DTB | DIAMOND TRUST BANK

2021 INTEGRATED REPORT

AND FINANCIAL STATEMENTS

ACHIEVE MORE

Conviction

ABOUT OUR COVER

Conviction is a firm belief based on truth. Nisha, the girl whose photo is on the cover of this Report, is relentlessly pursuing her education alongside her passion for singing. She aims to use her voice to make Africa proud and inspire young girls to focus on education as the key to unlocking their potential. Her vision to bring hope to African girls resonates with our goal to empower our customers to **achieve more**. Indeed, our conviction is anchored on the vision of enabling people to advance with confidence and success.

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About Us

This section provides insights on who we are, our purpose, where we have come from and our governance and leadership teams.

Reflections from the Top

This section contains a recap of our performance in 2021 and an insight into the future of DTB Group through the lenses of our senior leadership.

Delivering Strategy for Value Creation

This section provides an overview of DTB's business growth strategy and how we create and distribute value to all our stakeholders.

Corporate Governance, Risk Management & Sustainability

This section demonstrates our commitment to sound corporate governance, effective risk management and material matters that impact the DTB's business as well as an insight into the Group's sustainability agenda.

Financial Metrics at a Glance

This section provides a summary of the Group's financial performance.

Financial Statements

This section covers the financial performance of the Group and Bank and notes to the financial accounts.

Diamond Trust Bank Kenya Limited and its subsidiaries (the "Group" or "DTB") | Diamond Trust Bank Kenya Limited (the "Bank" or "Company")

"I've always believed that the best way to show compassion is through a smile. A smile is my way of giving re-assurance and creating a warm environment for our customers and my colleagues at DTB."

Mary Rukwaro
Senior Manager at DTB

Compassion

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 2021.

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,
- International Financial Reporting Standards (IFRS),
- 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 non-financial performance, opportunities, risks and initiatives undertaken during the reporting period.

Assurance

DTB Kenya 2021 financial statements were audited by:	DTB Tanzania by:	DTB Uganda and Network Insurance Agency Limited by:	DTB Burundi by:
KPMG Kenya	KPMG Tanzania	KPMG Uganda	KPMG Rwanda

Diamond Trust Bancassurance Intermediary Limited by RSM Eastern Africa LLP.W

RSM

Target Audience and Materiality

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

Employees | Customers | Shareholders | Regulators | Community

Any additional information that is not seen to be material for these purposes, but that 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 2021, were approved by the Board of Directors of DTB Kenya on 25 March 2022 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

Capitals

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

Manufactured
Our business structure and operational processes, physical and digital assets (including technology and channels) 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 & 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
Indirect sustainable impact on natural resources through financing activities and, more directly, the utilities we operate. Through our environmental initiatives, we endeavour to reduce the impacts to our ecosystem to enable a more sustainable future.

COVID-19
This icon directs the reader to the impact of the COVID-19 pandemic.

Stakeholders

Stakeholder engagement is critical in 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 about our role in the broader social, political and physical environments. The spectrum and scope of the unique engagements we develop with each of the stakeholder groups guides and influences how we create value for them.

Employees **Customers** **Shareholders** **Regulators** **Community**

The year 2021 marks the sixth 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

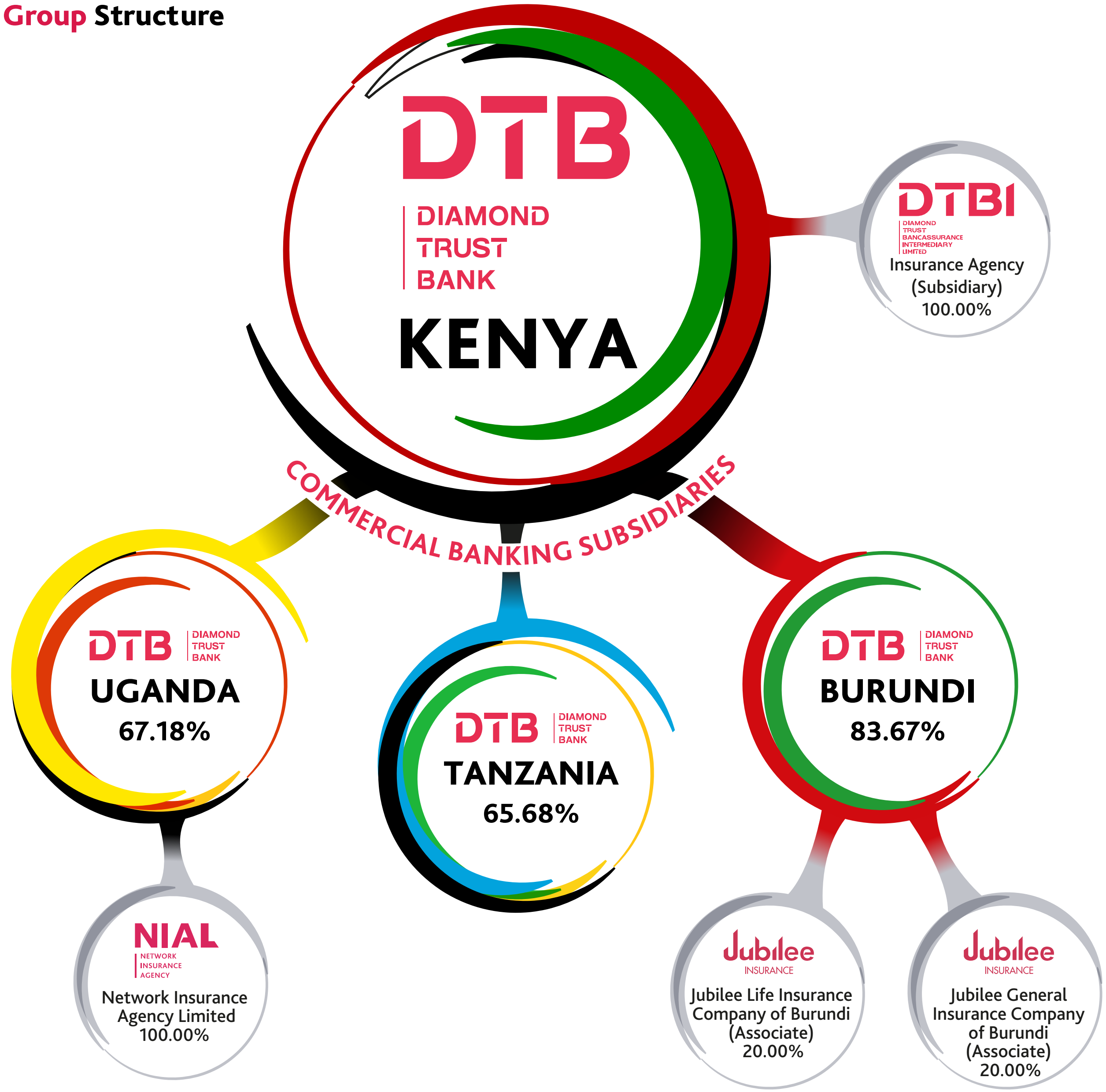
Scan to view IR on Website:

DTB AT A GLANCE

The Diamond Trust Bank (DTB) Group is a leading East African commercial banking institution operating in Kenya, Tanzania, Uganda and Burundi, offering banking services, as well as insurance solutions. We are driven by our customers and motivated to remain a renowned institution that East Africa can be proud of. DTB Kenya is headquartered in Nairobi, Kenya and listed at the Nairobi Securities Exchange (NSE). We are dedicated to developing bespoke solutions to distinctively create specific solutions to solve intricate local challenges. DTB has contributed to the region's economic development as well as the improvement in the quality of lives of East Africans for over 75 years by providing financial intermediary services to its core customer segments i.e. small and medium enterprises (SMEs), local corporates and individuals. Through partnerships, we aim to generate, grow, and safeguard wealth, while also contributing to the region's growth and sustainability.

Our core purpose is anchored on DTB contributing to the improvement in the quality of lives of its customers – those that it is currently serving as well as those that are underserved. This involves implementing an aggressive and expansive financial inclusion agenda targeting various customer segments (large corporates, SMEs, micro-enterprises, high net worth individuals, salaried employees, etc.) and ensuring that the Bank has the digital capabilities that are at the core of delivering banking solutions. This requires DTB to continue investing significantly in (i) equipping its people with skills for digitalised banking and sustaining customer service excellence, (ii) new technologies (Big Data analytics), Artificial Intelligence (AI), robotics, block chain technology, cloud computing, etc.) and (iii) innovation over the next 10 plus years. These strategic plans are also underpinned by building strong frameworks in core areas by continuously benchmarking DTB's risk management frameworks to best practices.

Group Structure



DTB AT A GLANCE (CONTINUED)

Footprint in East Africa

570,867 Customers

- **Kenya:** 279,965
- **Tanzania:** 155,800
- **Uganda:** 132,065
- **Burundi:** 3,037

352,816 Mobile Banking Customers

- **Kenya:** 194,812
- **Uganda:** 76,677
- **Tanzania:** 81,327

2,156 Employees

- **Kenya:** 994
- **Uganda:** 580
- **Tanzania:** 536
- **Burundi:** 46

129 Branches

- **Kenya:** 63
- **Uganda:** 34
- **Tanzania:** 28
- **Burundi:** 4

150 ATMs

- **Kenya:** 63
- **Uganda:** 50
- **Tanzania:** 37

Key Non-Financial Metrics

Net Promoter Score (Kenya)
2021: 48%
2020: 48%

Reams of Paper Used (Kenya)
2021: 8,680
2020: 8,988

Investment in IT & Cybersecurity
2021: 659 Million
2020: 704 Million

Employee Gender Ratio Across the Group
2021: 49:51
2020: 49:51

Women Executives across the Group
2021: 27%
2020: 31%

Females CEOs across the Group
2021: 2/4
2020: 2/4

What Differentiates DTB?

- Commitment to a sustained organisation-wide culture of service excellence.
- Solid brand equity built over 75 years.
- Strong capital and liquidity base anchored on shareholder resources and standings.
- Established regional network and market knowledge covering the East African Community.
- Strong corporate governance and compliance culture underpinned by effective internal control systems.
- Reputation for professionalism and integrity.
- Robust IT platform.
- Extensive product range, with growing emphasis on digital products, services and channels.
- Diversified distribution channels and footprint.

DTB AT A GLANCE (CONTINUED)

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 both our attitudes and our behaviour as we create value for our various stakeholders. Our values 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 customers through that special human element which creates enriched connections and build sustainable relationships. Over time, we have invested in the most valuable anchor of our strategy - our people. By continuously enriching our peoples' skills, re-architecting ourselves to make technology and innovation our backbone and fostering a customer-centric culture. DTB aims to become the top-of-mind, go-to- financial partner, deeply embedded in the lifestyles of our customers.

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 endeavor 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

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

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), Kampala (Uganda).

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.

1974

Diamond Trust House, Nairobi

1983

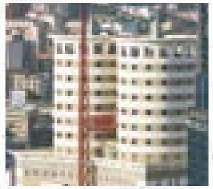
Equity participation of institutional shareholders, including International Finance Corporation (IFC) who took up a 10% shareholding in DTK.

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 DTB

1992

Nation Centre, Nairobi



1995

DTK and AKFED re-capitalised DJIT (Tanzania) and DJIT (Uganda) which were renamed as Diamond Trust of Tanzania (DTT) and to Diamond Trust of Uganda (DTU) respectively. All three entities continued to operate as non banking financial institutions (NBFIs), 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.

1999

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

CORPORATE HISTORY AND SIGNIFICANT MILESTONES (CONTINUED)

2007

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

Before | After

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.

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

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.

2018

DTB Kenya increased its shareholding in DTB Burundi to 84% from 67%, after acquisition of shares held by International Financial Corporation (IFC).

2019-2021

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 (93% DTB Kenya) compared to 45% (58% DTB Kenya) in 2019.

