and therefore highly marketable. I am grateful to DTB for this experience, and I look forward to the next phase of my career.

- Vincent Ogutu

Graduate Management Trainee
-2021 Cohort



**Bank on us for
people-centric growth**



Supporting youth employability

DTB actively promotes youth employability to futureproof the business, and support the wider national youth empowerment agenda. In this regard, we are currently running three programmes that are designed to familiarise university graduates with the bank's operations as prospective employees and customers.

DTB's Graduate Management Trainee (GMT)

programme is a 3-year employment opportunity that offers university graduates hands-on work experience to deepen their understanding of the bank with a view to employing them. During the first two years, beneficiaries rotate through various departments for a period of up to a month and then specialise in their final year in a department of their choice.

DTB also runs other programmes to enhance the employability of young East Africans. In 2022, **125 university students** participated in a 3-month internship programme while a further **100 students** took part in a two-week job shadowing programme.

By supporting and investing in our youth, we are building a rich and diverse talent pool, and promoting employee satisfaction, engagement and, ultimately, productivity.

**Bank on us for
people-centric growth**

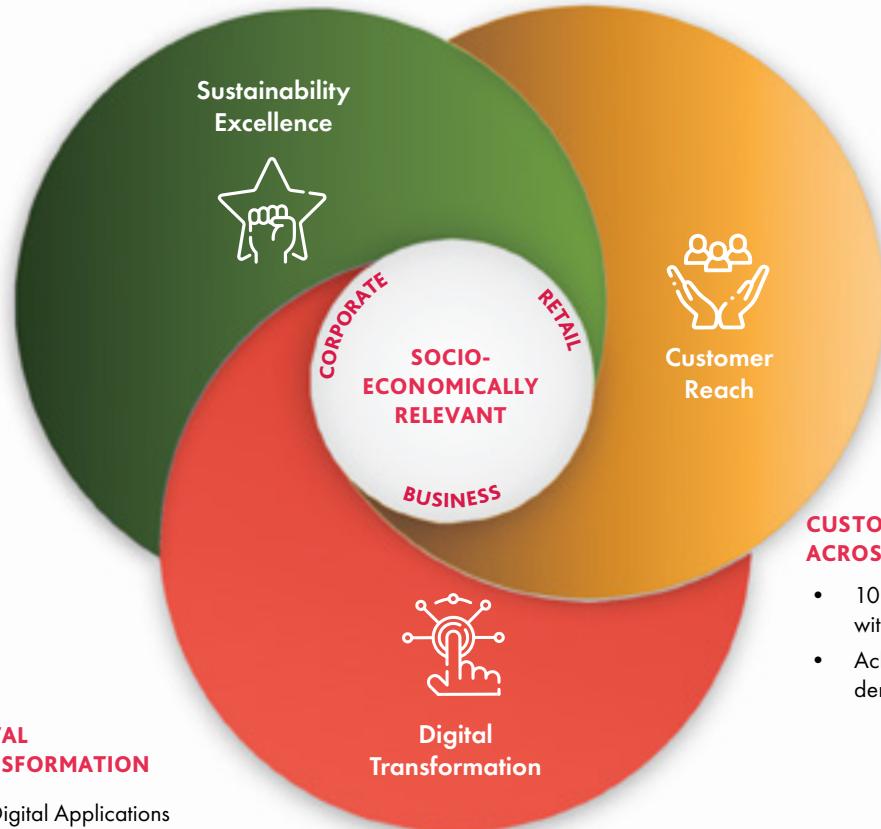


DTB BUSINESS GROWTH STRATEGY

Achieving Socio-Economic Relevance

AMONGST THE LEADING SUSTAINABILITY PRACTITIONERS IN EAST AFRICA

- Achieve net-zero status in own operations by 2030 (scope 1 & 2)



Pivoting DTB to be a Customer-Centric, Top Tier, Digitally-driven Bank in East Africa

Imperatives

- Develop distinctive ecosystems in key sectors such as technology, health, education, and agriculture among others.
- Pursue inorganic growth, through mergers and acquisitions subject to identification and evaluation of high potential, viable opportunities and targets.
- Ramp up DTB's digital transformation agenda and become digital to the core.
- Establish ourselves as thought leaders and practitioners in sustainability excellence.
- Form strategic partnerships to increase impact, scale up our acquisition, delivery capacities and enrich our customer value propositions and experiences.
- Pursue an integrated sustainability excellence agenda interwoven into the overall business strategy.
- Sustain and build on DTB's market position as a Tier one bank, with deposit-driven growth.
- Leverage DTB's brand strength and business model to rapidly scale up and grow the customer base.

Enablers

- Promote high impact brand campaigns.
- Augment the capacity of the sales force team to drive customer acquisition through new hires as well as introduction of new sales tools and techniques.
- Digitally literate talent pool through new recruitments, re-skilling of existing employee complement and retention of workforce to enhance digital capabilities by retaining and hiring new staff.
- Expand branch footprint to drive more penetration and create accessible sales and service centres.
- Develop agile digital platforms, technology and cyber security assets, data and analytics infrastructure, business process automation, artificial intelligence etc.
- Improve product offering and customer experience by refreshing existing products and services, tailoring new solutions, and developing new customer value propositions for our focus segments and sectors.



DTB BUSINESS GROWTH STRATEGY (CONTINUED)

2022 Achievements

Customer Reach

New customers acquired by the end of 2022 (345,611)



- Kenya: 105,000
- Uganda: 33,929
- Tanzania: 206,108
- Burundi: 574

Total customers by the end of 2022: 876,990.

Digital Transformation

- Enhanced remote account opening.
- Enabled mobile banking for diaspora customers.
- Enhanced mobile banking registration process.
- Data team establishment commenced.
- Partnered with Vodacom in launching *Mgodi*, a digital lending and savings product.

People

New staff acquired:

- Establishment of sales force team in Kenya and Uganda of over 200 people.
- Enhanced capacity of existing staff through certification at Azure/AWS.
- Filling of key senior positions and tech talent onboarding to make DTB future ready.

Amongst the Leading Sustainability Practitioners in East Africa

- Dedicated sustainability and citizenship department established.
- Sustainability Management Committee established.
- Continued application of Social and Environmental Management Systems (SEMS) for funding activities.

Branch Expansion

- 7 new branches opened in 2022 - 6 in Kenya, 1 in Tanzania.
- Total branch network increased to 134 branches by December 2022.

Brand and Product Campaign

- Rolled out high impact brand campaign - ("Bank with us, Bank on us").

6 Pillars of DTB's Digital Transformation Agenda



People

Revise the technology structure of the business, and acquire new competencies through hiring new staff and upskilling existing staff.



Digital Applications

Invest in digital applications that will wrap around the core banking system to create a scalable platform to accelerate customer growth and drive efficiency.



Digital Banking Platform

Invest in a digital banking platform and development teams that can rapidly build products and features for customers.



Digital Partnerships

Partner with Fintechs and Tech start ups to leverage their ecosystems to grow our customer base and unlock new revenue streams.



Data Analytics and AI

Build a data capability to enable advanced analytics to drive growth across all segments through data mining, cross-selling, and personalized propositions.



Cloud Migration

Migrate to the Cloud and take advantage of the benefits of scale, elasticity, cost efficiency and accessibility while maintaining regulatory compliance and data sovereignty.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS

Our business growth strategy is premised on achieving rapid and meaningful customer growth, digital transformation and sustainability excellence. These three aspirations give life to our strategic objective of being socio-economically relevant, underpinned by our core purpose, which is to improve the quality of lives of all our stakeholders. It enables us to create value by enriching the lives of our customers and other stakeholders in a sustainable, meaningful and impactful way.

Our business model is hinged on a two-strand approach: the use of the traditional brick and mortar infrastructure and the deployment of new age technology to deepen penetration and provide convenience and access to our customers. We are constantly innovating our offerings and improving our process efficiencies to enhance our agility and responsiveness. Correspondingly, we continue to make the necessary investments in our human and intellectual capital, by creating a workplace environment that embraces innovation so as to drive engagement and productivity, because we are only as good as our people and it is through them that the brand lives.

As a responsible corporate citizen, we are pursuing sustainability excellence to enable us to fulfil our net-zero ambitions by ensuring that in all our engagements, we put in place the requisite mitigants for activities that erode value, whilst ensuring that we not only preserve, but importantly, create value to secure present and future generations.



Human Capital

Our people are at the heart of our operations; they define our success. As such, our human capital takes a holistic view of our staff complement: covering their health, safety and well-being, expertise, experience, innovative competency and capacity, as well as their engagement. Our key priority is to future-proof our people by equipping them with the necessary skills and tools to stay ahead of the curve in this rapidly disruptive era of digital adoption and transformation. We provide an enabling workplace environment to attract, retain and grow young and fresh minds, and develop a highly skilled and future-ready workforce that leads to creation of value. Over the years, our people's passion, dedication and commitment have empowered us to reach new heights, and propelled DTB to become one of the leading financial institutions in the region.

Stakeholders	Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> Employees Contract staff 	<ul style="list-style-type: none"> Hired a sales force of over 200, dubbed 'Africa's Finest', to drive customer acquisition in Kenya. Shs 40 million invested in staff training and development across the Group. 2,200+ hours invested in training sessions across the Group. Creation of new departments to increase the bank's capacity to achieve an ambitious growth strategy. Reviewed staff emoluments and increased medical cover to enhance the bank's value offering to its employees. Continued investments in employee welfare and increased leave days. Fair pay and terms of employment with market-related reward and benefits. Equal opportunity employer. 	<ul style="list-style-type: none"> Group head count: 2,538 out of which 94% are on permanent terms. 80% of the Group's staff complement comprises university graduates. Women make up 50% of all staff and 29% of EXCO across the Group. 100% participation in regulatory training; 47% undertook specialised trainings. 538 new employees (21%) hired across the Group to align the Groups competencies and capacities to deliver the growth strategy. 77% of staff are < 40 years old. 56% of staff took part in health wellness checks compared to 41% in 2021. 	<ul style="list-style-type: none"> 345,611 new customer accounts across the Group compared to 70,094 in 2021 which is the highest year on year jump (54%) in the Group's history. 630,000+ customer interactions in Kenya alone.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS (CONTINUED)



Manufactured Capital

The bank has rolled out an ambitious growth strategy premised on, among other things, customer acquisition and digital transformation. To increase customer numbers, we are investing in a branch expansion programme targeting new and/or underserved markets. We are also investing in new technologies to support our digital transformation agenda in line with our ambition of becoming a *technology company with a banking licence*.

Our manufactured capital comprises our investments in branches, agency banking network, digital platforms, IT hardware infrastructure, and office equipment and supplies which when combined with human and intellectual capital, enables us create long-term value.

Stakeholders	Inputs	Outputs	Outcomes
<ul style="list-style-type: none"> Customers Community 	<ul style="list-style-type: none"> 7 new branches were opened in 2022 across the Group bringing the total to 134. 9 Digital Lobbies. 155 ATMs. Tier III Data Centre in Kenya. Investments in digital technology and skills of Shs 1.3 billion in East Africa to drive the digital transformation agenda. Partnerships with fintechs to provide innovative digital products and customer value propositions. 	<ul style="list-style-type: none"> Customer numbers grew to 876,990, a 54% growth. 72 million mobile transactions conducted representing 89% of all customer transactions compared to 52 million (86%) transactions in 2021. 24/7/365 service availability through our digital channels with 99% of core IT systems uptime across the Group. Continued growth in revenue streams through revamped digital products and platforms. POS reach grew from 1,779 merchants in 2021 to 2,180 in 2022. DTB-Tanzania partnered with Vodacom to launch <i>Mgodii</i>, a mobile loans and savings product. This contributed to a 127% increase in DTB Tanzania's customer base to 354,674. 	<ul style="list-style-type: none"> Deposits grew by 17%, while loans grew by 15%. Pre-tax profit grew by 44% to Shs 9.5 billion. Revenue grew by 21% to Shs 49 billion from Shs 40 billion in 2021.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS (CONTINUED)



Social and Relationship Capital

Our journey is built upon the relationships we have created and nurtured with our stakeholders – our Customers, Employees, Regulators, Shareholders and Community. We collaborate with all our stakeholders to create sustainable value, and to help achieve our objectives in a mutually beneficial way. Through these relationships, we hope to create a better tomorrow for all our stakeholders and ourselves.

Stakeholders	Inputs	Outputs	Outcomes
<ul style="list-style-type: none">CommunityRegulators	<ul style="list-style-type: none">Shs 5.2 billion paid in corporate taxIFC USD 100 million new funding targeted towards financing businesses in Kenya to expedite post-Covid recovery. This was on the back of a USD 50 million funding received from IFC in 2020 during the height of the Covid pandemic.Shs 5,922 million (86%) of Group procurement spend directed at promoting local vendors.Fortnightly trainings for customer facing staff.Citizenship related investments of over Shs 100 million towards more than 50 projects in the region.Transparency in pricing of products and services through public disclosures, such as on DTB's website, as well as displayed in the banking halls of all DTB branches, in line with Kenya Banking Sector Charter pillar.	<ul style="list-style-type: none">Over 250 SMEs have accessed financing.Over 8,100 East African MSME and retail customers, including over 3,100 women benefited from Financial Literacy Training programmes in 2022 in Kenya.Over 8,000 customers benefited from Financial Literacy Training programmes in 2022 in Uganda.45 staff members participated in Kenya Sign Language and Disability Etiquette Training by the Deaf Institute of Communication and Sign Language certified training.	<ul style="list-style-type: none">Supporting the growth of local economies especially MSMEs and SMEs.Contributed towards the United Nations Sustainable Development Goals: 1 (No poverty), 2 (Zero hunger), 3 (Good health and wellbeing), 4 (Quality education), 5 (Gender equality), 8 (Decent work and economic growth), 10 (Reduced inequalities), 15 (Life on land), and 17 (Partnerships).Net Promoter Score (NPS) of 47 for Kenya.Kenya's Customer Satisfaction Index score for 2022- 89%.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS (CONTINUED)



Financial Capital

Our financial capital includes our monetary resources, which are obtained through our business activities and from external sources. Funding mechanisms, such as equity, debt and term deposits are the main sources of our financial capital.

Stakeholders	Inputs	Outputs	Outcomes
<ul style="list-style-type: none">ShareholdersRegulatorsEmployeesCommunity	<ul style="list-style-type: none">Core (Tier I) Capital of Shs 69 billion.Total (Tier I & II) Capital of Shs 72 billion.Customer Deposits: Shs 388 billion.Subordinated debt of Shs 3.6 billion.Long term senior loans of Shs 21.9 billion.	<ul style="list-style-type: none">Growth in net loans and advances by 15% from Shs 220 billion to Shs 254 billion.Maintained strong liquidity level of 59.6% in 2022.21% growth in revenue from Shs 40 billion to Shs 49 billion.Shs 1,398 million dividends paid in 2022 comprising a payout ratio of 23.1%.	<ul style="list-style-type: none">Reduction in cost of funds.Core capital/ Total risk weighted assets - 17.7% (Dec 2022) vs 18.6% (Dec 2021).Total capital/ Total risk weighted assets - 18.5% (Dec 2022) vs 19.6% (Dec 2021) compared to a regulatory minimum of 14.5%.59.6% liquidity compared to 60.4% in 2021 and regulatory minimum of 12%.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS (CONTINUED)



Natural Capital

The impact of our operations and financing activities on the environment. Through our environmental initiatives, we aim to reduce the impact of our operations and to some extent, those of our stakeholders, on the ecosystem, thus paving the way towards a more sustainable way of doing business.

Stakeholders	Inputs	Outputs	Outcomes
<ul style="list-style-type: none">• Shareholders• Regulators• Community	<ul style="list-style-type: none">• Application of Social and Environmental Management Systems (SEMS) and Environmental and Social Due Diligence on loan applications.• Group measuring of Scope 1 and 2 carbon emissions with exception of fugitive emissions.• Annual energy audits.• Members of the UN Global Compact and signatories to the 10 principles.• Signatories to the Africa Business Leaders' Climate statement by the Africa Business Leaders Coalition (ABLC).	<ul style="list-style-type: none">• 7 tonnes of wastepaper generated from DTB Kenya's Head Office recycled since 2019.• All branches fitted with LED bulbs, and energy efficient appliances. Old and non-functional appliances being replaced with energy efficient ones.• Over 1 million trees planted under the 'Much More Than Trees' (#MMTT) initiative.	<ul style="list-style-type: none">• Continued commitment to environmental conservation in alignment with SDGs 7 (Affordable and Clean Energy), 13 (Climate Action) and 15 (Life on Land).• Our GHG emissions stood at 505.28 tCO2e by quarter 4, 2022.



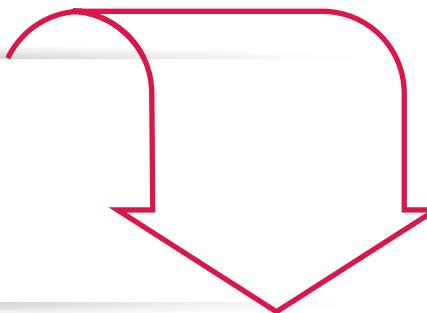
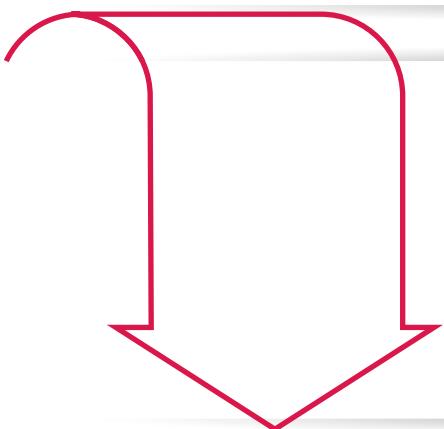
HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL

Being a high impact-driven and purpose-led institution, we are invested in making a positive contribution to our environment and the societies we serve. Our value creation process is fully reliant on the relationship we have with our stakeholders and activities. By purposefully identifying their needs and focusing our business model to meeting their expectations, we create value for stakeholders and for the Group.



Who they are

- Individuals in all stations and stages of life.
- Businesses: sole proprietors, small and medium enterprises and corporates.
- Institutions: Local, regional and international financial service providers.



Outcomes

47

NPS score as at
December 2022-ranked
as 'Great'.

630,000+

customer interactions in Kenya
alone, with synopsis of feedback
reported to the EXCO each month.

How we measure our performance

- Net Promoter Score (NPS).
- Customer satisfaction index.
- Complaints management.
- Granular tracking of customer experience, feedback and regular reporting to the Executive Committee (EXCO).
- Market share of customer deposits and advances.
- Monitoring dormancy rate of customer accounts.
- The adoption of digital channels-activity rate on the *m24/7* mobile banking and *i24/7* internet banking channels.

89%

of customers transact
outside the branch
network, up from 86% in
2021.



HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL (CONTINUED)



Who they are

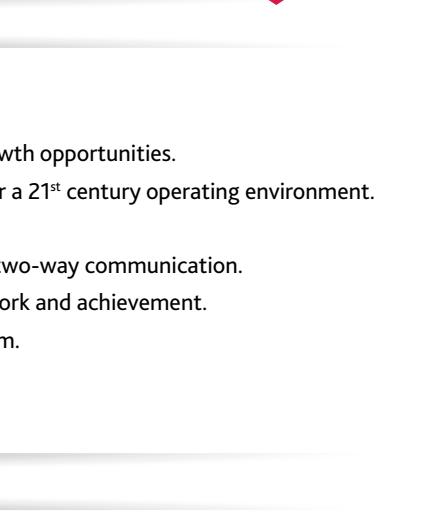
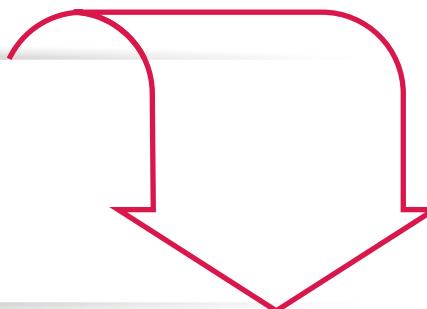
- 2,538 employees across East Africa.
- 50:50 ratio of men to women.
- 77% of employees under 40 years, across the Group.

Needs and Expectations

- Career development through training and growth opportunities.
- Upscaling skills to capacitate the workforce for a 21st century operating environment.
- A safe, healthy and engaging workplace.
- Inclusive work environment, underpinned by two-way communication.
- Talent recognition informed by meritorious work and achievement.
- Competitive remuneration and rewards system.
- Job and financial security.
- Open door policy.

How we measure our performance

- Open employee engagement.
- Feedback sessions organised by the Head of Human Resources.
- Feedback through various platforms obtained from the Intranet- an internal portal accessible by all staff.
- A diverse and inclusive workforce.
- Offering internal employees priority during recruitment of more responsible or new positions.
- Offering employees across the Group wellness checks.
- Trainings offered to all employees across the Group.



Outcomes

2,200+

hours invested in online interactive sessions across the Group.

17%

of vacancies filled through internal recruitment.

5

Persons with Disabilities (PWDs) employed across the Group.

100%

of staff attended at least one training during the year.



Increase in staff benefits starting in 2022.

56%

of employees across the Group attended a wellness check.



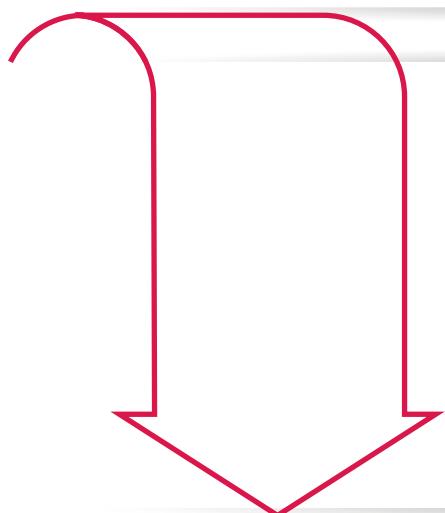
HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL (CONTINUED)



Community

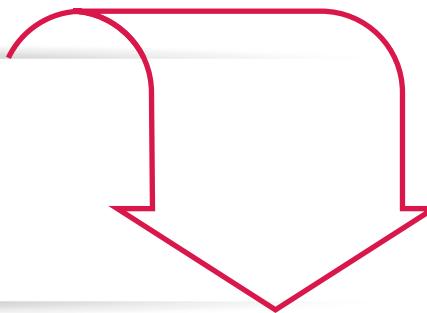
Who they are

- Citizens across East Africa- Kenya, Tanzania, Uganda and Burundi amongst others.
- Suppliers and service vendors.



Needs and Expectations

- Adhering to global and local Environmental, Social and Governance frameworks.
- Implementing responsible and ethical business practices that engender trust and build solid, mutually beneficial relationships.
- Use of DTB's resources to promote socio-economic development and environmental conservation to build a thriving society.



How we measure our performance

- Prioritising local business for sourcing of the procurements from local geographies.
- Contribution towards the United Nations Sustainable Development Goals (SDGs).
- Number of East African MSME owners that underwent Financial Literacy Training programmes in 2022.

Outcomes

86%

of all procurements across the Group were sourced from East African vendors.

Over
8,100

MSME customers underwent Financial Literacy Training programmes in 2022.

9/17

SDGs adopted by the Group.

10

Principles of the UN Global Compact supported.



HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL (CONTINUED)



Regulators

Who they are

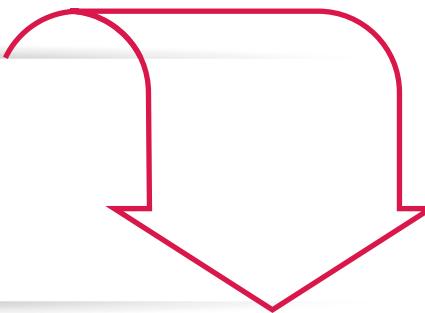
- Central banks.
- Capital markets.
- Tax revenue authorities.
- Insurance regulators.
- Local stock exchanges.

Needs and expectations

- Compliance with all legal, tax and regulatory requirements.
- Conducting responsible and ethical business practices, striving to always meet best practice standards in the way that we operate.
- Investment in robust and secure IT systems to provide stable and resilient connectivity across channels.
- Proactive response to cybersecurity threats and protection of customer information.
- Participation in industry surveys and meetings with regulatory work groups.
- Adherence to the Kenya Banking Sector Charter by DTB Kenya.
- Sustainable business to underwrite the resilience of the sector and the economy.
- Regional and global thought leadership recognition and accolades.

How we measure our performance

- High compliance culture with no payments of fines or penalties for any regulatory breaches.
- Ratings on capital and liquidity levels.
- Feedback on regulatory returns and inspections.



Outcomes

Nearly
200

SME customers benefited
from credit facilities disbursed
under the National Treasury
sponsored, Credit Guarantee
Scheme in Kenya.

59.6%

Liquidity compared to 60.4%
in 2021 and regulatory
minimum of 12%.

18.5%

Total Capital ratio in 2022
compared to a regulatory
minimum of 14.5%.



HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL (CONTINUED)



Shareholders

Who they are

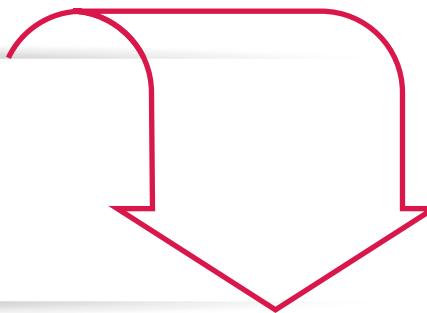
- 11,351 shareholders.
- 80% of total number of shareholders are East African.

Needs and Expectations

- Responsible and sound Board governance framework and practices.
- Knowledgeable and experienced management.
- Ambitious, achievable, sustainable and impactful growth-led strategy, amidst a disruptive, fast-evolving digital environment.
- Sustainable and resilient financial performance.
- Strong compliance culture embedded in ethical values and principles.
- Transparent reporting and disclosure.
- Embedding sustainable and best practices into business practices.
- Regular communication through leadership, social and monetary relevance.

How we measure our performance

- Provide sustainability and resilience in a tough operating environment.
- Open engagement virtually and physically through Annual General Meetings (AGMs), investor relations forums, etc.
- Revenue growth.
- Return on equity.
- Key business metrics.



Outcomes

54%

Growth in profit after tax
from Shs 4.4 billion to
Shs 6.8 billion.

Shs

**1,398
million**

dividends paid in 2022
comprising a payout
ratio of 23.1%.



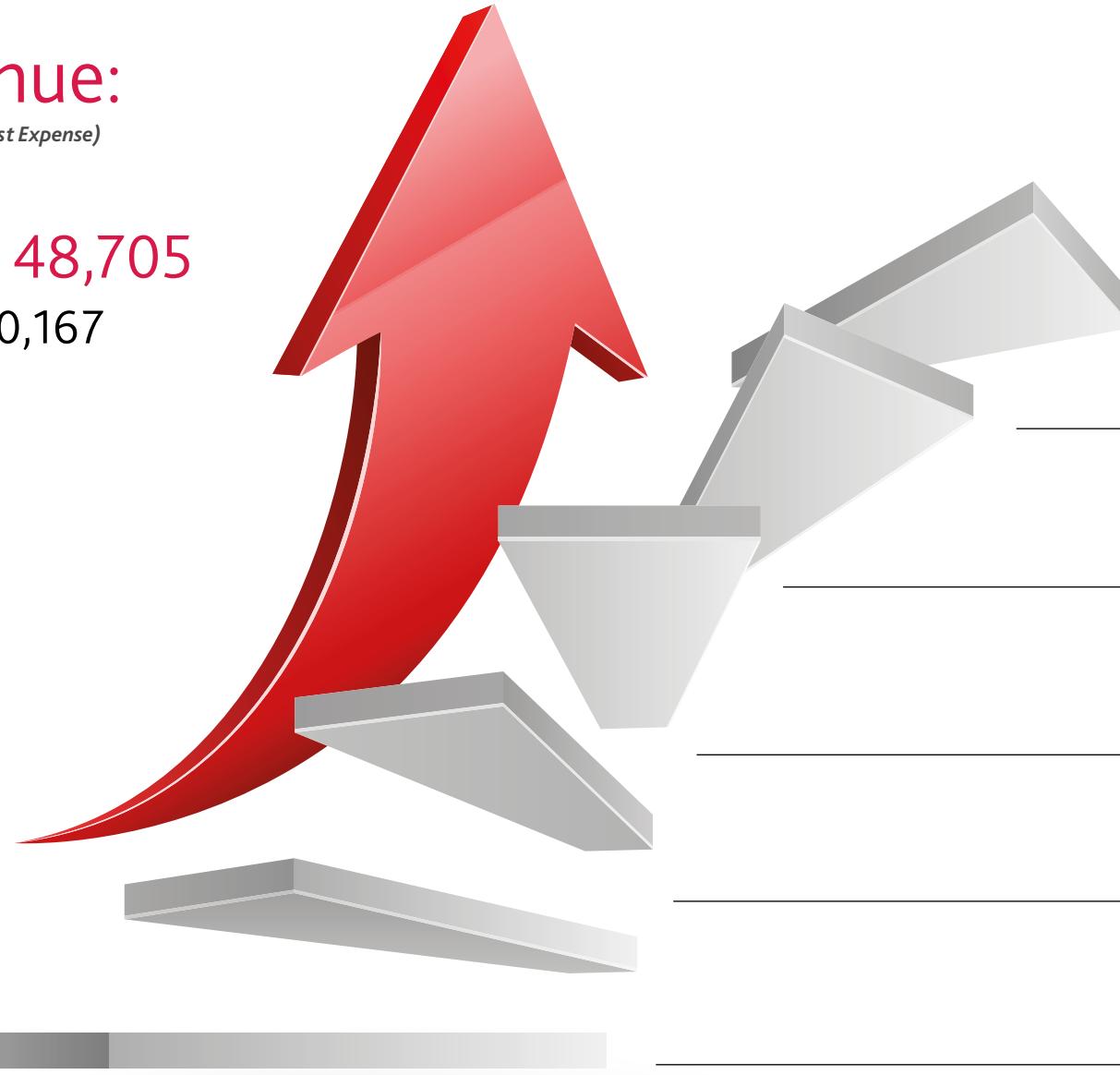
HOW WE DISTRIBUTE VALUE

Revenue:

(Excluding Interest Expense)

2022: 48,705

2021: 40,167



All figures in Shs millions

Community Investment:
2022: 107 | 2021: 15

Shareholder Dividend:
2022: 1,398 | 2021: 839

Taxes to Government:
2022: 5,191 | 2021: 3,544

Human
Capital Remuneration:
2022: 6,254 | 2021: 5,027

Payment to Suppliers:
2022: 6,886 | 2021: 5,186

Repayment to lenders:
(Interest Expense)
2022: 15,505 | 2021: 13,100



Enlightening

“

The sign language training was eye-opening. It helped me to better appreciate, albeit on a small scale, the issues that people with hearing challenges experience. I'm therefore grateful that, in addition to being able to communicate with them, the training has opened me up to a whole new world, and broadened my perspective. I am looking forward to using these skills to serve all our customers better.

- **Metrine Otieno**

Senior Officer, South C Branch

”

**Bank on us for
inclusivity**

Promoting inclusion

For the world to truly achieve sustainable social and economic development, it is important that we ensure that no man or woman is left behind. As such, driving an inclusive society is a prerequisite for the conduct of ethical business.

In an innovative step forward, **Diamond Trust Bank became the first Kenyan bank to train its front-line staff in basic Kenya Sign Language and disability etiquette** to enable us to serve customers with disabilities effectively.

The six-week training was conducted by the Deaf Institute of Communication and Sign Language Training and upon completion, staff were awarded certificates for their newfound skills. **Our plan is to scale this initiative in 2023 to include more employees.**

Other projects undertaken by the bank, as part of its inclusion agenda, include the modification of our website and our Internet Banking platform to enhance digital accessibility for persons with visual and cognitive impairments. Majority of our Branch and ATM network is also accessible via ramps and our branches have been fitted with low-counter teller cubicles to enable ease of access for the differently abled.

We plan to continue making the necessary investments to ensure that all our stakeholders feel included whenever they interact with our brand through our various touchpoints.

Bank on us to include you in the DTB family.

Bank on us for inclusivity



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

At the core of our success is the effective and ethical leadership provided by a highly skilled and widely experienced Board of Directors and executive management team. Diamond Trust Bank Kenya Limited (the "Bank") understands that practising good corporate governance is fundamental to ensuring accountability, fairness and transparency in its relationships with its diverse stakeholders. As such, adhering to good corporate governance and upholding the highest levels of compliance is a prerequisite for business sustainability. The Board has therefore put in place policies, systems and controls to enforce continuous accountability and deter malpractice and fraud. The Chairman, on behalf of the Board, takes this opportunity to reassure the Bank's stakeholders of its commitment to best practice in all its activities, and to full and continued compliance with the legislations, regulations and guidelines governing the Bank including, but not limited to, the Banking Act, the Central Bank of Kenya (CBK) Prudential Guidelines, the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (CMA Code) and the Bank's internal policies relating to corporate governance.



Scan to view the full Corporate
Governance Policy

The Board of Directors has a fiduciary duty to act with care and skill as well as to exercise its powers and perform functions in the best interest of the Bank. Each Director has therefore attested that he/she undertakes to :

- Act in good faith towards the Bank.
- Avoid as much as possible, engaging in any activities that will create a conflict between his/her interests and those of the Bank or, as a minimum, declare any conflict between his/her other interests and those of the Bank.
- Place the interests of the Bank and its stakeholders above all other interests.

Board of Directors

The Bank is governed by a duly elected, highly competent and diverse Board which is accountable to all its Shareholders. The duties and responsibilities of the Board are as stipulated by legislations and regulations governing the Bank, its Articles of Association and Shareholder resolutions.

The Board works within this framework to:

1. Review the strategic direction of the Group and adopt business plans proposed by management for its achievement.
2. Approve specific financial and non-financial objectives and policies proposed by management.
3. Review the processes for the identification and management of business risk, as well as those for compliance with key regulatory and legal areas.
4. Delegate authority for lending and provisioning as well as write-off limits. However, capital expenditure and investment, as well as capital and funding proposals are reserved for the Board's approval.
5. Review succession planning for the management team, make senior executive appointments as well as approve organisational changes and high-level remuneration matters.
6. Provide oversight of performance against targets and objectives.
7. Enforce reporting to shareholders on the direction, governance and performance of the Group as well as other processes requiring reporting and disclosure.
8. Monitor the activities of the Group's subsidiaries.