BEING A PURPOSE-DRIVEN BANK

Customers
Support

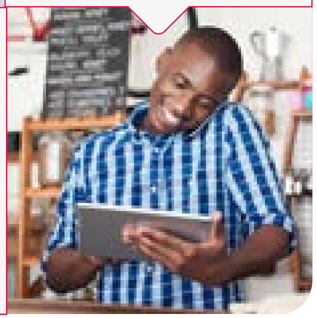
In 2021, many of our customers continued to be adversely impacted by the pandemic. We continued to support our customers, offering liquidity and extending loan moratoriums to the borrowers. DTB availed a variety of digital and contact-less solutions so that its business as well as retail customers could bank with us from wherever they felt safe and comfortable.

We offered virtual financial literacy trainings to over 3,600 MSME operators across East Africa in 2021 to strengthen their business operations.

DTB Kenya offered credit facilities to nearly 200 customers valued at over KShs 200 million under the National Treasury sponsored, Credit Guarantee Scheme, to support liquidity relief to MSMEs impacted by COVID-19.

We supported customers such as Pioneer Food, who retails dry fruits to expand its operations by offering a bill discounting line, which enabled it to continue its business operations even through the worst part of the pandemic.

DTB Kenya continued the waiver on charges on transfers from Bank accounts to mobile money wallets. DTB Kenya also continued to enable remote account opening and facilitating cross currency transactions on mobile banking.



Community
Humanity

We supported the most impacted people in our community in a number of ways- by providing meals and sanitary hygiene materials to those in need, supporting social enterprises via working capital and loans, banking underserved segments. In addition to this, we also enhanced some of our services and offerings to provide an inclusive experience to cater to everyone in the community.

We enhanced accessibility to the Bank's website to cater for Persons with Disabilities to provide inclusive banking for the community.

DTB Kenya enrolled into the UN Global Compact and commited to advance principles of responsible business by supporting the ten principles focusing on environment, human rights, labour and anti-corruption. For more information refer to page 80-87.

We touched the lives of over 15,000 school girls in Lamu, Kakamega and Nairobi counties by equipping them with sanitary hygiene packs. This was in line with DTB's #AchieveMoreGirl initiative to enable 30,000 girls overcome sanitary hygiene challenges by 2025.

DTB planted over 1,000 trees across Kenya in 2021. This was in line with DTB's #MuchMoreThanTrees initiative. Since 2018, over 1,000,000 seedlings have been planted.

DTB Tanzania participated in the 'Go Green Initiative'- which involved employees volunteering to take part in different tree planting and environment projects promoting good corporate citizenry. More information is available on pages 81.

BEING A PURPOSE-DRIVEN BANK (CONTINUED)

Employees

Grit

Cognisant that banking is an essential service, our people adapted quickly to the various national and industry-wide COVID-19 related containment measures. This ensured that our customers remained well-served during and beyond the pandemic. As DTB, we made sure we take care of our employees' physical and mental well-being. Not only did the bank pledge to keep all jobs, we also created new ones to bolster employment in a difficult year.

Graduate Management Trainee (GMT)

The GMT programme is one of the flagship initiatives across the Group, where on annual basis fresh graduates join the program that runs for three years and at the end of the period the graduate trainees settle in respective departments. The Programme aims to help the Management Trainees acquire broad knowledge of the Bank's operations, procedures and policies thus making them knowledgeable leaders. So far, over 30 of the programme graduates continue to serve across the Group at various levels from middle to senior management.

Staff Training

We continued our investment in staff trainings in the quest to gain and retain top talent, increase job satisfaction, morale and equip the staff with skills required to improve productivity. In 2021, DTB doubled its investments in training across the Group.

Job Shadowing

DTB Kenya partnered with various accredited universities in the country to offer a Job Shadowing Programme for career development. Job shadowing is a structured Programme aimed at providing students with the opportunity to learn by observing the Bank's employees execute their day-to-day duties. This enabled nearly 70 students gain a better understanding of the work environment with the aim of helping them make an informed decision about their career choice.

Mentorship Programme

DTB Kenya offers a Mentorship Programme that provides a platform where a senior, more experienced or more knowledgeable employee (mentor) focuses on supporting the growth and development of a young professional (mentee) in achieving their professional and personal goals. This has helped nearly 50 employees form relationships that yield professional and positive results for the Bank.

Staff Wellness - Mental Health

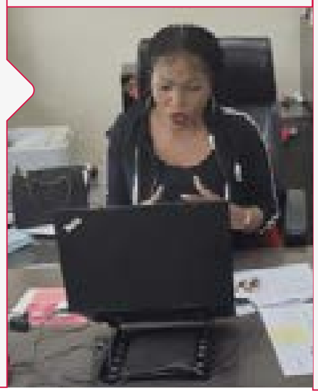
We offer an Employee Wellness Programme that seeks to maximise employee participation by effectively planning, scheduling, and promoting wellness for all employees. The objective of these sessions are to primarily increase awareness and motivate staff to voluntarily adopt healthier lifestyle and also impart employees with the knowledge on how to maneuver through life.

DTB Queens

DTB Kenya launched a ladies club dubbed DTB Queens, to provide a forum to female professionals to discuss career opportunities and challenges. The objective of the ladies club is to;

- promote gender inclusivity.
- provide a forum for candid and open discussion on matters of concern to female employees.
- create a network of support for female employees.

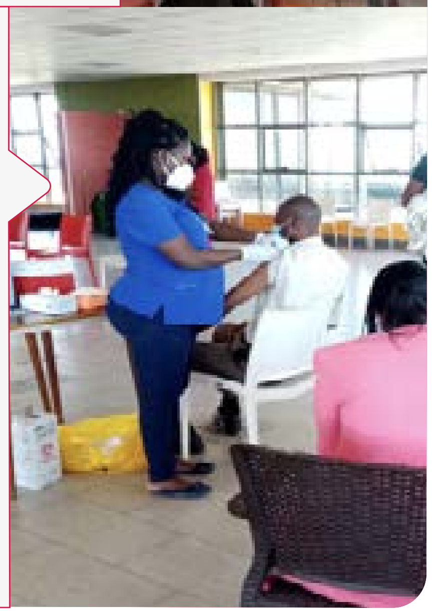
ensure that the interests of female employees' are taken into consideration in internal policy matters.



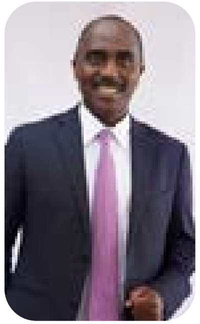
COVID-19

We introduced measures, in line with WHO & Governmental guidelines, to protect our staff from COVID-19 exposure. DTB continues enforcing these guidelines through;

- Cleaning and disinfection of the Bank premise.
- Ensuring staff wear mask all the time.
- Temperature check before accessing Bank premises.
- Mass testing.
- COVID-19 vaccination.
- Sharing of sensitisation emails and posters.
- Departmental segregation (Team A & Team B).
- Wellness talks (Mental Health, Gender based violence).



BOARD OF DIRECTORS PROFILES



Mr. Linus Gitahi, MBS
Chairman - 59 Years

Appointed to Board: April 2017
Appointed Chairman: May 2019
Committee Membership: None

External Leadership Positions:
- Chairman of Tropikal Brands (Africa) Limited.
- Chairman of Oxygène Marketing Communications Ltd.
- Director of Simba Corp Limited.
- Director of Outspan Hospital and Medical College.
- Director of Jubilee Allianz Insurance (K) Limited.
- Director of Kenya Association of Manufacturers.
- Fellow of the Kenya Institute of Management.

Previous Roles:
- Previously served as the Chief Executive Officer of the Nation Media Group.
- Group Chief Executive Officer for GlaxoSmithKline in West Africa after having held diverse management positions with them.

Qualifications:
- B. Com (Hons) in Accounting from the University of Nairobi.
- Diploma in Management from the Kenya Institute of Management.
- MBA from the United States International University.

Mr. Shaffiq Dharamshi
Vice-Chairman - 57 Years

Appointed to Board: April 2015
Appointed Vice-Chairman: May 2019
Committee Membership:
BCC, BNHRC, BRMC

External Leadership Positions:
- Head of Banking for the Aga Khan Fund for Economic Development (AKFED), and responsible for providing oversight on operations of financial institutions in the AKFED portfolio across Asia and Africa.
- Vice-Chairman of the Board of DTB Tanzania.
- Vice-Chairman of the Board of DTB Uganda.
- Director of HBL Pakistan.
- Director of Kyrgyz Investment and Credit Bank, Kyrgyzstan.
- Director of DCB Bank, India.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Over twenty years of senior management experience in the Middle East and Africa.
- Senior Vice President, Wholesale Credit Risk Management at Mashreq Bank, Dubai.
- 17 years with Citibank in a wide range of positions across different areas of the bank in Africa and the Middle East.

Qualifications:
- BSc Economics.
- MSc Information Systems from the London School of Economics.

Mrs. Nasim Devji
Group Chief Executive Officer and Managing Director - 68 Years

Appointed to Board: June 2001
Committee Membership: None

External Leadership Positions:
- Chairperson of Diamond Trust Bancassurance Intermediary Limited.
- Director of DTB Tanzania.
- Director of DTB Uganda.
- Director of DTB Burundi S.A.
- Director of Diamond Jubilee Investment Trust (Uganda) Limited.
- Director of Jubilee Life Insurance of Burundi.
- Director of Jubilee General Insurance of Burundi.
- Director of Network Insurance Agency Limited.
- Member of the Aga Khan University- Kenya University Council.
- Fellow of the Kenya Institute of Bankers.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Director of Nairobi Securities Exchange.
- Member of the Kenya Deposit Insurance Corporation.

Qualifications:
- Fellow of The Institute of Chartered Accountants of England and Wales.
- Associate of the Institute of Taxation (United Kingdom).

BACC- Board Audit and Compliance Committee | BCC- Board Credit Committee | BITC- Board Innovation and Technology Committee | BNHRC- Board Nomination and Human Resource Committee
BRMC- Board RIsk Management Committee

BOARD OF DIRECTORS PROFILES (CONTINUED)

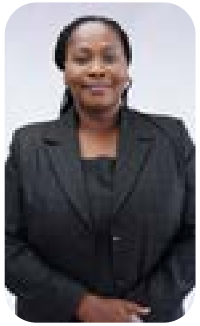
Mr. Ismail Mawji
Director - 71 Years

Appointed to Board: September 2014
Committee Membership:
BACC, BCC, BNHRC

External Leadership Positions:
- Founder and Senior Partner in Mawji, Sennik and Company, Certified Public Accountants.
- Director of Kolobot Gardens Limited.
- Director of Mawara Investments Limited.
- Director of Kingsway Nominees Limited.
- Director of Kaempf Properties Limited.
- Company Secretary- Aga Khan Health Service Kenya.
- Company Secretary- Aga Khan Education Service Kenya.
- Company Secretary- Mburu Trust.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Member of Insurance Committee of the Institute of Certified Public Accountants of Kenya.
- Member of Corporate Governance Committee of The Institute of Certified Public Secretaries of Kenya.

Qualifications:
- Member of the Institute of Certified Public Secretaries of Kenya
- Member of the Institute of Chartered Accountants of England and Wales.
- Member of the Institute of Certified Public Accountants of Kenya.



Mrs. Pamella Ager
Director - 51 Years

Appointed to Board: May 2013
Committee Membership:
BACC, BCC, BITC, BNHRC

External Leadership Positions:
- Partner in Oraro & Company Advocates.
- Advocate of the High Court of Kenya.
- Sits on various boards for education and non-profit organisations.
- Member of the Law Society of Kenya.
- Member of the Federation of Women Lawyers.

Qualifications:
- First Class Honours LLM Degree from Auckland University .
- Bachelor of Laws Degree from the University of Waikato - Hamilton, New Zealand.
- Diploma from the Kenya School of Law.

Mr. Jeremy Ngunze
Director - 56 Years

Appointed to Board: June 2021
Committee Membership:
BCC, BITC, BNHRC, BRMC

External Leadership Positions:
- Chairman Integrated Payment Solutions Ltd.
- Chairman Nairobi Baptist Investment Company Ltd.
- Director of PACT Kenya.
- Director of PACT Global.
- Trustee PACT UK.
- Member of the Kenya Institute of Bankers.

Previous Roles:
- Group Executive Director for Regional Business at NCBA Group .
- Chief Executive Officer at Commercial Bank of Africa, Kenya.
- Over 30 years banking experience across Africa and Asia.

Qualifications:
- MBA from University of Manchester.
- Bachelor of Commerce Degree from the University of Nairobi.

BACC- Board Audit and Compliance Committee | BCC- Board Credit Committee | BITC- Board Innovation and Technology Committee | BNHRC- Board Nomination and Human Resource Committee
BRMC- Board RIsk Management Committee

BOARD OF DIRECTORS PROFILES (CONTINUED)

Mr. Guedi Ainache

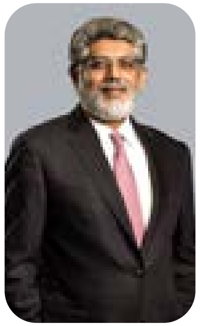
Director - 46 Years

Appointed to Board: April 2017
Committee Membership:
BACC, BITC, BRMC

External Leadership Positions:
- Corporate Finance Director for MMD Group in Nairobi.
- Director of TPS Eastern Africa PLC.

Previous Roles:
- Head of Syndication for The Eastern and Southern African Trade and Development Bank (PTA Bank) in Nairobi.
- Regional Director for PROPARCO in East Africa in addition to having held diverse positions with PROPARCO and Credit Agricole Corporate and Investment Banking, both in Paris.

Qualifications:
- Masters Degree in Economic Science and Management from the University of Le Mans, France.
- Post Graduate Degree in Audit and Risk Management from the University of Angers, France.



Mr. Sagheer Mufti

Director - 64 Years

Appointed to Board: January 2020
Committee Membership:
BACC, BITC

External Leadership Positions:
- Chief Operating Officer for HBL Pakistan.
- Director of Jubilee Life Insurance Company Limited.
- Director of HBL Bank UK.
- Board Member of FINJA (PVT.) LTD.
- Trustee of HBL Foundation.

Previous Roles:
- Chief Operating Officer for ADIB based in Abu Dhabi.
- Global Head of Anti-Money Laundering operations at Citi.
- Spent 34 years at Citi in different management and leadership roles where he led various enterprise transformation programmes and business redesign responsibilities regionally and globally.

Qualifications:
- Professional banker with over 38 years' experience within the international financial industry.
- Masters in Business Administration from The George Washington University, Washington DC, USA.

Mr. Moez Jamal

Director - 66 Years

Appointed to Board: December 2009
Committee Membership:
BITC, BRMC

External Leadership Positions:
- Director of HBL Pakistan.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Global Treasurer, Credit Suisse.
- Senior positions with Credit Suisse.
- Senior positions with Lloyds Bank International London/New York.

Qualifications:
- MBA in Finance from Stern Business School, New York University.
- BA (Hons.) from Manchester University in England.

BACC- Board Audit and Compliance Committee | BCC- Board Credit Committee | BITC- Board Innovation and Technology Committee | BNHRC- Board Nomination and Human Resource Committee
BRMC- Board RIsk Management Committee

BOARD OF DIRECTORS PROFILES (CONTINUED)

Mr. Jamaludin Shamji
Director - 59 Years

Appointed to Board: March 2010
Committee Membership:
BCC, BITC, BNHRC, BRMC

External Leadership Positions:
- Chairman of Kisii Municipal Board.
- Director of DTB Burundi S.A.
- Director of A. Jiwa Shamji Limited.
- Director of Sansora Bakers & Confectioners Limited.
- Member of the Kisii County Public Private Partnership Committee.
- Member of Kisii County Budget & Economic Forum Committee.
- Fellow of the Kenya Institute of Bankers.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Board Member of the Aga Khan Health Services, Kenya.
- Board Member of the Aga Khan Education Services, Kenya.
- Chairman of the Board of Governors of Kisii Special School for the Mentally Handicapped.
- Member of Board of Directors - Kisii Teaching & Referral Hospital.

Qualifications:
- B.A. (Hons.) in Business Administration from Washington State University, U.S.A.

Mr. Irfan Keshavjee
Director - 51 Years

Appointed to Board: May 2013
Committee Membership:
BACC, BCC, BITC, BNHRC

External Leadership Positions:
- 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.
- 0ver 20 years of commercial experience in East Africa as a Director of the White Rose Group of Companies.
- Member of the Institute of Directors (Kenya).

Qualifications:
- MBA from the University of Oxford, UK.
- Bachelors' Degree in Civil-Environmental Engineering from Queen's University, Canada.
- Certificate in Housing Finance from the Wharton Real Estate Centre, University of Pennsylvania.
- Awarded the prestigious Ashoka Fellowship and the Acumen Fund East Africa Fellowship for having co-founded award-winning enterprises that impact on the livelihoods of low-income Kenyans.

Mr. Alkarim Jiwa
Finance & Strategy Director - 52 Years

Appointed to Board: September 2018
Committee Membership: None

External Leadership Positions:
- Chairman of Services & Systems Limited.
- Director of DTB Burundi S.A.
- Director of Diamond Trust Bancassurance Insurance Limited.
- Director of Diamond Jubilee Investment Trust (Uganda) Limited.
- Director of Network Insurance Agency Limited.
- Director of TPS Eastern Africa PLC.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Several years with an accountancy and audit firm in Nairobi, Kenya.
- Appointed as Chief Financial Officer of DTB Kenya since 2001.

Qualifications:
- Fellow of the United Kingdom-based Association of Chartered Certified Accountants .
- Member of the Institute of Certified Public Accountants of Kenya.

Mr. Stephen Kodumbe
Company Secretary - 45 Years

Appointed as Company Secretary: August 2009
Committee Membership: None

External Leadership Positions:
- Advocate of the High Court of Kenya.
- Member of the Institute of Directors (Kenya).

Previous Roles:
- Joined DTB Kenya in 2008 as the Manager, Legal Services.

Qualifications:
- Bachelor of Laws (LL.B) Degree.
- Masters in Business Administration Degree from the University of Nairobi.
- Diploma from the Kenya School of Law.
- A registered Certified Public Secretary.
- Certified Anti-Money Laundering Specialist (CAMS) holder.
- Certified Governance Auditor.
- Member of the Law Society of Kenya.
- Member of the Institute of Certified Public Secretaries of Kenya.

BACC- Board Audit and Compliance Committee | BCC- Board Credit Committee | BITC- Board Innovation and Technology Committee | BNHRC- Board Nomination and Human Resource Committee
BRMC- Board RIsk Management Committee

PRINCIPAL OFFICERS

Nasim Devji

Group CEO & Managing Director
Years of Service: 25

Alkarim Jiwa

Finance & Strategy Director
Years of Service: 24

Stephen Kodumbe

Company Secretary and Head of Legal & Debt Recovery
Years of Service :14

Jamie Loden

Chief Operating Officer
Years of Service: 1

Dr. Kennedy Nyakomitta

Director, Sales
Years of Service: 22

Gopa Kumar

Head of Business Banking
Years of Service: 20

Shahzad Karim

Head of Corporate & Institutional Banking
Years of Service: 36

Venkatramani Iyer

Head of Treasury
Years of Service: 7

George Otiende

Head of Retail Banking
Years of Service: 15

Lillian Ngala

Head of Human Resources
Years of Service: 10

PRINCIPAL OFFICERS (CONTINUED)

Farouk Khimji

Chief of Staff
Years of Service: 18

Constance Macharia

Head of Credit
Years of Service: 1

Hilda Gituro

Head of Compliance & Combating Financial Crime
Years of Service: 18

Dancan Okun

Head of Risk
Years of Service: 1

Peter Kimani

Head of Internal Audit
Years of Service: 21

Azra Thobani

Head of Customer Experience
Years of Service: 13

Nizar Tundai

Head of Technology
Years of Service: 16

Suraj Shah

Head of Centralised Operations
Years of Service: 19

Naftali Mwangi

Head of Security, Fraud & Forensic Investigation
Years of Service: 11

OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE

DIAMOND TRUST BANK KENYA LIMITED

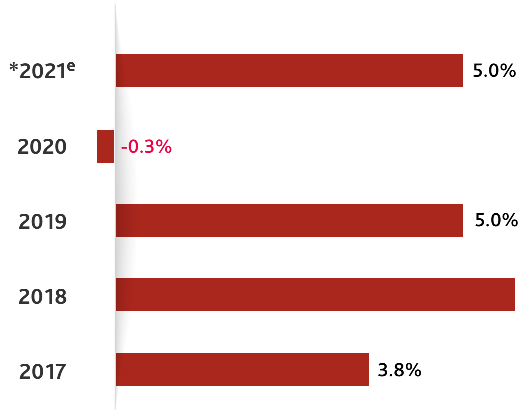
Performance Highlights (December 2021)

	KShs million
Total Revenue	27,702
Total Deposits	225,783
Total Assets	326,377
PBT	4,696

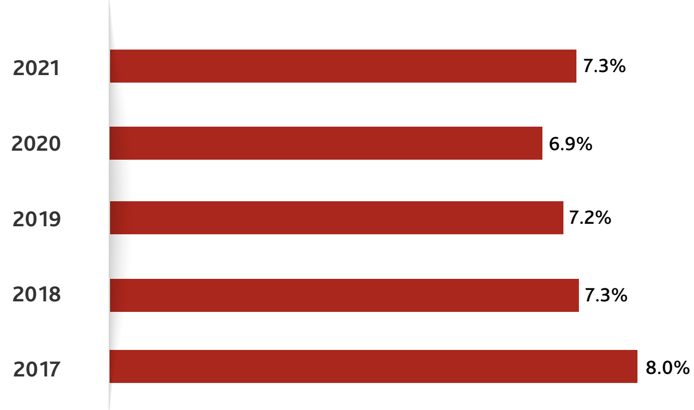
Customers	279,965
Employees	994
ATMs	62
Branches	63
Mobile Banking Customers	194,812

Economic Overview

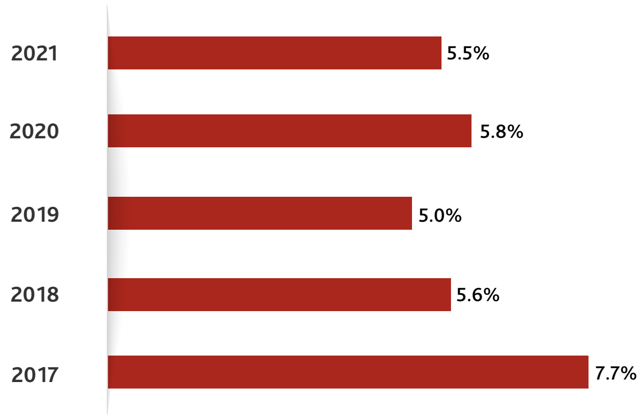
GDP Growth



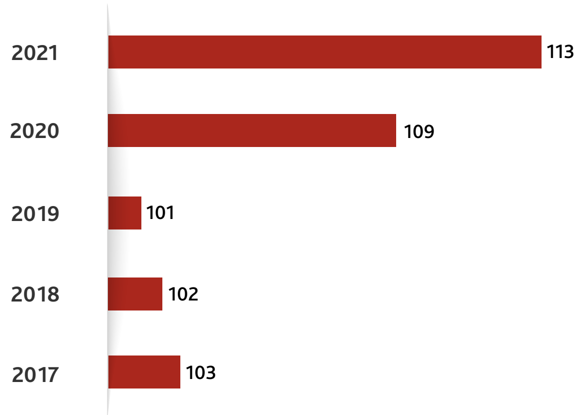
Average 91-day T-Bill



Annual Average Inflation



Exchange Rate (USD/KShs)



Source: CBK
*World Bank

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

OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)