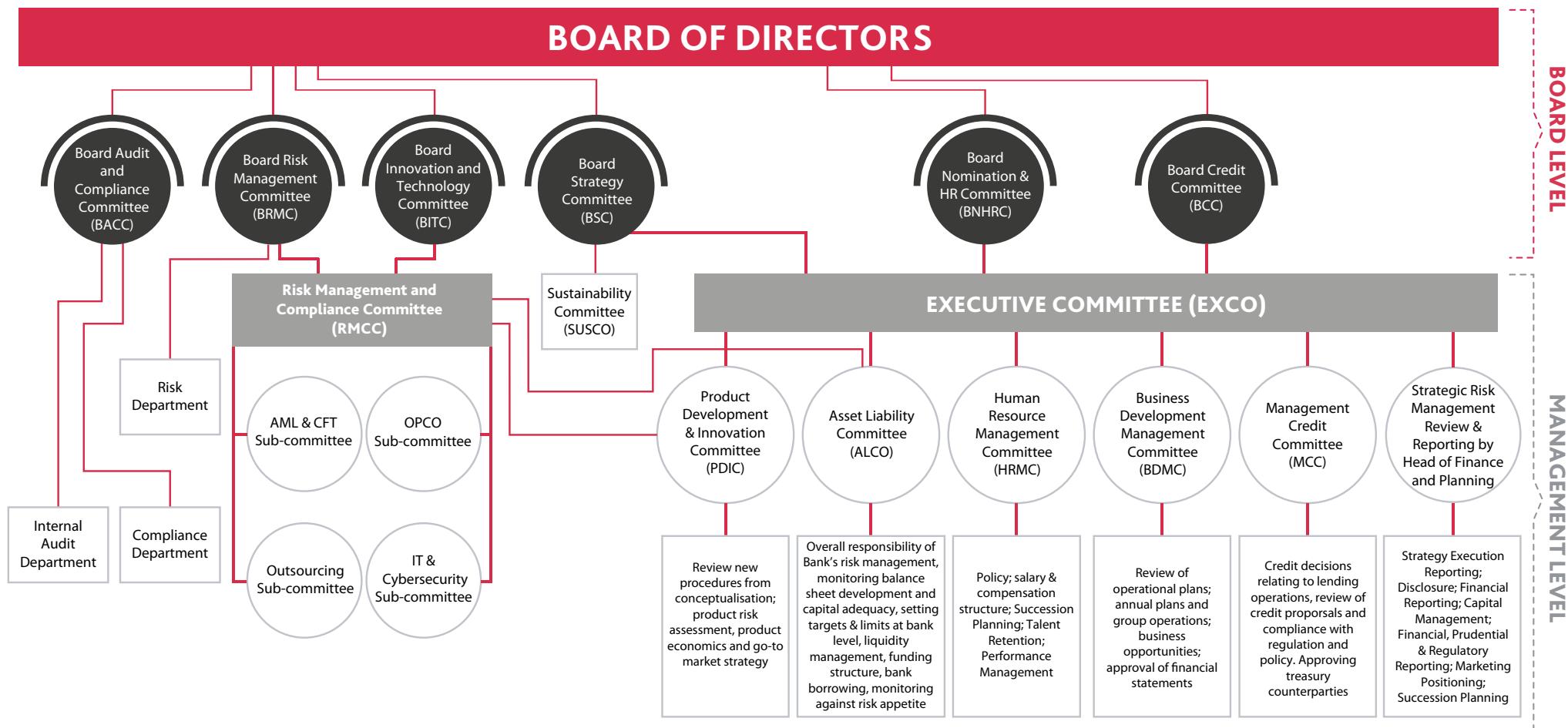
The Board fulfills its fiduciary obligations to Shareholders by providing direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over the financial, operational and compliance requirements of the Bank. Notwithstanding, it has delegated authority to the Group's Managing Director (Chief Executive Officer) and the management team to conduct the day-to-day business of the Bank.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Corporate Governance Framework Structure

The Board is ultimately responsible for ensuring that its approved strategy is implemented, and its purpose fulfilled. The Board is also responsible for ensuring that risks are promptly identified, measured, managed and monitored, and that good governance is maintained. It discharges its duties through policies and frameworks and is supported in the discharge of its mandate by five Board committees. In 2022, the Board set up the Board Strategy Committee (BSC) to oversee the implementation of the Bank's strategy and ensure Environmental, Social and Governance (ESG) compliance. The Governance structure is illustrated below:



As part of its Corporate Governance Framework, the Bank has put in place a Corporate Governance Policy, Board Charter and Code of Ethics and Conduct, which define *inter alia* the role of the Board and how its powers and responsibilities are exercised, as well as the role of the Chairman and the Chief Executive Officer, having regard at all times to the principles of good corporate governance, international best practice and applicable laws. The provisions of the Corporate Governance Policy, Board Charter, and Code of Ethics and Conduct are informed by

the requirements, amongst others, of the Banking Act, CBK Prudential Guidelines, the CMA Code and the CMA Regulations. Each year, the regulators in Kenya, Uganda, Tanzania and Burundi enhance the regulatory and risk management guidelines. The Group remains at the forefront of adopting corporate governance and risk management best practices in tandem with a rapidly evolving banking landscape.



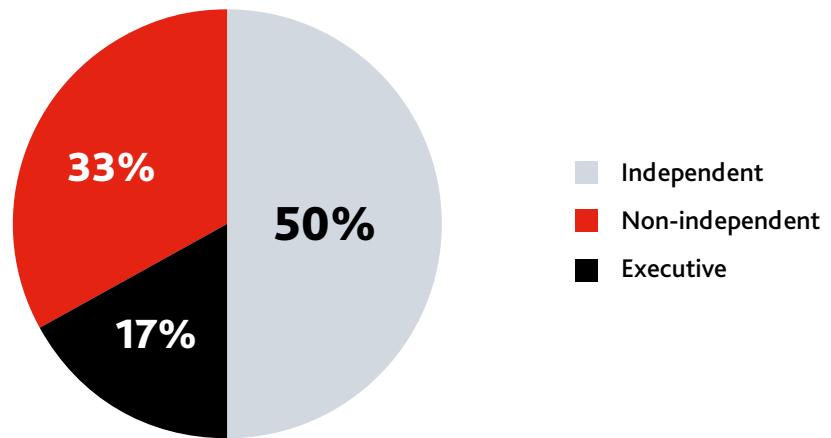
STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Separation of Functions of Chairman and Chief Executive Officer

As part of its commitment to good corporate governance, the functions of the Chairman and the Chief Executive Officer are vested in different individuals. Their roles and responsibilities are distinct with the Chairman being primarily in charge of overseeing policy direction whilst the Chief Executive Officer spearheads 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, provides that at least one-third of the Board should be independent whereas the Non-Executive Directors should not be less than three-fifths to enhance accountability in the decision-making process. The Bank is compliant with these requirements and the independent and Non-Executive Directors constitute over 90% of the Board. Directors are considered independent where they are not part of management, have not served on the Board for more than nine years, and are free of any business or other relationship that could materially interfere with their ability to make an objective assessment of matters presented before the Board, and to act in the best interest of the Bank and its stakeholders generally.



Annual Review of Board Independence Role of the Board

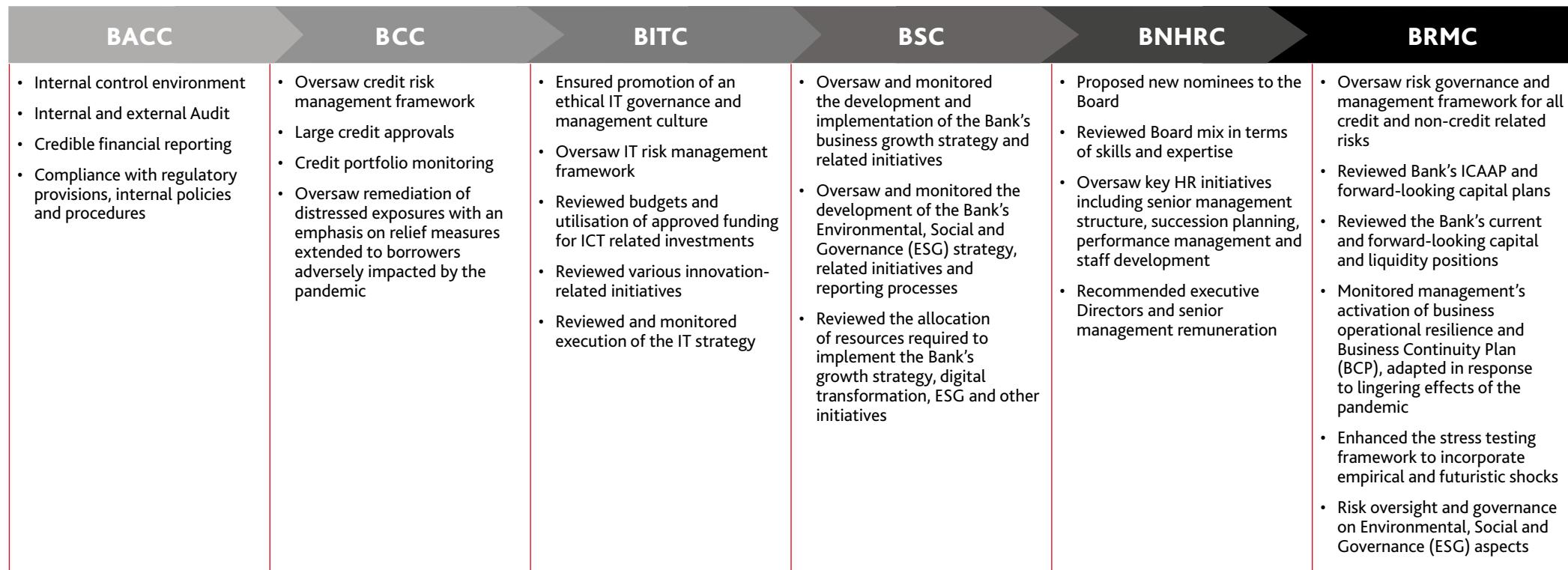
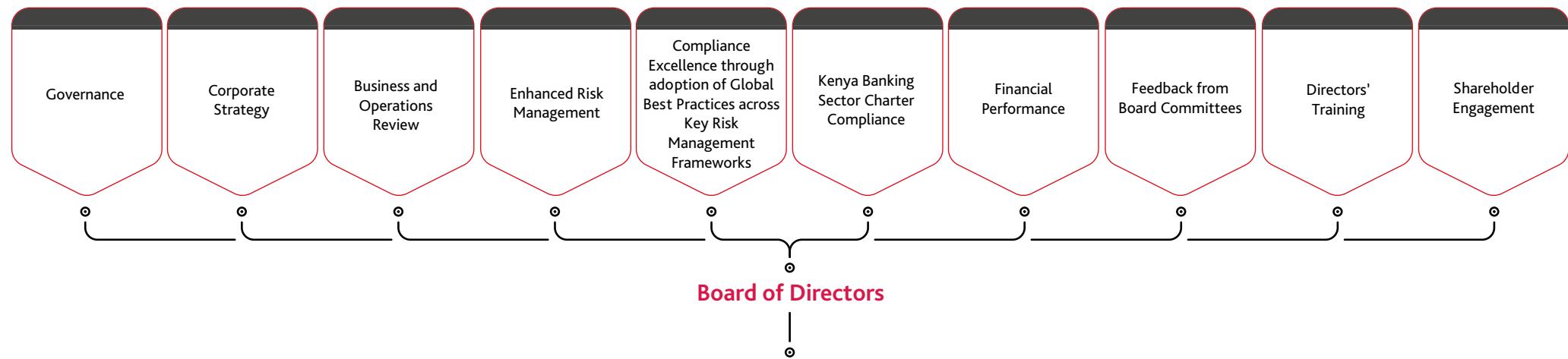
- **Sets and steers the Group's strategic vision, direction and long-term goals**
 - Provides sound leadership to the Managing Director and Executive Committee.
 - Ensures that adequate resources are available to meet these objectives.
- **Approves policy and planning, underpinned by progressive and prudent business practices**
 - Ensures that corporate responsibility, ethical standards and robust risk management frameworks underpin the conduct of DTB Group's core business.
- **Provides oversight and monitoring**
 - Delegates authority and responsibility to management for the running of the business.
 - Reviews management's performance and effectiveness in overseeing strategy implementation, delivery against plans, brand building and customer franchise, as well as the adequacy and optimal utilisation of systems, employees and resources.
 - Oversees management's adherence to controls and compliance with regulations, policy frameworks and best practices.
 - Ensures accountability by management through frequent reporting and presentations to Board committees and the Board.
- **Bears ultimate responsibility *inter alia* for:**
 - Governance
 - Strategy
 - Business growth and sustainability
 - Risk management
 - Financial performance

The Board, on an annual basis, reviews its independent members, since they bring impartial and objective judgement to the Board and mitigate risks arising from conflict of interest or undue influence from interested parties. In determining each Director's independence, the Board specifically takes cognisance of the definition of an independent Director as set out in the CBK Prudential Guidelines and the CMA Code.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Areas of Focus in 2022





STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Charter

The Board Charter is the constitution that guides our Board and its committees in their decisions, their dealings with each other, management, other stakeholders and the Group as a whole and relates to:

- Board structure including composition, tenure and succession planning
- Mandate, role, responsibilities and practices of the Board
- Code of ethics and conduct
- Regulating the manner in which the business of the Bank is conducted
- Maintenance of adequate capital base
- Conflict of interest and Board independence
- Promulgation of policies and actions with a long-term view to support environmental and social sustainability
- Board processes
- Board evaluation and effectiveness

The Board Charter has been published on the Bank's website.



Scan to view the
Board Charter

Directors' Appointment

Candidates proposed for appointment to the Board are nominated by the Board Nomination and Human Resource Committee (BNHRC), which is chaired by an independent Director. In identifying suitable candidates, the BNHRC follows the formal process laid out in the Board Appointment and Diversity Policy. Following nomination, suitable candidates are then considered and appointed by the full Board in accordance with the provisions of the Articles of Association and taking into account their experience, availability and fitness. Appointments are however subject to a letter of no objection from the CBK. Newly appointed Directors are then required to retire at the immediate next Annual General Meeting (AGM) following their appointment, and being eligible, offer themselves for re-election by Shareholders thus ensuring shareholder contribution in all appointments.

Directors' Skills, Experience and Diversity

The Board currently comprises twelve members, including two female Directors. Each Director is expected to be aligned to the Group's purpose, vision, mission and values as well as bring their unique strengths. Directors are appointed on the basis of integrity, leadership qualities and sound judgement. In addition, DTB seeks to have a Board that brings the right mix of individuals, with a variety of appropriate skills, knowledge and experience, who jointly have the competence to deal with current and emerging issues and effectively guide management to deliver optimal Group performance.

The Directors' aggregate mix of skills and experience seeks to challenge the strategic thinking of the executive team through a robust and constructive process, thereby adding value to the Group. The Directors regularly review the skills, knowledge and experience represented by/to the Board against those needed to ensure that the Group remains competitive and relevant, to all its stakeholders, in a highly dynamic operating environment. The current skills and industry experience represented on the Board are as follows:

Board Skills

	Director	Strategy	Governance Leadership	Financial Services	Credit / Treasury / Risk Management	Business Management / Consultancy	Accounting/ Audit/ Tax Advisory	Legal
1	Linus Gitahi							
2	Shaffiq Dharamshi							
3	Nasim Devji							
4	Pamella Ager							
5	Guedi Ainache							
6	Moez Jamal							
7	Alkarim Jiwa							
8	Irfan Keshavjee							
9	Ismail Mawji							
10	Sagheer Mufti							
11	Jeremy Ngunze							
12	Jamaludin Shamji							



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Committees:

The Board has constituted six committees to supplement its functions. It also reserves the right to establish ad-hoc Committees as and when required. The Committees review matters on behalf of the Board in accordance with their terms of reference. Following such review, the Committees may refer matters to the Board for a decision with a recommendation from the concerned Committee, or determine matters within the authority delegated to them by the Board. The membership of the Committees is designed to spread responsibility and make use of the diverse skill-sets within the Board. The membership, as well as the terms of reference of each Committee, are reviewed by the Board biennially, as a minimum. The constitution and summary of the role of each of the Committees is set out hereunder.

Board Audit and Compliance Committee (BACC)



Chaired by Ismail Mawji

Members:

- Pamella Ager
- Guedi Ainache
- Sagheer Mufti
- Irfan Keshavjee



The BACC comprises five Non-Executive Directors. It is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, as well as strengthening effectiveness of the internal and external auditing functions.

In addition to advising the Board on best practice, the BACC also monitors management's compliance with relevant local legislation, regulations and guidelines as well as the Bank's laid-down policies and procedures.

The BACC assists the Board to fulfil its statutory, regulatory and fiduciary responsibilities. It provides an objective and independent review of the effectiveness of:

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

Between them, the members of the BACC have extensive financial and accounting expertise and a deep understanding of the Bank, the industry and environment in which it operates. Furthermore, the Chairman of the BACC is an independent and Non-Executive Director and a member of the Institute of Certified Public Accountants of Kenya in good standing. The internal auditor, Head of Risk and Head of Compliance and Combating Financial Crime are invited to all the meetings of the BACC.

The external auditor also holds at least two closed-door meetings, that do not include management, with the BACC every year. Whereas the Directors are responsible for preparing the financial statements and presenting a balanced and fair view of the Bank's financial position, the external auditor examines and gives their opinion on the reasonableness of the financial statements.

The external auditor reports independently and directly to the Board at the year-end Board meetings. Shareholders appoint/ reappoint the external auditor at each AGM.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Nomination and Human Resource Committee (BNHRC)



Skill mix of members



Members:

- Shaffiq Dharamshi
- Ismail Mawji
- Irfan Keshavjee
- Jamaludin Shamji
- Jeremy Ngunze

The BNHRC, which comprises six Non-Executive Directors, is responsible for proposing nominees for consideration for appointment as Directors, assessing the performance and effectiveness of the board and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise.

The BNHRC is also mandated to oversee all human resource matters on behalf of the Board and recommend to the full Board the remuneration and incentives for Executive Directors and senior management.

Chaired by Pamella Ager

Board Innovation and Technology Committee (BITC)

Skill mix of members



The BITC comprises six Non-Executive Directors. Its responsibilities include ensuring the quality, integrity, effectiveness and reliability of the Bank's

IT risk management framework as well as monitoring the implementation of the Bank's various innovation related initiatives.

Members:

- Moez Jamal
- Guedi Ainache
- Irfan Keshavjee
- Jamaludin Shamji
- Jeremy Ngunze



Chaired by Sagheer Mufti



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (BCC)



Chaired by Jeremy Ngunze



Members:

- Pamella Ager
- Shaffiq Dharamshi
- Irfan Keshavjee
- Ismail Mawji
- Jamaludin Shamji

The BCC comprises six Non-Executive Directors, four of whom are independent. Its primary purpose is to oversee and monitor the credit function and the credit risk management framework of the Bank.

The BCC also ensures that the overall credit

framework is robust and professionally and effectively managed for business growth in compliance with internal policy, external and statutory regulations. It formally meets at least once every quarter.

Board Risk Management Committee (BRMC)



The BRMC comprises six Non-Executive Directors. Its responsibilities include ensuring the quality, integrity, effectiveness and reliability of the Bank's risk management framework. It is also charged with setting out the nature, role, responsibility and authority of the Bank's Risk Management function. It defines

the scope of the risk management work and ensures that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Bank is exposed to from time to time.

Members:

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



Chaired by Guedi Ainache



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Strategy Committee (BSC)



Skill mix of members



Members:

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

The BSC comprises four Non-Executive Directors and the Managing Director. Its primary purpose is to oversee the Bank's business strategy formulation and execution. It is charged with overseeing and monitoring the implementation of the new strategic initiatives and review of alliances required for the successful implementation of the initiatives.

Notably, it also oversees and monitors the implementation of the Bank's Environmental, Social and Governance (ESG) strategy and related initiatives, ensuring timely and quality ESG disclosures, and the incorporation of ESG risks and opportunities in the Bank's overall strategy.

Chaired by Sagheer Mufti



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Tenure

The Board Appointment and Diversity Policy provides that the tenure of an independent Non-Executive Director shall not exceed nine years from the date of their appointment. However such a member may continue in office upon being redesignated as a non-independent member. In addition, Non-Executive Directors are required to retire at the immediate next AGM upon attaining the age of 70 years. The Shareholders may however, at such AGM, vote to retain the member in office until such time as the member attains the age of 72 years, in the event they have offered themselves for re-election.

Meetings of The Board

The Board has in place an annual work plan that sets out its activities for the year. The Board meets at least once every quarter, and additionally when necessary, has a formal schedule of matters reserved for it. The Chairman, Managing Director, Finance & Strategy Director and the Company Secretary jointly set the agenda for the meetings. The Directors are given appropriate and timely information to enable them to maintain full and effective control over strategic, financial, operational and compliance matters as well as succession planning. The notice, agenda and detailed board papers are circulated in advance of the meetings. Directors are entitled to request additional information where they consider it necessary to support informed decision-making.

Directors Retirement by Rotation and Re-election

At every AGM, at least one-third of the Non-Executive Directors retire from the Board as provided for in the Articles of Association. Directors appointed to fill casual vacancies or as additional Non-Executive Directors are also expected to submit themselves for election by Shareholders at the immediate next AGM following their appointment.

Meetings Attendance Record (1 January 2022 to 31 December 2022)										
#	Board Member	Designation	AGM	BACC	BCC	BITC	BNHRC	BRMC	BSC ¹	Board
1	Linus Gitahi <small>Last elected in May 2020</small>	Chairman <small>(Independent)</small>	1/1	-	-	-	-	-	-	4/4
2	Shaffiq Dharamshi <small>Last elected in June 2021</small>	Vice Chairman	1/1	-	6/6	-	4/4	4/4	3/3	4/4
3	Nasim Devji (Mrs.)	Managing Director <small>(Executive)</small>	1/1	-	-	-	-	-	3/3	4/4
4	Alkarim Jiwa	Finance & Strategy Director <small>(Executive)</small>	1/1	-	-	-	-	-	-	4/4
5	Pamella Ager (Mrs.) <small>Last re-elected in June 2021</small>	Non-Executive Director	1/1	4/4	6/6	-	4/4	-	-	4/4
6	Guedi Ainache <small>Last re-elected in May 2020</small>	Non-Executive Director <small>(Independent)</small>	1/1	4/4	-	4/4	-	4/4	-	4/4
7	Moez Jamal <small>Last re-elected in May 2019</small>	Non-Executive Director	1/1	-	-	4/4	-	4/4	-	4/4
8	Irfan Keshavjee <small>Last re-elected in June 2021</small>	Non-Executive Director	1/1	4/4	6/6	4/4	4/4	-	3/3	4/4
9	Ismail Mawji <small>Last re-elected in June 2021</small>	Non-Executive Director <small>(Independent)</small>	1/1	4/4	6/6	-	4/4	-	-	4/4
10	Sagheer Mufti <small>Last re-elected in May 2020</small>	Non-Executive Director	1/1	4/4	-	4/4	-	4/4	3/3	4/4
11	Jeremy Ngunze	Non-Executive Director <small>(Independent)</small>	1/1	-	6/6	4/4	4/4	4/4	3/3	4/4
12	Jamaludin Shamji <small>Last re-elected in May 2019</small>	Non-Executive Director	1/1	-	5/6	4/4	4/4	4/4	-	4/4

1. BSC formed in June 2022



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Access to Information

There is a clear flow of information between management and the Board in order to facilitate both quantitative and qualitative evaluation and appraisal of the Bank's performance. The Board is further entitled to seek any information it requires from any employee of the Bank or from any other source. Procedures are in place, through the Chairman of the Board, Chairs of the Committees and the Company Secretary, to enable Board members to access, at reasonable times, all relevant information and senior management, to assist them discharge their duties and responsibilities and make informed decisions.

Independent Advice

Directors are entitled to obtain independent professional advice, at the Bank's expense, in order to better perform their duties. They are required strictly to observe the provisions of the statutes applicable to the use and confidentiality of information.

Induction and Continuous Professional Development

Each new Director is provided with a letter of appointment and participates in a formal induction programme in accordance with the Bank's Board Induction Policy. This is intended to familiarise them with the Bank's operations, management and operating environment to enhance their effectiveness. New Board members are also introduced to their fiduciary duties and responsibilities as part of the induction.

In order to help serving Directors acquire, maintain and deepen their knowledge and skills, the Board continuously ensures that members have access to tailored training programmes and continuous professional development on relevant issues. In addition, the Chairman regularly reviews the professional development needs of each member of the Board as part of the annual performance evaluation process. Continuous training ensures that members of the Board are up to date with relevant local and global industry developments.

Annual Performance Evaluation

The Chairman is charged with the responsibility of ensuring the Bank has an effective Board of Directors. In 2022, the Board undertook an annual evaluation of its own performance as well as that of the Chairman, committees, individual Directors, Executive Directors and the Company Secretary in accordance with the Bank's Annual Evaluation Policy.

The Board's performance was evaluated on:

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

The annual evaluation for the year 2022 was facilitated by an external party - the Institute of Directors (Kenya). The results of the evaluation were reviewed and discussed by the full Board and the overall finding was 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 are submitted to the CBK in the first quarter of the year in line with regulatory requirements.



Board Remuneration

The Board has a Board Remuneration Policy which provides that each Non-Executive Director shall receive a fixed monthly fee as a member of the Board and sitting allowance for every meeting attended. They shall not be covered by the Bank's incentive programmes or receive any performance-based remuneration. The fees and sitting allowances are determined by the Board and approved by Shareholders at the Bank's AGM on a pre/ post-facto basis. The remuneration of all Directors is subject to regular monitoring to ensure that they are appropriate. Details of the fees for the Non-executive Directors and remuneration of the executive Directors, paid in 2022, are set out in the Directors Remuneration Report on pages 103 to 105.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Internal Control Systems

The Bank has well defined written policies and procedures to ensure that best practice is followed when conducting day-to-day operations, financial reporting and implementing strategic action plans approved by the Board. A well-structured organisation chart ensures that there is adequate segregation of duties. Structures and systems have been defined in the Bank's policies and procedures to facilitate the complete, accurate and timely execution of transactions, operations and commitments, and to safeguard assets. The Bank's business

performance trends, forecasts and actual performance against budgets and prior periods are closely monitored and regularly reported to the Board and senior management. Financial information is prepared using appropriate accounting policies, which are applied consistently. To assist management fulfil its mandate and to ensure compliance with the laid-down policies and procedures, various committees have been established. The roles, responsibilities and composition of some of the key management committees are as illustrated below:

Executive Committee (EXCO)

Reports to the Board and assists with strategy planning, implementation, monitoring and reporting, capital allocations proposals on material ventures, strategic projects and any other new business lines. EXCO also reports to BRMC on material risks facing the Bank.

Asset Liability Committee (ALCO)

ALCO reports to the BRMC and has oversight on the overall management and monitoring of the Bank's balance sheet development and capital adequacy. The Committee derives the strategy in terms of mix of assets and liabilities given its expectation of the future and potential consequences of interest-rate movements, liquidity constraints, foreign exchanges and capital adequacy. The committee ensures that all strategies conform to the bank's risk appetite and levels of exposure as determined by the Board. ALCO meets once every month.

Business Development Management Committee (BDMC)

BDMC reports to EXCO and provides a forum for the development and implementation of key business development strategies that the Bank needs to undertake to ensure business targets are met and maintained in line with market dynamic, the Bank's purpose, vision, mission and values, as well as prevailing regulatory frameworks. BDMC meets at least once quarterly.

Human Resource Management Committee (HRMC)

The HRMC Chair reports to EXCO which reports to the Board Nomination and Human Resource Committee (BNHRC). The principal objective of HRMC is to review and recommend appropriate policies regarding staff incentives, remuneration, compensation and benefits, promotions, recruitment, training and development, succession planning, staff appraisal and any other strategic functions. The HRMC meets once every month.

Management Credit Committee (MCC)

The MCC Chair reports to EXCO which reports to BCC. MCC monitors the implementation of the Credit Risk Management Framework, review and approval of credit applications, credit strategy, policies, procedures, monitoring and reporting. It also monitors reporting and ensures that the lending operations are in line with the board approved limits and regulatory requirements. The MCC meets once every month.

Product Development and Innovation Committee (PDIC)

PDIC reports to EXCO and assists management in the development and implementation of new products from conceptualization to go to market. PDIC meets once every six weeks.

Sustainability Committee (SUSCO)

SUSCO reports to BSC. The committee is primarily tasked with the responsibility of developing and implementing the Bank's ESG strategy including, overseeing the Banks most material sources of ESG risks and opportunities, associated actions, and reporting. SUSCO meets at least once quarterly.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Risk Management Compliance Committee (RMCC)

Reports to the BRMC and assists the Board in its oversight role by implementing the Risk Management Framework to ensure operational and financial resilience. RMCC supports the Board to formulate policies and setting of limits. RMCC, on behalf of the Board, provides oversight of the effectiveness of the risk management and compliance policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor, prevent and/or detect financial risk.

AML and CFT Sub-Committee

The AML and CFT Sub-Committee Chair reports to the RMCC and has oversight over the implementation and review of the Combating of Financial Crime (CFC) Policy and related procedures and process flows. The sub committee has oversight of the effectiveness of the CFC Risk Management Framework, annual training, the annual AML/ CFT risk assessment. It monitors and reports on the implementation and closure of internal and external CFC audit/ review reports. It meets once every month.

IT and Cyber Security Sub-Committee

The IT and Cyber Security Sub-Committee reports to RMCC and BITC and has oversight of the IT and Cyber Security Risk Management Framework, policies, procedures, processes and change management processes. The sub committee reviews the adequacy of the IT and cyber security programs including practices and methodologies used to identify, assess and mitigate IT and Cyber risk across the Bank. The committee meets once a month.

Operational Sub-Committee (OPCO)

The Operational Sub-Committee Chair reports to the RMCC and has oversight of the Operational Management Framework and Policy and monitors the implementation of related procedures and process flows. It also monitors and reports on the implementation and closure of operational exceptions raised on internal and external audit/ review reports. The committee meets once every month.

Outsourcing Sub-Committee

The outsourcing committee meets once every quarter and reports to EXCO which reports to BRMC. The outsourcing committee assists EXCO to review the outsourcing business case, operational risks associated with outsourcing arrangements, evaluating the materiality of all existing and prospective outsourcing arrangements based on the framework approved by the Board and ensuring that effective risk management policies and practices are in place to manage inherent risk. The sub committee meets atleast once a quarter.





STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

The Company Secretary

The Board is supported by a suitably qualified Company Secretary who is a member, in good standing, of the Institute of Certified Public Secretaries of Kenya who is accessible to each Director. The Company Secretary also facilitates effective communication between the Bank and the Shareholders.

Shareholders' Responsibilities

The Shareholders' role includes *inter alia* the appointment of the Board of Directors and the external auditor. They are also expected to hold the Board accountable and responsible for efficient and effective corporate governance as well as the Bank's performance.

Directors' Shareholding

At the end of 2022, 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 102.

Ethical Culture and Leadership

Conflict of Interest Policy and Related Party Transactions

Conflict of interest refers to any situation that could undermine the impartiality of a person because of the possibility of a clash between the person's self, professional or public interest. In this context, all Directors, Management and employees must avoid any situation which might give rise to a conflict, real or perceived, between their personal interest and that of the Bank. Any Director, members of committee or employee who considers that they may have a conflict of interest, or a material personal interest, in any matter concerning the Bank is immediately required to declare the potential conflict of interest for review, as per the terms of the Bank's Code of Ethics and Conduct. Any Director or member of committee with a material personal interest in any matter being considered during any Board or Committee meeting will not be present when the matter is being deliberated or voted on.

Business transactions with the Directors or their related parties are disclosed on pages 226 to 228.

Code of Ethics and Conduct Policy

The Bank's Code of Ethics and Conduct gives guidance to the Board, Management and employees on acceptable behaviour and ethical standards with respect to ethical issues, integrity on reporting, adherence to policies and procedures, and the management of internal and external audit matters.

Scan below to view the Code of Ethics and Conduct Policy:



Scan to view the Code of Ethics
and Conduct Policy

Whistleblowing Policy

The Board has an established Whistle Blowing Policy which is consistent with the commitments made in the Board Charter and the Code of Ethics and Conduct which:

- Sets out the obligations and commitments of the Board, Management and employees to uphold the highest levels of integrity, observance of the rule of law and the Bank's policy and procedure framework.
- Provides a definition of a whistle blower and outlines protection and remedies for whistle blowers, dispute resolution mechanisms, a voluntary disclosure programme, reporting channels and procedures, timely disclosure on finding and resolution, and data retention.
- Offers stakeholders a secure, confidential and anonymous channel to report information that requires Management's and Board's attention on compliance, ethical and governance matters.



Scan to view the
Whistleblowing Policy

Data Privacy and Protection of Personal Information

Data privacy and protection of personal information is critical for customers' trust in the Bank. The Bank endeavours to process personal data responsibly and ethically and in compliance with the local and international regulatory obligations such as Kenya's Data Protection Act, 2019 and the General Data Protection Regulation (GDPR). A data protection policy framework has also been developed for use internally.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Anti-Bribery and Anti-Corruption Policy

The Bank performs regular Anti-bribery and Anti-corruption risk assessments, which relate to the countries in which we operate, how we engage certain parts of our diverse customer base, and our management of third-party relationships. We analyse, assess and prioritise the identified bribery risks and evaluate the suitability and effectiveness of the existing controls to mitigation. The assessment is informed by quantitative and qualitative measures and is performed monthly, with oversight by the relevant governance structures, which includes BRMC and BACC.

The Bank's anti-bribery and anti-corruption policy is designed to comply with legislations in all the jurisdictions in which the Bank operates whilst factoring in the recommendations of international financial crime standards' bodies i.e., the Kenyan Bribery Act 2016, the Organization for Economic Co-operation and Development (OECD) Anti-bribery guidelines, and the UN Convention against Corruption (2003) among others.

The policy is reviewed annually, and the control requirements benchmarked to independent ratings or best practice and newer typologies experienced during the year.

The Bank proactively engages with relevant industry bodies, in the private and public sectors, to ensure that it makes an active contribution to the reduction of financial crime. These include the Financial Reporting Centre (FRC) and the Kenya Bankers Association (KBA) among others.

Scan to view the Anti-Bribery
and Anti-Corruption Policy



Procurement Policy

The Procurement policy subscribes to the principles of transparency, integrity and fairness by:

1. Providing a fair opportunity to prospective vendors and bidders.
2. Procuring items that meet the Bank's pre-set standards.
3. Obtaining a conflict-of-interest declaration from any Director or employee of the Bank by virtue of having an interest in any company, or person, with which/whom the Bank wishes to do business with, as well as ensuring that where a conflict of interest exists the relevant Director or employee is not involved in the procurement process.
4. Ensuring accountability in all procurement transactions and subjecting the same to regular independent audits.
5. Providing whistleblowing channels.

6. Upholding the Anti-Bribery and Anti-Corruption regulatory framework and policies of the Bank.

7. Ensuring alignment to the Bank's strategic plans to ensure the prudent allocation of resources.

As part of the Bank's Combatting Financial Crime (CFC) procedures, all suppliers are screened for adverse media mentions and against regulatory and law enforcement sanctions watchlists on human trafficking, drug trafficking, arms deal, organised crime, etc.

Information Technology (IT) and Cybersecurity Policy Framework

The Board has established an Information Security policy and a Cyber Risk policy to ensure the confidentiality, integrity and availability of the Bank's information assets. The Confidentiality, Integrity and Availability (CIA) triad ensures that the Bank offers services to its customers in an efficient and safe environment. Trust is key in banking and customers must be assured that their money is secure and accessible, as and when they need to do so safely and conveniently.

The Bank's Information Security Policy is anchored on the following tenets:

- Integrity: The information within our systems will neither be compromised nor accessible to 3rd parties or any other external entities without proper authorisation.
- Confidentiality: The Bank will not disclose customer information to unauthorised parties unless required to do so by law.
- Reliability: Information systems will always be available to provide customers with access when they need to.
- Compliance: The Bank will maintain its information systems in adherence to relevant statutory and regulatory requirements and ensure that contractual obligations are met.
- Reputation: The Bank will ensure that it manages information assets in a way that protects the brand.