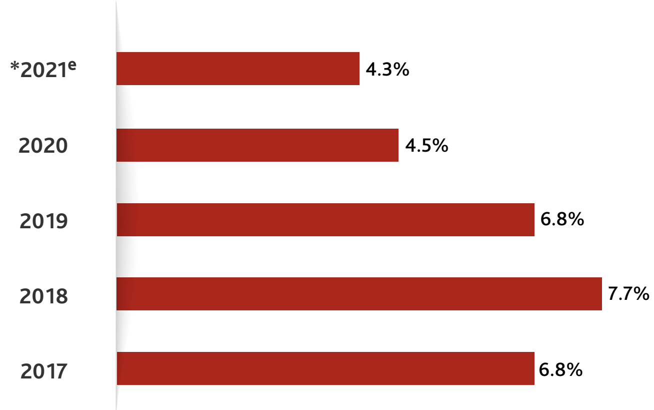
DIAMOND TRUST BANK TANZANIA LIMITED

Performance Highlights (December 2021)

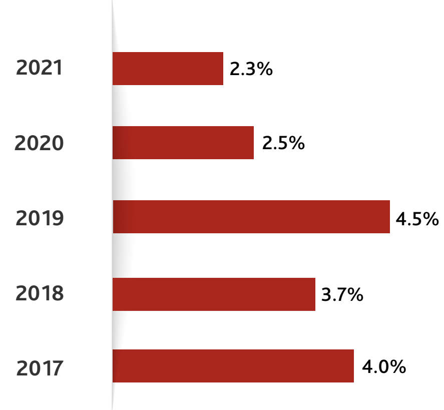
	KShs million
Total Revenue	6,061
Total Deposits	55,746
Total Assets	68,998
PBT	834
Customers	155,800
Employees	536
ATMs	37
Branches	28
Mobile Banking Customers	81,327

Economic Overview

GDP Growth



Average 91-day T-Bill



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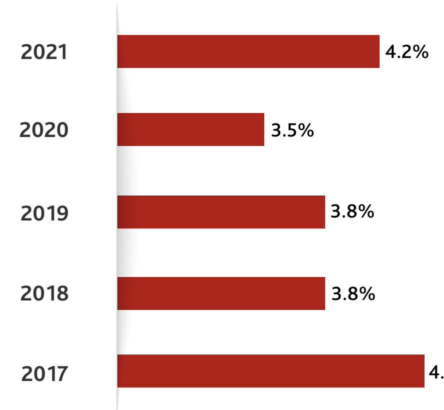
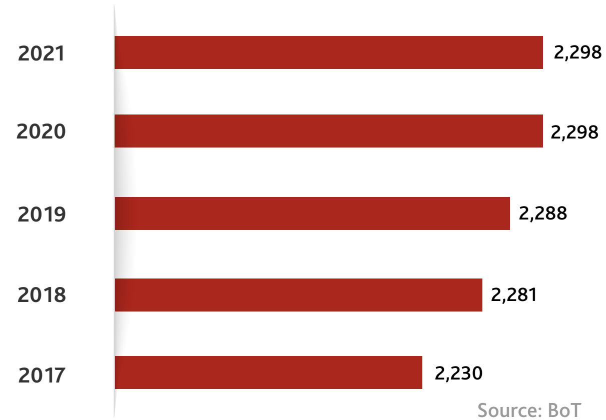


Exchange Rate to USD/TShs



Source: BoT
*World Bank

Board of Directors


Karim Wissanji
Chairman


Shaffiq Dharamshi
Vice-Chairman


Uday Bhasin
Director


Nasim Devji
Director


Zulobia Dhalla
Director


Zahir Jiwani
Director


Muzaffer Khawaja
Director


Xavier Lucas
Director


Ravneet Chowdhury
Chief Executive Officer

OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)

DIAMOND TRUST BANK UGANDA LIMITED

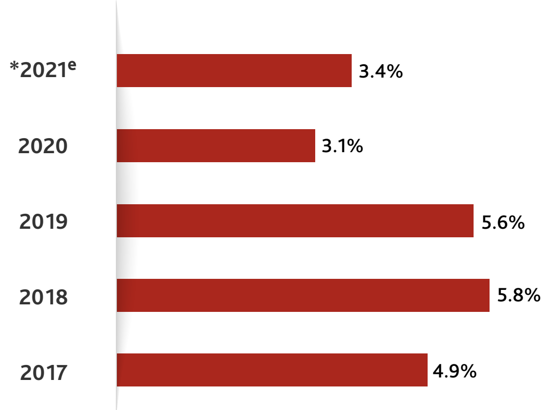
Performance Highlights (December 2021)

	KShs million
Total Revenue	6,034
Total Deposits	47,873
Total Assets	64,176
PBT	1,010

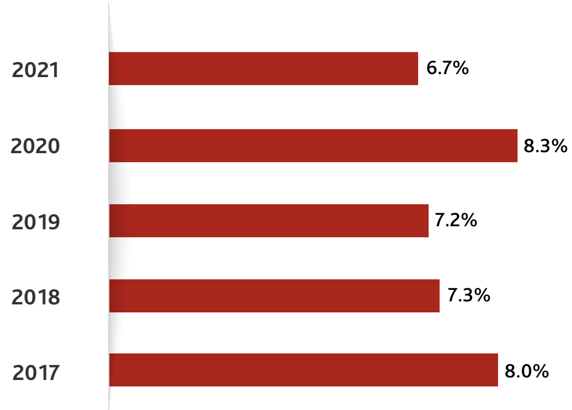
Customers	132,065
Employees	580
ATMs	51
Branches	34
Mobile Banking Customers	76,677

Economic Overview

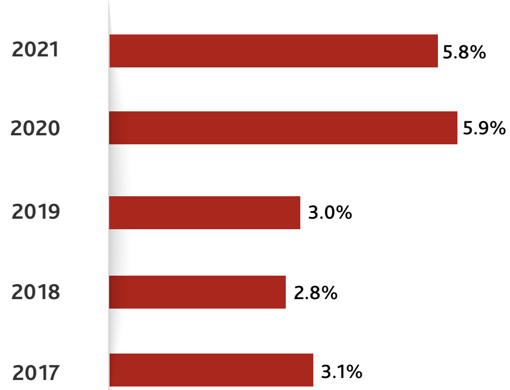
GDP Growth



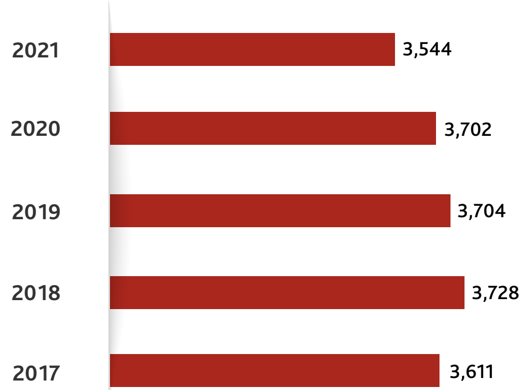
Average 91-day T-Bill



Annual Average Inflation



Exchange Rate to USD/UShs



Source: BoU

*World Bank

Board of Directors


Azim Kassam
Chairman


Shaffiq Dharamshi
Vice-Chairman


Dalal Murtuzaali
Director


Nasim Devji
Director


Jane Kabbale
Director


Kenneth Kitariko
Director


Varghese Thambi
Managing Director


Mbabazi Emejeit
Executive Director & Company Secretary


Maina Kariuki
Executive Director

OPERATING ENVIRONMENT AND PERFORMANCE HIGHLIGHTS AT A GLANCE (CONTINUED)

DIAMOND TRUST BANK BURUNDI LIMITED

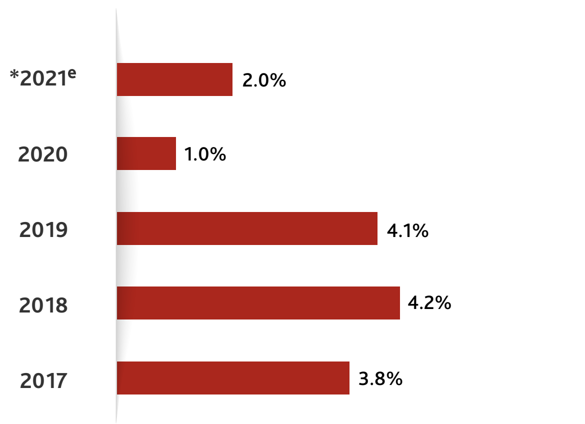
Performance Highlights (December 2021)

	KShs million
Total Revenue	452
Total Deposits	2,095
Total Assets	4,200
PBT	155

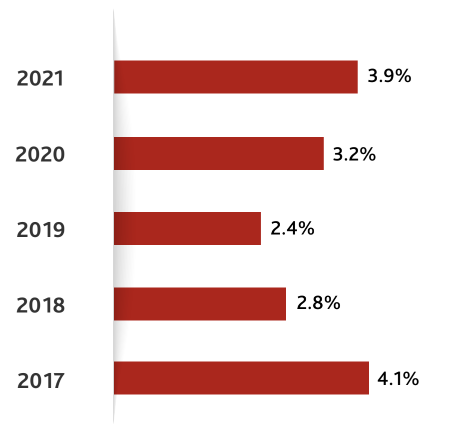
Customers	3,037
Employees	46
Branches	4

Economic Overview

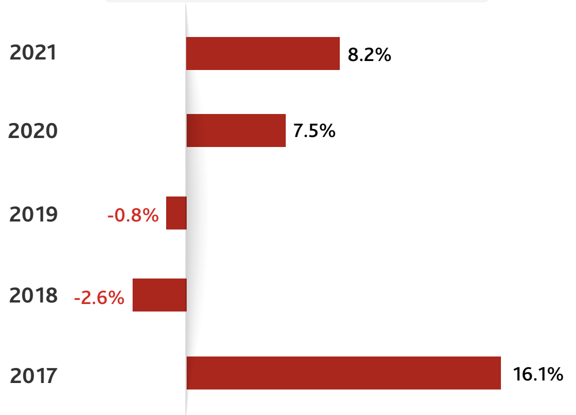
GDP Growth



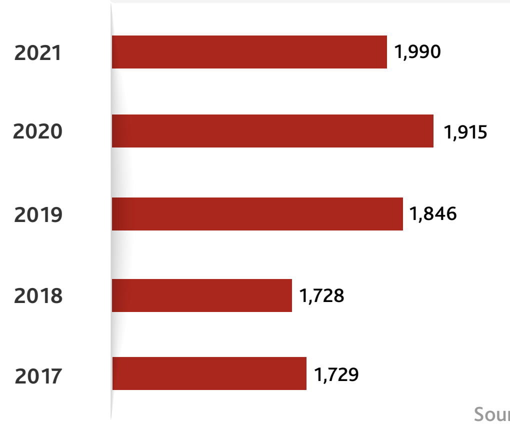
Average 91-day T-Bill



Annual Average Inflation



Exchange Rate to USD/BIF



Source: BRB
*World Bank

Board of Directors


Shaffiq Jiwani
Chairman


Nasim Devji
Director


Alkarim Jiwa
Director


Xavier Lucas
Director


Jamaludin Shamji
Director


Ida Marie Mabushi
Managing Director

'The last 2 years have been quite something! My flower sales dropped significantly as most customers prioritised essential commodities. DTB understood my business challenge and restructured my loan facility. This accommodation enabled me to reposition my business and tap into new markets. I was able to pay my employees and provide for my newborn.'

Jessica
Florist

Care

CHAIRMAN'S REFLECTIONS

'We look forward to marching ahead with conviction, renewed hope and confidence as we chalk out the roadmap to fulfilling our core purpose: contributing to the improvement in the quality of lives of our stakeholders – those that we work with (our people) and those that we serve (our customers and the wider community we operate in).'

Linus Gitahi, Chairman

The tide of global events experienced in the last two years, first with the outbreak of-and ongoing recovery from- the COVID-19 pandemic and, more recently, with the unfolding crisis in Ukraine, are having far- reaching repercussions on lives and livelihoods across the World. Whilst the mid- to long-term effects of the ongoing events in Ukraine are still to be assessed, the immediate impact of price surges of, and supply restrictions on, essential commodities is dampening the growth momentum and prolonging recovery prospects of economies in a post-pandemic World.

Crises test the characters of men and resilience of organisations. In this connection, DTB's resilience and the rigour of those we work with have been tested by the events of the past two years. The Board is satisfied that DTB has acquitted itself well in this respect. We look forward to marching ahead with conviction, renewed hope and confidence as we chalk out the roadmap to fulfilling our core purpose: contributing to the improvement in the quality of lives of our stakeholders – those that we work with (our people) and those that we serve (our customers and the wider community we operate in).

Culture of Compliance

We recognise that our long-term sustainability and resilience as an institution is the product of not only successfully executing our business strategy, but also, importantly, of building a strong foundation of compliance excellence. At DTB, achieving compliance excellence is not just a passion, but an obsession. Embedding a culture of compliance speaks to the heart of banking, given the strong correlation it has in engendering trust between banks and their various stakeholders: customers, regulators, investors etc. Over the years, your Bank has invested significantly in equipping our employees with the necessary skills, processes and systems so that compliance excellence becomes an integral part of everything we do. In benchmarking our key risk management frameworks to global best practice, we believe that today DTB is in a strong position to take the lead in compliance excellence, augmenting our capability to deliver rapid growth and transformation of our business in the years ahead.

Paving Our Future Direction

As we sunset *DTB Vision 2020*, DTB Group's strategic blueprint that propelled our positioning as a Tier 1 bank in East Africa, we have embarked on the development of a new 10-year business growth strategy covering the period 2022 to 2031.

The strategy aspires to pivot DTB as a customer-centric, top tier digitally- driven bank in East Africa, catering to its diverse customer segments: SMEs, local corporates and retail. Central to this strategy is the desire to remain relevant in all the markets DTB is present, given the widening competitor landscape and an increasingly complex and disruptive market- place.

The key imperatives underpinning the business growth strategy are:

- Sustain and build on DTB's market position as a Tier I bank, with the deposit-driven growth and focus that the bank has been pursuing over the past 10 years, continuing to be a key focus area.
- Leverage DTB's existing brand strength and business model to rapidly scale up and grow its customer base, across all segments, through DTB's banking and non-banking value propositions.
- Ramp up DTB's digital transformation agenda so that we become digital to the core. This will involve shaping new customer journeys and developing digital- first,

CHAIRMAN'S REFLECTIONS (CONTINUED)

customer-centric value propositions - offering business value, convenience and solutions that both address and anticipate customer needs.
- Develop partnerships and distinctive ecosystems with consumer technology companies, fintechs, e-commerce players, participants in key sectors such as health, education, agro, etc. to jump start access to and acquisition of customers on a massive scale.
- Become a thought-leader and lead practitioner in the area of Environmental, Social and Governance (ESG) compliance.
- Pursue inorganic growth, through mergers and acquisitions, in both our home markets in East Africa as well as new markets in sub- Saharan Africa, subject to identification and evaluation of high potential, viable opportunities and targets.

To achieve these strategic aspirations, DTB is investing significantly, from 2022, in the following strategic enablers:
- High impact brand campaigns, across media channels, reinforcing DTB's positioning as a top-tier bank, serving diverse customer segments.
- Digitally literate talent pool through new recruitments, re-skilling of existing employee complement and retention of workforce.
- Augment the capacity of the sales force team through an unprecedented number of new hires dedicated to new customer acquisition as well as introduction of new sales tools and techniques.
- Agile digital platforms, technology and cyber security assets, data and analytics infrastructure, business process automation, etc.
- Branch expansion, providing physical access to existing and prospective customers in key locations DTB is not present in as well as branch transformation through which the role of branches evolves beyond transaction processing to offering 'in person' advisory, sales and service. In terms of the branch footprint, DTB Kenya is looking at opening at least 20 new branches this year and another 20 branches by 2024 expanding our network size to over one hundred branches in Kenya, and nearly two hundred branches in East Africa.
- Continuous product evolvement by refreshing existing products and services and tailoring new solutions that anticipate and respond to our customers' changing behavioural patterns and preferences.

Dividends

As Shareholders go through the 2021 Integrated Report and Financial Statements, it will be noted that as it navigated through the adverse effects of-and elevated risks associated with-the pandemic, your Bank registered achievements in a number of areas. DTB Group's financial performance improved, relative to the previous year, as a testimony to its underlying resilience, solid brand equity, established market presence and loyal customer base built over the years. In recognition of DTB's improving returns and inherent strength, your Board is pleased to announce a resumption in dividend payments. For the financial year 2021, your Board has proposed a dividend of KShs 3.00 per share, reflecting a payout ratio of 22%, the highest in over 10 years. We anticipate that dividend payouts will progressively increase in the years ahead as we continue to realise our aspirations to pivot DTB as a top-tier digitally driven Bank in East Africa. In this connection, your Board will continue to be deliberate about achieving an equitable balance between rewarding shareholders and conserving capital to fund the significant investment and expansion plans being chalked out to realise these ambitious growth expectations.

Appreciation

During the year, Jeremy Ngunze joined the Board as an independent, non-executive member. Jeremy brings a wealth of valuable knowledge and experience, having held senior executive roles for several years. Jeremy took over as Chair of the Banks' Board Credit Committee (BCC) from Jamaludin Shamji who had served as the Committee's Chair for eight years. On behalf of the Board, I thank Jamaludin for steering the BCC over this period of time and look forward to his continuing contribution as a member of BCC and other board committees.

I would also like to appreciate my colleagues on the Board, as well as the Chairs and Members of the Boards of DTB Kenya's subsidiaries for the time, knowledge, counsel and support they provide to the DTB Group.

The Board members join me in recognising the over 2,100 DTB employees working in Kenya, Tanzania, Uganda and Burundi, under the leadership of our Group Chief Executive Officer and Managing Director, Ms. Nasim Devji. It is their consistent, dedicated and loyal service, delivered every day and underpinned by a strong work and an admirable service ethic, that distinguishes DTB as a leading, responsive and reliable banking partner in the region.

To our loyal shareholders, *asante sana*, for the confidence and support that you continue to exhibit in DTB. In return, we pledge to continue exercising the fiduciary responsibility you have bestowed upon us by delivering not only a sustained value on your investment, but also ensure that DTB continues to make an impact as a responsible, caring, ethical and long- term corporate citizen of East Africa.

TAFAKARI YA MWENYE KITI

Katika kipindi cha miaka miwili iliyopita tumeshuhudia wimbi la matukio ya kimataifa, kwanza, kuzuka kwa =- =na ahueni inayoendelea dhidi ya janga la Uviko-19 na, hivi karibuni zaidi, mzozo unaoendelea nchini Ukraine, yote haya yana athari kubwa kwa maisha na riziki duniani kote. Ingawa athari za kati hadi za muda mrefu za matukio yanayoendelea nchini Ukraine bado zinapaswa kutathminiwa, athari za haraka za kupanda kwa bei, na vikwazo vya usambazaji wa bidhaa muhimu hupunguza kasi ya ukuaji na kuongeza muda wa matarajio ya kurejesha uchumi katika Ulimwengu wa baada ya janga.

Migogoro hujaribu tabia za watu na uimara wa mashirika. Uthabiti wa DTB na uimara wa wale tunaofanya nao kazi umejaribiwa na matukio katika miaka miwili iliyopita. Bodi imeridhika kwamba DTB imekuwa huru katika suala hili. Tunatazamia kusonga mbele kwa imani, matumaini mapya na ujasiri tunapoandaa dira ya kutimiza lengo letu kuu: kuchangia katika kuboresha maisha ya wadau wetu: wale ambao tunafanya nao kazi na wale ambao tunawahudumia.

Utamaduni wa Kuzingatia

Tunatambua kwamba uendelevu na uthabiti wa taasisi yetu kwa muda mrefu ni zao la sio tu kutekeleza kwa ufanisi mkakati wetu wa kibiashara, lakini pia, muhimu zaidi, kujenga msingi thabiti wa uzingatiaji ubora. Hapa DTB, kufikia ubora tuliojiwekea ni zaidi ya shauku. Tunatambua kwamba uendelevu na uthabiti wa taasisi yetu kwa muda mrefu ni zao la sio tu kutekeleza kwa ufanisi mkakati wetu wa kibiashara, lakini pia, muhimu zaidi, kujenga msingi thabiti wa uzingatiaji ubora. Hapa DTB, kufikia ubora tuliojiwekea ni zaidi ya shauku. Kuambatanisha utamaduni wa kufuata taratibu ni muhimu katika shughuli za kibenki, kwani una uwiano mkubwa katika kujenga uaminifu kati ya benki na wadau mbalimbali kama vile: wateja, wadhibiti, wawekezaji n.k. Kwa miaka mingi, benki yako imewekeza kwa kiasi kikubwa katika kuwawezesha wafanyakazi wetu na ujuzi muhimu, taratibu na mifumo ili kwamba uzingatiaji wa ubora uwe sehemu muhimu ya kila tunachofanya. Ukiangazia mifumo yetu ya usimamizi wa hatari na utendaji bora wa kimataifa, tunaamini kwamba DTB leo iko katika nafasi nzuri ya kuongoza katika ubora, na kuongeza uwezo wetu wa kuleta ukuaji wa haraka na mabadiliko ya biashara yetu miaka ijayo.

Mwelekeo Wetu wa Siku Zijazo

Tunapo kamilisha Dira ya DTB 2020, mwongozo wa kimkakati wa DTB Group ambao uliendeleza nafasi yetu kama benki ya Daraja la kwanza Afrika Mashariki, tumeanza kutengeneza mkakati mpya wa ukuaji wa biashara wa miaka 10 unaojumuisha kipindi cha 2022 hadi 2031.

Mkakati huu unalenga kugeuza DTB kama benki inayoweka mteja katikati na ya daraja la juu, inayoendeshwa kidijitali katika Afrika Mashariki, inayohudumia makundi mbalimbali ya wateja wake yaani: Biashara ndogo na za kati, makampuni ya ndani na makampuni ya rejareja. Kiini katika mkakati huu ni shauku ya kuendelea na masoko yote ambayo DTB ipo, ikizingatia kupanuka kwa mazingira ya ushindani na soko kuzidi kuwa tata na lenye changamoto.

Mambo muhimu ya msingi katika mkakati wa ukuaji wa biashara ni:

- Kudumisha na kujenga juu ya nafasi ya soko la DTB kama benki ya daraja la kwanza, kwa ukuaji unaotokana na amana na mazingatio ambayo benki imekuwa ikifuata kwa muda wa miaka 10 iliyopita, itaendelea kuwa eneo kuu la kuzingatia.
- Kuboresha nguvu iliyopo ya chapa ya DTB na modeli ya biashara ili kuongeza kasi na kukuza msingi wa wateja, katika sehemu zote, kupitia mapendekezo ya benki na yasiyo ya benki ya DTB.
- Kuboresha ajenda ya mabadiliko ya kidijitali ya DTB na kuifanya kuwa msingi wetu. Hii itahusisha kubuni mlolongo mpya kwa wateja, na kutengeneza pendekezo la thamani kwa mteja; Dijitali-kwanza - kuongeza thamani kwa biashara, urahisi na masuluhisho yanayoshughulikia mahitaji ya wateja ya sasa na baaadae.
- Kuendeleza ushirikiano na mifumo ikolojia mahususi na kampuni zinazotumia teknolojia kuhudumia wateja, fintechs, biashara za mtandaoni, washiriki katika sekta muhimu kama vile afya, elimu, kilimo, n.k. ili kuanza kufikia na kupata wateja kwa kiwango kikubwa.
- Kuwa kiongozi wa fikra na mtendaji mkuu katika maeneo yahusianayo na ESG (Mazingira, Jamii na Utawala).
- Kuendeleza ukuaji, kupitia kuungana na ununuzi katika soko letu la ndani (Afrika Mashariki), vilevile masoko mapya kusini mwa Jangwa la Sahara, kwa kuzingatia kutambuliwa na kutathminiwa kwa uwezo wa juu, fursa na shabaha zinazowezekana.