The Bank has an elaborate governance framework for information security and cyber risk. This is implemented through various management sub-committees, management committees, Board committees and the Board. The committees, which meet monthly and quarterly, play a critical role in ensuring that threats are identified early, and appropriate mitigation measures enforced.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Relationships with Shareholders

The Board recognises and respects the rights of its Shareholders and takes cognisance of the importance of good communication and the equitable provision of information to all Shareholders. Investor briefings, the AGM, shareholder circulars and detailed integrated reports and financial statements are some of the ways we communicate with Shareholders. The Bank always gives its Shareholders due notice of the AGM as defined in its Articles of Association and in compliance with the Companies Act, 2015. In addition, the Board communicates with Shareholders and investors electronically through the Bank's website. Shareholders are accordingly encouraged to visit <https://dtbk.dtbafrica.com> for information on the Bank including integrated reports and financial statements. They are also encouraged to attend the

Shareholding Structure

The distribution of issued share capital of the Bank as at 31 December 2022 was as follows:

Range (shares)	No. of Shareholders	No. of Shares held	% Shareholding
Up to 500	3,581	686,221	0.25
501-5,000	4,130	8,307,709	2.97
5,001- 10,000	1,540	10,089,237	3.61
10,001- 100,000	1,916	45,789,683	16.37
100,001- 1,000,000	161	42,377,243	15.16
Over 1,000,000	23	172,352,127	61.64
Total	11,351	279,602,220	100.00

Shareholders' Profile

Criteria	No. of Shareholders	No. of Shares held	% Shareholding
Local Individuals	5,773	38,462,796	13.75
Local Institutions	701	83,169,746	29.75
Foreign Individuals	2,262	27,065,436	9.68
Foreign Institutional	15	116,365,295	41.62
East African Individuals	2,561	12,028,877	4.30
East African Institutions	39	2,510,070	0.90
Total	11,351	279,602,220	100.00

virtual AGM which will take place on 2 June 2023. The Company Secretary, supported by the Shares Registrar, is responsible for managing communication with Shareholders and are always accessible to Shareholders either through correspondence or at the Bank's registered office.

Shares Registry

All shareholder applications, registration queries, transfers, immobilisation and dividend payouts are handled by the Bank.

Top 10 Shareholders of the Bank

The ten largest Shareholders of the Bank and their respective holdings as at 31 December 2022 were as follows:

#	Name	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	The Jubilee Life Insurance Limited	21,982,242	7.86
4	Stanbic Nominees Ltd A/C NR1031461	7,960,039	2.85
5	Acacia Partners L.P.	7,369,920	2.64
6	Standard Chartered Nominee A/C KE004667	7,100,900	2.54
7	Jubilee Holdings Limited	5,826,897	2.08
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	Tropical Veterinary Services Limited	2,807,200	1.00
TOTAL		152,852,727	54.67

Share Trading Policy

The Policy prohibits Directors, management and employees of the Bank from dealing in the Bank's shares when they have or may be perceived as having unpublished price sensitive information. Directors, management and employees are required to adhere and refer to the Share Trading Policy for details on permissible trading activity within the stipulated Share Trading Window to avoid inadvertent insider trading exposure.

The Board is happy to report that in 2022, there were no known or identified instances of insider trading by the Directors, management or employees of the Bank.



STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Statement on Compliance with the CMA Code

Directors are satisfied that the Bank complies with the corporate governance principles and spirit of the CMA Code. In this regard, an extract of the Capital Markets Authority's Corporate Governance Reporting Template, setting out the status of compliance with the CMA Code, has been published on the Bank's website <https://dtbk.dtbafrica.com>, as part of its commitment to transparency and accountability.



Scan to view the extract of the
Capital Markets Authority's Corporate
Governance Reporting Template

Statement on Governance Audit

The Board subjected the Bank to a governance audit for the year ended 31 December 2022. The governance audit was conducted by CS. Bernard Kiragu of Scribe Services, a competent and recognised governance auditor accredited by the Institute of Certified Secretaries of Kenya (ICS). The primary purpose was to check on the level of the Bank's compliance with sound governance practices. In the opinion of the Corporate Governance Auditor, the Board of DTB Kenya has put in place effective, appropriate and adequate governance structures which are in compliance with the legal and regulatory framework and in line with good governance practices for the interest of stakeholders. The opinion is attached beside.

Going Concern Statement

The Board having reviewed information at its disposal including facts and assumptions on which it has relied upon, continues to view the Bank as a going concern for the foreseeable future.



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GOVERNANCE AUDITOR'S REPORT

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing, and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising of members' rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight.

The Board of Directors of Diamond Trust Bank Kenya Limited ("DTB") is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a governance audit, with the aim of ensuring that all processes necessary for directing and controlling the Company are in place.

The Directors have therefore ensured that the Company has undergone a governance audit for the year ended 31 December 2021, and obtained a report, which discloses the state of governance within the Company.

GOVERNANCE AUDITOR'S RESPONSIBILITY

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

Being part of a continuous audit process, the auditor has assessed the continual application of recommendations from previous audits and has ensured that the current recommendations are in line with the Company's vision and mission in order to ensure that the Board's goals, structure and operations are consistent with the latest developments in Corporate Governance. The structure of the report, findings and recommendations will therefore focus on providing a progressive approach following the seven steps of governance auditing.

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. In this regard, we issue an unqualified opinion.



CS. Bernard Kiragu, ICS GA. No 159
For: Scribe Services Registrars Limited



MATERIAL MATTERS

As a financial services provider, we play a pivotal role in the economic activity of individuals, businesses, and nations, helping to create, grow and protect wealth through partnerships in economic development. Many factors affect our ability to create value, including our operating environment, stakeholders, responses to risks and opportunities and our chosen strategy. Our material matters influence our group's strategy, inform the evolution of our business model, our long-term business.

1 | Identify

We periodically review our strategy, taking into account various aspects that may impact it. This is a group-wide effort taking into account input from all business and support units, and incorporating feedback from stakeholders.

2 | Prioritise

From the list of identified matters, we determine the validity according to their relevance against our current operating context and those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.

3 | Integrate

Apply the material matters lens to inform our long-term business strategies and targets as well as short-to-medium term business plans. This is done primarily through the execution of our strategy.

4 | Monitor

Assess the material matters and their solutions on a continuous basis to ensure that our strategy remains relevant. Important matters are managed as part of our business and operational processes.

MATERIAL MATTERS



Environmental, Social, and Governance (ESG) issues as well as their associated opportunities and risks are becoming even more relevant for financial institutions. ESG risk has increased owing to the pace and volume of regulatory developments locally and globally, with focus being on formalizing climate risk management, enhanced reporting and disclosures on ESG aspects, and the integration of other ESG risks in the bank's operations. Some stakeholders are also placing more emphasis on financial institutions' actions and investment decisions in respect of ESG matters. ESG regulations will continue to evolve.

MATERIAL ASPECT

More regulations on Task Force on Climate-related Financial Disclosures (TCFD), sustainability and being ESG compliant.

For stakeholders the need to become net zero by 2030.

Risk of non-payment of loans due to the effects of adverse ESG related issues on businesses.

RESPONSE

DTB is a member of the United Nations Global Compact (UNGC), affirming our commitment to support its Ten Principles on human rights, labour, environment and anti-corruption. We are also one of 56 signatories to the UNGC's Africa Business Leaders' Climate statement by The Africa Business Leaders Coalition (ABLC), which is committed to sustainable development and ambitious climate action by bringing the perspectives of African CEOs and Board Chairs into the global conversation.

DTB supports the UN Sustainability Development Goals (SDGs), having adopted 9 out of the 17 Goals.

DTB commits to increase its funding towards greener and more sustainable investments.

Group commitment to achieve net zero status by 2030 within our own operations.

The Bank plans to develop a robust Environmental and Social Management System (ESMS) with adequate policies, procedures, and processes, and a set of Environmental, Social and Governance Standards for compliance.



MATERIAL MATTERS (CONTINUED)

MATERIAL MATTERS	MATERIAL ASPECT	RESPONSE
 <h3>Regulatory and policy environment</h3> <p>We are subject to regulatory oversight as a Bank and listed entity. A dynamic regulatory and policy environment continues to present opportunities and challenges for our business. We strive to be a good corporate citizen and long-term participant in our markets by providing input to and implementing public policies.</p>	<p>Key regulatory and reporting issues surrounding the banking industry included:</p> <ul style="list-style-type: none"> • Cyber security • Preventing financial crime • Data governance/protection • Fintech presence • High taxes and impact on businesses 	<p>Engaging in discussions with regulators, governments, and public agencies. Providing insights and thought leadership in support of regulators' efforts towards ensuring financial stability. Establishment of Data analytics department and Office of the Data protection officer. Promote Green financing and partnerships- IFC to offer cheaper credit.</p>
 <h3>Macro economic /Market risks</h3> <p>The connection to and the dependency on the macroeconomic environment and key economic drivers impacts our operations.</p>	<p>The impact of Covid-19 on businesses, households and communities.</p> <p>Unanticipated fluctuations in the interest rates due to monetary policy measures undertaken by the Central Bank and drastic movement in market rates.</p> <p>Exposure to politically unstable regions can also lead to loss of funds in the absence of no proper analysis. Specific example of political issues in Ukraine.</p>	<p>Support to communities and businesses to mitigate the impacts of the pandemic.</p> <p>DTB has policies and processes that guide investment and trading decisions to ensure the bank is not adversely affected by the changes in the market while at the same time complying with the regulatory requirements.</p> <p>DTB ensures that it manages concentration risk through Board approved limits that ensure diversification.</p> <p>DTB has a framework for identifying, monitoring and conducting risk analysis/ stress testing based on extreme and hypothetical situations.</p>



MATERIAL MATTERS (CONTINUED)

MATERIAL MATTERS



Cybercrime, Fraud and Theft

Cyber risk is the risk of damage, including disruption, disturbance, shut down or compromising of operations, theft of information assets, collection of intelligence, or impact to reputation as a result of a cyber-attack. The technological developments and the expansion of digital services, on one hand, and the even more sophisticated tools used by attackers, on the other hand, have led to higher exposure to cyber risks.

MATERIAL ASPECT

Cybersecurity has become a paramount concern for the banking sector, leading to increased investments in counter measures including technology and processes on how banks operate.

RESPONSE

Employee capacity enhancement with revamp of ICT department.

Continuous heavy investments in cybersecurity infrastructure. DTB carries out enhanced penetration tests on its systems using in-house ethical hackers and externally sourced skilled experts.

All Stakeholders of the Group have a responsibility in respect to the fight against fraud and other illegal acts.

Increase transaction monitoring to identify suspicious activity and minimize losses.



Digital and policy environment

Like many other industries, banks are being affected by digital disruption. Banks need to adapt to digital disruption by re-skilling their workforce, acquiring new talent, investing in new technologies and processes, re-engineering customer journeys, all in a bid to transform as agile and nimble players in a fast-evolving digital environment.

Failure to respond to this, banks risk losing competitiveness and market positioning due to the emergence of fast evolving and agile bank and non-bank competitors.

More innovations in regards to products and services to deliver safe and secure propositions. Multiple channels, including digital banking, 24/7 call centres and branches. Includes active interaction and prompt follow-up to queries/ feedback received via social media platforms.

Revamp of mobile banking and online banking platforms, DTB Weza and Mgodi loan products and Employee check off loan product.

Increased use of data analytics to proactively understand and respond to customer trends and expectations.

The Bank is ramping up its digital transformation agenda to become digital to the core.



ENTERPRISE RISK MANAGEMENT

In 2022, the banking sector confronted a confluence of market, credit, liquidity, operation, and regulatory risks, aggravated by a series of internal and external events.

Disruptions to supply chains due to the residual effects of the Covid-19 pandemic and the escalation of the Russia-Ukraine war led to a surge in commodity prices, triggering widespread inflation across our present markets. The pressure on consumer wallets weighed on customers' ability to save and the capacity to service loans, and impacted our growth in customer operations.

Interest rates rose across markets as central banks tightened financial conditions, and in response to the growing reliance on domestic markets for fiscal deficit financing. Higher interest rates on both local and foreign currency facilities and the inherent credit risk, undermined credit expansion across most sectors.

The commodity price shocks, global flight to safety due to the geopolitical shocks and the sharp rise in interest rates across advanced markets, saw a deterioration in dollar liquidity across our present markets. The resultant weakness of the US dollar and the market volatility in markets have had negative ramifications not only for customers but cross border and Treasury operations for the bank.

Other risks shaping the Group's activities include adverse climate shocks, cybersecurity and shocks relating to inflation and cost of living.

On the regulatory front, new laws, and regulations to address data protection, climate risk management, and the Credit Repair Framework for digital loans came into force.

The Group continues to ensure prudent underwriting of risks, and is capitalising on borrowers with good credit history, its prioritising high quality transactions, and collateral management, and investing in safer and efficient operational systems. We continue to diversify our operations, products, and markets to leverage existing and upcoming opportunities presented while spreading the inherent risks, in a manner that balances the interests of customers, shareholders, regulators and other stakeholders.

In 2022, we launched an ambitious 10 year growth strategy that is premised on customer acquisition, digital transformation, and sustainability excellence. These three pillars are intertwined and are intended to ensure that the Bank remains socially and economically relevant. DTB will achieve this through thought leadership, and by offering bespoke and highly relevant products, world class customer service and highly impactful and responsive community initiatives with demonstrable impact. We will work with like-minded partners to

complement our capabilities as well as embed innovation in every facet of the organisation.

Risk Governance and Oversight Framework

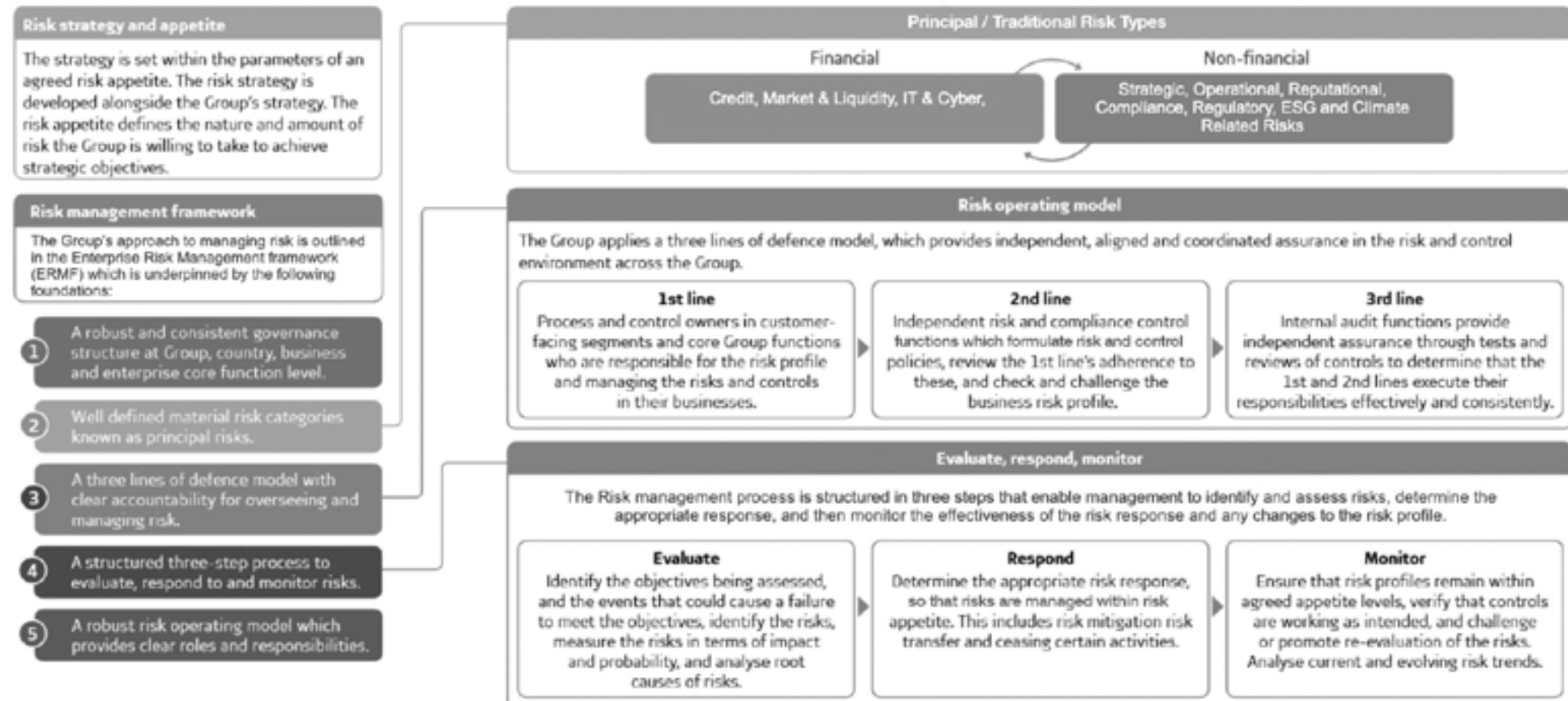
DTB has an effective risk management structure that entails:

- A strong risk governance structure at the Board level coupled with Board and management committees effectively ensures that risks are managed across the Group.
- The application of a 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: 1st line of defense-business process and control owners, 2nd Line-Risk and Compliance, 3rd Line-Internal Audit.
- The creation of a robust risk culture that ensures the identification, measurement, mitigation and escalation of risks affecting the Group by all its employees.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

The 3 Lines of Defence Model





ENTERPRISE RISK MANAGEMENT (CONTINUED)

Consolidated Supervision and Combined Assurance

DTB uses a combined assurance model when undertaking reviews across the subsidiary banks. Compliance with the Group's standards is supported by a program of annual reviews undertaken by both the Internal Audit and the Risk and Compliance departments. The independent reviews are tabled at management and respective Board committees of the subsidiaries.

The oversight and compliance process covers DTB Kenya and its subsidiaries: Diamond Trust Bank Uganda (DTBU), Diamond Trust Bank Tanzania (DTBT), Diamond Trust Bank Burundi (DTBB) and Diamond Trust Bancassurance Intermediary (DTBI). Collaboration between Risk, Compliance, and the Internal Audit departments has been entrenched in the annual work plans approved by the Board.

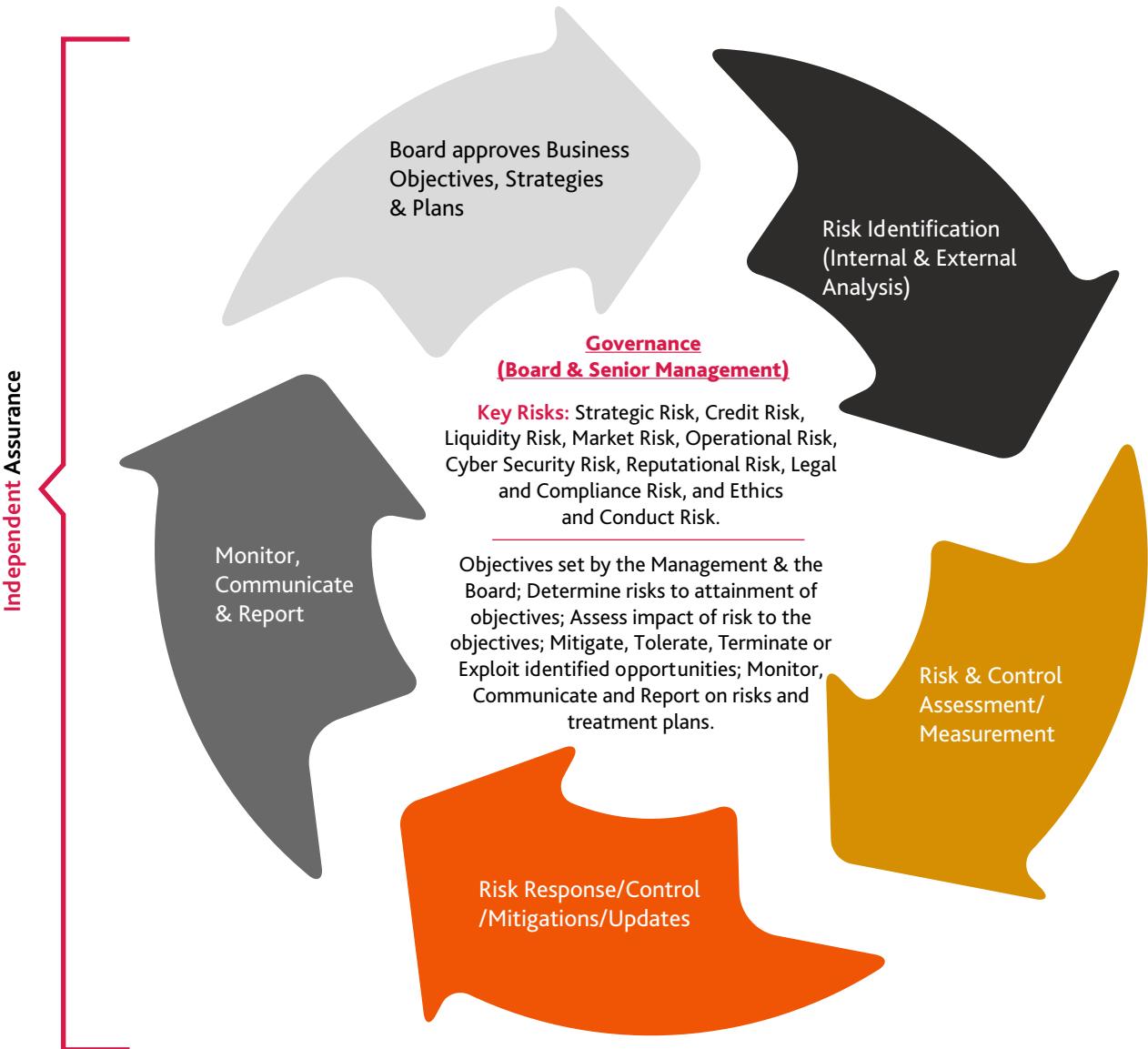
Articulation of Risk

The Board has clearly articulated the extent of DTB's risk appetite which is derived from the Group's objectives, strategy and business plans, and regulatory environment.

- The Enterprise Risk Appetite Statement (ERAS) guides the overall approach including policies, controls and systems through which risk appetite is established, communicated and monitored.
- ERAS demonstrates the implicit link between risk and strategy. In so doing, it defines the risk limits and tolerance.
- ERAS also clarifies the action required in the event of a breach of risk limits and risk tolerance.
- Finally, it specifies the roles and responsibilities of the officers tasked with implementing it and forms a fundamental component of the Enterprise Risk Management Framework (ERMF).

Risk Management Process

The Risk Management Framework is illustrated below:





ENTERPRISE RISK MANAGEMENT (CONTINUED)

Risk Overview

Strategic Risk – The risk of failing to achieve business objectives.

RISK	IMPLICATIONS	MITIGANTS
External Risk	<ul style="list-style-type: none">Market Changes: Volatility in the global economy continues as a result of the Covid-19 pandemic and the Russia-Ukraine war heightening inflation and the weakening of regional currencies against the US Dollar.Competition: Risk of new disruptive business models which can impact market share.Effects of climate-related risks leading to drought and famine affecting food security and bio-diversity (tourism).	<ul style="list-style-type: none">DTB has built significant capital buffers as a cushion to ensure resilience in its operations. In the aftermath of the pandemic and the Russia-Ukraine war, DTB continues to simulate various scenarios to determine the unexpected but plausible adverse economic impacts of the aforementioned, to its capital base and Capital Adequacy Ratios (CAR), and adequacy of its contingency plans. Based on the stressed results, DTB does not anticipate any breach of the statutory (CBK prescribed) capital adequacy ratios.DTB reviews its 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.We are rolling out our digital transformation strategy to future proof the Bank noting that it will play a key role in future growth.We have developed an Environmental and Social Management System (ESMS) with adequate policies, procedures and processes in addition to a set of environmental and social standards for compliance. We have also embedded sustainability excellence as part of our strategic pillars.
Internal Risk	<ul style="list-style-type: none">Inappropriate risk mitigation strategies to treat risk.Failure to identify potential risks.Poor planning for the risk.Ineffective strategies deployed to mitigate the risk.	<p>DTB has specific strategies to address:</p> <ul style="list-style-type: none">Regulatory risks.Financial risks: cash flow, capital and pricing.Human capital: knowledge, staffing, skills, integrity, training and awareness.Technology risk: data & systems; proprietary systems; regulatory actions.Resilience: disaster & crisis management.Third party relationship risk: reputation & vendor management.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Credit Risk

Credit and Investment risk is the risk associated with default or change in credit profile of a client, counterparty, loss of a principal, or a reduction in expected returns on investments. The Board Credit Committee (BCC) has oversight of credit through the Management Credit Committee (MCC). The MCC continuously reviews the credit strategy and credit policies and procedures. It monitors credit risk appetite, write offs, debt recoveries, provisions, stress tests and changes in the operating environment. The MCC reports on any exceptions identified, insider lending, credit portfolio and all facilities approved during the period under review. Financial governance is applied through pricing and provisioning models, regulatory reporting and the internal capital adequacy assessment process (ICAAP). Integrated risk management is applied across all stages of the credit life cycle. The credit framework elements comprise:



The Bank's approach to managing principal risk is consistent with its risk governance structure. An enterprise-wide risk policy framework exists for all the lending activities and includes approval by executives who are independent from the lending business, as appropriate.

The bank's independent credit risk control functions are responsible for reviewing the appropriateness of the carrying value of loan underwriting in accordance with relevant policies. The Bank also conducts stress testing on these portfolios using specific scenarios that estimate losses based on significant market moves and/or other risk events.

The group remains stable and resilient, with strong liquidity and capital adequacy ratios. The ratio of non-performing loans (NPLs) also remained steady in 2022.

In 2023, credit risk will continue to be a key area of focus, against a backdrop of significant global uncertainties, volatile financial markets, a weaker growth outlook, persistent inflationary pressures, geopolitical tensions, and residual effects of the Covid-19 (coronavirus) pandemic.

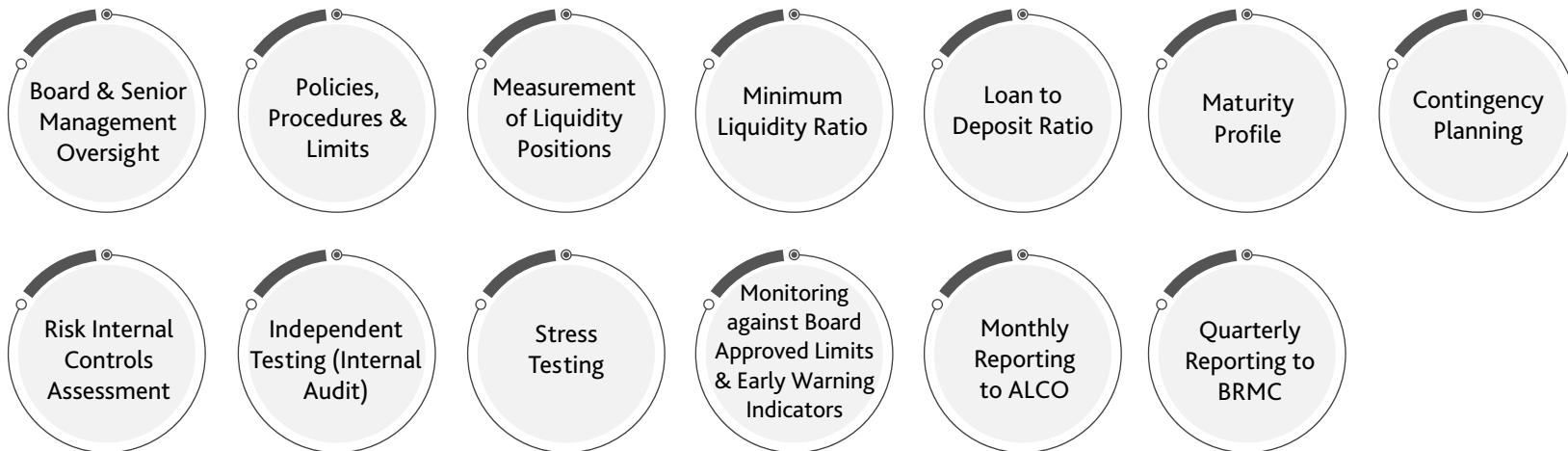


ENTERPRISE RISK MANAGEMENT (CONTINUED)

SPECIFIC RISKS	IMPLICATIONS	MITIGANTS
Increase in NPL (non-performing loans)	Negative effect of Non-performing loans ratio on return on assets, i.e., negatively affect profitability and capital positions of the bank.	<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 undertakes proposed actions to mitigate arising exposures including;</p> <ul style="list-style-type: none"> Monitoring the NPL ratio against appetite limit and taking appropriate remedial actions where breaches are noted. Intensifying its remedial and recovery efforts to curb the escalation of NPLs. Setting up a Credit Remedial Unit to proactively manage early alert facilities in a bid to contain negative migration. Reviewing the credit policy to enhance lending controls. Holding adequate provisions to mitigate against any possible financial shocks.

Liquidity Risk

The risk that DTB would be unable to meet its contractual or contingent obligations or may not have the appropriate amount, tenor and composition of funding and liquidity to support its assets. The liquidity risk management elements comprise:





ENTERPRISE RISK MANAGEMENT (CONTINUED)

SPECIFIC RISKS	IMPLICATIONS	MITIGANTS
Not having enough liquid assets on hand when deposits need to be withdrawn or other commitments come due	Lack of a forward-looking framework to project future cash flows from assets, liabilities and items not on the balance sheet.	<ul style="list-style-type: none"> DTB has a framework for identifying, monitoring and conducting risk analysis/stress testing based on extreme and hypothetical situations. DTB maintains liquid assets to serve as a buffer in case of a possible shortfall. The Contingency Funding Plan is revised periodically to take care of any changes in the operating environment e.g. impact of Russia/Ukraine conflict, USD liquidity challenges. Stress test results are regularly reported to EXCO and the Board of Directors through the appropriate committees, and to the regulator. Continuous monitoring of risk appetite limits and proper reporting to management.

Market Risk

Also known as systemic risk, market risk is the risk of loss, arising from potential adverse changes in the value of assets and liabilities, due to fluctuations in market factors including, but not limited to, interest and foreign exchange rates. The market risk framework elements comprise:





ENTERPRISE RISK MANAGEMENT (CONTINUED)

SPECIFIC RISKS	IMPLICATIONS	MITIGANTS
<p>The different types of market risks include interest rate risk, currency risk (exchange risk), price risk and country and transfer risk</p>	<ul style="list-style-type: none">Noting that market risk is largely systemic (the risk affects the entire market), it cannot be diversified in order to be mitigated, it is hedged to minimize exposure.Unanticipated fluctuations in the interest rates due to monetary policy measures undertaken by the Central Bank and drastic movement in market rates can have a negative impact on the bank's bottom-line if not properly identified and watertight measures put in place to manage interest rate sensitive assets and liabilities investment mix.During volatile and unpredictable currency fluctuations, the bank can be exposed to forex risk and possible losses arising from holding unfavorable FX positions which may be difficult to reverse.Exposure to politically unstable regions can lead to loss of funds if no proper analysis and allocation of transfer risk is done to determine the allowable limit that can be onboarded.	<ul style="list-style-type: none">DTB has policies and processes that guide investment and trading decisions to ensure the group is not adversely affected by the changes in the market while at the same time complying with the regulatory requirements.We manage concentration risk through Board approved limits that ensure diversification.Investments are structured as per the horizon of its liabilities.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk seeks to identify losses and at the broadest level includes the breakdown by four causes: people, processes (including policies and procedures), systems and external factors. DTB recognises that operational risk is a fundamental element that is inherent in all our products, systems, activities and processes.

The Board, through the Board Risk Management Committee (BRMC), issues policies that guide management on appropriate strategies to mitigate operational risk.

The Head of Risk is responsible for the implementation of the Enterprise Risk Management Framework (ERMF) and reports independently to the BRMC. Internal Audit also provides independent assurance to the Board on the implementation of ERMF.

The Operational Risk Framework which is continually reviewed and refreshed comprises the following elements:

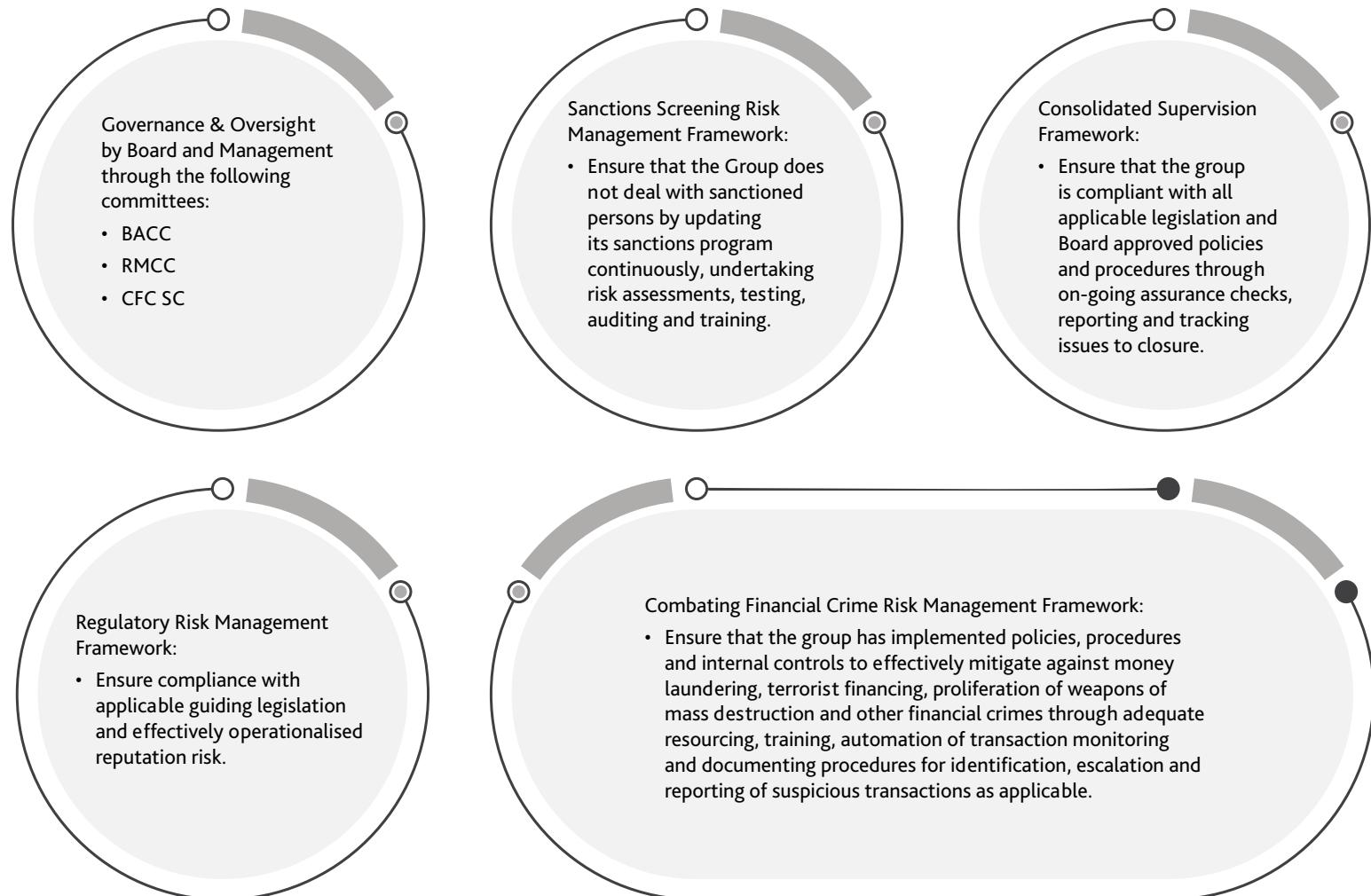




ENTERPRISE RISK MANAGEMENT (CONTINUED)

Legal & Compliance Risk

Legal and Compliance risk is exposure to regulatory censure and fines, legal penalties, financial forfeiture and material loss due to failure to act in accordance with laws, regulations, standards and best practices. Compliance is a primary responsibility of every DTB employee. The Compliance Department is responsible for establishing and maintaining an appropriate Compliance Risk Management Framework (CRMF) across the Group comprising Board approved policies, procedures, processes, internal controls, training, audit and reporting. A compliance risk assessment is a critical component of the CRMF. Compliance Risk Management Framework is as detailed below:





ENTERPRISE RISK MANAGEMENT (CONTINUED)

Environment, Social and Governance (ESG) Risks

Environmental and social risks to a financial institution stem from customers, vendors and its own operations. A financial institution's transaction with either its customers or vendors may expose it to financial, legal, regulatory, or reputational risks. It is in this context and against this background that DTB being a good corporate citizen, takes management of environmental, social and governance related risks with seriousness.