Ili kufikia matarajio haya ya kimkakati, DTB inawekeza kwa kiasi kikubwa, kuanzia 2022, katika viwezeshaji vya kimkakati vifuatavyo:

- Kampeni za chapa zenye matokeo makubwa, kupitia idhaa mbalimbali za media, zikiimarisha nafasi ya DTB kama benki ya daraja la kwanza, inayohudumia makundi mbalimbali ya wateja.
- Rasilimali watu wenye ufahamu juu ya dijititali kupitia uajiri mpya, mafunzo kwa wafanyakazi waliopo na pia ubakizi wa wafanyakazi.
- Kuongeza uwezo kwa timu ya mauzo kupitia uajiri mkubwa utakaozingatia upatikanaji wa wateja wapya, vilevile kuanzisha zana na mbinu mpya za mauzo.
- Majukwaa mahiri ya kidijitali, teknolojia na rasilimali za usalama mtandaoni, miundombinu ya taarifa na uchanganuzi, mchakato wa biashara unaojiendesha n.k.
- Upanuzi wa matawi unaotoa ufikiaji wa moja kwa moja kwa wateja waliopo na wanaotarajiwa katika maeneo muhimu ambayo bado DTB haijafika, vilevile kufanya mabadiliko ya tawi kutoka katika jukumu la kukamilisha miamala pekee hadi kutoa ushauri, mauzo na huduma 'ana kwa ana'. Kwa upande wa matawi, DTB Kenya inatazamia kufungua angalau matawi 20 mapya mwaka huu na matawi mengine 20 ifikapo 2024 kupanua ukubwa wa mtandao wetu hadi zaidi ya matawi mia moja, nchini Kenya, na matawi takriban mia mbili katika Afrika Mashariki.
- Uboreshaji endelevu wa bidhaa kwa kuwezesha bidhaa na huduma zilizopo, vilevile kutayarisha masuluhisho mapya yanayotarajia na kuitikia mabadiliko ya tabia na mapendeleo ya wateja wetu.

TAFAKARI YA MWENYE KITI (CONTINUED)

Gawio

Wanahisa wanapopitia Ripoti Jumuishi ya Taarifa za Fedha 2021, watafahamu kuwa tulipokuwa tukipitia athari mbaya za - na hatari kubwa zinazohusiana na - janga, Benki yako ilifanikiwa kupata mafanikio katika maeneo kadhaa. Utendaji wa kifedha wa DTB Group umeboreshwa, ikilinganishwa na mwaka uliopita, kama kiashiria cha uthabiti, uimara wa chapa, na uwepo thabiti sokoni, pamoja na uwepo wa wateja waaminifu tuliowapata ndani ya muda mrefu. Kwa kutambua maboresho katika mapato ya DTB, Bodi yako ina furaha kutangaza kurejesha malipo ya gawio. Kwa mwaka wa kifedha wa 2021, Bodi yako imependekeza mgao wa faida wa KShs 3.00 kwa kila hisa, inayoangazia uwiano wa malipo wa 22%, ambao ni wa juu zaidi ndani ya zaidi ya miaka 10. Tunatazamia kwamba malipo ya gawio yataongezeka hatua kwa hatua katika miaka ijayo tunapoendelea kutimiza matarajio yetu ya kuweka DTB kama Benki ya daraja la kwanza inayoendeshwa kidijitali, Afrika Mashariki. Kuhusiana na hili, Bodi yako itaendelea kwa maksudi katika kufikia uwiano sawa kati ya gawio kwa wanahisa na kuhifadhi mtaji ili kufadhili uwekezaji mkubwa na mipango ya upanuzi ili kufikia matarajio haya makubwa ya ukuaji.

Shukrani

Katika mwaka huu, Jeremy Ngunze alijiunga na Bodi kama mjumbe huru na asiye mtendaji. Jeremy amechangia maarifa muhimu na uzoefu, akiwa ameshikilia majukumu ya mtendaji mkuu kwa miaka kadhaa. Jeremy alichukua nafasi ya Mwenyekiti wa Kamati ya Mikopo ya Bodi ya Benki (BCC) kutoka kwa Jamaludin Shamji ambaye alihudumu kama Mwenyekiti wa Kamati hiyo kwa miaka nane. Kwa niaba ya Bodi, ninamshukuru Jamaludin kwa kuongoza BCC katika kipindi hiki cha muda na ninatazamia kuendelea kwa mchango wake kama mjumbe wa BCC na kamati nyingine za bodi.

Pia ningependa kuwashukuru wanabodi wenzangu, wenyeviti pamoja na wajumbe wa Bodi za kampuni tanzu za DTB Kenya kwa muda, ujuzi, ushauri na usaidizi wanaotoa kwa DTB Group.

Wajumbe wa Bodi wanaungana nami katika kutambua wafanyakazi wa DTB zaidi ya 2,100 wanaofanya kazi nchini Kenya, Tanzania, Uganda na Burundi, chini ya uongozi wa Afisa Mkuu Mtendaji na Mkurugenzi Mkuu, DTB Group, Bi. Nasim Devji. Ni huduma thabiti, kujitolea na uaminifu wanaoonyesha kila siku, ulioambatana na utendaji kazi thabiti, ambao hutofautisha DTB kama mshirika mkuu, msikivu na anayetegemewa katika eneo hili.

Kwa wanahisa wetu waaminifu, asanteni sana, kwa imani mnayoionyesha na kuunga mkono DTB. Tunaahidi kuendelea kutekeleza wajibu mliotupatia kwa uaminifu, kutoa na kuwapatia sio tu thamani endelevu kwenye uwekezaji wenu, lakini pia kuhakikisha kuwa DTB inaendelea kuleta matokeo chanya ya muda mrefu Afrika mashariki kama taasisi raia anayewajibika, anayejali, na mwenye maadili.

MANAGING DIRECTOR'S REFLECTIONS

'We believe that the resilience, strong foundation, existing capabilities and new competencies that we acquire will position DTB in a sweet takeoff spot to become a customer-centric, top-tier digitally-driven bank in East Africa.'

Nasim Devji,
Managing Director and
Group Chief Executive Officer

Re-Imagining Our Future in A Post- Pandemic World

As we look forward to the post- pandemic World, we express admiration for the way in which our customers have, in the main, emerged stronger and more resilient. They also continue to show the adaptability, agility and capability to resume a strong growth trajectory, post-crisis. Their story of successfully navigating through the pandemic and pivoting their aspirations and ventures to not just survive, but thrive, in a post-pandemic World resonates with that of DTB.

Over the last two years, as we have focused on building and leveraging on our resilience, we have also stayed true to our purpose: ensuring the safety of our employees and financial wellbeing of our customers. Looking ahead, we believe that the resilience, strong foundation, existing capabilities and new competencies that we acquire will position DTB in a sweet takeoff spot to become a customer-centric, top-tier digitally-driven bank in East Africa.

Enriching Customer Experiences

Our relentless quest to delight our customers through enriched experiences and convenience continued in 2021. DTB's *m24/7* mobile banking app continues to draw strong, positive feedback from customers given the unique value additions we continue to offer through this channel. For example, today, our mobile banking customers can initiate and complete a number of (previously in- branch) banking / transactional activities on a self- service basis. Many of these self- service features, such as the booking of fixed deposits and settlement of credit card dues from DTB accounts, were built after listening to the feedback from our customers. We also continue to enhance the security features on the *m24/7* app to provide safeguards to our customers.

As part of our inclusivity and increased access agenda, we have identified a number of initiatives and features to improve the experiences and accessibility by our customers with disabilities. In this regard, in 2021, we rolled out a feature on our website to assist visually-impaired customers and other stakeholders have a better browsing experience. A number of other initiatives are being planned in 2022 to enrich the experiences and increase accessibility for our customers and other persons with disabilities.

MANAGING DIRECTOR'S REFLECTIONS (CONTINUED)

Looking East

Over time, DTB has acquired a noteworthy Chinese customer base in Kenya. To cement our position and take advantage of the growing business opportunities in this space, in 2021, we launched a dedicated China Coverage Desk in Kenya, with plans to expand it to Uganda and Tanzania in 2022. This Desk will benefit from the growing presence in China of our affiliate, Habib Bank Limited (HBL), which operates two branches- in Beijing and Urumchi. Our ties with HBL ensure that we can now be a one-stop solution for handling RMB remittances and other services for our Chinese customers. We look forward to fostering this partnership and playing our role in intermediating the growing business opportunities between Kenya and China.

Ensuring A Sustainable Future Beyond Banking

Under the aegis of the Aga Khan Development Network's Environment and Climate Change Initiative, we continue to look for ways in doing more than our fair share in pushing the sustainability agenda, which is gaining increasing prominence in East Africa. In this connection, we recognise and commend the proactive steps taken by various regulators, such as the Central Bank of Kenya and the Nairobi Securities Exchange for issuing guidelines which set the benchmark for ESG (and Climate Risk Management) compliance excellence.

DTB has long been committed to the sustainability agenda, as evidenced by the various initiatives and programmes supported year-on-year which align to the United Nations' (UN) Sustainable Development Goals (SDGs). These have been reported in the Sustainability Review section of DTB's annual Integrated Reports of recent years. In 2021, we solidified our commitment to this agenda by enrolling as a participant of the UN Global Compact, joining thousands of leading companies across the world that have committed to advance the principles of responsible and sustainable business. DTB supports the ten principles focusing on environment, human rights, labour and anti-corruption. As a testimony to this commitment, the sustainability review section of this Report details the various initiatives we have taken just in the past year, covering 11 out of the 17 UN SDGs. As the ESG space becomes more mature and gains a foothold in this part of the world, DTB is committed to becoming a thought-leader and lead practitioner in ESG compliance excellence. This will be achieved by providing customers and stakeholders with solutions to promote ESG practices and support the communities we operate in by assisting them in taking measures to protect the environment and promote climate risk management. Simultaneously, we commit to playing our roles in environmental impact reduction, with the aim of net-zero carbon emissions across the Group's network by the year 2030.

Appreciation

As we forge ahead in our journey to make DTB a relevant, responsible and purpose-driven corporate citizen of East Africa, I turn to all the employees of DTB Group and express my heartfelt thanks to them for the commitment, passion, energy and ethic they bring to DTB each day. Our collective efforts will play an instrumental role in DTB realising its aspirations for all these stakeholders to **achieve more** – the theme of this year's Integrated Report.

I would also like to appreciate the Chairman, Vice-Chairman and members of the Board for their continued wisdom, counsel and support.

A special thank you to our primary regulator, the Central Bank of Kenya, and all other regulators, including those who regulate our subsidiary businesses across East Africa, for their support and guidance.

Our customers continue to repose their trust in us, and we extend our sincerest gratitude to them for their loyalty and support.

We wish to thank our shareholders for their confidence. We look forward to delivering on our mandate to have a meaningful and lasting impact on the quality of lives of our customer and the broader community we are a part of.

TAFAKARI YA MKURUGENZI MTENDAJI

Kutafakari Mustakabali Wetu Katika Ulimwengu wa Baada ya Janga

Tunapotazamia Ulimwengu wa baada ya janga, tunaelezea kufurahishwa na jinsi wateja wetu walivyoibuka wenye nguvu na ustahimilivu zaidi. Vilevile kuendelea kuonyesha uwezo wa kubadilika, wepesi na uwezo wa kuanza upya kufuata mwelekeo thabiti wa ukuaji baada ya mgogoro. Hadithi yao ya kuelekeza matamanio yao wakati wa janga hili kwa mafanikio unafanana na ule wa DTB, sio tu wa kuendelea kuwepo bali kustawi katika Ulimwengu wa baada ya janga. Kwa muda wa miaka miwili iliyopita, tuliangazia kujenga na kutumia uwezo wetu wa kustahimili, vilevile kuendelea kuwa waaminifu kwenye kusudi letu: kuhakikisha usalama wa wafanyakazi wetu na ustawi wa kifedha wa wateja wetu. Tukitazamia wakati ujao, tunaamini kwamba uthabiti, msingi imara, uwezo uliopo na ujuzi mpya tunaopata utaiweka DTB katika nafasi nzuri ya kuwa benki inayoweka mteja katikati na ya daraja la juu inayoendeshwa kidijitali Afrika Mashariki.