The financial sector has an important role to play in addressing the climate crisis by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society. DTB strongly believes in sustainable finance and has embedded environmental and social risk management in all its lending operations. The banking sector has a varied client portfolio with a disproportionate share of environmental and social risks coupled with low client capacity to manage the same. DTB understands these critical sustainability issues and appreciates their impact on its operations.

Considering environmental and social risks as part of the risk appraisal process helps a financial institution to:

- Decrease its exposure to overall risk.
- Enhance its reputation.
- Underwrite its long-term financial viability.
- Comply with regulatory requirements.

DTB is in the process of revamping the existing environmental and social risk framework and is developing a robust Environmental and Social Management System (ESMS) with a clearly articulated policy, procedures and processes which are integrated into the Bank's credit cycle. We have a road map to further embed Environmental and Social Risk Management in line with the recently issued ESG guidelines by regulators such as Central Bank of Kenya and Nairobi Securities Exchange.

SPECIFIC RISKS	IMPLICATIONS	MITIGANTS
Credit risk (Default probability)	Client is not able to repay the loan on account of environmental, social and governance issues.	<ul style="list-style-type: none"> • Development and enforcement of a robust Environmental and Social Management System (ESMS) with adequate policies, procedures, and processes.
Liability risk	Legal/ Regulatory action due to ESG breaches by the bank itself or counterparty.	<ul style="list-style-type: none"> • A set of Environmental, Social and Governance Standards for compliance has been developed.
Reputational risk	<p>Negative publicity due to ESG breaches by the bank or counterparty.</p> <p>Reduction in market capitalization/ investor flight as a result of the above.</p>	<ul style="list-style-type: none"> • Set out requirements for the Bank and borrowers relating to identification and assessment of ESG risks. • Support borrowers to fulfil their ESG obligations, and to enhance the sustainable development outcomes of projects through stakeholder engagements. • Review all projects that have had occupational health and safety incidents to ensure that the incidents are properly managed, and the risks of future incidents forestalled. • Review borrowers' ESG risk management efforts during the credit cycle. • Enhance ESG capacity for clients and staff. • Embed sustainability agenda into the organisational strategy.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Climate Related Risks

With increased focus on climate related risks across all sectors, there is an expectation on companies to lead the transition to a low-carbon economy. The Bank is mindful that environmental issues across each of its touch points is fundamental to running its business in a responsible and sustainable way. In order to achieve this, we are focused on:

- Managing climate risk
- Supporting the transition to a low carbon economy
- Taking action to reduce our carbon footprint
- To make ESG disclosures transparently.

The pace and volume of policy and regulatory changes and expectations has increased, amid a global focus on formalising climate risk management, stress testing, scenario analysis and disclosures.

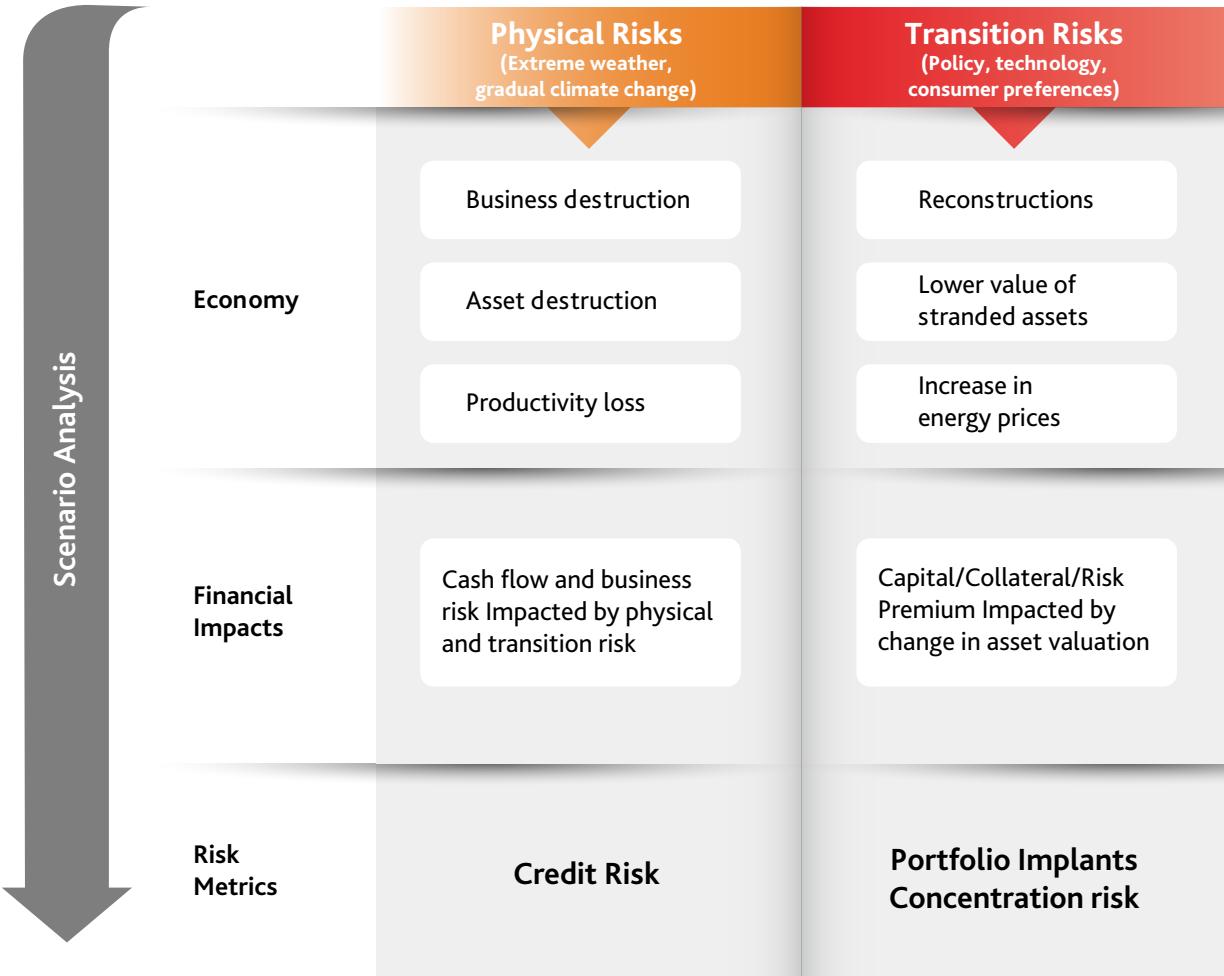
Climate change has an impact across DTB's risk taxonomy through transition and physical channels.

Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks.

Physical risks can arise through increasing severity and/or frequency of severe weather or other climatic events, such as rising sea levels and flooding which can affect the bank's operations directly or indirectly.

These have the potential to cause both idiosyncratic and systemic risks, resulting in potential financial and non-financial impacts for DTB. Financial impacts could materialise if transition and physical risks impact the ability of our customers to repay their loans. Non-financial impacts could materialise as a result of changes in governance standards, brand stewardship and the decisions the business takes in order to achieve its climate ambitions.

Climate risk conceptual framework





ENTERPRISE RISK MANAGEMENT (CONTINUED)

Our approach to climate risk management is aligned to our Enterprise Risk Management Framework (ERMF) and the three lines of defence model, which sets out how we identify, assess, and manage our risks. This approach ensures that the Board and senior management have visibility and oversight of our key risks. We use stress testing and scenario analysis to assess and to identify how these risks impact our customers, business, and infrastructure and the opportunities that we can leverage to deliver sustainable growth in support of our climate ambition.

In October 2021, the Central Bank of Kenya (CBK) issued guidance on climate related risk management which requires banks to:

- Embed the consideration of financial risks from climate change in their governance arrangements.
- Incorporate financial risks from climate change into their existing financial risk management practice.
- Disclose the financial risks resulting from climate change.

The pace and volume of policy and regulatory changes and expectations has increased, amid a global focus on formalising climate risk management, stress testing, scenario analysis and disclosures.

Transition risks are business-related risks that follow societal and economic shifts toward a low-carbon and more climate-friendly future. These risks can include policy and regulatory risks, technological risks, market risks, reputational risks, and legal risks.

Physical risks can arise as a result of increasing severity and/or frequency of severe weather or other climatic events, such as rise in sea levels and flooding which can affect the bank's operations directly or indirectly.

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SPECIFIC RISKS	IMPLICATIONS	MITIGANTS
Climate related risks	<ul style="list-style-type: none"> • Failure to meet evolving regulatory expectations/ requirements on climate risk management could have regulatory, compliance and reputational impacts. • Stakeholders likely to place greater focus on our actions. • Additional risks if we are perceived to mislead stakeholders in respect of our climate strategy, green financing products or the commitments (Greenwashing). • Face increased resilience risk, owing to the frequency and severity of weather events and chronic shifts in weather patterns. 	<ul style="list-style-type: none"> • Support sustainable finance and the transition to a low-carbon economy. • Develop climate risk policies, processes and controls with clear governance and reporting structures. • Develop climate risk management programmes and capabilities across the four key pillars of governance and risk appetite, risk management, stress testing and scenario analysis, and disclosures. • Conduct climate stress tests and scenarios to improve our understanding of our exposures for improved risk management and business decision making. • Deliver climate risk training to our Boards, management teams and all staff.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Our approach to climate reporting

DTB's Task Force on Climate-related Financial Disclosures (TCFD) Implementation Progress.

The Bank has initiated steps on climate related risks management based on the Task force on Climate related Financial Disclosure (TCFD) recommendations on climate-related risks and opportunities. The TCFD guidelines are based on 4 areas: Governance, Strategy, Risk Management, Metrics & Targets

Governance

- Board oversight of climate-related risks and opportunities.
- Updating BRMC Terms of Reference (TORs) to include ESG & Climate related risk management.
- Updating Senior management's role to include assessing and managing climate-related risks and opportunities.



Climate Strategy

- Capture climate-related risks and opportunities over the short, medium, and long term.
- Identify risks and opportunities for the businesses.
- Review the resilience of the strategy, considering various climate-related scenarios, including a 2°C or lower scenario.

Risk Management

- Developing processes for identifying, assessing, and managing climate-related risks.
- Integrating the above processes into overall risk management structure.

Metrics & Targets

- Metrics to be used to assess climate-related risks and opportunities in line with strategy and risk management process.
- Scope 1, 2, & 3 greenhouse gas emissions inventories.
- Targets used to manage climate-related risks and opportunities.
- Measuring performance against targets.



ENTERPRISE RISK MANAGEMENT (CONTINUED)

Technology and Cyber Security Risk

Technology systems and infrastructure play a critical role in enabling the achievement of DTB's strategic objectives and operational activities. IT and cyber security risk arises from exposure to damage or loss as a result of improper use of the Group's information and communication technology, inadequate ICT policies and strategies, or misuse/ abuse of technology by malicious actors.

DTB maintains IT Risk and Cyber Security Policies which govern the protection of information assets from all threats to ensure business continuity, minimise business damage and maximise return on investments and business opportunities.

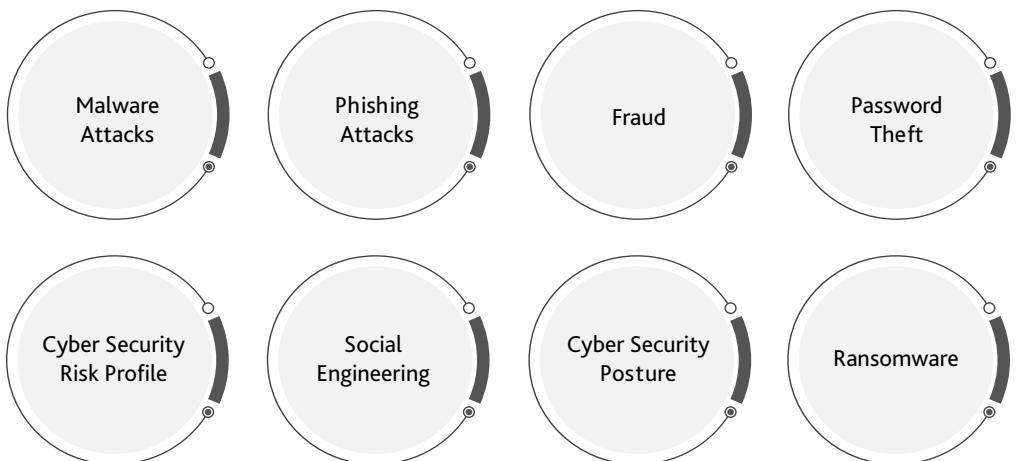
The objective of the policies is to protect the Group, its staff, customers and other third parties from technology and cyber risks where the likelihood of occurrence and the consequences are significant. The policies also provide a consistent IT risk management framework in which technology risks are identified, considered, and addressed.

Cyber security risk is key to DTB Group and significant resources are devoted to protecting and enhancing the security of computer systems, software, networks, storage devices, and other technology assets.

To protect the confidentiality, integrity and availability of the bank's IT infrastructure, resources and information, the Group maintains a cyber security program designed to prevent, detect and respond to cyber attacks by unauthorized entities attempting to obtain access to confidential information, destroy data, disrupt or degrade service and sabotage systems.

Third parties doing business with DTB Group e.g vendors, supply chain, exchanges and financial intermediaries are also a source of cyber security risk. Third party cybersecurity incidents such as system breakdowns or failures, misconduct by employees of such parties, or cyberattacks, including ransomware and supply-chain compromises could affect their ability to deliver a product or service to DTB or its clients.

Additionally, the digital strategy that the bank is rolling out may expose the Bank to potential new threats as well as expanded regulatory requirements on data privacy and cyber security. In response, the bank continues to make significant investments in its cyber defense capabilities to improve its resilience against cyber security threats.





ENTERPRISE RISK MANAGEMENT (CONTINUED)

2023 Outlook

The world is facing a set of risks that feel both wholly new and eerily familiar. Locally, high inflation and interest rates will continue to present remarkable risk to credit, whereas the persistent uncertainty will fuel volatility across markets. Moreover, climate change and environmental risks, cyber risks, internet of things or artificial intelligence and robotisation process risks will continue to reshape our operating environment in unprecedented ways. External shocks including geopolitical shocks and tight financial conditions will also test our resilience. The uncertainty will continue to challenge business models and will reinforce the continuous need for a proactive risk management framework, that allows for business growth, at minimal risk.

We expect 2023 to be dominated by supervisory and policy actions designed to enhance resilience within the financial sector, with focus on risk, digital transformation, operational resilience, data protection, cybersecurity, ESG and financial crime.

In line with this, the Group will continue to review its ERM to ensure it remains relevant in the 'new normal'. Further, the Group is cognisant of sustainability issues which require industry wide collaboration and response and is therefore working with a range of stakeholders to progress key aspects of the net-zero agenda in addition to integrating Environmental, Social and Governance (ESG) risks into its ERM strategy and overall business processes. The Bank further commits to pivot more finance towards greener and more sustainable investments.

As the Group embarks on its digital transformation journey, we will enhance our vigilance of risks associated with digitization, including the potential for cyber attacks, data breaches, and technology failures. DTB will continue to review its business environment and ensure it can adapt and upgrade its systems and processes and enhance its frameworks to ensure resilience as well as compliance with laws and regulations.



The DTB Tanzania team during a beach clean-up exercise in Coco Beach, Dar es Salaam to commemorate World Ocean Day 2022

SUSTAINABILITY REVIEW

Guided by the shared value principle, DTB is alive to the immutable fact that our long-term viability, as a corporate citizen, is intricately tied to the sustainable growth of every facet of the society. It is therefore incumbent upon us to sponsor programmes that contribute to the social and economic wellbeing of the communities we operate in. Equally, we need to play our role in promoting environmental conservation to minimise the impact of global warming. We subscribe to the triple bottom line approach: people, planet, profit and adhere to the Environmental, Social and Governance (ESG) guidelines.

DTB is a member of the United Nations Global Compact (UNGC), committing to support its Ten Principles on human rights, labour, environment and anti-corruption. We are also one of 56 signatories to the UNGC's Africa Business Leaders' Climate statement by The Africa Business Leaders Coalition (ABLC), which is committed to sustainable development and ambitious climate action by bringing the perspectives of African CEOs and Board Chairs into conversation.

DTB supports the UN Sustainability Development Goals (SDGs), having adopted 9 out of the 17 Goals.

Our current business growth strategy is anchored on three pillars, one of which is sustainability excellence, underscoring its materiality to the growth. We are integrating sustainability into every

aspect of our business, from our operations to our customer and supplier engagements. To support this, we are developing a decarbonisation strategy to guide our journey towards achieving carbon neutral status in Scopes 1,2 and 3.

The overall responsibility of ensuring that the Bank meets its sustainability commitments, including ESG reporting, rests with the Board of Directors, through the Board Strategy Committee (BSC). BSC is supported by the Sustainability Committee (SUSCO), comprising members of the Management team, led by the Managing Director. SUSCO's primary responsibility is to develop and implement DTB's ESG strategy, including overseeing the Bank's material sources of ESG risks and opportunities, associated actions, and reporting. It is also responsible for ensuring the integration of the sustainability agenda into the Bank's own internal operations, financing to customers and engagement with business partners and vendors, whilst ensuring compliance with existing and emerging regulations.

SUSCO will also guide the business as it explores the opportunities and risks presented by the green economy. To this end, we have embarked on an exercise to identify potential partners with whom we will collaboratively craft bespoke solutions to support the growth of this crucial sector.



SUSTAINABILITY REVIEW (CONTINUED)



DTB Staff at the official unveiling of the Mangrove site the Bank adopted on World Environment Day 2022

TOWARDS NET ZERO

The Aga Khan Development Network (AKDN) has made a commitment to achieve net zero status by 2030. In line with this as an affiliate of AKDN, DTB Group is developing a comprehensive net zero strategy that will result in a reduction in the Bank's direct and indirect emissions. To this end, we have started mapping out our customer and supplier portfolios to establish our ESG exposure baselines from which we will develop our targets. This exercise will serve to complement the Environmental Social and Due Diligence (ESDD) process which we presently subject all our credit applications to. To achieve success, we will continuously undertake stakeholder engagements targeting our customers and suppliers to create awareness and buy in for this important initiative.

With respect to our own operations, our Scope 1 and Scope 2 Green House Gas emissions for the Group stand at 505.28 tCO2e and there is continued deliberate actions that have been taken to reduce our carbon footprint.

DTB Kenya continues to conduct energy audits of its owned buildings and has also embarked on the following initiatives in recent years:

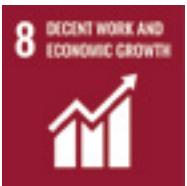
- All new branches are being fitted with LED bulbs, energy efficient microwaves and air conditioners.
- The Head Office, along Mombasa Road, has been fitted with LED bulbs and electricity motion sensors.
- 80% of existing branches have been fitted with LED bulbs.
- Non-functional microwaves and air conditioners at the Head Office and in existing branches are being replaced with 4-star energy efficient appliances.
- Plans are also underway to install solar panels at our Head Office in Nairobi.

The Bank encourages car-pooling for staff when using taxi cabs for official business to minimise our contribution to carbon emissions, and at the same time, save on costs.

Additionally, we have recycled 7 tonnes of paper since 2019 and are now exploring recycling our plastic waste. Across the region, we have supported conservation programmes targeting both our flora and fauna. In Kenya, we have so far planted more than one million trees under the #MuchMoreThanTrees initiative. During the World Environment Day 2022, we partnered with Big Ship CBO and adopted a Mangrove site in Mikindani, Mombasa County. Mangroves are a critical mitigant of carbon emissions with the capacity to absorb 4 times more carbon than rainforests. We also mopped up 115 kilograms of plastic waste, along Tudor Creek, in partnership with the Ganahola community. In Uganda, the Bank donated over Shs 1 million to Uganda Wildlife Education Centre (UWEC) towards protecting Uganda's wild species and their habitats. The Bank also named a 6-month old baby giraffe- Diamond- as a fulfilment of a UWEC initiative to attract the private sector in conservation through taking up animal guardianship and support in conservation education.



SUSTAINABILITY REVIEW (CONTINUED)



ECONOMIC EMPOWERMENT

As a responsible corporate citizen, and in line with the shared value principle, it is incumbent upon us to contribute to the social and economic development of the communities forming our eco-system because our growth is intertwined with theirs. Importantly, it is aligned to our DNA of being a purpose driven bank that aspires to make a positive contribution to the quality of lives of all our stakeholders.

MSMEs and women owned/led businesses are important drivers of our economy. Providing them with the necessary support to operate and grow their businesses is an imperative for addressing social and economic inequalities. Working with these groups will contribute to a more vibrant economy and build a pipeline of customers for the bank within their ecosystems. In the last year, DTB Uganda partnered with key players like the Uganda Red Cross, community organisations and faith based bodies to facilitate financial literacy training to over 8,000 people. While in DTB Kenya, over 6,100 MSME owners undertook a 9-week virtual financial literacy training programme, which we ran in partnership with the Kenya Banker's Association (KBA). A further 2,100 women received financial literacy training programmes run by the Bank, while another 51 women micro-entrepreneurs, based in Eastleigh, underwent a 6-month programme courtesy of a partnership with the ROSE Women's Foundation. More information on the impact of this programme can be accessed on page 47.

To further reinforce our support for the East African region, the Group's procurement prioritises East African vendors as one of the ways in which we contribute to the growth of the societies within which we operate. In 2022, over 86% of the Group's procurements, valued at Shs 5,922 million, were sourced from East African vendors. In this financial year, we plan to provide ESG training to our suppliers as part of our net zero journey. We also plan to on-board more vendors, involved in the circular economy, to help us green our operations, and promote the growth of this sub-sector.

Pamella Ager (DTB Director), Nasim Devji (DTB Group CEO) and Allie Amoroso (ROSE Women's Foundation Founder) pose with one of the beneficiaries of the capacity-building programme the Bank sponsored



SUSTAINABILITY REVIEW (CONTINUED)



INVESTING IN OUR COMMUNITIES

DTB makes it a point to contribute to the success of the communities within which it operates. The Horn of Africa is currently experiencing the worst drought in 40 years, which has affected millions of people in the region. In response to this, the Bank contributed Shs 20 million to the Government of Kenya's Drought Relief Fund to go towards interventions in the area of food, water, health and agriculture.

The Bank also donated Shs 1 million to the Emergency Famine Relief Fund by the Rotary Club, Parklands, which targeted 5,000 families in five counties in the hard hit North- Eastern region of Kenya.

In Uganda, we donated over half a million shillings to the Missionaries for the Poor Organisation and the Uganda Red Cross Society (URCS) to go towards poverty alleviation programmes.

On its part, DTB Tanzania invested Shs 2.3 million towards education and Shs 1.3 million to health projects including sponsoring reconstructive surgeries by the Aga Khan Hospital and a medical camp in partnership with Ilala Afya Centre.



DTB representatives flagging off a food truck for families affected by drought in the North Eastern Counties of Kenya

REFURBISHMENT OF THE AGA KHAN WALK AND HAILE SELASSIE AVENUE

Last year, DTB Kenya invested Shs 70 million in the renovation of Haile Selassie Avenue and the Aga Khan Walk in Nairobi's Central Business District. The renovations entailed the construction of concrete walkways that are easy to clean with flowers, dustbins and sitting areas. The renovations were done to improve pedestrian safety, contribute to their comfort and improve the city's aesthetic appeal.



Aga Khan Walk



SUSTAINABILITY REVIEW (CONTINUED)



EMBEDDING A CULTURE OF INCLUSION

As alluded to in the Chairman's reflections on pages 21 to 22, we are keen to create an inclusive environment where all people feel comfortable to work or transact. We embrace our cultural diversity because it is reflective of the world we live in and provides us with a better understanding of our markets. We are a youthful organisation, with over 77% of our staff being under 40 years old. Additionally, because we recognise the important role apprenticeships play to develop job ready graduates, we have established Graduate Management Trainee (GMT), internships and job shadowing programmes. In 2022, 269 young people benefitted from the programmes, contributing fresh ideas and perspectives to the Bank.

We also took 45 of our customer-facing staff members through a certified training on Kenya Sign Language and disability etiquette by the Deaf Institute of Communication and Sign Language Training, becoming the first bank in Kenya to achieve this remarkable milestone. We plan to scale this training to more members of staff in 2023.



DTB staff pose after receiving their certification on Kenya Sign Language from the Deaf Institute of Communication and Sign Language Training



DTB Graduate Management Trainees during their graduation ceremony in 2022



SUSTAINABILITY REVIEW (CONTINUED)

LOOKING FORWARD

The Group will step up its sustainability efforts to protect it from associated risks, and more importantly, enable it to leverage the green economy opportunities. Underpinning this will be the identification and formation of strategic partnerships to help us develop innovative green solutions to spur the growth of this sector and build a green finance kitty.

We will engage with key stakeholders including employees, customers, suppliers and the government to co-create a sustainability strategy that will be beneficial and acceptable to all because we are alive to the power of creating awareness and buy-in to enable the successful implementation of our ESG agenda.

We will continue to invest in ESG training to upskill our people and enhance their abilities to navigate the ESG space for the benefit of the business and its stakeholders. Crucially, the role of sustainability in delivering our growth strategy will be brought to life by embedding sustainability targets in our performance framework.

For DTB, sustainability is not only about the future viability of our business, but also about doing business in an ethical and transparent manner. We are committed to ensuring that we become regional sustainability thought leaders and practitioners by enacting high impact programmes, with demonstrable outcomes, that respond to real societal needs.



YEAR IN PICTURES



LAUNCHED TATA FINANCE

DTB Kenya partnered with Tata Africa to offer 100% vehicle financing for SMEs through the *Beba Leo* scheme that enables flexible repayments up to 60 months, aimed at individuals, SMEs and commercial businesses.



CHINESE FITNESS WALK

DTB Kenya and Kenya Overseas Chinese Association come together to boost wellness and foster community ties through a fun-filled New Year fitness walk.



DONATIONS TO MISSIONARIES OF THE POOR

DTB Uganda, Ndeeba branch donated tents to the Missionaries of the Poor, helping provide shelter to those in need.



DTB TARGETS INDUSTRIAL PARK AS THE FIRST BANK IN KAPEEKA

DTB Uganda opened its 35th Branch in the Kapeeka Industrial Park, the first of its kind in the area.



DTB & MASTERCARD LAUNCH FINANCIAL INCLUSION IN WEST NILE

DTB Uganda and Mastercard launched a financial inclusion campaign in West Nile. The aim was to enroll 5,000 new customers and to distribute new DTB Platinum Debit Mastercard.

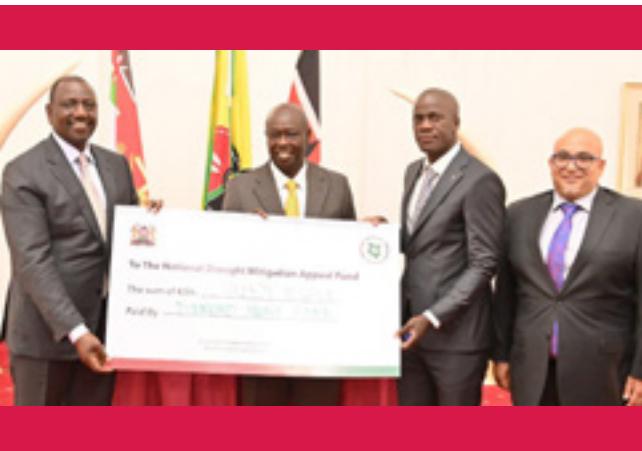


YEAR IN PICTURES (CONTINUED)



MGODI DIGITAL PRODUCT

DTB Tanzania in collaboration with M-PESA, developed a savings and loans product called Mgodi for Vodacom Tanzania PLC Customers.



DROUGHT DONATION

DTB, through the National Drought Steering Committee, contributed Shs 20 million towards alleviating the worsening impacts caused by the ongoing drought.



NEW BRANCHES

Expanding horizons: DTB Kenya strengthened its presence with six new branches in 2022.



SAUTI YA MAMA

Empowering women in business: DTB Kenya through its *Sauti ya Mama* proposition, provided financial literacy training to support women entrepreneurs.



GOLF TOURNAMENTS

DTB Kenya hosted successful golf tournament series in Kakamega, Mombasa, Kericho and Kisumu, connecting over 400 golfers and promoted business growth and bank services.



YEAR IN PICTURES (CONTINUED)



ENHANCING CUSTOMER ENGAGEMENT

Celebrating our customers: DTB Kenya hosted an engaging breakfast meeting during customer service week to gather feedback, share ideas and honour our valued customers.



BANK WITH US, BANK ON US

DTB Tanzania employees take part in the launch of the new brand campaign- "Bank with us, Bank on us" which complements our brand promise, Achieve More, by affirming our position as a dependable partner to our customers and stakeholders.



COMMUNITY ACCOUNT

DTB Tanzania launched its Community Account by hosting an event for stakeholders engaging in community development and improvement of the livelihoods of the underprivileged societies in Tanzania. Community Account is a product designed for Not-For-Profits [NGOs, Societies, Trust Funds].



CHOICE AWARDS AFRICA [CCAA]

DTB Tanzania won "Most preferred International Bank at Customer Service" (Mid-sized) Financial Services category in the 2022 Consumer Choice Awards Africa [CCAA] by a majority vote.



DTB PARTNERSHIP WITH URCS

With a shared mission to save lives, DTB Uganda and the Uganda Red Cross Society (URCS) joined forces for a 3-year partnership. In phase 1, they mobilized over 1,700 units of blood.



Fulfilment

“

I am incredibly proud to have been a part of the tree growing exercise where we adopted a mangrove site in Mikindani. It was truly fulfilling to see the positive impact we were able to make on the environment, and to know that our efforts will have a lasting impact on the community. This exercise has not only left me with a sense of fulfilment, but also a renewed sense of responsibility to preserve our planet for future generations.

”

- Felistus Mwangi
Officer, Likoni Branch

**Bank on us for
sustainable
environments**

Contributing to a Sustainable Future

DTB adopted a site for the protection and restoration of the mangrove ecosystem in Mikindani, Mombasa to commemorate **World Environment Day 2022**. Mangroves are **critical coastal ecosystems** which mitigate climate change with the ability to store four times more carbon than rainforests. They also provide a safe habitat for several marine species, stabilise the coastline by reducing erosion, and support the livelihoods of surrounding communities.

The DTB team joined hands with Big Ship CBO, a community empowerment organisation, and the local community in Mikindani to plant **1,000 mangrove trees** at the adopted site and also participated in a clean-up of plastics along Tudor Creek, resulting in a total of **115 kilograms of waste** collected from the site.

This is a demonstration of our commitment to conserving the environment for future generations.

**Bank on us for
sustainable
environments**



FIVE YEAR FINANCIAL REVIEW

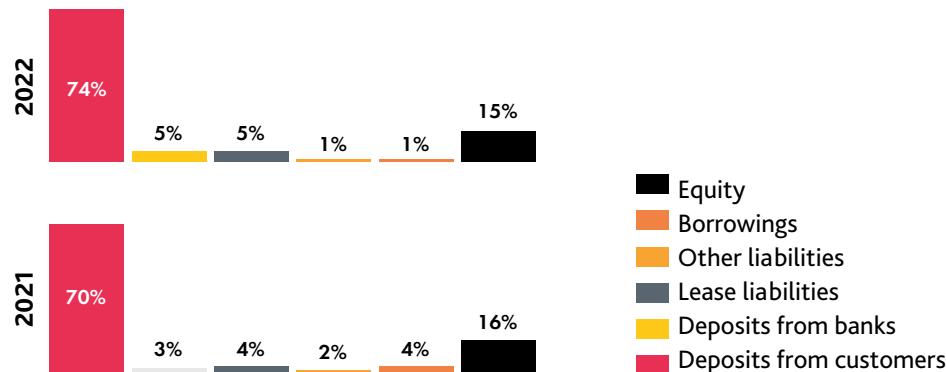
	2022	2021	2020	2019	2018
Net interest income	22,887,097	19,992,573	19,307,871	20,078,388	21,009,651
Non-fund-based income	8,622,283	6,194,779	5,834,799	5,471,881	5,160,877
Gross operating income	31,509,380	26,187,352	25,142,670	25,550,269	26,170,528
Net operating profit before provisions	16,236,170	14,138,702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

The extracts from the consolidated financial statements are stated in thousands of Kenya Shillings (Shs 000) except where otherwise indicated.