Kuboresha Matumizi ya Huduma Kwa Wateja

Azma yetu ya kufurahisha wateja wetu kupitia utoaji huduma ulioboreshwa na rahisi uliendelea ndani ya mwaka 2021. Programu ya simu ya DTB m24/7 inaendelea kupata maoni mazuri na chanya kutoka kwa wateja wetu kutokana na nyongeza ya kipekee ya thamani tunayoendelea kuwapatia wateja wetu kupitia programu hii. Kwa mfano, leo hii, wateja wetu kwa kutumia Programu hii ya simu wanaweza kuanzisha na kukamilisha shughuli mbalimbali kwa kujihudumia mwenyewe (ambazo kimsingi hapo awali zilikuwa mpaka afike kwenye tawi). Vipengele vingi vinavyowezesha kujihudumia, kama vile nafasi ya kuweka amana ya kudumu na malipo ya ada ya kadi za mkopo (credit card), viliundwa baada ya kusikiliza maoni kutoka kwa wateja wetu. Pia tunaendelea kuboresha vipengele vya usalama kwenye programu ya m24/7 ili kutoa ulinzi thabiti kwa wateja wetu.

Ikiwa ni sehemu ya ajenda yetu ya ushirikishwaji na ufikiaji, tumebainisha mipango na vipengele kadhaa ili kuboresha matumizi ya huduma kwa wateja wetu wenye ulemavu. Kuhusiana na hili, mnamo mwaka 2021, tulizindua kipengele kwenye tovuti yetu ili kuwasaidia wateja wenye matatizo ya kuona na wadau wengine kutumia huduma zetu kwa urahidi zaidi. Mipango mingine mingi inapangwa mwaka wa 2022 ili kuboresha matumizi ya huduma na kuongeza ufikiaji kwa wateja wetu na watu wengine wenye ulemavu.

Kuangalia Mashariki

Baada ya muda, DTB imejipatia wateja wa kichina nchini Kenya. Ili kuimarisha msimamo wetu na kunufaika na fursa zinazoongezeka za biashara katika nafasi hii, mwaka wa 2021, tulizindua dawati maalum la China Coverage Desk nchini Kenya, tukiwa na mipango ya kulipanua hadi Uganda na Tanzania mwaka wa 2022. Dawati hili litanufaika kutokana na ongezeko la uwepo wa kampuni mshirika nchini Uchina, Habib Bank Limited (HBL), ambayo inaendesha matawi mawili - huko Beijing na Urumchi. Uhusiano wetu na HBL unahakikisha kwamba sasa tunaweza kuwa suluhisho la wakati mmoja kwa kushughulikia pesa zinazotumwa kupitia RMB, na huduma zingine kwa wateja wetu wa China. Tunatazamia kukuza ushirikiano huu na kutekeleza jukumu letu katika upatanishi wa fursa za biashara zinazoongezeka kati ya Kenya na Uchina.

Kuhakikisha Mustakabali Endelevu Zaidi ya Kubenki

Chini ya mwelekeo wa Mpango wa Mazingira na Mabadiliko ya Tabianchi wa Mtandao wa Maendeleo wa Aga Khan, tunaendelea kutafuta njia za kufanya zaidi katika kuunga mkono ajenda ya uendelevu, ambayo inazidi kupata umaarufu katika Afrika Mashariki. Kuhusiana na hili, tunatambua na kupongeza hatua madhubuti zilizochukuliwa na wadhibiti mbalimbali, kama vile Benki Kuu ya Kenya na Soko la Hisa la Nairobi kwa kutoa miongozo ya viwango kwa ajili ya Mazingira, Jamii na Utawala (ESG) (na Usimamizi wa Hatari ya Hali ya Hewa).
DTB kwa muda mrefu imejitolea katika ajenda ya uendelevu, kama inavyothibitishwa na mipango na programu mbalimbali kila mwaka zinazofungamana na malengo ya Maendeleo Endelevu ya Umoja wa Mataifa. Haya yameripotiwa katika ripoti jumuishi ya DTB ya kila mwaka ya miaka ya hivi karibuni katika sehemu ya Mapitio ya Uendelevu. Mwaka 2021, tuliimarisha dhamira yetu katika ajenda hii kwa kujiandikisha kama washirika wa Umoja wa Mataifa, na kuungana na maelfu ya makampuni maarufu duniani kote ambayo yamejitolea kuendeleza kanuni za biashara inayowajibika na kuzingatia uendelevu. DTB inaunga mkono kanuni kumi zinazozingatia mazingira, haki za binadamu, kazi na kupambana na rushwa. Kama ushuhuda wa dhamira hii, sehemu ya mapitio ya uendelevu katika Ripoti inaeleza kuhusu mipango mbalimbali tulioifanya mwaka uliopita, ikijumuisha 11 kati ya 17 ya malengo ya maendeleo endelevu ya Umoja wa Mataifa. Kadiri nafasi ya ESG (Mazingira, Jamii na Utawala) inavyozidi kukomaa na kushika kasi katika sehemu hii ya dunia, DTB imejitolea kuwa kiongozi wa fikra na mtendaji katika kufuata kanuni hizo kwa ubora. Hili litafikiwa kwa kuwawezesha wateja na wadau mbalimbali kukuza mazoea ya kufuata viwango vya mazingira, jamii na utawala (ESG) na kusaidia jamii tunazofanyia kazi kwa kuzisaidia kuchukua hatua za kulinda mazingira na kukuza udhibiti wa hatari ya mabadiliko ya tabianchi. Wakati huo huo, tunajitolea kutekeleza majukumu yetu katika kupunguza athari za mazingira, na lengo la kutoa kaboni hewa isiyozidi sifuri katika mtandao wetu kufikia mwaka wa 2030.

TAFAKARI YA MKURUGENZI MTENDAJI (CONTINUED)

Shukrani

Tunaposonga mbele katika safari yetu ya kuifanya DTB kuwa shirika linalowajibika Afrika Mashariki, ninawashukuru wafanyakazi wote wa DTB Group kwa kujitolea, ari, nguvu na maadili kwa DTB kila siku. Juhudi zetu za pamoja ni muhimu kwa DTB kutimiza matarajio yake kwa wadau wote - ***kufanikiwa zaidi*** - mada ya Ripoti Jumuishi ya mwaka huu.

Vilevile, napenda kumshukuru Mwenyekiti, Makamu Mwenyekiti na wajumbe wa Bodi kwa kuendelea kuwa na busara, ushauri na msaada.

Shukrani za kipekee kwa mdhibiti wetu, Benki Kuu ya Kenya, na wathibiti wengine wanaopanga biashara zetu Afrika Mashariki kwa msaada na muongozo wao.

Wateja wetu wanaendelea kuonyesha imani yao kwetu, nasi tunawashukuru kwa imani yao na kutuunga mkono.

Vilevile, tunapenda kuwashukuru wadau mbalimbali kwa imani yao juu yetu. Tunatazamia kutimiza jukumu letu la kuwa na matokeo makubwa na ya kudumu kwa ubora wa maisha ya mteja wetu na jamii kwa ujumla ambayo sisi ni sehemu yake.

FINANCE & STRATEGY DIRECTOR'S REFLECTIONS

"The growth strategy will be achieved through a rapid and significant scale up of DTB's customer and deposit base on the back of leveraging the existing business model, ramping up the digital transformation agenda, widening its branch and digital footprint and developing strategic partnerships and ecosystems."

Alkarim Jiwa
Finance & Strategy Director

Operating Environment

In 2021, the East African banking industry in 2021 continued to exhibit resilience in the face of the Covid-19 pandemic. The strong capital adequacy and liquidity levels built by banks in recent years provided sufficient buffers against the elevated credit risk environment. The East African economies are projected to have grown by an average of 4.1% in 2021 (source: African Development Bank), buoyed by the rebound from the pandemic crisis.

The impact of the unfolding crisis in Ukraine on the global economy and the markets the DTB Group operates is expected to have a significant bearing on mid-term to long-term growth prospects. The immediate economic impact has manifested in the form of a significant surge in prices across a wide range of commodities – energy, wheat, edible oils, construction materials etc., supply and associated logistics challenges, falling equity prices and weakening of currencies against the US Dollar. In Kenya and other markets the Group is present in, the risk of demand contraction, on the one hand, and inflationary pressures, on the other, are high compounding the fragile fiscal position of the East African economies.

Solid Growth

The Group's total assets grew by 7% in 2021, mainly attributed to an expansion in the loan book (6%) and investment in Government securities (14%). This was supported by a solid 11% growth in customer deposits, with current and saving accounts increasing by an impressive 15% during the year. The Groups pre-tax profit grew by 42%, compared to 2021, boosted by growth in funded and non-funded income and prudent cost management.

Operating Income
2021: KShs 27.4bn
2020: KShs 25.1bn

Profit before Income Tax
2021: KShs 6.6bn
2020: KShs 4.7bn

Total Capital
2021: KShs 68.3bn
2020: KShs 63.1bn

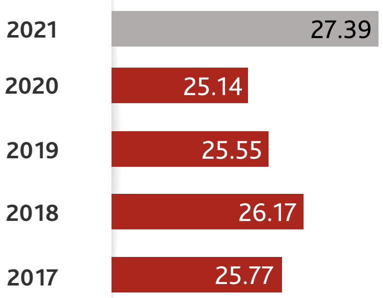
Dividend per Share
2021: KShs 3.0
2020: Nil

Cost of Risk
2021: 3.40%
2020: 3.40%

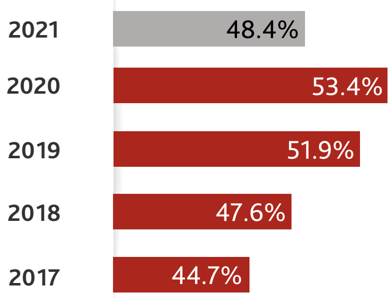
Total Assets
2021: KShs 456.8bn
2020: KShs 425.1bn

FINANCE & STRATEGY DIRECTOR'S REFLECTIONS (CONTINUED)

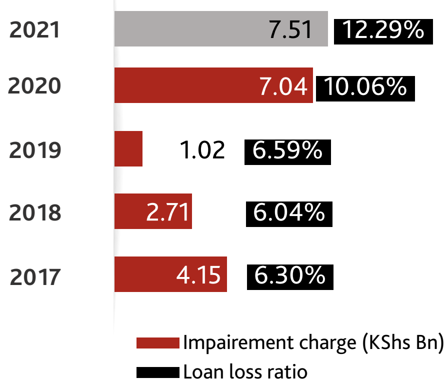
Revenue (KShs Bn)



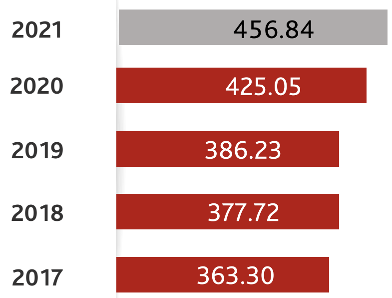
Cost to Income Ratio



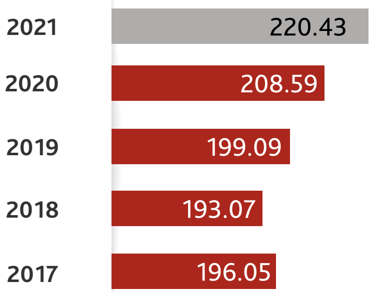
Provision (KShs Bn)



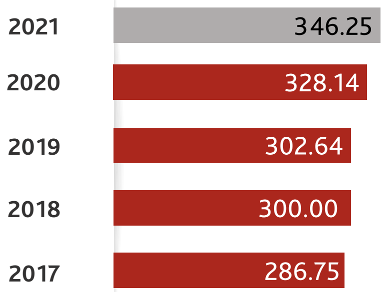
Assets (KShs Bn)