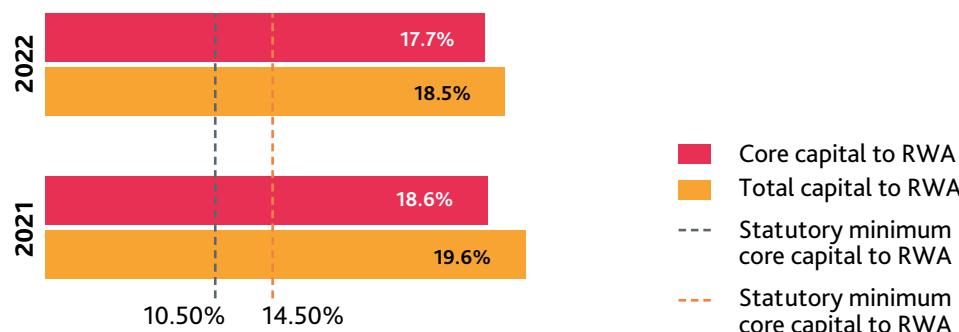


Financial Performance Highlights

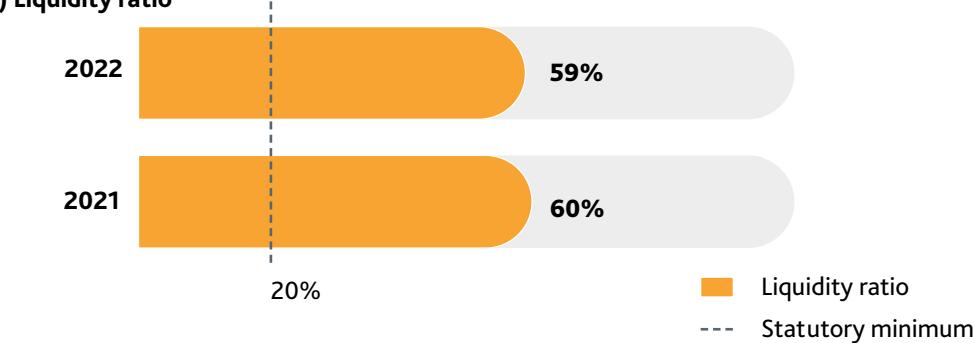
i) Distribution of funding



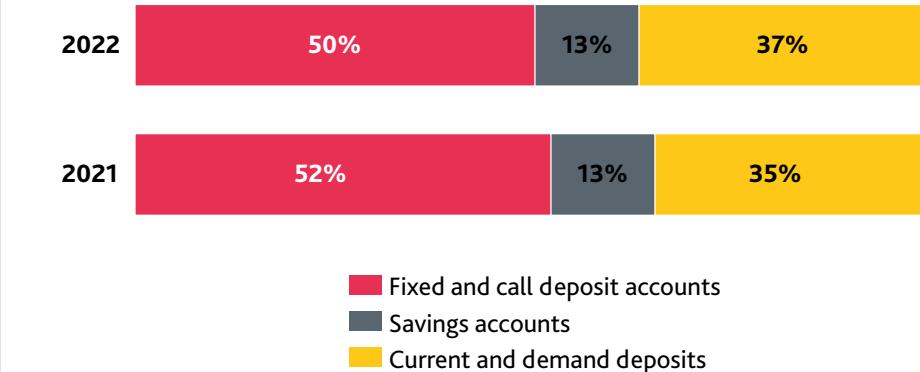
ii) Capital ratios



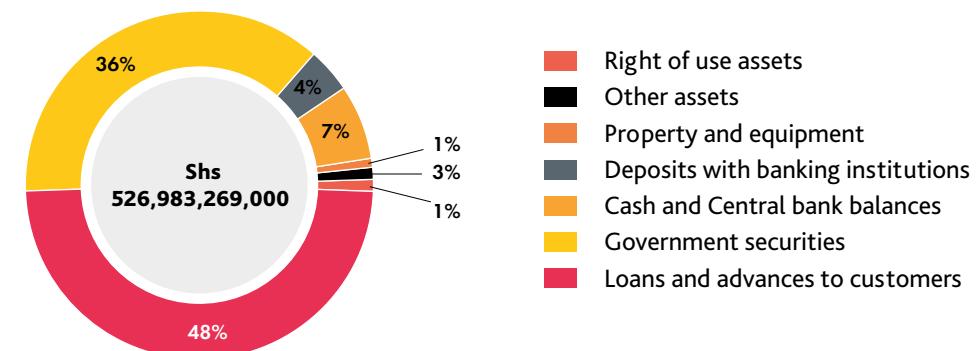
iii) Liquidity ratio



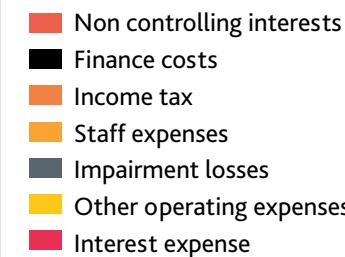
iv) Customer deposit spread



v) Distribution of assets



vi) Distribution of income





Satisfaction

“

What I love most about this job is the dynamic and challenging nature of the work. It's incredibly fulfilling to listen to different issues that customers may have and come up with solutions that help them. Hearing positive feedback from customers, and knowing that they feel heard and valued, brings me immense joy. Incorporating customer feedback is an essential part of the process, as it helps me refine and improve my work to ensure that our customers receive the best service possible. I'm happy when customers are happy.

- John Collins Nyongesa

Graduate Management Trainee,
Customer Experience

”

**Bank on us for
impactful customer
experiences**

Enhancing Customer Experience

At DTB, customer satisfaction is a top priority and in 2022, we made significant enhancements to the customer experience by extending banking hours, offering **24/7 support** and digital banking, as well as personalised services through different desks for specific customer groups. Our **89% customer satisfaction** score reflects our commitment to friendly service and timely resolution of customer complaints through a custom-built tracking system.

But don't just take our word for it - our customers have shared positive feedback about our customer service, with comments such as "DTB's team is always ready to assist with a smile and makes banking with them a truly enjoyable experience" and "I am continually impressed with the level of service I receive from DTB." We value this feedback and are dedicated to going beyond traditional banking to deliver impactful experiences that meet our customers' needs.

We are continuously improving our products and services based on customer feedback, such as mobile loans through **DTB Weza**. Our focus on exceptional customer service sets us apart and builds customer loyalty and trust in line with our mission of supporting financial growth and success.

**Bank on us for
impactful customer
experiences**



DIRECTORS AND STATUTORY INFORMATION

BOARD OF DIRECTORS

Linus Gitahi	Chairman
Shaffiq Dharamshi	Vice Chairman
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

*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 2022 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 100.

Principal Activities

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

Results and Dividend

The results of the Group and Company for the year are set out on page 110 and summarised below.

	Group		Bank	
	2022		2021	
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	9,524,933	6,625,657	6,590,446	4,696,070
Income tax expense	(2,731,055)	(2,212,184)	(2,071,252)	(1,732,923)
Profit for the year	6,793,878	4,413,473	4,519,194	2,963,147
Non controlling interests	(732,861)	(505,062)	-	-
Profit attributable to owners of the Bank	6,061,017	3,908,411	4,519,194	2,963,147
Dividends	(1,398,011)	(838,807)	(1,398,011)	(838,807)
Retained profit for the year	4,663,006	3,069,604	3,121,183	2,124,340

The directors recommend the approval of a final dividend of Shs 1,398,011,100 (2021:838,806,660).

Equity and Reserves

The authorised issued share capital and reserves of the Group and Bank as at 31 December 2022 and matters relating thereto are set out in Note 30 to 31 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 113 to 116 and pages 217 to 219.

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 100.

In accordance with articles No. 101 of the Bank's Articles of Association, Messrs Linus Gitahi, Ismail Mawji and Guedi Ainache retire by rotation and, being eligible, offer themselves for re-election.

Business Review

DTB has remained a strong brand in all the markets it operates which has seen the brand ranked among top tier banks in Kenya, Uganda and Tanzania. This significant achievement has been anchored on strong capital base, adequate liquidity as well as robust corporate and risk governance structure. This has enabled the Bank to continue supporting businesses and individuals across the East African region through targeted products, direct marketing and value creation to its key clientele.

In comparison to the prior year, DTB performance has recorded a commendable growth in key parameters; profitability, growth in asset base as well as customer deposits. The Group's net interest improved by 14% from Shs 20 billion in 2021 to Shs 23 billion in 2022 anchored on better margins as the Bank ramped up its low cost deposits. The growth is also attributed to improving business environment which has seen credit demand soar up as major economic sectors resumed full operations across the region after Covid-19.

The Group has continued a healthy balance sheet expansion buoyed by strong deposit mobilisation over the period. In 2022, the Group's customer deposit base improved by 17% from Shs 331 billion to Shs 388 billion. In addition, the Group's low-cost deposits base (current and savings) recorded an impressive growth of 23% from Shs 159 billion to Shs 195 billion in 2022, a direct reflection of the Group's continued focus on managing its funding cost. Total assets grew by 15% from Shs 457 billion to Shs 527 billion.



DIRECTORS' REPORT (CONTINUED)

Setting Stage for Accelerated Growth

The Group has embarked on key strategic initiatives anchored on its new growth strategy which seeks to entrench DTB as one of the major banking brands across the East Africa region. These seeks to entrench and reposition DTB in serving niche segments such as owners, suppliers, customers and employees of its core SME, retail as well as corporate customer segments, value chain financing, youth entrepreneurs etc. These aspirations are anchored on:

a. Customer base growth

In the new strategy, growth in customer base rests at the heart of each initiative. The Group plans to grow its customer numbers to 10 million by 2026 through its existing channels and developing strategic partnerships and eco-systems.

b. Branch network expansion

The Group has rolled-out an ambitious plan to widen its branch network in Kenya to support the customer acquisition strategy as well as to drive service delivery. The outlets are to act as acquisition and conversion centres through a targeted marketing drive spearheaded by the sales force team.

c. Digital transformation

To stay abreast with the changing habits of consumers as well as the market competition, DTB has initiated a raft of digitisation processes which prioritise new channels and products, adaptation of new technological infrastructure as well as recruitment of subject matter (digital space) experts so as to achieve strategic positioning in the digital environment. Key to these include:

- i. The adoption of cloud computing to leverage the benefits of scale, elasticity, cost efficiency and accessibility while maintaining regulatory compliance and data sovereignty.
- ii. Digital partnerships with fintechs and tech start ups to leverage their ecosystems to grow an extended customer base and unlock new revenue streams.
- iii. Data & analytics to enable advanced analytics to drive growth across all segments through data mining, cross-sell, and personalised propositions.

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 146 to 190.

As the Group 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.

Sustainability Agenda

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 85 to 90 details the activities the Group has undertaken in the year.

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:

	2022	2021
	Shareholding %	Shareholding %
Aga Khan Fund For Economic Development S.A.	16.50%	16.50%
Habib Bank Limited	16.15%	16.15%
The Jubilee Insurance Company of Kenya Limited	7.86%	7.86%
40.51%	40.51%	

Directors' Interests

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

Director	No of shares	2022		2021	
		Shareholding %	No of shares	Shareholding %	No of shares
Nasim Devji	263,022	0.1%	263,022	0.1%	263,022
Irfan Keshavjee	1,143	0.0%	1,143	0.0%	1,143
Alkarim Jiwa	60	0.0%	60	0.0%	60



DIRECTORS' REPORT (CONTINUED)

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 27 March 2023.

By order of the Board

Stephen Kodumbe
Company Secretary
27 March 2023
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 2022.

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



DIRECTORS' REMUNERATION REPORT (CONTINUED)

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.

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 increase in director's emoluments in the year. The increase in the aggregate remuneration over 2021 is attributed to the number of extra meetings held in 2022 compared to 2021.

Statement of voting at the general meeting on Directors' remuneration

In the last AGM held on 30 June 2022, 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 years.

Directors' remuneration paid during the year

Non-Executive Directors

Name	2022			2021		
	Fees Shs '000	Sitting Allowance Shs '000	Total Shs '000	Fees Shs '000	Sitting Allowance Shs '000	Total Shs '000
Linus Gitahi	4,980	3,000	7,980	4,980	720	5,700
Shaffiq Dharamshi	Waived	Waived	Waived	Waived	Waived	Waived
Pamella Ager	1,440	2,595	4,035	1,440	1,380	2,820
Guedi Ainache	1,440	1,560	3,000	1,440	1,380	2,820
Moez Jamal	1,440	960	2,400	1,440	840	2,280
Irfan Keshavjee	1,440	2,040	3,480	1,440	1,560	3,000
Ismail Mawji	1,440	1,755	3,195	1,440	1,440	2,880
Sagheer Mufti	1,440	1,665	3,105	1,440	1,140	2,580
Jeremy Ngunze	1,440	3,120	4,560	728	1,320	2,048
Jamaludin Shamji	1,440	1,560	3,000	1,440	1,380	2,820
16,500	18,255	34,755	15,788	11,160	26,948	

Contract of Service – Executive Directors

	Gross Pay Shs' 000	Bonus Shs' 000	Retirement	Non Cash	Total Shs' 000
			benefits Shs' 000	Benefits Shs' 000	
2022					
Nasim Devji	61,109	-	2	4,733	65,844
Alkarim Jiwa	46,203	-	3,927	1,345	51,475
	107,312	-	3,929	6,078	117,319
2021					
Nasim Devji	61,109	-	2	2,072	63,183
Alkarim Jiwa	43,136	-	3,659	1,354	48,149
	104,245	-	3,661	3,426	111,332



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
27 March 2023
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 110 to 228 which comprise the Group and Bank statements of financial position as at 31 December 2022, 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 significant 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 standards as issued by International Accounting Standard Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare 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 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 27 March 2023.

Linus Gitahi
Chairman

Nasim Devji
Managing Director

27 March 2023.



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 110 to 228, which comprise the group and bank statements of financial position as at 31 December 2022, 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 financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report. We are independent of the Group and 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) – Impairment of financial assets, measurement of ECL and significant increase in credit risk (SICR).
- Note 3 (b) (ii) – Critical accounting estimates and judgements in applying accounting policies, determination of significant increase in credit risk (SICR).
- Note 4 (a) – Financial risk management, credit risk management.
- Note 17 – Loans and advances to customers.

The key audit matter	How the matter was addressed
<p>Subjective estimate</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"> - 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. - 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. 	<p>Our audit effort included the following procedures in addressing the key audit matter:</p> <ul style="list-style-type: none"> - 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; - 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. - 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 specialists in the reperformance of the economic forecasts and PDs.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED

(CONTINUED)

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

Loss allowance on loans and advances to customers in the consolidated and separate financial statements (Continued)

The key audit matter	How the matter was addressed
<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Evaluating the appropriateness of the Group's and Bank's assessment of SICR criteria used by assessing the qualitative and quantitative factors used by management in their evaluation of the classification of the loans and advances into stages 1, 2 and 3. 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. <p>Making use of our internal financial risk modelling specialists to:</p> <ul style="list-style-type: none"> Assess 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 scenarios. Assess the key economic indicators used in the determination of the loss allowance, including agreeing a sample of 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. <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 2022 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 the Report on other legal and regulatory requirements.

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 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.

Auditor's responsibilities for the audit of the consolidated 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.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED

(CONTINUED)

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

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.

Report on other legal and regulatory requirements

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

- i. The information given in the report of the directors on pages 101 to 103 is consistent with the consolidated and separate financial statements; and
- ii. The auditable part of the directors' remuneration report on pages 104 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Jacob Gathecha - P/1610

For and on behalf of:
KPMG Kenya
Certified Public Accountants
PO Box 40612 – 00100
Nairobi, Kenya

27 March 2023



GROUP AND BANK STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022	2021	2022	2021
		Shs'000	Shs'000	Shs'000	Shs'000
Interest income calculated using the effective interest method	5	40,066,887	33,904,379	27,692,795	23,648,195
Interest expense	6	(17,179,790)	(13,911,806)	(13,321,044)	(10,902,994)
Net interest income		22,887,097	19,992,573	14,371,751	12,745,201
Fee and commission income		4,009,522	3,634,806	2,165,760	2,109,134
Fee and commission expense		(79,490)	(392,866)	(61,590)	(392,866)
Net fee and commission income		3,930,032	3,241,940	2,104,170	1,716,268
Foreign exchange income		4,304,957	2,448,624	3,368,585	1,818,437
Other operating income	7	387,294	504,215	257,001	518,855
Operating income		31,509,380	26,187,352	20,101,507	16,798,761
Operating expenses	8	(14,940,263)	(12,325,714)	(8,248,648)	(6,640,616)
Net impairment charge on loans and advances	17	(6,711,237)	(7,513,045)	(4,949,087)	(5,742,897)
Profit from operations		9,857,880	6,348,593	6,903,772	4,415,248
Share of results of associate after tax	25(b)	16,963	21,064	-	-
(Loss)/gain on modified assets		(349,910)	256,000	(313,326)	280,822
Profit before income tax		9,524,933	6,625,657	6,590,446	4,696,070
Income tax expense	10	(2,731,055)	(2,212,184)	(2,071,252)	(1,732,923)
Profit for the year		6,793,878	4,413,473	4,519,194	2,963,147
Profit attributable to:					
Owners of the Bank		6,061,017	3,908,411	4,519,194	2,963,147
Non controlling interests	25(e)	732,861	505,062	-	-
Earnings per share (Shs per share)		6,793,878	4,413,473	4,519,194	2,963,147
Basic and diluted	11	21.68	13.98		

The notes on pages 118 to 228 are an integral part of these financial statements.



GROUP AND BANK STATEMENTS OF OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022	2021	2022	2021
		Shs'000	Shs'000	Shs'000	Shs'000
Profit for the year		6,793,878	4,413,473	4,519,194	2,963,147
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translating foreign operations		1,610,626	1,067,279	-	-
Net (loss)/gain from changes in fair value of government securities		(2,780,733)	(90,633)	(3,526,050)	(184,771)
<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)	87,121	(1,289,691)	87,121
Revaluation of land under right of use assets	20	95,186	403,164	-	287,527
Revaluation of land and buildings	22	-	417,708	-	417,708
Income tax relating to these items	23	(431,490)	(59,260)	(154,948)	(35,262)
Other comprehensive income for the year, net of tax		(2,796,102)	1,825,379	(4,970,689)	572,323
Total comprehensive income for the year		3,997,776	6,238,852	(451,495)	3,535,470
Total comprehensive income attributable to:					
Owners of the Bank		2,541,570	5,323,550	(451,495)	3,535,470
Non controlling interests	25(e)	1,456,206	915,302	-	-
		3,997,776	6,238,852	(451,495)	3,535,470

The notes on pages 118 to 228 are an integral part of these financial statements.



GROUP AND BANK STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group		Bank	
		2022	2021	2022	2021
		Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Cash and balances with Central Banks	14	36,992,122	27,695,508	15,803,197	17,219,059
Government Securities	15	188,277,334	167,630,504	133,693,810	124,309,703
Deposits and balances due from banking institutions	16	19,453,132	16,136,223	8,389,828	3,850,652
Loans and advances to customers	17	253,674,906	220,425,335	177,757,616	159,180,869
Other assets	18	3,934,906	2,574,967	1,971,439	1,480,866
Intangible assets - software costs	19	919,193	675,803	476,891	356,697
Property and equipment	20	6,221,764	5,112,480	3,762,662	3,217,227
Intangible assets - goodwill	21	173,372	173,372	-	-
Right of use asset	22	5,107,693	5,160,462	3,268,111	3,180,019
Current income tax	10(c)	156,874	570,906	138,388	39,450
Deferred income tax	23	11,945,520	9,279,037	8,205,242	6,449,795
Equity investment - at fair value through other comprehensive income (FVOCI)	24	56,000	1,345,364	50,000	1,339,691
Investments in subsidiaries and associates	25	70,453	62,756	5,752,702	5,752,702
Total assets		526,983,269	456,842,717	359,269,886	326,376,730
Liabilities					
Deposits from customers	26	387,562,471	331,451,673	250,592,898	225,782,765
Deposits and balances due to banking institutions	27	26,678,946	14,794,574	22,213,787	11,672,102
Other liabilities	28	5,197,438	11,493,514	2,934,930	9,670,690
Current income tax	10(c)	66,329	-	-	-
Borrowings	29	25,512,526	20,171,452	24,699,186	19,205,520
Lease liabilities	22	4,303,857	4,378,520	2,552,003	2,478,269
Total liabilities		449,321,567	382,289,733	302,992,804	268,809,346
Shareholders' equity					
Share capital	30	1,118,409	1,118,409	1,118,409	1,118,409
Share premium	30	9,006,569	9,006,569	9,006,569	9,006,569
Retained earnings	31 (c)	58,900,970	54,854,274	48,531,609	45,384,579
Statutory loan loss reserve	31 (d)	542,996	-	-	-
Other reserves	31	(2,004,468)	1,476,079	(3,777,516)	1,219,020
Proposed dividend	12	1,398,011	838,807	1,398,011	838,807
Equity attributable to owners of the Bank		68,962,487	67,294,138	56,277,082	57,567,384
Non controlling interests	25(c)	8,699,215	7,258,846	-	-
Total equity		77,661,702	74,552,984	56,277,082	57,567,384
Total liabilities and equity		526,983,269	456,842,717	359,269,886	326,376,730

The financial statements on pages 110 to 228 approved and authorised for issue by the Board of Directors on 27 March 2023 and signed on its behalf by:

Linus Gitahi
Chairman

Nasim Devji
Managing Director

Ismail Mawji
Director

Stephen Kodumbe
Company Secretary

The notes on pages 118 to 228 are an integral part of these financial statements



GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

Note	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
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2022	1,118,409	9,006,569	-	1,476,079	54,854,274	838,807	67,294,138	7,258,846	74,552,984
Profit for the year	-	-	-	-	6,061,017	-	6,061,017	732,861	6,793,878
Other comprehensive income	-	-	-	(3,408,262)	-	-	(3,408,262)	700,478	(2,707,784)
Net revaluation surplus on property & equipment	-	-	-	43,763	-	-	43,763	22,867	66,630
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)	-	(154,948)
Statutory loan loss reserve	-	-	542,996	-	(542,996)	-	-	-	-
Legal and public investment reserve	-	-	-	68,388	(68,388)	-	-	-	-
Total comprehensive income	-	-	542,996	(3,480,547)	5,479,121	-	2,541,570	1,456,206	3,997,776
Transactions with owners in their capacity as owners:									
Dividends:									
- Final for 2021 paid	12	-	-	-	-	(838,807)	(838,807)	-	(838,807)
- 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)	(50,251)
Total transactions with owners, recognised directly in equity		-	-	-	(1,432,425)	559,204	(873,221)	(15,837)	(889,058)
At end of year	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

The notes on pages 118 to 228 are an integral part of these financial statements



GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

Note	Share capital Shs'000	Share premium Shs'000	Statutory loan loss reserve Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Attributable to equity holders of the Bank Shs'000		Non controlling interests Shs'000	Total Shs'000
At 1 January 2021	1,118,409	9,006,569	789,473	53,331	51,002,806	-	61,970,588	6,343,544	68,314,132	
Profit for the year	-	-	-	-	3,908,411	-	3,908,411	505,062	4,413,473	
Other comprehensive income	-	-	-	671,691	-	-	671,691	386,605	1,058,296	
Net revaluation surplus on property & equipment	-	-	-	743,448	-	-	743,448	23,635	767,083	
Transfer of excess depreciation	-	-	-	(33,114)	33,114	-	-	-	-	
Deferred tax on transfer of excess depreciation	-	-	-	2,332	(2,332)	-	-	-	-	
Statutory loan loss reserve	-	-	(789,473)	-	789,473	-	-	-	-	
Legal and public investment reserve	-	-	-	38,391	(38,391)	-	-	-	-	
Total comprehensive income	-	-	(789,473)	1,422,748	4,690,275	-	5,323,550	915,302	6,238,852	
Transactions with owners in their capacity as owners:										
Dividends:										
- Proposed for 2021	12	-	-	-	(838,807)	838,807	-	-	-	
Total transactions with owners, recognised directly in equity	-	-	-	-	(838,807)	838,807	-	-	-	
At end of year	1,118,409	9,006,569	-	1,476,079	54,854,274	838,807	67,294,138	7,258,846	74,552,984	

The notes on pages 118 to 228 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
At 1 January 2022						
	1,118,409	9,006,569	1,219,020	45,384,579	838,807	57,567,384
Profit for the year	-	-	-	4,519,194	-	4,519,194
Net loss from changes in fair value of government securities	-	-	(3,526,050)	-	-	(3,526,050)
Net gain from changes in fair value 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)
Total comprehensive income	-	-	(4,996,536)	4,545,041	-	(451,495)
Transactions with owners in their capacity as owners:						
Dividends:						
- Final for 2021 paid	12	-	-	-	(838,807)	(838,807)
- Proposed for 2022	12	-	-	(1,398,011)	1,398,011	-
Total transactions with owners, recognised directly in equity	-	-	-	(1,398,011)	559,204	(838,807)
At end of year	1,118,409	9,006,569	(3,777,516)	48,531,609	1,398,011	56,277,082

The notes on pages 118 to 228 are an integral part of these financial statements



BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At 1 January 2021		1,118,409	9,006,569	675,585	43,231,351	-	54,031,914
Profit for the year		-	-	-	2,963,147	-	2,963,147
Net revaluation surplus on property & equipment		-	-	669,973	-	-	669,973
Net loss from changes in fair value of government securities		-	-	(184,771)	-	-	(184,771)
Net gain from changes in fair value of equity investments		-	-	87,121	-	-	87,121
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	1,520	(1,520)	-	-
Total comprehensive income		-	-	543,435	2,992,035	-	3,535,470
Transactions with owners in their capacity as owners:							
Dividends:							
- Proposed for 2021	12	-	-	-	(838,807)	838,807	-
Total transactions with owners, recognised directly in equity		-	-	-	(838,807)	838,807	-
At end of year		1,118,409	9,006,569	1,219,020	45,384,579	838,807	57,567,384

The notes on pages 118 to 228 are an integral part of these financial statements



GROUP AND BANK STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022	2021	2022	2021
		Shs'000	Shs'000	Shs'000	Shs'000
Cash flows (used in)/generated from operating activities					
Cash (used in)/generated from operating activities	32	(22,769,556)	(13,552,526)	(23,502,896)	(1,592)
Interest received		40,129,625	32,615,973	28,054,856	22,735,728
Interest paid		(14,271,594)	(12,372,396)	(11,026,414)	(9,667,366)
Income taxes paid	10(c)	(5,190,971)	(3,544,020)	(4,080,585)	(2,719,708)
Net cash (used in)/ generated from operating activities		(2,102,496)	3,147,031	(10,555,039)	10,347,062
Cash flows (used in)/generated from investing activities					
Purchase of property and equipment	20	(1,774,397)	(762,109)	(963,154)	(215,528)
Purchase of intangible assets - software costs	19	(516,785)	(155,761)	(296,601)	(121,239)
Net proceeds from sale of investment in Government securities		(10,594)	215,285	(10,594)	215,285
Proceeds from sale of property and equipment		6,818	9,960	742	7,381
Dividend received	7	-	-	150,000	300,000
Net cash (used in)/generated from investing activities		(2,294,958)	(692,625)	(1,119,607)	185,899
Cash flows generated from/(used in) financing activities					
Proceeds from borrowings		12,437,500	3,276,000	12,437,500	3,276,000
Payment of principal portion of borrowings		(7,354,414)	(2,853,739)	(7,196,921)	(2,555,483)
Interest paid on borrowings		(1,234,359)	(728,338)	(764,471)	(675,627)
Payments for principal and interest portions of the lease liability	22	(948,915)	(858,975)	(397,521)	(370,609)
Dividends paid to equity holders of the bank	12	(838,807)	-	(838,807)	-
Net cash generated from/(used in) financing activities		2,061,005	(1,165,052)	3,239,780	(325,719)
Net (decrease)/increase in cash and cash equivalents		(2,336,449)	1,289,354	(8,434,866)	10,207,242
Cash and cash equivalents at start of year		12,774,268	10,543,897	(54,650)	(10,261,892)
Effect of exchange rate fluctuations		(1,169,988)	941,017	-	-
Cash and cash equivalents at end of year	36	11,604,280	11,484,914	(54,650)	(10,261,892)
		9,267,831	12,774,268	(8,489,516)	(54,650)

The notes on pages 118 to 228 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, insurance agency 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 100. 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. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 (w)).

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 and the IFRS Standards as issued by the International Accounting Standards Board (IFRS standards).

(a) Basis of preparation

The consolidated and separate financial statements have been prepared in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards) and in the manner required by the Kenyan Companies Act, 2015. 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 value 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 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 significant to the financial statements, are disclosed in Note 3.

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 issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

New standard or amendments	Effective for annual periods beginning on or after
Amendments to IFRS 3 Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle	1 January 2022

Amendments to IFRS 3 Reference to the Conceptual Framework

The Group has adopted the amendments to IFRS 3 Business Combinations for the first time in the current year. The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The adoption of this standard did not have a material impact on the Group's financial statements.

Amendments to IAS 16 Property, Plant and Equipment— Proceeds before Intended Use

The Group has adopted the amendments to IAS 16 Property, Plant and Equipment for the first time in the current year. The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

The adoption of this standard did not have a material impact on the Group's financial statements.

Amendments to IAS 37 Onerous Contracts—Cost of Fulfilling a Contract

The Group has adopted the amendments to IAS 37 for the first time in the current year. The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The adoption of this standard did not have a material impact on the Group's financial statements.

Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle

The Group has adopted the amendments included in the Annual Improvements to IFRS Accounting Standards 2018-2020 Cycle for the first time in the current year. The Annual Improvements include amendments to three standards applicable to the bank.

IFRS 1 First-time Adoption of International Financial Reporting Standards

The amendment provides additional relief to a subsidiary which becomes a first-time adopter later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption in IFRS 1:D16(a) can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to IFRS Accounting Standards, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption in IFRS 1:D16(a).



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

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

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

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

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
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	Available for optional adoption/effective date deferred indefinitely
Lease liability in a sale and leaseback - Amendments to IFRS 16	1 January 2024
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8)	1 January 2023
Classification of Liabilities as Current or Non-current	1 January 2024
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023

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 narrow-scope amendments to IAS 1 Presentation of Financial Statements clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). The amendments also clarify what IAS 1 means when it refers to the 'settlement' of a liability.

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity. They must be applied retrospectively in accordance with the normal requirements in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

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.

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

The IASB amended IAS 1 to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed.



NOTES (CONTINUED)

2. Summary of significant 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 2022 (Continued)

Disclosure of Accounting Policies

(Amendments to IAS 1 and IFRS Practice Statement 2) (Continued)

If it is disclosed, it should not obscure material accounting information. To support this amendment, the IASB also amended IFRS Practice Statement 2 Making Materiality Judgements to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important, because changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events as well as the current period.

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.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction

(Amendments to IAS 12)

The amendments to IAS 12 Income Taxes require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences. They will typically apply to transactions such as leases of lessees and decommissioning obligations and will require the recognition of additional deferred tax assets and liabilities.

The amendment should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, entities should recognise deferred tax assets (to the extent that it is probable that they can be utilised) and deferred tax liabilities at the beginning of the earliest comparative period for all deductible and taxable temporary differences associated with:

- right-of-use assets and lease liabilities
- decommissioning, restoration and similar liabilities, and the corresponding amounts recognised as part of the cost of the related assets.

The cumulative effect of recognising these adjustments is recognised in retained earnings, or another component of equity, as appropriate. IAS 12 did not previously address how to account for the tax effects of on-balance sheet leases and similar transactions and various approaches were considered acceptable. Some entities may have already accounted for such transactions consistent with the new requirements. These entities will not be affected by the amendments.

The Group accounts for deferred tax on leases applying the 'integrally linked' approach, resulting in a similar outcome to the amendments, except that the deferred tax impacts are presented net in the statement of financial position. Under the amendments, the Group will recognise a separate deferred tax asset and a deferred tax liability. As at 31 December 2022, the Group taxable temporary difference in relation to the right-of-use asset is Shs 5.1 billion (Bank: Shs 3.3 billion) and the deductible temporary difference in relation to the lease liability is Shs 4.3 billion (Bank: Shs 2.6 billion), resulting in a net deferred tax asset of Shs 804 million (Bank: Shs 716 million). Under the amendments, the Group will present a separate deferred tax liability of Shs 1.5 billion (Bank: Shs 980 million) and a deferred tax asset of Shs 1.6 billion (Bank: Shs 766 million). There will be no impact on retained earnings on adoption of the amendments.

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.

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts

IFRS 17 was issued in May 2017 as replacement for IFRS 4 Insurance Contracts. It requires a current measurement model where estimates are re-measured in each reporting period. Contracts are measured using the building blocks of:

- discounted probability-weighted cash flows
- an explicit risk adjustment, and
- a contractual service margin (CSM) representing the unearned profit of the contract which is recognised as revenue over the coverage period.



NOTES (CONTINUED)

2. Summary of significant 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 2022 (Continued)

IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts (Continued)

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9.

An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

Targeted amendments made in July 2020 aimed to ease the implementation of the standard by reducing implementation costs and making it easier for entities to explain the results from applying IFRS 17 to investors and others. The amendments also deferred the application date of IFRS 17 to 1 January 2023.

The Group does not have significant insurance contracts and the Directors do not anticipate that the application of the Standard 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 2022.

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, either at fair value or 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.

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

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.

(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

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(d) Interest income and expense (Continued)

Effective interest rate (Continued)

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.

Amortised cost and gross carrying amount

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).

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.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at Fair Value through Profit or Loss (FVPL) are presented in net income from other financial instruments at FVPL.

(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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(e) Fees and commission income (Continued)

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.

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. 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.

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:-

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 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(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.

(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:

1. amortised cost
2. fair value through other comprehensive income (FVOCI) or
3. 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. 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

(i) Amortised cost (Continued)

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)	Government securities held for trading
On Balance sheet Financial assets	Investments as at fair value through other comprehensive income (FVOCI)	Equity investments Government securities acquired for both holding and selling
		Loans and advances to customers
		Deposits and balances due from banking institutions
		Government securities held to collect contractual cashflows Cash and balances with Central Banks Corporate bond Other assets
On balance sheet Financial liabilities	Financial liabilities at amortised cost	Customer deposits
		Deposits and balances due to banking institutions
		Other liabilities
		Borrowings
Off-balance sheet financial instruments	Off-balance sheet financial instruments	Guarantees, acceptances and other financial facilities

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 realised 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 realised. 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.

(ii) Fair value through other comprehensive income (FVOCI)

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:

- 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
- 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Fair value through other comprehensive income (FVOCI) (Continued)

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.

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:



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

(ii) Fair value through other comprehensive income (FVOCI) (Continued)

Business model assessment (Continued)

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 assets 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.

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI) (Continued)

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.

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Impairments of financial asset (Continued)

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;
- Lease receivables;
- Loan and advances to customers
- Other Loans and receivables
- Financial guarantee contracts issued; and
- 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.
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Measurement of ECL (Continued)

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.

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	i. Interest and principal repayment up to date. ii. Repayment of principal and interest is less than 30 days past due on loans and advances. iii. Significantly positive loan to value and solvency ratio	i. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition.	



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Measurement of ECL (Continued)

Stage	Description	Criteria (Quantitative)	Criteria (Qualitative)	Criteria (Others)
Stage 2: (Watch Lists)	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.	v. Breaches of covenant/contract.		
	vi. Decrease in estimated future cash flows of the instrument/ cash flow difficulty of the customer.	vi. Delay by customer in providing perfection documents.		
		vii. Underperforming instruments.		
		v. Breaches of covenant/contract.		
		vi. Delay by customer in providing perfection documents.		

Stage	Description	Criteria (Quantitative)	Criteria (Qualitative)	Criteria (Others)
Stage 2: (Watch Lists) (Continued)			vii. Underperforming instruments.	
Stage 3: Substandard Doubtful Loss	Lifetime ECL - default	i. Past due for more than 90 days.	i. Events such as adverse circumstances of the obligor such as: death, unemployment, bankruptcy.	i. Evidences of misapplication of loan proceeds by customer.
		ii. Significant deterioration of loan to value ratio.	ii. Restructuring of the facility. Liquidation and rebooking of new loan.	ii. Adverse changes in business, financial or economic conditions.
		iii. Significant financial difficulty of the customer.	iii. Refusal by customer in providing perfection documents.	iii. Macro-economic forward looking information.
		iv. Breaches in financial covenants.	iv. Credit-impaired /Non-performing instruments.	



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

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.

2. Qualitative criteria

There are other factors that are considered by the Group's 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).



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

2. Qualitative criteria (Continued)

- 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.

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

General approach to collective or individual assessment (Continued)

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.

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:



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Classification of financial liabilities (Continued)

- 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
- 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.

(i) Financial liabilities at FVPL

This category of financial liabilities can further be divided into the following two sub-categories:

- financial liabilities classified as held for trading; and
- Financial liabilities designated by the Group as at FVPL.

(ii) 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.

(iii) 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.
- in the case of a hybrid financial liability containing one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial liability as at FVPL unless:
 - a. the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
 - b. it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited (e.g. a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortised cost).

Contracts containing one or more embedded derivative

A hybrid contract of the Group containing one or more embedded derivatives can be designated in its entirety as at FVPL.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Contracts containing one or more embedded derivative (Continued)

Designation is done unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited.

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. Summary of significant 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.

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.

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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

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.

(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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

Valuation techniques: (Continued)

(a) Market approach (Continued)

- 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 a valuation technique that converts 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:

- 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.

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 reconcile 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:

- financial assets measured at fair value through profit or loss, showing separately
 - those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVPL and
 - those mandatorily measured at fair value in accordance with IFRS 9



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Disclosure requirements (Continued)

Categories of financial assets and financial liabilities (Continued)

- 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 (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.

- 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 realised 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

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 off 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:

- 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(j) Leases (Continued)

(a) Group acting as a lessee (Continued)

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. 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.

(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

Securities purchased from Central Bank of Kenya under agreements to resell ('repos') are disclosed as Treasury bills as they are held at amortised cost after they are purchased and are not negotiable/discounted during the tenure. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

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, 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.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(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.

(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 a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(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) Forward foreign exchange contracts

Forward foreign exchange contracts are carried at their fair value. Forward foreign exchange contracts are initially recognised at fair value, which is equal to cost on the date the contract is entered into, and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date. Changes in fair value of forward foreign exchange contracts are recognised immediately in the statement of profit or loss.

(t) 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.

(u) 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.

(v) 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.

(w) Change in classification

During 2022 the group modified the classification and presentation of the items set out below;

- i. Leasehold land previously accounted for under property and equipment has been reclassified to the right of use assets. Consequently the respective depreciation is now shown under depreciation charge on right of use assets in the statement of profit or loss.



NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(w) Change in classification (Continued)

- ii. Interest on long term borrowings and lease liability presented as finance costs in 2021 are presented under interest expense in the statement of profit or loss together with the interest on deposits from customers and deposits from banks.
- iii. Dividends from associates previously netted off from the share of profits from the associate has been netted off against other fee income.
- iv. A portion of Government securities shown as part of cash and cash equivalents in 2021 is now presented as cashflows from operations.

Statement of Financial position

1 January 2022	Group			Bank		
	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000	As previously reported Shs'000	Adjustment Shs'000	As restated Shs'000
Total Assets	456,842,717	-	456,842,717	326,376,730	-	326,376,730
Property and equipment	6,835,347	(1,722,867)	5,112,480	4,612,727	(1,395,500)	3,217,227
Right of use assets	3,437,595	1,722,867	5,160,462	1,784,519	1,395,500	3,180,019
Total equity and liabilities	456,842,717	-	456,842,717	326,376,730	-	326,376,730

Group and Bank statements of profit or loss

For the year ended 31 December 2021

Interest expense	(12,774,285)	(1,137,521)	(13,911,806)	(9,971,544)	(931,450)	(10,902,994)
Finance costs	(1,137,521)	1,137,521	-	(931,450)	931,450	-
Net fee and commission income	3,310,019	(68,079)	3,241,940	1,716,268	-	1,716,268
Share of results of associate after tax	(47,015)	68,079	21,064	-	-	-
Operating expenses	(12,325,714)	-	(12,325,714)	(6,640,616)	-	(6,640,616)
Depreciation charge on right of use assets	(548,273)	(18,747)	(567,020)	(195,232)	(18,747)	(213,979)
Depreciation charge property and equipment	(1,039,668)	18,747	(1,020,921)	(468,172)	18,747	(449,425)
Profit after tax	4,413,473	-	4,413,473	2,963,147	-	2,963,147

Group and Bank statements of cash flows

For the year ended 31 December 2021

Cash and cash equivalents at end of year	16,492,796	(3,718,528)	12,774,268	(54,650)	(54,650)
Changes in Government securities	(25,093,078)	(3,718,528)	(28,811,606)	(12,976,355)	(12,976,355)



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 vice versa 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

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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

Introduction (Continued)

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.

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.

d) Internal Controls

- 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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

Introduction (Continued)

d) Internal Controls (Continued)

- 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 Group's tolerance for risk i.e. credit risk appetite. This, as a minimum, reflects the Group's strategy to grant credit based on various products, economic sectors, client segments, target markets giving due consideration to risks specific to each target market.

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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Significant increase in credit risk (Continued)

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.

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 2022 for the years 2023 to 2027, for Kenya which is the country where the parent operates and therefore is the country that has a material impact in ECLs.

	2023	2024	2025	2026	2027
Real GDP growth, % y-o-y					
- Base case	0.051	0.053	0.052	0.053	0.054
- Best case	0.052	0.054	0.053	0.055	0.056
- Worst case	0.050	0.052	0.051	0.052	0.053
Nominal GDP, LCU, % chg y-o-y					
- Base case	0.123	0.113	0.111	0.116	0.112
- Best case	0.127	0.118	0.115	0.120	0.116
- Worst case	0.118	0.109	0.106	0.111	0.107
Nominal GDP per working adult, LCU, % chg y-o-y					
- Base case	0.090	0.082	0.080	0.087	0.085
- Best case	0.094	0.085	0.083	0.091	0.088
- Worst case	0.087	0.079	0.077	0.084	0.081
Money Supply M3, USD, % chg y-o-y					
- Base case	0.123	0.113	0.111	0.116	0.112
- Best case	0.133	0.123	0.120	0.126	0.122
- Worst case	0.112	0.103	0.101	0.106	0.102
Total revenue, LCU, % chg y-o-y					
- Base case	0.060	0.100	0.139	0.146	0.169
- Best case	0.065	0.108	0.150	0.157	0.183
- Worst case	0.055	0.092	0.127	0.134	0.155



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Incorporation of forward-looking information (Continued)

	2023	2024	2025	2026	2027
Exports of goods and services real growth, % y-o-y					
- Base case					
- Base case	0.087	0.045	0.050	0.043	0.043
- Best case	0.093	0.048	0.053	0.046	0.046
- Worst case	0.081	0.042	0.046	0.040	0.040
Imports of goods and services, USD, % chg y-o-y					
- Base case					
- Base case	0.015	0.052	0.070	0.082	0.049
- Best case	0.013	0.045	0.061	0.071	0.043
- Worst case	0.017	0.059	0.079	0.094	0.056
Goods and services imports, USD, % chg y-o-y					
- Base case					
- Base case	0.015	0.052	0.070	0.082	0.049
- Best case	0.013	0.045	0.061	0.071	0.043
- Worst case	0.017	0.059	0.079	0.094	0.056

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.

	2022	2021
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 2022:

	ECL	Impact
	Shs'000	Shs'000
100% upside scenario	491,415	271,648
100% base scenario	274,964	65,784
100% downside scenario	(117,245)	(200,720)

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.

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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Modified financial assets (Continued)

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.

The Group extended debt relief to its borrowers on personal and business loans distressed by the Covid-19 pandemic through restructures on the Principal or both the principal and interest amounts for an agreed moratorium period. The modification of the contractual terms are strictly on loans classified as normal based on the regulator guidelines.

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.

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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

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	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
(Loss)/gain on modification of loans	(349,910)	256,000	(313,326)	280,822

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.



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

Gross carrying amount as at 31 December 2021 and as at 1 January 2022

Changes in the gross carrying amount

– Transfer to stage 1

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
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)
Other changes	(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

Gross carrying amount as at 31 December 2022

Loss allowance as at 31 December 2022

Net carrying amount as at 31 December 2022



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

Other financial assets

Deposits and balance due from banks- at amortised cost:

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
- Gross carrying amount	19,484,592	-	-	-	19,484,592
- ECL	(31,460)	-	-	-	(31,460)

Net carrying amount as at 31 December 2022

19,453,132	-	-	-	19,453,132
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Government securities*

- Gross carrying amount as at 31 December 2022

188,277,334	-	-	-	188,277,334
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* Expected credit losses on Government securities was assessed as immaterial as these are regarded as low credit risk instruments hence no adjustment has been made on these financial statements.

Off balance sheet

Loans and advances to customers at amortised cost

Gross carrying amount as at 31 December 2021 and 1 January 2022

Changes in the gross carrying amount

- Transfer to stage 1

Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
51,843,007	2,350,310	3,288	-	54,196,605

534,058	(534,058)	-	-	-
(1,818,624)	1,818,624	-	-	-
(714)	-	714	-	-

25,700,678	157,424	1,016	-	25,859,118
(19,901,047)	(551,463)	(4,968)	-	(20,457,478)

-	-	-	-	-
(9,880,724)	(68,478)	327	-	(9,948,875)

46,476,634	3,172,359	377	-	49,649,370
(159,606)	(1,950)	-	-	(161,556)

46,317,028	3,170,409	377	-	49,487,814

New financial assets originated or purchased

Financial assets that have been derecognised

Write-offs

Other changes

Gross carrying amount as at 31 December 2022

Loss allowance as at 31 December 2022

Net carrying Amount as at 31 December 2022



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

On balance sheet facilities

Loss allowance – Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL 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 (Continued)

Off balance Sheet Facilities

Loss allowance – Loans and advances to customers at amortised cost

Loss allowance as at 1 January 2022

Changes in the loss allowance

– Transfer to stage 1

– Transfer to stage 2

– Transfer to stage 3

New financial assets originated or purchased

Financial assets that have been derecognised

Changes in models/risk parameters

Foreign exchange and other movements

Loss allowance as at 31 December 2022

Total Loss Allowance

	Stage 1	Stage 2	Stage 3	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
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	-	-	-	-	-
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
Loss allowance as at 31 December 2022	159,606	1,950	-	-	161,556
Total Loss Allowance	968,334	2,916,822	13,716,759	-	17,601,915



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

On Balance Sheet

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Gross carrying amount as at 31 December 2020 and as at 1 January 2021	173,928,688	23,841,495	23,345,668	-	221,115,851
Changes in the gross carrying amount					
– Transfer to stage 1	643,846	(616,237)	(27,609)	-	-
– Transfer to stage 2	(8,917,080)	8,919,221	(2,141)	-	-
– Transfer to stage 3	(3,797,820)	(2,091,442)	5,889,262	-	-
New financial assets originated or purchased	57,470,443	21,045,241	1,773,244	-	80,288,928
Financial assets that have been derecognised	(66,458,509)	(3,844,519)	(3,051,545)	-	(73,354,573)
Write-offs	-	-	(3,798,989)	-	(3,798,989)
Other changes	5,156,762	661,955	4,662,078	-	10,480,795
Gross carrying amount as at 31 December 2021	158,026,330	47,915,714	28,789,968	-	234,732,012
Loss allowance as at 31 December 2021	(948,274)	(1,940,554)	(11,354,391)	-	(14,243,219)
Net carrying amount as at 31 December 2021	157,078,056	45,975,160	17,435,577	-	220,488,793



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

Other financial assets	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	16,175,078	-	-	-	16,175,078
- ECL	(38,855)	-	-	-	(38,855)
Net carrying amount as at 31 December 2021	16,136,223	-	-	-	16,136,223
Government securities*					
- Net carrying amount as at 31 December 2021	167,630,504	-	-	-	167,630,504

* Expected credit losses on Government securities was assessed as immaterial as these are regarded as low credit risk instruments hence no adjustment has been made on these financial statements.

Off balance sheet

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Gross carrying amount as at 31 December 2020 and 1 January 2021					
- Transfer to stage 1	59,311,992	660,733	43	-	59,972,768
- Transfer to stage 2	51,778	(51,778)	-	-	-
- Transfer to stage 3	(1,362,566)	1,362,566	-	-	-
New financial assets originated or purchased	(1,213)	-	1,213	-	-
Financial assets that have been derecognised	35,907,162	1,329,810	621	-	37,237,593
Write-offs	(34,624,216)	(301,083)	(281,245)	-	(35,206,544)
Other changes	(7,838)	-	-	-	(7,838)
Gross carrying amount as at 31 December 2021	51,843,007	2,350,310	3,288	-	54,196,605
Loss allowance as at 31 December 2021	(60,875)	(2,583)	-	-	(63,458)
Net carrying amount as at 31 December 2021	51,782,132	2,347,727	3,288	-	54,133,147



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

On balance sheet facilities

Loss allowance – Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Loss allowance as at 1 January 2021	1,185,954	1,630,072	9,701,855	-	12,517,881
Changes in the loss allowance					
– Transfer to stage 1	17,036	(7,199)	(9,837)	-	-
– Transfer to stage 2	(36,171)	74,702	(38,531)	-	-
– Transfer to stage 3	(118,208)	(227,204)	345,412	-	-
– Write-offs	-	-	(3,798,989)	-	(3,798,989)
New financial assets originated or purchased	312,314	1,306,946	635,628	-	2,254,888
Financial assets that have been derecognised	(544,463)	(1,100,104)	(2,351,753)	-	(3,996,320)
Changes in models/risk parameters	(463,250)	306	(41,500)	-	(504,444)
Foreign exchange and other movements	595,062	263,035	6,912,106	-	7,770,203
Loss allowance as at 31 December 2021	948,274	1,940,554	11,354,391	-	14,243,219



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

Off balance Sheet Facilities

	Stage 1	Stage 2	Stage 3	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Loss allowance – Loans and advances to customers at amortised cost					
Loss allowance as at 1 January 2021	95,484	7,628	229	-	103,341
Changes in the loss allowance					
– Transfer to stage 1	1,712	(1,712)	-	-	-
– Transfer to stage 2	(2,292)	2,292	-	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	30,167	488	-	-	30,655
Financial assets that have been derecognised	(147,102)	(4,240)	-	-	(151,342)
Changes in models/risk parameters	(5,186)	(534)	-	-	(5,720)
Foreign exchange and other movements	88,092	(1,339)	(229)	-	86,524
Loss allowance as at 31 December 2021	60,875	2,583	-	-	63,458
Total Loss Allowance	1,009,149	1,943,137	11,354,391	-	14,306,677



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

The following table sets out a reconciliation of changes in the net carrying amount of credit-impaired loans and advances to customers.

	Group	
	2022 Shs'000	2021 Shs'000
Credit-impaired loans and advances to customers at 1 January	28,854,848	22,253,877
Classified as credit-impaired during the year	3,243,588	2,651,262
Transferred to not credit-impaired during the year	(356,699)	(3,344,324)
Net repayments	(60,027)	(87,864)
Disposals	(3,950,190)	(3,798,989)
Other movements	3,299,670	11,180,886
Credit-impaired loans and advances to customers at 31 December	31,031,190	28,854,848

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2022 and that are still subject to enforcement activity is Shs 3.9 billion (2021-Shs 3.8 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	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Loans and advances to customers at amortised cost					
Gross carrying amount as at 31 December 2021 and 1 January 2022	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)
Other movements	(17,638,496)	10,491,230	1,994,371	-	(5,152,895)
Gross carrying amount as at 31 December 2022	103,024,951	63,249,952	26,097,289	-	192,372,192
Loss allowance as at 31 December 2022	(917,327)	(1,354,488)	(12,225,797)	-	(14,497,612)
Net carrying amount as at 31 December 2022	102,107,624	61,895,464	13,871,492	-	177,874,580



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Other financial assets

Deposits and balance due from banks- at amortised cost:

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
- Gross carrying amount	8,394,023	-	-	-	8,394,023
- ECL	(4,195)	-	-	-	(4,195)
Net carrying amount as at 31 December 2022	8,389,828	-	-	-	8,389,828

Government securities

- Gross and net carrying amount as at 31 December 2022

133,693,810	-	-	-	133,693,810
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* Expected credit losses on Government securities was assessed as immaterial as these are regarded as low credit risk instruments hence no adjustment has been made on these financial statements.

Off balance sheet facilities

Gross carrying amount as at 31 December 2021 and 1 January 2022

Changes in the gross carrying amount

- Transfer to stage 1

- Transfer to stage 2

New financial assets originated or purchased

Financial assets that have been derecognised

Other movements

Gross carrying amount as at 31 December 2022

Loss allowance as at 31 December 2022

Net carrying amount as at 31 December 2022

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
44,935,452	1,884,478	-	-	-	46,819,930
383,500	(383,500)	-	-	-	-
(1,153,413)	1,153,413	-	-	-	-
13,369,780	88,431	-	-	-	13,458,211
(19,135,935)	385,501	-	-	-	(18,750,434)
(2,156,391)	1,157,351	-	-	-	(999,040)
36,242,993	4,285,674	-	-	-	40,528,667
(115,047)	(1,917)	-	-	-	(116,964)
36,127,946	4,283,757	-	-	-	40,411,703



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

On balance sheet facilities at amortised cost

Loss allowance – Loans and advances to customers at amortised cost

Loss allowance as at 1 January 2022

Changes in the loss allowance

- Transfer to stage 1
- Transfer to stage 2
- Transfer to stage 3
- Write-offs

New financial assets originated or purchased

Financial assets that have been derecognised

Changes in models/risk parameters

Foreign exchange and other movements

Loss allowance as at 31 December 2022

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total 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
Loss allowance as at 31 December 2022	917,327	1,354,488	12,225,797	-	14,497,612



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Off balance Sheet Facilities

Loss allowance as at 1 January 2022

Changes in the loss allowance

– Transfer to stage 1

– Transfer to stage 2

– Transfer to stage 3

– Write-offs

New financial assets originated or purchased

Financial assets that have been derecognised

Changes in models/risk parameters

Foreign exchange and other movements

Loss allowance as at 31 December 2022

Total Loss Allowance

	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total 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
Loss allowance as at 31 December 2022	115,047	1,917	-	-	116,964
Total Loss Allowance	1,032,374	1,356,405	12,225,797	-	14,614,576



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

On Balance Sheet

Loans and advances to customers at amortised cost	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Gross carrying amount as at 31 December 2020 and 1 January 2021	126,744,252	18,364,303	20,374,468	-	165,483,023
Changes in the gross carrying amount					
- Transfer to stage 1	602,990	(599,997)	(2,993)	-	-
- Transfer to stage 2	(7,723,864)	7,724,180	(316)	-	-
- Transfer to stage 3	(3,279,120)	(1,874,279)	5,153,399	-	-
New financial assets originated or purchased	37,259,808	16,613,660	1,133,892	-	55,007,360
Financial assets that have been derecognised	(49,158,666)	(1,647,983)	(2,518,124)	-	(53,324,773)
Write-offs	-	-	(2,714,441)	-	(2,714,441)
Other changes	1,522,289	168,050	4,631,991	-	6,322,330
Gross carrying amount as at 31 December 2021	105,967,689	38,747,934	26,057,876	-	170,773,499
Loss allowance as at 31 December 2021	(628,856)	(1,189,042)	(9,733,402)	-	(11,551,300)
Net carrying Amount as at 31 December 2021	105,338,833	37,558,892	16,324,474	-	159,222,199

Other financial assets

Deposits and balance due from banks- at amortised cost:

- Gross carrying amount	3,854,467	-	-	-	3,854,467
- ECL	(3,815)	-	-	-	(3,815)

Net carrying amount as at 31 December 2021 **3,850,652**

Government securities*

- Gross and net carrying amount as at 31 December 2021 **124,309,703**

* Expected credit losses on Government securities was assessed as immaterial as these are regarded as low credit risk instruments hence no adjustment has been made on these financial statements.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Off balance sheet facilities

	Stage 1	Stage 2	Stage 3	POCI Shs'000	Total Shs'000
	12-month ECL Shs'000	Lifetime ECL Shs'000	Lifetime ECL Shs'000		
Gross carrying amount as at 31 December 2020 and 1 January 2021	51,858,851	649,937	-	-	52,508,788
Changes in the gross carrying amount					
- Transfer to stage 1	48,069	(48,069)	-	-	-
- Transfer to stage 2	(911,930)	911,930	-	-	-
- Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	25,570,468	1,018,182	-	-	26,588,650
Financial assets that have been derecognised	(25,145,850)	(33,847)	-	-	(25,179,697)
Write-offs	-	-	-	-	-
Other changes	(6,484,156)	(613,655)	-	-	(7,097,811)
Gross carrying amount as at 31 December 2021	44,935,452	1,884,478	-	-	46,819,930
Loss allowance as at 31 December 2021	(40,611)	(719)	-	-	(41,330)
Net carrying amount as at 31 December 2021	44,894,841	1,883,759	-	-	46,778,600



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

On balance sheet facilities

	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	Shs'000	Shs'000
Loss allowance – Loans and advances to customers at amortised cost					
Loss allowance as at 1 January 2021	728,146	1,334,922	8,348,257	-	10,411,325
Changes in the loss allowance					
– Transfer to stage 1	8,381	(7,199)	(1,182)	-	-
– Transfer to stage 2	(29,774)	30,089	(315)	-	-
– Transfer to stage 3	(109,612)	(204,210)	313,822	-	-
– Write-offs	-	-	(2,714,441)	-	(2,714,441)
New financial assets originated or purchased	215,019	703,936	477,019	-	1,395,974
Financial assets that have been derecognised	(407,750)	(575,057)	(1,935,993)	-	(2,918,800)
Changes in models/risk parameters	(18,673)	6,286	(41,500)	-	(53,887)
Foreign exchange and other movements	243,119	(99,725)	5,287,735	-	5,431,129
Loss allowance as at 31 December 2021	628,856	1,189,042	9,733,402	-	11,551,300

Off balance sheet facilities

Loss allowance as at 1 January 2021	66,076	7,553	-	-	73,629
Changes in the loss allowance					
– Transfer to stage 1	1,712	(1,712)	-	-	-
– Transfer to stage 2	(2,257)	2,257	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	17,124	95	-	-	17,219
Financial assets that have been derecognised	(125,265)	(4,240)	-	-	(129,505)
Changes in models/risk parameters	2,843	136	-	-	2,979
Foreign exchange and other movements	80,378	(3,370)	-	-	77,008
Loss allowance as at 31 December 2021	40,611	719	-	-	41,330
Total Loss allowance	669,467	1,189,761	9,733,402	-	11,592,630



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	
	2022 Shs'000	2021 Shs'000
Credit-impaired loans and advances to customers at 1 January	26,057,876	19,282,677
Classified as credit-impaired during the year	3,141,835	1,413,194
Transferred to not credit-impaired during the year	(67,757)	(3,050,305)
Net repayments	(40,676)	(50,907)
Disposals	(1,872,341)	(2,714,441)
Other movements	(124,430)	11,177,658
Credit-impaired loans and advances to customers at 31 December	27,094,507	26,057,876

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2022 and that are still subject to enforcement activity is Shs 1.9 billion (2021 - Shs 2.7 million).

Credit quality analysis (Continued)

Loans and advances are summarised as follows:

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Neither past due nor impaired	178,278,363	125,672,456	114,908,171	107,820,385
Past due but not impaired (Including advances not past due but in stage 2 using qualitative criteria)	61,967,269	80,204,708	50,369,514	36,895,238
Impaired	31,031,190	28,854,848	27,094,507	26,057,876
Gross	271,276,822	234,732,012	192,372,192	170,773,499
Less: Provision for impairment of loans and advances				
Stage 3 impairment	(13,716,755)	(11,354,391)	(12,225,798)	(9,733,402)
Stage 1 and 2 impairment	(3,885,156)	(2,952,286)	(2,388,778)	(1,859,228)
Total	253,674,911	220,425,335	177,757,616	159,180,869
Past due up to 30 days	33,493,261	53,819,838	31,416,410	19,678,148
Past due 31 - 60 days (Including advances not past due but in stage 2 using qualitative criteria)	12,015,409	10,166,685	11,207,620	5,643,884
Past due 61 - 90 days	16,461,748	16,218,185	7,745,484	11,573,206
Total	61,970,418	80,204,708	50,369,514	36,895,238



NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Maximum exposure to credit risk before collateral held

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Balances with Central Banks	27,381,187	20,551,062	10,686,309	13,033,998
Government securities	188,277,334	167,630,504	133,693,810	124,309,703
Deposits and balances due from banking institutions	19,453,132	16,136,223	8,389,828	3,850,652
Loans and advances to customers	253,674,906	220,425,335	177,757,616	159,180,869
Other assets	2,611,244	1,593,088	1,280,435	915,245
Credit risk exposures relating to off-balance sheet items:				
- Acceptances and letters of credit	12,950,673	23,982,743	8,309,102	20,335,008
- Guarantee and performance bonds	15,372,726	16,659,214	10,644,289	12,742,359
	519,721,202	466,978,169	350,761,389	334,367,834

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.

Fair value of collateral	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
	342,888,558	325,820,497	270,994,874	253,926,813

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.

Economic sector risk concentrations within the customer loan and other financial assets portfolios were as follows:



NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentration of risk (Continued)

Group

31 December 2022

	31 December 2022											
	Manufacturing	Wholesale and retail trade	Transport and communications	Business and financial services	Agriculture	Building and construction and real estate	Retail housing	Tourism and hotels	Individuals	Others	Total	
On balance sheet	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	
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	-	-	-	16,625,669	-	-	-	-	-	-	16,625,669	
Other assets (excluding prepayments & Statutory receivables)	180	-	-	-	-	1,623	-	-	-	2,609,441	2,611,244	
	42,787,277	47,166,696	24,023,120	51,538,236	12,823,768	55,475,551	1,106,286	38,418,546	8,710,315	8,519,939	290,569,734	
Off balance sheet												
Contingent assets	9,795,619	9,185,337	2,945,175	2,504,089	94,292	1,791,092	-	565,782	23,379	1,376,727	28,281,492	
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	
	12,354,965	11,401,477	3,928,843	6,821,756	190,955	3,918,362	163,800	1,032,931	433,015	2,443,798	42,689,902	



NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Group

31 December 2021

	Wholesale and retail trade		Business transport and communications		Building and construction		Retail housing		Tourism and hotels		Individuals		Others		Total
	Manufacturing	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	
On balance sheet															
Equity investment - at fair value through OCI	-	-	1,289,691	55,673	-	-	-	-	-	-	-	-	-	-	1,345,364
Loans and advances to customers (Gross)	40,246,296	47,555,781	20,151,487	18,946,252	12,189,075	51,456,140	1,400,797	33,796,486	5,878,265	3,111,432	234,732,011				
Deposits due from banking institutions	-	-	-	16,136,223	-	-	-	-	-	-	-	-	-	-	16,136,223
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,593,088
	40,246,296	47,555,781	21,441,178	35,138,148	12,189,075	51,456,140	1,400,797	33,796,486	5,878,265	4,704,520	253,806,686				1,593,088
Off balance sheet															
Contingent assets	17,601,466	13,151,468	2,290,595	1,490,637	1,697,351	3,057,318	12,151	227,795	20,012	1,093,164	40,641,957				
Undrawn credit lines	3,469,427	4,574,546	3,632,230	408,817	141,221	3,079,555	-	295,524	222,942	321,834	16,146,096				
	21,070,893	17,726,014	5,922,825	1,899,454	1,838,572	6,136,873	12,151	523,319	242,954	1,414,998	56,788,053				



NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Bank

31 December 2022

	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
On balance sheet											
Equity investment - at fair value through OCI	-	-	-	50,000	-	-	-	-	-	-	50,000
Loans and advances to customers (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
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	915,245	915,245
	18,164,400	28,009,845	17,818,155	40,948,981	9,428,306	46,371,441	1,051,712	30,130,835	8,701,604	1,101,986	201,727,265
Off balance sheet											
Contingent liabilities	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
	9,219,818	4,830,082	2,186,423	5,276,888	136,061	2,818,318	163,800	575,179	433,015	1,210,124	26,849,709



NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Bank

31 December 2021

	Wholesale and retail trade		Transport and communications		Business and financial services		Building and construction and real estate		Retail housing		Tourism and hotels		Individuals	Others	Total
	Manufacturing	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000			
On balance sheet															
Equity investment - at fair value through OCI	-	-	1,289,691	50,000	-	-	-	-	-	-	-	-	-	-	1,339,691
Loans and advances (Gross)	23,687,437	29,462,185	15,589,924	17,317,195	9,516,724	40,826,437	1,400,797	27,119,560	5,596,147	257,093	170,773,499	-	-	-	
Deposits due from banking institutions	-	-	-	3,850,652	-	-	-	-	-	-	-	-	-	-	3,850,652
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	915,245
	23,687,437	29,462,185	16,879,615	21,217,847	9,516,724	40,826,437	1,400,797	27,119,560	5,596,147	1,172,338	176,879,087				
Off balance sheet															
Contingent liabilities	15,612,816	10,294,842	2,108,789	1,059,203	1,660,230	1,785,090	12,151	130,407	20,012	393,827	33,077,367	-	-	-	
Undrawn credit lines	1,691,458	2,552,366	3,292,234	72,000	15,369	2,855,636	-	174,725	222,942	-	10,876,730	-	-	-	
	17,304,274	12,847,208	5,401,023	1,131,203	1,675,599	4,640,726	12,151	305,132	242,954	393,827	43,954,097				

(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	(1,991,926) (1,957,146)
- 1% movement	1,991,926 1,957,146



NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market risk management (Continued)

(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.

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
At 31 December 2022							
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	36,992,122	36,992,122
Government securities	13,486,150	29,258,549	35,980,749	83,024,976	26,526,910	-	188,277,334
Deposits and balances due from banking institutions	11,811,312	1,369,608	1,256,976	-	-	5,015,236	19,453,132
Loans and advances to customers	46,270,218	188,543,670	1,007,842	1,365,865	-	16,487,311	253,674,906
Other assets	-	-	-	-	-	2,611,246	2,611,244
Total financial assets	71,567,680	219,171,827	38,245,567	84,390,841	26,526,910	61,105,913	501,008,738
FINANCIAL LIABILITIES							
Customer deposits	188,589,152	59,381,832	96,018,020	10,219,151	-	33,354,316	387,562,471
Deposits and balances due to banking institutions	20,714,650	4,737,461	1,209,918	-	-	16,917	26,678,946
Borrowings	-	1,532,312	23,976,713	-	-	3,501	25,512,526
Other liabilities	-	-	-	-	-	3,786,278	3,786,278
Lease liabilities	34,707	57,872	301,286	3,909,400	592	-	4,303,857
Total financial liabilities	209,338,509	65,709,477	121,505,937	14,128,551	592	37,161,012	447,846,078
Interest sensitivity gap	(137,770,829)	153,462,350	(83,260,370)	70,262,290	26,526,318	23,944,901	53,164,660



NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market risk management (Continued)

(ii) Interest rate risk (Continued)

Group (Continued)	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest sensitive	Total
At 31 December 2021	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total financial assets	56,752,861	194,055,592	33,006,310	73,362,320	25,881,025	51,767,914	434,826,022
Total financial liabilities	175,006,385	47,502,979	112,564,231	9,795,227	557,734	36,507,483	381,934,039
Interest sensitivity gap	(118,253,524)	146,552,613	(79,557,921)	63,567,093	25,323,291	15,260,431	52,891,983

Bank

At 31 December 2022

FINANCIAL ASSETS

Cash and balances with Central Bank of Kenya	-	-	-	-	-	15,803,197	15,803,197
Government securities	7,973,315	27,653,673	11,199,416	60,340,496	26,526,910	-	133,693,810
Deposits and balances due from banking institutions	8,389,828	-	-	-	-	-	8,389,828
Loans and advances to customers	64,578	162,675,735	148,496	98	-	14,868,709	177,757,616
Other assets	-	-	-	-	-	1,280,435	1,280,435
Total financial assets	16,427,721	190,329,408	11,347,912	60,340,594	26,526,910	31,952,341	336,924,886

FINANCIAL LIABILITIES

Customer deposits	133,084,395	49,996,898	64,167,930	3,343,675	-	-	250,592,898
Deposits and balances due to banking institutions	16,266,407	4,737,462	1,209,918	-	-	-	22,213,787
Borrowings	3,746,877	1,354,560	2,295,776	17,266,422	35,551	-	24,699,186
Other liabilities	-	-	-	-	-	2,777,607	2,777,607
Lease liabilities	20,183	28,825	144,836	912,354	1,445,805	-	2,552,003
Total financial liabilities	153,117,862	56,117,745	67,818,460	21,522,451	1,481,356	2,777,607	302,835,481
Interest sensitivity gap	(136,690,141)	134,211,663	(56,470,548)	38,818,143	25,045,554	29,174,734	34,089,405



NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market risk management (Continued)

(ii) Interest rate risk (Continued)

Bank (Continued)

At 31 December 2021

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest sensitive	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total financial assets	14,889,096	165,209,544	15,928,374	58,108,554	18,170,873	34,508,778	306,815,219
Total financial liabilities	126,041,475	40,171,671	89,990,541	1,894,876	1,040,093	9,512,032	268,650,688
Interest sensitivity gap	(111,152,379)	125,037,873	(74,062,167)	56,213,678	17,130,780	24,996,746	38,164,531

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		Bank	
	2022	2021	2022	2021
	Shs'million	Shs'million	Shs'million	Shs'million
+ 5% movement	2,635	2,411	1,836	1,848
- 5% movement	(2,635)	(2,411)	(1,836)	(1,848)

(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 2022. 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
At 31 December 2022					
FINANCIAL ASSETS					
Cash and balances with Central banks	6,256,613	165,819	482,384	38,157	6,942,973
Deposits and balances due from banking institutions	15,860,376	743,217	1,234,073	352,040	18,189,706
Other assets	801,400	1	19	5,228	806,648
Loans and advances to customers	142,509,044	20,125	5,196,352	1	147,725,522
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	-
Total financial assets	165,427,433	929,162	6,912,828	395,426	173,664,849
FINANCIAL LIABILITIES					
Customer deposits	112,425,462	5,097,792	6,297,969	300,774	124,121,997
Deposits and balances due to banking institutions	19,152,872	167,718	4,973	9,062	19,334,625
Other liabilities	431,879	5,395	1,255	8,754	447,283
Borrowings	25,509,025	-	-	3,501	25,512,526
Lease liabilities	1,299,970	-	-	-	1,299,970
Total financial liabilities	158,819,208	5,270,905	6,304,197	322,091	170,716,401
Net balance sheet position	6,608,225	(4,341,743)	608,631	73,335	2,948,448
Net off balance sheet position	(7,745,597)	4,384,277	(449,428)	163,282	(3,647,466)
Overall net position	(1,137,372)	42,534	159,203	236,617	(699,018)
At 31 December 2021					
Total financial assets	133,807,841	922,033	7,831,496	290,635	142,852,005
Total financial liabilities	123,627,693	6,393,164	5,114,009	589,365	135,724,231
Net balance sheet position	10,180,148	(5,471,131)	2,717,487	(298,730)	7,127,774
Net off balance sheet position	(9,305,924)	5,460,793	(2,749,756)	294,600	(6,300,287)
Overall net position	874,224	(10,338)	(32,269)	(4,130)	827,487



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
At 31 December 2022					
FINANCIAL ASSETS					
Cash and balances with Central banks	1,099,238	105,780	315,279	-	1,520,297
Deposits and balances due from banking institutions	7,474,112	229,534	389,571	296,611	8,389,828
Other assets	30,036	-	-	-	30,036
Loans and advances to customers	95,201,809	20,125	5,134,076	-	100,356,010
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	-
Total financial assets	103,805,195	355,439	5,838,926	296,611	110,296,171
FINANCIAL LIABILITIES					
Customer deposits	52,765,267	4,332,988	5,256,791	276,768	62,631,814
Deposits and balances due to banking institutions	20,331,404	167,718	4,973	9,062	20,513,157
Other liabilities	158,003	19	119	1,682	159,823
Borrowings	24,699,186	-	-	-	24,699,186
Lease liabilities	222,456	-	-	-	222,456
Total financial liabilities	98,176,316	4,500,725	5,261,883	287,512	108,226,436
Net balance sheet position	5,628,879	(4,145,286)	577,043	9,099	2,069,735
Net off balance sheet position	(7,406,926)	4,158,833	(455,295)	186,247	(3,517,141)
Overall net position	(1,778,047)	13,547	121,748	195,346	(1,447,406)
At 31 December 2021					
Total financial assets	83,327,547	494,399	6,068,747	235,606	90,126,299
Total financial liabilities	74,305,815	5,657,027	3,424,389	562,721	83,949,952
Net balance sheet position	9,021,732	(5,162,628)	2,644,358	(327,115)	6,176,347
Net off balance sheet position	(8,698,527)	5,101,349	(2,708,616)	281,749	(6,024,045)
Overall net position	323,205	(61,279)	(64,258)	(45,366)	152,302



NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market risk management (Continued)

(iii) Foreign exchange risk (Continued)

Currency risk sensitivity analysis

At 31 December 2022, 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:

2022

Group	USD	GBP	EURO	OTHERS	TOTAL
	Shs'million	Shs'million	Shs'million	Shs'million	Shs'million
+ 5% movement	(39.8)	1.5	5.6	8.3	(24.5)
- 5% movement	39.8	(1.5)	(5.6)	(8.3)	24.5
Bank					
+ 5% movement	(62.0)	-	4.0	7.0	(51.0)
- 5% movement	62.0	-	(4.0)	(7.0)	51.0

2021

Group

+ 5% movement	30.6	(0.4)	(1.1)	(0.1)	29.0
- 5% movement	(30.6)	0.4	1.1	0.1	(29.0)

Bank

+ 5% movement	11.0	(2.0)	(2.0)	(2.0)	5.0
- 5% movement	(11.0)	2.0	2.0	2.0	(5.0)

(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.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(d) Liquidity risk management (Continued)

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.

Group

At 31 December 2022	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
FINANCIAL ASSETS						
Cash and balances with Central Banks	30,027,734	2,374,989	4,152,510	436,795	93	36,992,121
Government securities	13,485,493	25,039,335	39,207,272	89,926,512	37,392,381	205,050,993
Deposits and balances due from banking institutions	14,774,529	2,688,512	-	-	-	17,463,041
Loans and advances to customers	41,779,242	24,429,843	43,874,349	109,065,766	71,748,706	290,897,906
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	56,000	56,000
Other assets	2,246,062	117,853	223,582	-	23,747	2,611,244
Total financial assets	102,313,060	54,650,532	87,457,713	199,429,073	109,220,927	553,071,305
FINANCIAL LIABILITIES						
Customer deposits	223,298,403	59,445,494	102,395,898	8,704,794	37,695	393,882,284
Deposits and balances due to banking institutions	22,315,442	4,894,614	1,226,777	-	-	28,436,833
Borrowings	3,768,565	1,486,952	2,447,084	20,411,051	111,155	28,224,807
Other liabilities	3,768,229	9,118	-	-	8,931	3,786,278
Lease liabilities	58,524	84,563	493,656	3,657,677	2,995,779	7,290,199
Total financial liabilities	253,209,163	65,920,741	106,563,415	32,773,522	3,153,560	461,620,401
Net liquidity gap	(150,896,103)	(11,270,209)	(19,105,702)	166,655,551	106,067,367	91,450,904
At 31 December 2021						
Total financial assets	64,766,153	57,196,997	85,577,876	182,014,802	127,028,812	516,584,640
Total financial liabilities	212,658,556	47,664,343	110,506,861	19,795,121	3,391,591	394,016,472
Net liquidity gap	(147,892,403)	9,532,654	(24,928,985)	162,219,681	123,637,221	122,568,168



NOTES (CONTINUED)

4. Financial risk management (Continued)

(d) Liquidity risk management (Continued)

Bank

At 31 December 2022

FINANCIAL ASSETS

Cash and balances with Central Bank of Kenya

	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
Cash and balances with Central Bank of Kenya	10,501,674	2,133,062	2,995,606	172,855	-	15,803,197
Government securities	13,003,096	23,049,222	11,343,549	67,727,273	27,238,555	142,361,695
Deposits and balances due from banking institutions	4,644,805	-	-	-	-	4,644,805
Loans and advances to customers	19,635,056	19,216,079	26,355,240	72,935,985	64,308,850	202,451,210
Other assets	939,002	117,853	223,580	-	-	1,280,435
Equity investment - at fair value through other comprehensive income (FVOCI)	-	-	-	-	50,000	50,000
Total financial assets	48,723,633	44,516,216	40,917,975	140,836,113	91,597,405	368,591,342

FINANCIAL LIABILITIES

Customer deposits

Customer deposits	135,822,657	49,605,123	68,345,366	779,504	-	254,552,650
Deposits and balances due to banking institutions	16,279,665	4,758,369	1,226,777	-	-	22,264,811
Borrowings	3,746,878	1,354,561	2,295,776	19,882,744	34,535	27,314,494
Lease liabilities	37,900	54,134	272,001	1,713,394	2,715,211	4,792,640
Other liabilities	2,777,607	-	-	-	-	2,777,607

Total financial liabilities

Total financial liabilities	158,664,707	55,772,187	72,139,920	22,375,642	2,749,746	311,702,202
Net liquidity gap	(109,941,074)	(11,255,971)	(31,221,945)	118,460,471	88,847,659	54,889,140

At 31 December 2021

Total financial assets

Total financial assets	38,283,565	39,404,520	44,948,500	133,530,588	111,902,382	368,069,555
Total financial liabilities	135,856,843	41,026,487	86,669,320	10,724,257	1,840,496	276,117,403
Net liquidity gap	(97,573,278)	(1,621,967)	(41,720,820)	122,806,331	110,061,886	91,952,152



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 and Compliance 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 will be presented to the board for approval in H1, 2023. The Bank is revamping Social Environmental Management System (SEMS) currently in use to a more robust Environmental Social Governance (ESG) and Climate-related Risk Management framework. The enhanced framework will include policies, processes and controls geared towards effective management of ESG and climate related risks. These policies, procedures and controls will 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 expected 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.

(g) Interest rate benchmarks and reference interest rate reform

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. During the 2021 financial year, the LIBOR's administrator, the Intercontinental Exchange Benchmark Administration Limited, announced it would no longer publish EUR, CHF, JPY and GBP related LIBOR rates for all tenors after 31 December 2021. The IBA has adopted a two-stage approach for the cession of the USD LIBOR rates with the 1 week and 2 month USD LIBOR rates no longer being published after 31 December 2021 and the remaining being the overnight, 1 month, 3 month, 6 month and 12 month rates no longer being published after 30 June 2023. The LIBOR rates which the bank is exposed to will be replaced by Secured Overnight Financing Rate (SOFR), Sterling Overnight Index Average (SONIA), Euro Short Term Rate (ESTR), Tokyo Overnight Average (TONA) and Swiss Average Rate Overnight (SARON). Whilst there are plans to replace JIBAR, there is currently no indication of when the designated successor rate will be made available. Given that the LIBOR rates and ARRs are calculated on a different basis, adjustments may be made to contracts that are transitioned from LIBOR to ARRs, to ensure economic equivalence.

The bank foreign currency loans are now referenced to the SOFR.



NOTES (CONTINUED)

4. Financial risk management (Continued)

(g) Interest rate benchmarks and reference interest rate reform (Continued)

The Group has established a steering committee and working group within treasury, risk and credit to manage the transition to ARR. The objectives of the committee and working group include evaluating the extent to which loans advanced and liabilities reference IBOR cash flows, whether such contracts need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties. The committee and working group are working closely with business teams across the bank to establish pricing for new lending products indexed to the ARR in impacted jurisdictions.

As at 31 December 2021, the Group has loans and advances of Shs 67.6 billion and borrowings of Shs 20.2 billion at interest rates referenced to the libor.

(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.

4. Financial risk management (Continued)

(h) Fair values of financial assets and liabilities (Continued)

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.

The fair values of Group and Bank's financial assets and liabilities are as shown on the next page:



NOTES (CONTINUED)

4. Financial risk management (Continued)

(h) Fair values of financial assets and liabilities (Continued)

Group As at 31 December 2022	Carrying value		Fair value		
	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets					
Cash and balances with Central Bank of Kenya	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
Other assets	2,611,244	-	-	2,611,244	2,611,244
Equity investment - at fair value through OCI	56,000	-	-	56,000	56,000
Total financial assets	501,064,738	183,533,537	-	312,787,404	496,320,941
Financial liabilities					
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
Lease liabilities	4,303,857	-	-	4,303,857	4,303,857
Other liabilities	3,786,278	-	-	3,786,278	3,786,278
Total financial liabilities	447,844,078	-	-	447,844,078	447,844,078



NOTES (CONTINUED)

4. Financial risk management (Continued)

(h) Fair values of financial assets and liabilities (Continued)

Group As at 31 December 2021	Carrying value		Fair value		
	Shs'000	Level 1	Level 2	Level 3	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Financial assets					
Cash and balances with Central Bank of Kenya	27,695,508	-	-	27,695,508	27,695,508
Government securities	167,630,504	163,564,740	-	-	163,564,740
Deposits and balances due from banking institutions	16,136,223	-	-	16,136,223	16,136,223
Loans and advances to customers	220,425,335	-	-	220,425,335	220,425,335
Other assets	1,593,088	-	-	1,593,088	1,593,088
Equity investment - at fair value through OCI	1,345,364	-	-	1,345,364	1,345,364
Total financial assets	434,826,022	163,564,740	-	267,195,518	430,760,258
Financial liabilities					
Customer deposits	331,451,673	-	-	331,451,673	331,451,673
Deposits and balances due to banking institutions	14,794,574	-	-	14,794,574	14,794,574
Borrowings	20,171,452	-	-	20,171,452	20,171,452
Lease liabilities	4,378,520	-	-	4,378,520	4,378,520
Other liabilities	11,137,820	-	-	11,137,820	11,137,820
Total financial liabilities	381,934,039	-	-	381,934,039	381,934,039



NOTES (CONTINUED)

4. Financial risk management (Continued)

(h) Fair values of financial assets and liabilities (Continued)

Bank As at 31 December 2022	Carrying value		Fair value		
	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
Financial assets					
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
Other assets	1,280,435	-	-	1,280,435	1,280,435
Equity investment - at fair value through OCI	50,000	-	-	50,000	50,000
Total financial assets	336,974,886	133,375,473	-	203,281,076	336,656,549
Financial liabilities					
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
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
Total financial liabilities	302,835,481	-	-	302,835,481	302,835,481



NOTES (CONTINUED)

4. Financial risk management (Continued)

(h) Fair values of financial assets and liabilities (Continued)

Bank As at 31 December 2021	Carrying value		Fair value		
	Shs'000	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Total Shs'000
	Financial assets				
Cash and balances with Central Bank of Kenya					
Cash and balances with Central Bank of Kenya	17,219,059	-	-	17,219,059	17,219,059
Government securities	124,309,703	124,309,703	-	-	124,309,703
Deposits and balances due from banking institutions	3,850,652	-	-	3,850,652	3,850,652
Loans and advances to customers	159,180,869	-	-	159,180,869	159,180,869
Other assets	915,245	-	-	915,245	915,245
Equity investment - at fair value through OCI	1,339,691	-	-	1,339,691	1,339,691
Total financial assets	306,815,219	124,309,703	-	182,505,516	306,815,219
Financial liabilities					
Customer deposits					
Customer deposits	225,782,765	-	-	225,782,765	225,782,765
Deposits and balances due to banking institutions	11,672,102	-	-	11,672,102	11,672,102
Borrowings	19,205,520	-	-	19,205,520	19,205,520
Lease liabilities	2,478,269	-	-	2,478,269	2,478,269
Other liabilities	9,512,034	-	-	9,512,034	9,512,034
Total financial liabilities	268,650,690	-	-	268,650,690	268,650,690



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 of 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 10.50%
- Core capital to deposits ratio 8.00%
- Total capital to TRWA ratio 14.50%

The Bank maintains an internally set and Board-approved 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 2022, 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.

The table below summarises the composition of regulatory capital and the ratios of the Group and Bank as at 31 December:

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Tier 1 Capital	68,881,369	64,805,880	52,984,880	49,790,343
Tier 1 + Tier 2 Capital	72,133,981	68,303,330	55,334,288	53,031,019
Risk-weighted assets				
On-balance sheet	277,799,236	242,013,577	194,243,168	170,748,578
Off-balance sheet	26,612,312	37,256,756	17,153,221	30,627,593
Operational and market risk	85,206,515	69,886,572	55,610,510	49,319,136
Total risk-weighted assets	389,618,063	349,156,905	267,006,899	250,695,307
Basel ratio				
Tier 1 (CBK minimum- 10.5%)	17.7%	18.6%	19.8%	19.9%
Tier I + Tier II (CBK minimum - 14.5%)	18.5%	19.6%	20.7%	21.2%



NOTES (CONTINUED)

4. Financial risk management (Continued)

(i) Capital management

The capital adequacy ratios for the subsidiaries are summarised below:

Tier 1

	2022	2021	
DTB Tanzania - Bank of Tanzania (BOT) minimum - 12.5%	17.6%	18.3%	Dividend income
DTB Uganda - Bank of Uganda (BOU) minimum - 10.5%	22.7%	27.1%	Rental income
DTB Burundi - Banque de la Republique du Burundi minimum - 12.5%	42.4%	47.7%	Commission from insurance business

Tier I + Tier II

	2022	2021	
DTB Tanzania (BOT) minimum - 14.5%	18.5%	19.5%	Loss on sale of property and equipment
DTB Uganda - (BOU) minimum - 14.5%	23.4%	27.8%	(Loss)/gain on sale of Government securities
DTB Burundi - Banque de la Republique du Burundi minimum - 14.5%	43.6%	48.5%	Other

5. Interest income

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Loans and advances	21,070,891	18,586,241	14,091,521	12,928,806
Government securities	18,692,325	15,082,348	13,546,387	10,632,804
Placements and bank balances	303,671	235,790	54,887	86,585
	40,066,887	33,904,379	27,692,795	23,648,195

6. Interest expense

Deposits from customers	14,636,005	12,399,992	11,239,814	9,757,426
Deposits and balances from banking institutions	1,051,438	374,293	780,032	214,118
Borrowings	1,060,225	679,074	1,017,558	639,603
Lease liability (note 22)	432,122	458,447	283,640	291,847

17,179,790 **13,911,806** **13,321,044** **10,902,994**

7. Other operating income

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Dividend income	-	-	150,000	300,000
Rental income	63,950	61,604	63,719	61,326
Commission from insurance business	335,184	314,556	59,968	66,874
Loss on sale of property and equipment	(9,429)	(133,713)	(7,761)	(129,860)
(Loss)/gain on sale of Government securities	(10,594)	215,285	(10,594)	215,285
Other	8,183	46,483	1,669	5,230
	387,294	504,215	257,001	518,855

8. Operating expenses

Operating expenses include:				
Staff costs (Note 9)	6,254,029	5,026,522	3,750,874	2,941,526
Depreciation (Note 20)	839,117	1,020,921	409,216	449,425
Amortisation of software costs (Note 19)	352,580	306,605	176,407	164,569
Depreciation charge on leases (Note 22)	608,123	567,020	235,038	213,979
Auditor's remuneration	39,122	33,021	18,280	17,083
Other expenses	6,847,292	5,371,625	3,658,833	2,854,034
	14,940,263	12,325,714	8,248,648	6,640,616



NOTES (CONTINUED)

9. Staff costs

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Salaries and allowances	5,199,766	4,274,867	3,171,971	2,565,757
Contribution to defined contribution retirement scheme	217,199	181,314	214,803	180,008
National Social Security Fund contribution	189,398	159,020	2,824	2,468
Others including insurance and training expenses	647,666	411,321	361,276	193,293
	6,254,029	5,026,522	3,750,874	2,941,526

The average number of employees for the Group during the year was 2,538 (2021: 2,156).

10. Income tax expense

a) Tax charge				
Current income tax	5,554,258	4,267,573	3,981,647	3,238,217
Under/(over) provision of income tax in previous year	117,074	(57,378)	-	-
Deferred income tax (Note 23)	(2,938,670)	(2,764,890)	(1,908,791)	(1,726,957)
(Over)/under provision of deferred tax credit in previous year (Note 23)	(1,607)	766,879	(1,604)	221,663
	2,731,055	2,212,184	2,071,252	1,732,923

10. Income tax expense (Continued)

b) The tax on the profit before income tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	9,524,933	6,625,657	6,590,446	4,696,070
Tax calculated at the statutory tax rate of 30% (2021-30%)	2,857,480	1,987,697	1,977,134	1,408,821
Tax effect of:				
Income not subject to tax	(1,302,425)	(1,828,742)	(811,126)	(1,554,966)
Expenses not deductible for tax purposes	1,060,533	1,343,728	906,848	1,657,405
Under/(over) provision of income tax in previous year	117,074	(57,378)	-	-
(Over)/under provision of deferred tax credit in previous year	(1,607)	766,879	(1,604)	221,663
Income tax expense	2,731,055	2,212,184	2,071,252	1,732,923



NOTES (CONTINUED)

10. Income tax expense (Continued)

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
c) Tax receivable				
At 1 January	(570,906)	(1,237,081)	(39,450)	(557,959)
Income tax charge	5,554,258	4,267,573	3,981,647	3,238,217
Prior year (over)/under provision	117,074	(57,378)	-	-
Tax paid	(5,190,971)	(3,544,020)	(4,080,585)	(2,719,708)
At 31 December	(90,545)	(570,906)	(138,388)	(39,450)
Comprising of:				
Tax payable	66,329	-	-	-
Tax receivable	(156,874)	(570,906)	(138,388)	(652,699)
	(90,545)	(570,906)	(138,388)	(652,699)

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	
	2022	2021
Profit attributable to shareholders (Shs thousands)	6,061,017	3,908,411
Weighted average number of ordinary shares in issue (thousands)	279,602	279,602
Earnings per share (Shs per share) - basic and diluted	21.68	13.98

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2022. There were no potentially dilutive shares outstanding at 31 December 2022.

12. Dividends per share

A final dividend in respect of the year ended 31 December 2022 of Shs 5.00 (2021: Shs 3.00) per share amounting to a total of Shs 1,398,011,100 is proposed (2021: Shs 838,806,660).

Payment of dividends is subject to withholding tax at a rate of 5% for shareholders who are citizens of East Africa Partner States 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 2022	Mandatorily at FVPL	Designated at FVPL	Investment at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	-	-	-	36,992,122	36,992,122
Government securities	-	509,115	74,172,088	113,596,131	188,277,334
Deposits and balances due from banking institutions	-	-	-	19,453,132	19,453,132
Loans and advances to customers	-	-	-	253,674,910	253,674,906
Equity investment - at fair value through OCI	-	-	56,000	-	56,000
Other assets	-	-	-	2,611,244	2,611,244
Total financial assets	-	509,115	74,228,088	426,327,539	501,064,738
Customer deposits	-	-	-	387,562,471	387,562,471
Deposits and balances due to banking institutions	-	-	-	26,678,946	26,678,946
Other liabilities	-	-	-	3,786,278	3,786,278
Borrowings	-	-	-	25,512,526	25,512,526
Lease liabilities	-	-	-	4,303,857	4,303,857
Total financial liabilities	-	-	-	447,844,078	447,844,078



NOTES (CONTINUED)

13. Classification of financial assets and liabilities (Continued)

(a) Group (Continued)

31 December 2021	Mandatorily at FVPL	Designated at FVPL	Investment at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	-	-	-	27,695,508	27,695,508
Government securities	-	-	59,077,483	108,553,021	167,630,504
Deposits and balances due from banking institutions	-	-	-	16,136,223	16,136,223
Loans and advances to customers	-	-	-	220,425,335	220,425,335
Equity investment - at fair value through OCI	-	-	1,345,364	-	1,345,364
Other assets	-	-	-	1,593,088	1,593,088
Total financial assets	-	-	60,422,847	374,403,175	434,826,022
Customer deposits	-	-	-	331,451,673	331,451,673
Deposits and balances due to banking institutions	-	-	-	14,794,574	14,794,574
Other liabilities	-	-	-	11,493,514	11,493,514
Borrowings	-	-	-	20,171,452	20,171,452
Lease liabilities	-	-	-	4,378,520	4,378,520
Total financial liabilities	-	-	-	382,289,733	382,289,733



NOTES (CONTINUED)

13. Classification of financial assets and liabilities (Continued)

(b) Bank

The following table provides a reconciliation between line items in the statement of financial position and categories of financial instruments.

31 December 2022	Mandatorily at FVPL	Designated at FVPL	Investments at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
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
Investment securities- at fair value through OCI	-	-	50,000	-	50,000
Other assets	-	-	-	1,280,435	1,280,435
Total financial assets	-	509,115	59,705,225	276,760,546	336,974,886
Customer deposits	-	-	-	250,592,898	250,592,898
Deposits and balances due to banking institutions	-	-	-	22,213,787	22,213,787
Other liabilities	-	-	-	2,777,607	2,777,607
Borrowings	-	-	-	24,699,186	24,699,186
Lease liabilities	-	-	-	2,552,003	2,552,003
Total financial liabilities	-	-	-	302,835,481	302,835,481



NOTES (CONTINUED)

13. Classification of financial assets and liabilities (Continued)

(b) Bank (Continued)

31 December 2021	Mandatorily at FVPL	Designated at FVPL	Investments at FVOCI	Amortised cost	Total carrying amount
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	-	-	-	17,219,059	17,219,059
Government securities	-	-	41,022,810	83,286,893	124,309,703
Deposits and balances due from banking institutions	-	-	-	3,850,652	3,850,652
Loans and advances to customers	-	-	-	159,180,869	159,180,869
Equity investment - at fair value through OCI	-	-	1,339,691	-	1,339,691
Other assets	-	-	-	915,245	915,245
Total financial assets	-	-	42,362,501	264,452,718	306,815,219
Customer deposits	-	-	-	225,782,765	225,782,765
Deposits and balances due to banking institutions	-	-	-	11,672,102	11,672,102
Other liabilities	-	-	-	9,670,690	9,670,690
Borrowings	-	-	-	19,205,520	19,205,520
Lease liabilities	-	-	-	2,478,269	2,478,269
Total financial liabilities	-	-	-	268,809,346	268,809,346



NOTES (CONTINUED)

14. Cash and balances with Central Banks

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	9,610,935	7,144,446	5,116,888	4,185,061
Balances with Central Banks				
-Unrestricted balances	6,851,250	4,249,318	213,360	3,577,924
-Restricted balances (Statutory Minimum Reserve)	20,529,937	16,301,744	10,472,949	9,456,074
	36,992,122	27,695,508	15,803,197	17,219,059

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% (2021: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

15. Government securities

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
-At amortised cost				
Treasury bills	43,004,343	50,955,450	34,157,596	48,426,922
Treasury bonds	46,042,226	57,597,571	39,371,874	34,859,971
	89,046,569	108,553,021	73,529,470	83,286,893
-At fair value through OCI				
Treasury bills	9,332,189	14,027,962	-	-
Treasury bonds	89,389,461	45,049,521	59,655,225	41,022,810
	98,721,650	59,077,483	59,655,225	41,022,810

15. Government securities (CONTINUED)

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
-At fair value through profit and loss				
Treasury bonds	509,115	-	509,115	-
Total Government securities	188,277,334	167,630,504	133,693,810	124,309,703

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 République du Burundi in the case of the Group.

The maturity profile of Government securities is as follows:

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Less than 1 year	78,725,448	71,033,827	46,826,404	49,320,584
1-5 years	83,024,976	70,715,652	60,340,496	56,818,246
Over 5 years	26,526,910	25,881,025	26,526,910	18,170,873
	188,277,334	167,630,504	133,693,810	124,309,703



NOTES (CONTINUED)

16. Deposits and balances due from banking institutions

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Due from other banks	19,484,592	16,175,078	8,394,023	3,854,467
Expected credit loss	(31,460)	(38,855)	(4,195)	(3,815)
	19,453,132	16,136,223	8,389,828	3,850,652

All deposits due from banking institutions are due within one year.

17. Loans and advances to customers

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Loans and advances	268,114,271	231,241,737	189,209,642	167,283,224
Finance leases	3,162,550	3,490,275	3,162,550	3,490,275
Gross loans and advances	271,276,821	234,732,012	192,372,192	170,773,499
Less: Provision for impairment				
Stage 3 impairment	(13,716,759)	(11,354,391)	(12,225,798)	(9,733,402)
Stage 1&2 impairment	(3,885,156)	(2,952,286)	(2,388,778)	(1,859,228)
Net loans and advances	253,674,906	220,425,335	177,757,616	159,180,869

17. Loans and advances to customers

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
Year ended 31 December 2021				
At start of year	9,640,696	2,882,267	8,348,258	2,136,697
Provision for loan impairment	7,285,017	20,645	5,768,589	(277,469)
Loans written off during the year as uncollectible	(3,798,989)	-	(2,714,441)	-
Recoveries	(1,879,750)	-	(1,669,004)	-
Translation difference	107,417	49,374	-	-
At end of year	11,354,391	2,952,286	9,733,402	1,859,228
Year ended 31 December 2022				
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	-	-
At end of year	13,716,759	3,885,156	12,225,798	2,388,778



NOTES (CONTINUED)

17. Loans and advances to customers (Continued)

Group	Stage 3	Stage 1&2	Bank	Stage 3	Stage 1&2	Total		
	Impairment Shs'000	Impairment Shs'000		Total Shs'000	Impairment Shs'000			
Charge to statement of profit or loss								
Year ended 31 December 2021								
Provision for loan impairment	7,285,017	20,645	7,305,662	Provision for loan impairment	5,768,589	(277,469)		
Recoveries	(1,879,750)	-	(1,879,750)	Recoveries	(1,669,004)	-		
Net increase in provision	5,405,267	20,645	5,425,912	Net increase in provision	4,099,585	(277,469)		
Amounts recovered previously written off	(45,074)	-	(45,074)	Amounts recovered previously written off	(23,478)	-		
Loans written off through the statement of profit or loss	2,132,207	-	2,132,207	Loans written off through statement of profit or loss	1,944,259	-		
Net charge to statement of profit or loss	7,492,400	20,645	7,513,045	Net charge to statement of profit or loss	6,020,366	(277,469)		
Year ended 31 December 2022								
Provision for loan impairment	6,672,503	1,113,415	7,785,918	Provision for loan impairment	4,678,989	529,550		
Recoveries	(559,049)	(264,714)	(823,763)	Recoveries	(314,252)	-		
Net increase in provision	6,113,454	848,701	6,962,155	Net increase in provision	4,364,737	529,550		
Amounts recovered previously written off	(430,539)	-	(430,539)	Amounts recovered previously written off	(40,676)	-		
Loans written off through the statement of profit or loss	179,621	-	179,621	Loans written off through statement of profit or loss	95,476	-		
Net charge to statement of profit or loss	5,862,536	848,701	6,711,237	Net charge to statement of profit or loss	4,419,537	529,550		

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 2022, was Group: Shs 17.3 billion, Bank: Shs 14.9 billion (2021 - Group: Shs 17.5 billion, Bank: Shs 16.3 billion).



NOTES (CONTINUED)

17. Loans and advances to customers (Continued)

Loans and advances to customers include finance leases receivables as follows:

	Group and Bank	
	2022 Shs'000	2021 Shs'000
Gross investment in finance leases:		
Not later than 1 year	258	21,944
Later than 1 year and not later than 5 years	3,099,754	3,589,409
Later than 5 years	563,332	470,995
Unearned future finance income on finance leases	3,663,344	4,082,348
Net investment in finance leases	(500,794)	(477,349)
Net investment in finance leases	3,162,550	3,604,999
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	254	21,037
Later than 1 year and not later than 5 years	2,691,560	3,176,550
Later than 5 years	470,736	407,412
Net investment in finance leases	3,162,550	3,604,999

The net investment in finance leases may be analysed as follows:

	2022 Shs'000	2021 Shs'000
Cost	3,824,968	3,287,912
Accumulated amortisation	(2,905,774)	(2,612,109)
Net book amount	919,194	675,803

19. Intangible assets-software costs

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
At start of year	675,803	721,250	356,697	397,282
Additions	516,785	155,761	296,601	121,239
Transfer from property and equipment (Note 20)	(74,743)	94,733	-	6,681
Amortisation charge for the year	(352,580)	(306,605)	(176,407)	(164,569)
Write offs/disposal	142,430	(3,936)	-	(3,936)
Translation difference	11,498	14,600	-	-
At the end of year	919,193	675,803	476,891	356,697
Cost	3,824,968	3,287,912	2,291,919	1,995,318
Accumulated amortisation	(2,905,774)	(2,612,109)	(1,815,028)	(1,638,621)
Net book amount	919,194	675,803	476,891	356,697

18. Other assets

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Uncleared cheques	966,065	650,946	966,178	581,405
Deposits and prepayments	1,323,662	981,879	691,004	565,621
Others	1,645,179	942,142	314,257	333,840
Others	3,934,906	2,574,967	1,971,439	1,480,866



NOTES (CONTINUED)

20. Property and equipment

(a) Group

	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
Year ended 31 December 2021							
Opening net book amount as previously stated	1,008,308	2,433,196	448,826	41,185	1,666,354	839,061	6,436,930
Reclassified to right of use assets (Note 22)	(985,303)	(327,367)	-	-	-	-	(1,312,670)
Opening net book amount after reclassification	23,005	2,105,829	448,826	41,185	1,666,354	839,061	5,124,260
Translation difference	181	6,165	15,769	671	27,097	28,455	78,338
Additions	-	17,949	11,856	12,100	261,582	458,622	762,109
Transfer from work in progress	-	640,240	8,232	-	247,284	(895,756)	-
Transfer to intangible assets (Note 19)	-	-	-	-	-	(94,733)	(94,733)
Write off	-	-	-	-	(147)	(598)	(745)
Disposals - cost	-	-	(82,305)	(1,183)	(346,203)	(59,311)	(489,002)
Disposals - accumulated depreciation	-	-	75,556	1,164	273,290	-	350,010
Revaluation surplus	25,310	377,854	-	-	-	-	403,164
Depreciation charge	-	(48,533)	(122,052)	(18,318)	(832,018)	-	(1,020,921)
Closing net book amount	48,496	3,099,504	355,882	35,619	1,297,239	275,740	5,112,480
At 31 December 2021							
Cost or valuation	48,496	3,099,504	1,862,752	229,183	7,084,212	275,740	12,599,887
Accumulated depreciation	-	-	(1,506,870)	(193,564)	(5,786,973)	-	(7,487,407)
Net book amount	48,496	3,099,504	355,882	35,619	1,297,239	275,740	5,112,480
At 31 December 2021							
Cost	2,064	1,731,981	1,862,752	229,183	7,084,212	275,740	11,185,932
Revaluation surplus	46,432	1,367,523	-	-	-	-	1,413,955
Cost or valuation	48,496	3,099,504	1,862,752	229,183	7,084,212	275,740	12,599,887



NOTES (CONTINUED)

20. Property and equipment (Continued)

(a) Group (Continued)

	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
Year ended 31 December 2022							
Opening net book amount	48,496	3,099,504	355,882	35,619	1,297,239	275,740	5,112,480
Translation difference		79,794	17,316	599	47,564	14,683	162,752
Additions	2,796	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)
Closing net book amount	51,292	3,391,364	310,174	39,573	2,021,310	408,051	6,221,764
At 31 December 2022							
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)
Net book amount	51,292	3,391,364	310,174	39,573	2,021,310	408,051	6,221,764
At 31 December 2022							
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
Cost or valuation	51,292	3,472,839	1,921,692	252,958	8,497,465	408,051	14,604,297



NOTES (CONTINUED)

20. Property and equipment (Continued)

(b) Bank

	Land	Buildings	Leasehold improvements	Motor vehicles	Furniture fittings & equipment	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2021							
Opening net book amount as previously stated	985,303	2,247,463	113,704	17,724	752,010	172,682	4,288,886
Reclassification to right of use assets (Note 22)	(985,303)	-	-	-	-	-	(985,303)
Opening net book value after reclassification	-	2,247,463	113,704	17,724	752,010	172,682	3,303,583
Additions	-	-	-	12,100	80,069	123,359	215,528
Transfers from work in progress	-	-	-	-	139,804	(139,804)	-
Transfers to intangible assets (Note 19)	-	-	-	-	-	(6,681)	(6,681)
Write off	-	-	-	-	(147)	(598)	(745)
Disposals - cost	-	-	(74,412)	(1,165)	(325,650)	(59,311)	(460,538)
Disposals - accumulated depreciation	-	-	73,322	1,164	253,492	-	327,978
Revaluation surplus	-	287,527	-	-	-	-	287,527
Depreciation charge	-	(36,348)	(47,268)	(5,957)	(359,852)	-	(449,425)
Closing net book amount	-	2,498,642	65,346	23,866	539,726	89,647	3,217,227
At 31 December 2021							
Cost or valuation	-	2,498,642	688,152	117,700	3,735,409	89,647	7,129,550
Accumulated depreciation	-	-	(622,806)	(93,834)	(3,195,683)	-	(3,912,323)
Net book amount	-	2,498,642	65,346	23,866	539,726	89,647	3,217,227
At 31 December 2021							
Cost	-	1,914,417	688,152	117,700	3,735,409	89,647	6,545,325
Revaluation surplus	-	584,225	-	-	-	-	584,225
Cost or valuation	-	2,498,642	688,152	117,700	3,735,409	89,647	7,129,550



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
Year ended 31 December 2022						
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)	-
Transfers to intangible assets (Note 19)	-	-	-	-	-	-
Write off	-	-	-	-	-	-
Disposals - cost	-	(54,943)	-	(16,361)	-	(71,304)
Disposals - accumulated depreciation	-	48,246	-	14,555	-	62,801
Revaluation surplus	-	-	-	-	-	-
Depreciation charge	(46,513)	(27,559)	(9,908)	(325,236)	-	(409,216)
Closing net book amount	2,486,210	67,416	25,395	878,999	304,642	3,762,662
At 31 December 2022						
Cost or revaluation	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)
Net book amount	2,486,210	67,416	25,395	878,999	304,642	3,762,662
At 31 December 2022						
Cost	1,948,498	669,535	129,137	4,385,363	304,642	7,437,175
Revaluation surplus	584,225	-	-	-	-	584,225
Cost or valuation	2,532,723	669,535	129,137	4,385,363	304,642	8,021,400



NOTES (CONTINUED)

20. Property and equipment (Continued)

Land and buildings for Diamond Trust Bank Kenya Limited, Diamond Trust Bank Tanzania Limited and Diamond Trust Bank Burundi SA were revalued as at 31 December 2021 by independent valuers Redfearn Valuers Limited, Let Consultants Limited & Construction and Design Engineering & Business Company "Debuco" 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 reversionary 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	
	2022		2021	
	Building	Building	Building	Building
	Shs'000	Shs'000	Shs'000	Shs'000
Cost	2,244,267	2,058,808	1,925,796	1,914,417
Accumulated depreciation	(347,933)	(296,459)	(324,806)	(275,202)
Net book amount	1,896,334	1,762,349	1,600,990	1,639,215

21. Intangible assets - goodwill

Group	2022	2021
	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.

22. Leases

Leases as 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.



NOTES (CONTINUED)

22. Leases (Continued)

Leases as lessee (IFRS 16) (Continued)

Information about leases for which the Group is a lessee is presented below.

i) Right-of-use assets

Right-of-use assets relate to leased branch and office premises and equipment below.

	2022				2021			
	Land	Equipment	Building	Total	Land	Equipment	Building	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Group								
Balance at 1 January as previously stated	1,722,867	79,468	3,358,127	5,160,462	-	83,268	3,557,719	3,640,987
Reclassified from property & equipment (Note 20)	-	-	-	-	1,312,670	-	-	1,312,670
Balance at 1 January after reclassification	1,722,867	79,468	3,358,127	5,160,462	1,312,670	83,268	3,557,719	4,953,657
Revaluation	-	-	-	-	417,708	-	-	417,708
Modifications/additions	-	-	611,385	611,385	11,236	13,587	325,587	350,410
Depreciation charge for the year	(30,851)	(41,580)	(535,692)	(608,123)	(18,747)	(17,387)	(530,886)	(567,020)
De-recognition	-	-	(160,195)	(160,195)	-	-	(74,519)	(74,519)
Translation difference	-	-	104,164	104,164	-	-	80,226	80,226
	1,692,016	37,888	3,377,789	5,107,693	1,722,867	79,468	3,358,127	5,160,462
Bank								
Balance at 1 January as previously stated	1,395,500	-	1,784,519	3,180,019	-	-	1,867,738	1,867,738
Reclassified from property & equipment (Note 20)	-	-	-	-	985,303	-	-	985,303
Balance at 1 January after reclassification	1,395,500	-	1,784,519	3,180,019	985,303	-	1,867,738	2,853,041
Revaluation	-	-	-	-	417,708	-	-	417,708
Modifications/additions	-	-	432,295	432,295	11,236	-	180,174	191,410
Depreciation charge for the year	(30,851)	-	(204,187)	(235,038)	(18,747)	-	(195,232)	(213,979)
De-recognition	-	-	(109,165)	(109,165)	-	-	(68,161)	(68,161)
	1,364,649	-	1,903,462	3,268,111	1,395,500	-	1,784,519	3,180,019



NOTES (CONTINUED)

22. Leases (Continued)

Leases as lessee (IFRS 16) (Continued)

ii) Lease liability

	Group		Bank		
	2022	2021	2022	2021	
	Shs'000	Shs'000	Shs'000	Shs'000	
Expected to be settled within 12 months after the year end	241,703	429,195	193,843	395,569	
Expected to be settled more than 12 months after the year end	4,062,154	3,949,325	2,358,160	2,082,700	
	4,303,857	4,378,520	2,552,003	2,478,269	
The total cash outflow for leases in the year was:					
Payments of principal portion of the lease liability	358,378	483,778	113,881	78,762	
Interest paid on lease liabilities	590,537	375,197	283,640	291,847	
	948,915	858,975	397,521	370,609	
Lease liability movement					
Balance at 1 January	4,378,520	4,562,255	2,478,269	2,593,221	
Modification/additions	504,671	222,492	343,077	68,114	
Interest expense	432,122	458,447	283,640	291,847	
Lease payments	(948,915)	(858,975)	(397,521)	(370,609)	
De-recognition	(208,523)	(111,679)	(155,462)	(104,304)	
Translation difference	145,982	105,980	-	-	
	4,303,857	4,378,520	2,552,003	2,478,269	

iii) Amounts recognised in profit or loss

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liabilities	(432,122)	(458,447)	(283,640)	(291,847)
Depreciation of right to use asset	(608,123)	(567,020)	(235,038)	(213,979)
Total	(1,040,245)	(1,025,467)	(518,678)	(505,826)

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 income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2021: 30%). The movement on the deferred tax account is as follows:

Deferred tax asset	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	9,279,037	7,168,949	6,449,795	4,979,763
Charged through the statement of profit or loss (Note 10)	2,938,670	2,764,890	1,908,791	1,726,957
Charged through other comprehensive income	(431,490)	(59,260)	(154,948)	(35,262)
Understatement/(Overstatement) of deferred tax in previous year	1,607	(766,879)	1,604	(221,663)
Translation difference	157,696	171,337	-	-
At end of the year	11,945,520	9,279,037	8,205,242	6,449,795



NOTES (CONTINUED)

23. Deferred income tax (Continued)

Consolidated deferred income 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 2021	1.1.2021 Shs'000	Prior year under statement/ translation Shs'000	Charged through OCI Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2021 Shs'000
Deferred income tax (liabilities)/ assets					
Unrealised foreign exchange gain	(31,725)	105	-	(83)	(31,703)
Property and equipment	720,475	(190,093)	-	27,951	558,333
Revaluation surplus	(21,232)	(43,114)	(53,789)	1,107	(117,028)
Provisions for loan impairment	3,913,828	(468,061)	-	2,261,265	5,707,032
Other provisions	40,872	-	-	(88,555)	(47,683)
Tax losses	1,541,608	105,779	-	462,134	2,109,521
Fair value changes in Government securities	(21,727)	(2,182)	(5,471)	-	(29,380)
IFRS 16	248,320	2,024	-	10,819	261,163
Interest Payable	778,530	-	-	90,252	868,782
Net deferred income tax asset	7,168,949	(595,542)	(59,260)	2,764,890	9,279,037

Year ended 31 December 2022

Deferred income tax (liabilities)/ assets	1.1.2022 Shs'000	Prior year under statement/ translation Shs'000	Charged through OCI Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2022 Shs'000
Deferred income tax (liabilities)/ assets					
Unrealised foreign exchange gain	(31,703)	(15)	-	51,076	19,358
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	53,705	-	1,827,397	7,588,134
Other provisions	(47,683)	9,860	-	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
Net deferred income tax asset	9,279,037	159,148	(431,490)	2,938,825	11,945,520



NOTES (CONTINUED)

23. Deferred income tax (Continued)

Group (Continued)

The tax losses were incurred by the Bank's Ugandan subsidiary and can be carried forward indefinitely. The aging of the tax losses is as shown below:

Year of origin	Tax loss amount	Tax credit recognised
	Shs'000	Shs'000
2016	81,104	25,537
2017	963,894	303,496
2018	1,254,528	395,006
2019	1,474,797	464,361
2020	1,716,969	540,612
2021	1,616,773	485,031
2022	2,345,790	703,737
Total	9,453,855	2,917,780

Bank

Year ended 31 December 2021	1.1.2021	Prior year under - statement	Charged through OCI	Charged to profit or loss	31.12.2021
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax assets/ (liabilities)					
Property and equipment	729,933	(179,451)	-	41,503	591,985
Revaluation surplus	-	(42,212)	(35,262)	-	(77,474)
Lease under IFRS 16	217,645	-	-	(9,520)	208,125
Loan loss allowance	3,246,038	-	-	1,691,487	4,937,525
Interest payable	778,530	-	-	90,252	868,782
Other provisions	5,453	-	-	(4,308)	1,145
Unrealised foreign exchange gain	(33,255)	-	-	1,790	(31,465)
Loss on modified assets	35,419	-	-	(84,247)	(48,828)
Net deferred tax asset	4,979,763	(221,663)	(35,262)	1,726,957	6,449,795



NOTES (CONTINUED)

23. Deferred income tax (Continued)

Bank Year ended 31 December 2022	1.1.2022	Prior year under - statement	Charged	Charged to profit	31.12.2022
			through OCI	or loss	
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax assets/ (liabilities)					
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
Net deferred tax asset	6,449,795	1,604	(154,948)	1,908,791	8,205,242

24. Investments securities- at fair value through OCI

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Airways	-	1,289,691	-	1,289,691
Kenya Mortgage Refinancing Company (KMRC)	50,000	50,000	50,000	50,000
BI-Switch S.M- Investment	6,000	5,673	-	-
	56,000	1,345,364	50,000	1,339,691
The movement of the balance is set out below:				
Balance at the beginning of the year	1,345,364	1,258,198	1,339,691	1,252,570
Fair value (loss)/gain though OCI	(1,289,691)	87,121	(1,289,691)	87,121
Translation	327	45	-	-
Balance at year end	56,000	1,345,364	50,000	1,339,691

The investments relate to: (i) a Kenya Airways loan with an embedded instrument of equity shares, (ii) investment by the Bank in 2019 in KMRC shares and (iii) Diamond Trust Bank Burundi S.A. investment in a Switch project to support ATM and cards system sponsored by Banque de la Republique du Burundi (BRB).



NOTES (CONTINUED)

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	
		2022	2021	2022	2021
		Shs'000	Shs'000	Shs'000	Shs'000
Subsidiaries					
Diamond Trust Bank Tanzania Limited	65.68%	65.68%	-	-	2,058,576
Diamond Trust Bank Uganda Limited	67.18%	67.18%	-	-	3,026,081
Diamond Trust Bank Burundi S.A.	83.67%	83.67%	-	-	636,907
Diamond Trust Bancassurance Intermediary Limited	100%	100%	-	-	2,000
Premier Savings and Finance Limited	100%	100%	-	-	29,137
				5,752,701	5,752,701
Associates					
Services and Systems Limited	40%	40%	1	1	1
Jubilee Insurance Company of Burundi S.A..	20%	20%	4,053	4,053	-
Jubilee Life Insurance Company of Burundi S.A..	20%	20%	2,026	2,026	-
Total investments in subsidiaries and associates		6,080	6,080	5,752,702	5,752,702

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		2022 Shs'000	2021 Shs'000
	2022 Shs'000	2021 Shs'000		
At start of year	62,756	108,902		
Share of results after tax	16,963	21,064		
Dividends received	(12,884)	(68,079)		
Translation	3,618	869		
At end of year	70,453	62,756		

c) Noncontrolling interests

Group	2022 Shs'000	2021 Shs'000
At start of year	7,258,846	6,343,544
Profit for the year	732,861	505,062
Other comprehensive income	700,478	386,605
Net revaluation surplus on property and equipment	22,867	23,635
Expenses related to issue of bonus shares in DTB Uganda	(15,837)	-
At end of year	8,699,215	7,258,846

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.



NOTES (CONTINUED)

25. Investments in subsidiaries and associates (Continued)

e) Summarised financial information on subsidiaries with material non-controlling interests

Summarised balance sheet	Diamond Trust Bank Tanzania Limited		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi S.A.		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets	88,882,099	68,998,414	81,089,566	64,176,364	4,943,757	4,199,918	174,915,422	137,374,696
Liabilities	76,180,581	58,715,527	68,756,618	53,579,994	3,151,035	2,654,599	148,088,234	114,950,120
Equity attributable to owners of the Bank	8,342,358	6,753,801	8,285,645	7,118,961	1,499,970	1,292,968	18,127,973	15,165,730
Non controlling interests	4,359,160	3,529,086	4,047,304	3,477,410	292,752	252,351	8,699,215	7,258,846
Total equity	12,701,518	10,282,887	12,332,948	10,596,370	1,792,722	1,545,319	26,827,188	22,424,576
Total liabilities and equity	88,882,099	68,998,414	81,089,566	64,176,364	4,943,757	4,199,918	174,915,422	137,374,696
Summarised statement of profit or loss								
Total operating income	5,810,063	4,861,417	5,088,638	4,437,632	382,612	388,763	11,282,315	9,687,812
Profit before tax	1,341,935	834,050	1,370,699	1,009,614	162,591	155,306	2,875,227	1,998,970
Income tax expense	(478,771)	(311,435)	(124,054)	(91,243)	5,879	(6,386)	(596,946)	(409,064)
Profit for the year	863,164	522,615	1,246,645	918,371	168,470	148,920	2,278,281	1,589,906
Total profit allocated to non-controlling interests	296,238	179,361	409,111	301,382	27,511	24,319	732,861	505,062
Total comprehensive income allocated to non-controlling interests	830,074	361,560	585,731	520,554	40,401	33,188	1,456,206	915,302
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-
Summarised Statement of cash flows								
Cash generated from/(used in) operations	4,209,382	1,740,206	328,634	(5,181,058)	289,317	(523,887)		
Net cash used in investing activities	(470,890)	(278,099)	(530,522)	(277,074)	(14,757)	(21,753)		
Net cash used in financing activities	(401,100)	(526,143)	(443,963)	(420,675)	(37,540)	(681)		
Net increase/(decrease) in cash and cash equivalents	3,337,392	935,964	(645,851)	(5,878,807)	237,020	(546,321)		
Cash and cash equivalents at start of year	9,844,006	8,049,143	6,476,679	12,534,831	210,611	187,407		
Exchange differences in cash and cash equivalents	1,090,562	358,360	320,908	875,146	(608,517)	(3,317)		
Cash and cash equivalents at end of year	14,271,960	9,343,467	6,151,736	7,531,170	(160,886)	(362,231)		



NOTES (CONTINUED)

26. Deposits from customers

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Current and demand deposits	145,089,682	116,167,758	85,336,709	70,979,471
Savings accounts	50,087,681	42,313,830	23,267,267	20,214,472
Fixed and call deposit accounts	192,385,108	172,970,085	141,988,922	134,588,822
	387,562,471	331,451,673	250,592,898	225,782,765

27. Deposits and balances from banking institutions

Deposits due to banking institutions	25,605,845	13,135,714	21,750,442	11,307,864
Current account balances due to banking institutions	1,073,101	1,658,860	463,345	364,238
	26,678,946	14,794,574	22,213,787	11,672,102

28. Other liabilities

Obligations arising from letters of credit	-	6,801,684	-	6,801,684
Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	167,281	184,925	132,395	150,099
Accrued expenses	685,282	592,061	247,424	140,396
Revenue collected on behalf of Revenue Authorities	-	625,702	-	-
Unearned income on funded and non funded income	390,773	338,698	142,242	141,660
Refundable deposits	1,020,387	16,996	15,081	16,996
Other payables	2,933,715	2,933,448	2,318,228	2,340,295
	5,197,438	11,493,514	2,934,930	9,670,690

29. Borrowings

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
a. Subordinated debts				
i. IFC*				
At start of year	648,035	1,361,423	648,035	1,250,798
Net movement in interest	26,929	52,484	26,929	51,398
Paid during the year	(729,312)	(800,404)	(729,312)	(683,957)
Translation difference	54,348	34,532	54,348	29,796
	-	648,035	-	648,035

ii. DEG**

At start of year	518,084	666,458	-	-
Net movement in interest	26,789	26,918	-	-
Paid during the year	(213,174)	(200,960)	-	-
Translation difference	53,655	25,668	-	-
	385,354	518,084	-	-

iii. AfDB***

At start of year	2,886,957	2,787,997	2,886,957	2,787,997
Net movement in interest	139,146	138,516	139,146	138,516
Paid during the year	(150,153)	(139,250)	(150,153)	(139,250)
Translation difference	338,651	99,694	338,651	99,694
	3,214,601	2,886,957	3,214,601	2,886,957

Total - Subordinated debts

Total - Subordinated debts	3,599,955	4,053,076	3,214,601	3,534,992
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*IFC - International Finance Corporation

**DEG - Deutsche Investitions- und Entwicklungsgesellschaft

***AfDB - African Development Bank



NOTES (CONTINUED)

29. Borrowings (Continued)

	Group		Bank		
	2022	2021	2022	2021	
	Shs'000	Shs'000	Shs'000	Shs'000	
b. Senior loan					
i. IFC*					
At start of year	5,701,163	5,499,779	5,701,163	5,499,779	
Additions during the year	12,437,500	-	12,437,500	-	
Accrued interest	247,776	115,472	247,776	115,472	
Paid during the year	(6,408,099)	(112,591)	(6,408,099)	(112,591)	
Translation difference	496,007	198,503	496,007	198,503	
	12,474,347	5,701,163	12,474,347	5,701,163	
ii. DEG**					
At start of year	1,546,015	2,543,510	1,546,015	2,543,510	
Additions during the year	-	-	-	-	
Accrued interest	59,938	60,628	59,938	60,628	
Paid during the year	(560,423)	(1,113,151)	(560,423)	(1,113,151)	
Translation difference	101,428	55,028	101,428	55,028	
	1,146,958	1,546,015	1,146,958	1,546,015	
iii. AfDB***					
At start of year	4,305,938	5,081,936	4,305,938	5,081,936	
Additions during the year	-	-	-	-	
Accrued interest	192,553	160,807	192,553	160,807	
Paid during the year	(1,139,252)	(1,086,343)	(1,139,252)	(1,086,343)	
Translation difference	371,560	149,538	371,560	149,538	
	3,730,799	4,305,938	3,730,799	4,305,938	

*IFC - International Finance Corporation

**DEG - Deutsche Investitions- und Entwicklungsgesellschaft

***AfDB - African Development Bank

	Group		Bank		
	2022	2021	2022	2021	
	Shs'000	Shs'000	Shs'000	Shs'000	
iv. PROPARCO****					
At start of year	310,732	899,778	310,732	899,778	
Accrued interest	2,846	20,232	2,846	20,232	
Paid during the year	(320,059)	(617,858)	(320,059)	(617,858)	
Translation difference	6,481	8,580	6,481	8,580	
	-	310,732	-	310,732	
v. AFD*****					
At start of year	854,191	949,808	410,493	457,229	
Accrued interest	18,789	3,552	13,729	7,746	
Paid during the year	(144,879)	(133,272)	(76,297)	(69,302)	
Translation difference	81,986	34,103	37,678	14,820	
	810,087	854,191	385,603	410,493	
Total - Senior loans	18,162,191	12,718,039	17,737,707	12,274,341	

****Proparco - Societe de Promotion et de Participation pour la Cooperation Economique S.A.

*****AFD - Agence Francaise Development



NOTES (CONTINUED)

29. Borrowings (Continued)

Group

	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
c. Trade Finance				
Caixa Bank				
At start of year	3,396,187	-	3,396,187	-
Additions during the year	-	3,276,000	-	3,276,000
Accrued interest	88,970	24,134	88,970	24,134
Paid during the year	(73,742)	(22,467)	(73,742)	(22,467)
Translation difference	335,463	118,520	335,463	118,520
Total - Trade finance	3,746,878	3,396,187	3,746,878	3,396,187

d. Administered funds

Bank of Uganda	3,501	4,150	-	-
Total - Borrowings	25,512,526	20,171,452	24,699,186	19,205,520

Description of Borrowings

i. Subordinated debts

Diamond Trust Bank Kenya Limited

As at 31 December 2022, Diamond Trust Bank Kenya Limited has one long-term subordinated debt facility amounting to US\$ 25 million raised from the African Development Bank (AfDB). The unsecured facility was issued in October 2018, with a tenure of 8 years. In 2021, the bank had two facilities (with a balance of US\$ 32 million as at 31 December 2021); the AfDB facility and a facility from IFC which matured in December 2022.

Diamond Trust Bank Tanzania Limited

In September 2014, Diamond Trust Bank Tanzania Limited received a 7 year subordinated debt facility of US\$ 7.5 million from DEG. The outstanding balance on this facility as at 31 December 2022 was US\$ 3 million (2021- US\$ 4.5 million).

ii. 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, an 11 year loan from AFD 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\$ 142.7 million (2021- US\$ 108.5 million).

Diamond Trust Bank Uganda Limited

On 11 May 2017, the Bank received US\$ 5 million from AFD (Agence Française De Développement) for 11.2 years at an interest rate referenced to the six months libor rate. Outstanding balance as at 31 December 2022 was US\$ 2.8 million (2021- US\$ 3.9 million).

iii. Trade finance

The trade finance borrowing related to funds sourced to finance trade transactions. The outstanding balance as at 31 December 2022 amounted to US\$ 30million (2021- US\$ 30million).

iv. Administered funds

Bank of Uganda (BoU) operates a loan scheme known as Agriculture credit facility. Qualifying customers apply for the facility through their bank. As at December 2022, the outstanding amount from the drawn down was Nil (2021 - Shs 4.1 million). This loan was for a period of 7 years at zero interest rate. Further, in 2022, the Government of Uganda (GoU) through 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 Shs 6.7 million for a maximum tenure of 4 years for the credit facilities to eligible borrowers.



NOTES (CONTINUED)

30. 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 2021	279,602	1,118,409	9,006,569	10,124,978
1 January and 31 December 2022	279,602	1,118,409	9,006,569	10,124,978

The total authorised number of ordinary shares is 300,000,000 (2021: 300,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2022 are 279,602,220 (2021: 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.



NOTES (CONTINUED)

31. Other reserves

Consolidated statement of changes in other reserves

Notes	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
Year ended 31 December 2021					
At start of year					
	1,356,513	(556,710)	(406,999)	(339,473)	53,331
Excess depreciation	(33,114)	-	-	-	(33,114)
Deferred tax on transfer of excess depreciation	2,332	-	-	-	2,332
Net loss from changes in fair value of Treasury bills	-	(126,213)	-	-	(126,213)
Translation adjustment	-	-	710,783	-	710,783
Legal and public investment reserve	(i) -	-	-	38,391	38,391
Net gain from changes in fair value of Equity Investments	(ii) -	87,121	-	-	87,121
Net revaluation surplus on property	743,448	-	-	-	743,448
At end of year	2,069,179	(595,802)	303,784	(301,082)	1,476,079
Year ended 31 December 2022					
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
At end of year	1,928,506	(5,443,300)	1,743,021	(232,694)	(2,004,468)

- 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)

Bank statement of changes in reserves

Other reserves	Revaluation surplus	Fair value reserve on equity investment	Total
	Shs'000	Shs'000	Shs'000
Year ended 31 December 2021			
At start of year	1,270,632	(595,047)	675,585
Fair value changes on valuation of Government securities	-	(184,771)	(184,771)
Fair value changes on valuation of equity investments	-	87,121	87,121
Net revaluation surplus on property	669,973	-	669,973
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	1,520	-	1,520
At end of year	1,911,717	(692,697)	1,219,020
Year ended 31 December 2022			
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)
Net revaluation surplus on property	-	-	-
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)
1,730,922	(5,508,438)	(3,777,516)	

Other reserves represent surplus on the revaluation of 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 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 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)

32. Cash flows (used in)/ generated from operating activities

Note	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Cash flows generated from/(used in) operating activities				
Profit before income tax	9,524,933	6,625,657	6,590,446	4,696,070
Adjustments for:				
Depreciation of property and equipment	20	839,117	1,020,921	409,216
Depreciation of right of use assets	22	608,123	567,020	235,038
Amortisation of intangible assets	19	352,580	306,605	176,407
Interest income	5	(40,066,887)	(33,904,379)	(27,692,795)
Interest expense on deposits	6	15,687,443	12,774,285	12,019,846
Dividend income		-	-	(150,000)
Interest expense on lease liability	6	432,122	458,447	283,640
Interest expense on borrowings	6	1,060,225	679,074	1,017,558
(Loss) / gain on modified assets		349,910	(256,000)	313,326
Right of use derecognition	22	160,195	(350,410)	109,165
Right of use modifications/additions	22	(611,385)	74,519	(432,295)
Lease liability derecognition	22	(208,523)	(111,679)	(155,462)
Lease liability modifications/additions	22	504,671	222,492	343,077
Loss on disposal of property and equipment	7	9,429	133,713	7,761
Credit impairment charge	17	6,711,237	7,513,045	4,949,087
Recovery of loans previously written off	17	430,539	45,074	40,676
Gain/(loss) on sale of treasury bonds	7	10,594	(215,285)	10,594
ECL on deposits with other banks		(7,395)	(3,337)	380
Operating profit before movements in operating assets and liabilities	(4,213,072)	(4,420,238)	(1,924,335)	(2,284,437)
Changes in operating assets and liabilities:				
- cash reserve requirement		(4,228,193)	(1,840,660)	(1,016,875)
- Government securities		(20,703,851)	(28,811,606)	(13,128,187)
- loans and advances to customers		(40,663,374)	(18,704,572)	(24,023,867)
- other assets		(1,359,939)	91,443	(490,573)
- customer deposits		54,694,949	32,883,180	23,816,701
- other liabilities		(6,296,076)	7,249,927	(6,735,760)
Cash (used in)/generated from operating activities	(22,769,556)	(13,552,526)	(23,502,896)	(1,592)



NOTES (CONTINUED)

33. 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.

Contingent liabilities	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Acceptances and letters of credit	12,950,673	23,982,743	8,309,102	20,335,008
Guarantees and performance bonds	15,372,726	16,659,214	10,644,289	12,742,359
	28,323,399	40,641,957	18,953,391	33,077,367

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.

Commitments	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn credit lines and other commitments to lend	14,408,410	16,146,096	7,896,318	10,876,730
Foreign exchange forward contracts	13,238,351	16,821,877	11,030,831	14,877,070
Foreign exchange spot transactions	3,195,563	4,292,902	1,630,787	476,787
Capital commitments	80,101	368,961	45,580	161,406
	30,922,425	37,629,836	20,603,516	26,391,993

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.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

34. 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.



NOTES (CONTINUED)

34. Business segments information (Continued)

The Group did not have any single customer who represented more than 10% of its revenues. The following is the segment information:

a) Financial summary

At 31 December 2022	Kenya	Tanzania	Uganda	Burundi	Total	Consolidation adjustments	Group
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Interest income from external customers	27,691,259	5,820,189	6,152,222	403,217	40,066,887	-	40,066,887
Other income from external customers	5,808,716	1,632,689	1,119,445	61,433	8,622,283	-	8,622,283
Total income from external customers	33,499,975	7,452,878	7,271,667	464,650	48,689,170	-	48,689,170
Share of results of associate after tax	-	-	-	16,963	16,963	-	16,963
Loss on modified assets	(313,327)	-	(36,583)	-	(349,910)	-	(349,910)
Inter-segment income	11,551	1,158	16,714	723	30,146	(30,146)	-
Total income	33,198,199	7,454,036	7,251,798	482,336	48,386,369	(30,146)	48,356,223
Interest expense from external customers	(13,293,875)	(1,643,601)	(2,160,553)	(81,761)	(17,179,790)	-	(17,182,767)
Other expenses – external	(7,456,138)	(2,667,405)	(2,833,170)	(183,730)	(13,140,443)	-	(13,140,443)
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)	-	(1,799,820)
Impairment losses	(4,949,087)	(1,292,834)	(448,327)	(20,989)	(6,711,237)	-	(6,711,237)
Total expenses	(26,548,493)	(6,112,099)	(5,881,099)	(319,745)	(38,861,436)	30,146	(38,831,290)
Segment profit before tax	6,649,706	1,341,937	1,370,699	162,591	9,524,933	-	9,524,933
Income tax expense	(2,134,109)	(478,771)	(124,054)	5,879	(2,731,055)	-	(2,731,055)
Segment profit after tax	4,515,597	863,166	1,246,645	168,470	6,793,878	-	6,793,878
Segment assets	359,364,112	88,882,099	81,089,567	4,943,757	534,279,535	(7,296,266)	526,983,269
Segment liabilities	303,036,038	76,180,581	68,756,618	3,151,035	451,124,272	(1,802,705)	449,321,567



NOTES (CONTINUED)

34. Business segments information (Continued)

a) Financial summary (continued)

At 31 December 2021	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000	Consolidation adjustments Shs'000	Group Shs'000
Interest income from external customers	23,649,873	4,783,274	5,119,630	351,602	33,904,379	-	33,904,379
Other income from external customers	3,989,026	1,277,006	896,983	31,764	6,194,779	-	6,194,779
Total income from external customers	27,638,899	6,060,280	6,016,613	383,366	40,099,158	-	40,099,158
Share of results of associate after tax	-	-	-	21,064	21,064	-	21,064
Gain/(loss) on modified assets	280,822	-	(24,822)	-	256,000	-	256,000
Inter-segment income	312,963	1,052	17,429	228	331,672	(331,672)	-
Total income	28,232,684	6,061,332	6,009,220	404,658	40,707,894	(331,672)	40,376,222
Interest expense from external customers	(10,871,322)	(1,311,555)	(1,662,589)	(66,340)	(13,911,806)	-	(13,911,806)
Other expenses – external	(5,831,415)	(2,171,989)	(2,281,810)	(145,954)	(10,431,168)	-	(10,431,168)
Inter-segment expenses	(31,672)	-	-	-	(31,672)	31,672	-
Depreciation and amortisation	(828,691)	(452,433)	(571,194)	(42,228)	(1,894,546)	-	(1,894,546)
Impairment losses	(5,742,897)	(1,291,305)	(484,013)	5,170	(7,513,045)	-	(7,513,045)
Total expenses	(23,305,997)	(5,227,282)	(4,999,606)	(249,352)	(33,782,237)	31,672	(33,750,565)
Segment profit before tax	4,926,687	834,050	1,009,614	155,306	6,925,657	(300,000)	6,625,657
Income tax expense	(1,803,120)	(311,435)	(91,243)	(6,386)	(2,212,184)	-	(2,212,184)
Segment profit after tax	3,123,567	522,615	918,371	148,920	4,713,473	(300,000)	4,413,473
Segment assets	326,555,017	68,998,414	64,176,364	4,199,918	463,929,713	(7,086,996)	456,842,717
Segment liabilities	268,847,280	58,715,527	53,579,994	2,654,599	383,797,400	(1,507,667)	382,289,733



NOTES (CONTINUED)

34. Business segments information (Continued)

(b) Additions to non current assets

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2022					
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
	1,262,989	480,290	534,174	13,729	2,291,182
At 31 December 2021					
Property and equipment	217,133	261,493	263,292	20,191	762,109
Intangible assets- software	121,239	17,602	15,281	1,639	155,761
	338,372	279,095	278,573	21,830	917,870

(c) Revenue by products

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
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
	27,691,259	5,820,189	6,152,178	403,261	40,066,887
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
	13,290,898	1,643,971	2,163,160	81,761	17,179,790
Net interest income	14,400,361	4,176,218	3,989,018	321,500	22,887,097
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
	5,808,716	1,632,689	1,119,445	61,433	8,622,283



NOTES (CONTINUED)

34. 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
At 31 December 2021					
Interest income					
Loans and advances	12,928,806	3,366,750	2,076,130	214,555	18,586,241
Government securities	10,634,482	1,298,694	3,012,617	136,555	15,082,348
Placement and bank balances	86,585	117,830	30,883	492	235,790
	23,649,873	4,783,274	5,119,630	351,602	33,904,379
Interest expense					
Customer deposits	9,744,463	1,192,829	1,413,281	49,419	12,399,992
Deposits due to banking institutions	195,409	7,086	158,307	13,491	374,293
Interest from borrowings and lease liability	931,450	111,640	91,001	3430	1,137,521
	10,871,322	1,311,555	1,662,589	66,340	13,911,806
Net interest income	12,778,551	3,471,719	3,457,041	285,262	19,992,573
Non interest income					
Fee and commission income	1,716,268	860,333	638,993	26,346	3,241,940
Foreign exchange income	1,818,437	408,782	216,334	5,071	2,448,624
Other income	454,321	7,891	41,656	347	504,215
	3,989,026	1,277,006	896,983	31,764	6,194,779

35. Fair values and effective interest rates of financial assets and liabilities

In the opinion of the directors, the fair values of the Group's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out in Note 4.

The effective interest rates for the principal financial assets and liabilities at 31 December 2022 and 31 December 2021 were as follows:

Bank

	2022		2021		
	In Shs	In US\$	In Shs	In US\$	In GBP
Assets					
Government securities	11.10%	-	-	9.93%	-
Deposits with banking institutions	-	0.12%	-	-	0.02%
Loans and advances to customers	12.61%	6.18%	4.61%	11.80%	6.01% 9.50%
Liabilities					
Customer deposits	5.84%	1.59%	2.41%	5.48%	1.98% 1.24%
Deposits due to banking institutions	6.97%	4.43%	4.00%	4.50%	2.25% 1.00%
Subordinated debts	-	8.20%	-	-	4.76% -
Senior loans	-	6.41%	-	-	2.94% -
Trade finance	-	5.79%	-	-	1.59% -



NOTES (CONTINUED)

36. Analysis of cash and cash equivalents as shown in the statement of cash flows

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Cash and balances with the central banks (Note 14)	36,992,122	27,695,508	15,803,197	17,219,059
Cash reserve requirement	(20,529,937)	(16,301,744)	(10,472,949)	(9,456,074)
Deposits and balances due from banking institutions (Note 16)	19,484,592	16,175,078	8,394,023	3,854,467
Deposits and balances due to banking institutions (Note 27)	(26,678,946)	(14,794,574)	(22,213,787)	(11,672,102)
	9,267,831	12,774,268	(8,489,516)	(54,650)

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% (2021: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

37. Related party transactions

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.

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.

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
(a) Group Companies				
Amounts due to:				
Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	1,712,489	2,704,091
Interest expense paid on amounts due to group companies	-	-	27,300	30,791
Amounts due from:				
Other group companies (Included in deposits from bank and borrowed funds)	-	-	4,981	17,806
Interest income earned from amounts due from group companies	-	-	2,977	881



NOTES (CONTINUED)

37. Related party transactions (Continued)

(b) Directors

Advances to customers at 31 December 2022 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Loans to directors:				
At start of year	25,199	18,775	12,992	16,143
Advanced during the year	1,545	9,787	1,253	113
Repaid during the year	(6,410)	(3,462)	(2,446)	(3,264)
Translation adjustment	1,088	99	-	-
At end of year	21,422	25,199	11,799	12,992
Interest income earned from directors loans	2,029	1,331	1,085	1,331

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.

(c) Other disclosures

Advances to other related parties

	Group	Bank	2022	2021	2022	2021
			Shs'000	Shs'000	Shs'000	Shs'000
- Advances to companies related through control by a common shareholder, controlled by directors or their families			3,223,218	2,608,034	1,967,210	1,777,876
- Advances to employees			2,134,085	1,853,296	1,615,114	1,477,106
- 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			289,168	312,198	282,132	263,317
- Interest income earned from related companies and employees			427,425	395,396	314,014	297,466

	Group		Bank	
	2022	2021	2022	2021
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits by directors:				
At start of year	1,328,783	954,824	920,078	901,733
Net movement during the year	251,147	371,639	334,551	18,345
Translation adjustment	36,512	2,320	-	-
At end of year	1,616,442	1,328,783	1,254,629	920,078
Interest paid on directors' deposits	61,199	64,882	61,174	64,875



NOTES (CONTINUED)

37. Related party transactions (Continued)

(c) Other disclosures (Continued)

Deposits with other related parties

Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families

Deposits by employees

Interest expense incurred on deposits by related companies and employees

Advances to employees comprise of check-off loans repayable at an average interest rate of 9% per annum and property mortgages.

	Group		Bank	
	2022 Shs'000	2021 Shs'000	2022 Shs'000	2021 Shs'000
Deposits with other related parties	15,991,806	6,384,604	4,432,531	3,278,637
Deposits by employees	291,426	279,045	207,705	198,766
Interest expense incurred on deposits by related companies and employees	847,754	381,634	360,587	137,547

Key management compensation

Salaries and other short-term employment benefits

Termination benefits

Salaries and other short-term employment benefits	1,026,127	955,362	507,522	539,815
Termination benefits	54,534	23,709	28,175	23,709
	1,080,661	979,071	535,697	563,524

Directors' remuneration

- fees for services as a director

- other emoluments (included in key management compensation above)

- fees for services as a director	49,237	43,007	34,755	26,948
- other emoluments (included in key management compensation above)	193,435	161,893	117,319	111,332
	242,672	204,900	152,074	138,280

38. Assets pledged as security

As at 31 December 2022, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities (2021: 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.



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