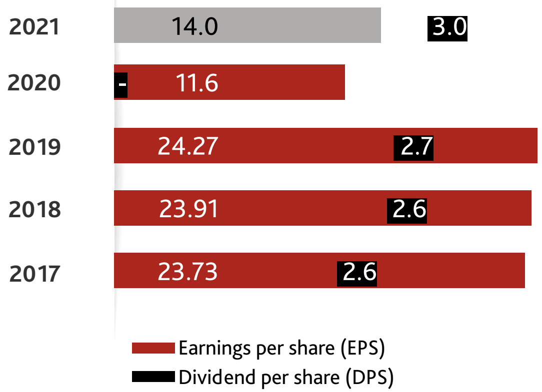
Net customer loans



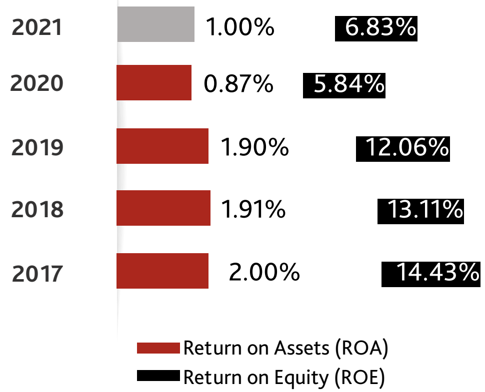
Deposits



EPS and DPS (KShs)



ROA and ROE



FINANCE & STRATEGY DIRECTOR'S REFLECTIONS (CONTINUED)

Asset Quality

The non-performing loans (NPL) ratio for the Group increased to 12.0% (10% in 2020) with the NPLs growing to KShs 29 billion from KShs 22 million in 2021 . The deterioration is attributed to a few large ticket exposures and is not a reflection of the overall quality of the Group's loan portfolio. The exposures are adequately secured by quality collaterals. The impairment charge in the year rose by 7% but the cost of risk remained at the level as 2020, at 3.4%

The Group will keep a keen eye on the credit portfolio to mitigate against uncontrolled growth in NPLs and provisioning, despite the lingering effects of the pandemic and expected aftermath of the Ukraine crisis.

Underlying Cost Growth Well Contained

The Group continued to maintain stringent cost management measures in the face of tight margins and growing loan impairment charges. The overall cost base contracted whilst absorbing the downstream effect of the ongoing investments in innovation and technology. The cost to income ratio declined from 49% in 2020 to 45% in 2021.

Capital and Liquidity Remain Strong

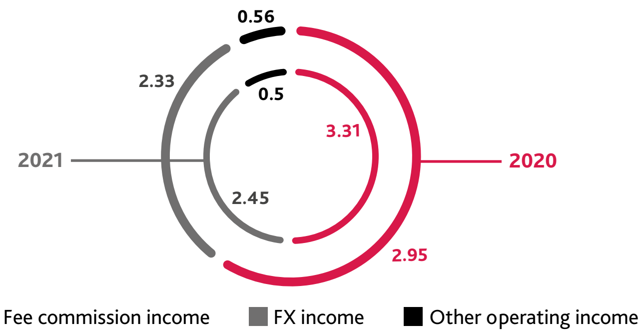
DTB's continues to maintain healthy buffers on its capital and liquidity ratios over the regulatory requirements. DTB Kenya's total capital adequacy ratio is at 21.2% compared to the minimum Board requirement of 16.0% and regulatory requirement of 14.5%. Based on this the board has recommended a first and final dividend of KShs 3.00 per share signifying the commitment of the Group to reward its shareholders

The liquidity position stood at 61.6 % in December 2021, against the regulatory limit of 20.0% and Board limit of 30.0%. All the banking subsidiaries of DTB Kenya also maintain more than adequate headroom over the regulatory and Board minimum capital adequacy and liquidity ratios.

Capital Adequacy Ratio (Total cap/ TRWA)	2021	Minimum Requirement Board	Minimum Requirement Regulatory	2020
Kenya	21.2%	16.0%	14.5%	21.8%
Tanzania	19.5%	14.5%	14.5%	21.6%
Uganda	27.8%	15.0%	12.0%	26.3%
Burundi	48.5%	15.5%	14.5%	58.9%

Core Non-Interest Income Growth Emerging

Overall fee income increased by 7%, year on year, and constituted 23% of total operating revenue a testimony to the groups expanding customer base, digital channels and strong performance in FX earnings.



Responsible Taxpayers

Our taxation expense increased by KShs 1.1 bn (94%) on account of higher taxable income and the restatement of the corporation tax rate in Kenya to 30% from 25% applicable in 2020. The effective tax rate increased to 33% in 2021 from 24% in 2020. We will continue to optimise the tax position of our commercial operations. 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

DTB Kenya is pursuing a business growth strategy which seeks to entrench the Bank's position as a customer-centric, top-tier digitally driven bank in Kenya and, through its banking subsidiaries, across East Africa. The growth strategy will be achieved through a rapid and significant scale up of its customer and deposit base on the back of leveraging the existing business model, ramping up the digital transformation agenda, widening its branch and digital footprint and developing strategic partnerships and ecosystems. The Group therefore expects growth in all the key parameters as DTB executes the strategy.

'With disrupted supply chains, we had difficulty sourcing raw materials. DTB understood our challenge and introduced us to one of their customers who was able to resolve our supply chain issues. Being able to fulfil our customers furniture orders and redecorate their living spaces makes me proud and thankful to DTB.'

Jackson
Interior Designer

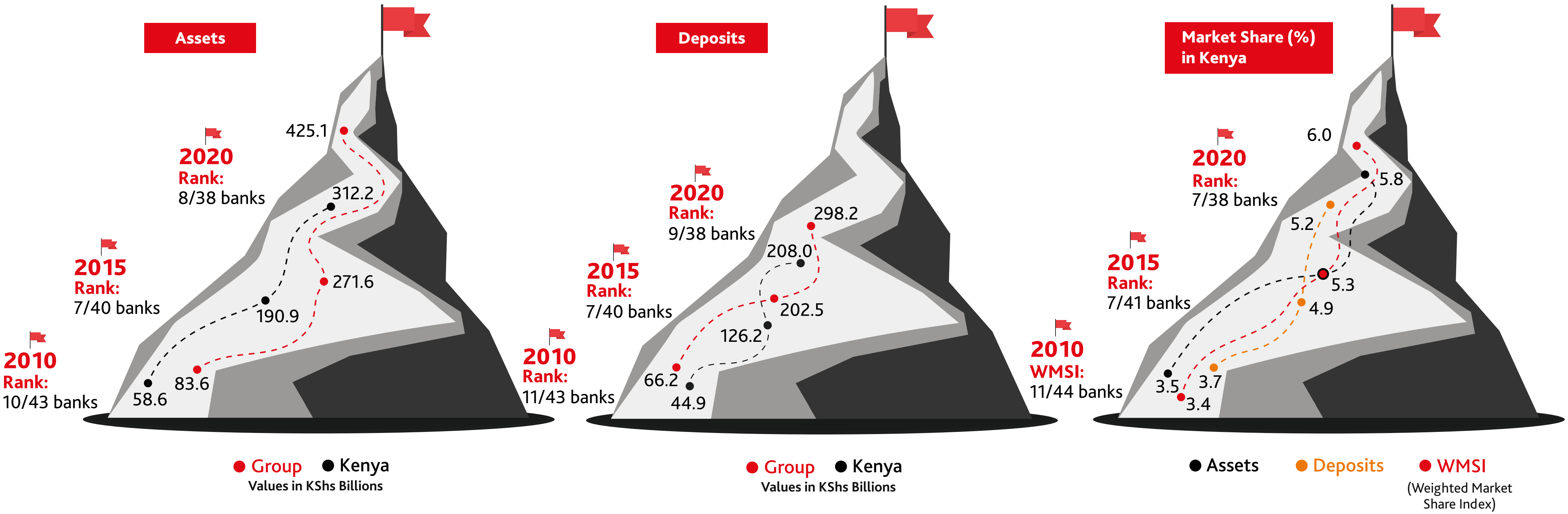
Connected

DTB BUSINESS GROWTH STRATEGY

DTB Vision 2020, the Group's 10-year strategic blueprint, developed in 2011, propelled DTB to become a leading tier one bank in East Africa.

It envisioned DTB as a 'one-bank, one-customer' omnichannel regional bank – providing seamless and consistent customer experience, across borders, through a multiplicity of channels–traditional (branches, agency banking, etc.) and also digital channels (enriched mobile banking and enhanced online banking platforms, cards, cash management solutions, digital branches, social media channels, etc.). *DTB Vision 2020* laid the foundation for the Group to expand its physical presence across the East African region.

DTB Vision 2020 targeted DTB to rank among the top tier banks by deposits with a **market share of over 5%.**



DTB BUSINESS GROWTH STRATEGY (CONTINUED)

The pandemic fundamentally altered behaviour patterns, both for our customers and the way we work, as well as our perspectives and growth aspirations. Moreover it impacted the banking industry's performance as well as the economy as a whole, accelerating a shift to a contact-less economy. This in mind, we proactively engaged in a strategy review, while ensuring consolidation as well as seamless continuity of our business operations. To guide the various stakeholders of DTB in developing the new growth strategy, we used the framework below to make strategic decisions:

Pre-COVID-19

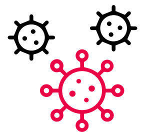
Delivering our aspirations for *DTB Vision 2020.*

Strategic Priorities:

- Rank among the top tier banks by deposits.
- Be a sustainable deposit-led bank (CASA).
- Play a leading role in transitioning economies to support economic development.
- Evolve to an omnichannel bank with a focus on the emergence of digital channels.

Enablers:

- Culture of service excellence.
- Investment in our employees.
- Branch network expansion.
- Inclusion of digital channels and evolution to an omnichannel customer offering.
- Investments in technology and innovation.
- Funding to grow.



During COVID-19

Consolidating our operations and building and leveraging on our resilience in the face of emerging risks emanating from the pandemic which broke out in March 2020.

Ensuring Resilience Through:

- Preservation of Capital & Liquidity.
- Enforcement of COVID-19 related protocols.
- Enhanced credit risk management.
- Cost optimisation.

Achieving Our Purpose by:

- Ensuring the safety and financial wellbeing of our customers.
- Ensuring good health and safety of our employees.
- Protecting the lives and livelihoods of the communities we operate in.

DTB DIAMOND TRUST BANK

Beyond COVID-19

A purpose-led ethos and a customer-centric business model where our focus is on ensuring that our propositions, distribution channels, market footprint, capabilities, mindsets and behaviours deliver on the needs of our customers.

Strategic Focus Areas:

- **Being relevant:** significant scale up of our customer base through focused acquisition of new customers and sales and cross sell to existing customers, all built on the promise of delivering excellent customer experiences.
- Being digital to the core.
- Ensuring operational excellence.
- Maintaining compliance excellence.

Strategic Capabilities:

- Investing in our people, ensuring that the workforce reflects the competencies and capacities required of an agile, relevant and digitally anchored 21st century financial intermediary player.
- Transforming branch operations to serve as advisory and service centres as well as expanding to new locations targeting the previously underserved.
- Introduction of contact-less payment solutions by delivering financial solutions and value added propositions, embedded on convenience, reliability and consistency to our customers.
- Building on high speed innovation and service delivery capabilities built on agile mindsets and workstyles.
- Enhancing partnerships and leveraging ecosystems to deliver impact across customer segments.

DTB BUSINESS GROWTH STRATEGY (CONTINUED)

Key elements of the business growth strategy:

To continue to grow and sustain our business, in an increasingly disruptive world, we have embarked on a business growth strategy that will anchor our position as a relevant and premier financial institution in East Africa, as we look towards the year 2022 and beyond.

Embed DTB's position as a responsible corporate citizen by adopting the ESG framework and principles in our business strategy and day to day operations and practices.

Pivot DTB to be a customer-centric, top-tier digitally driven bank in East Africa, anchoring the Group's position as a relevant financial services intermediary in all the markets it is present in.

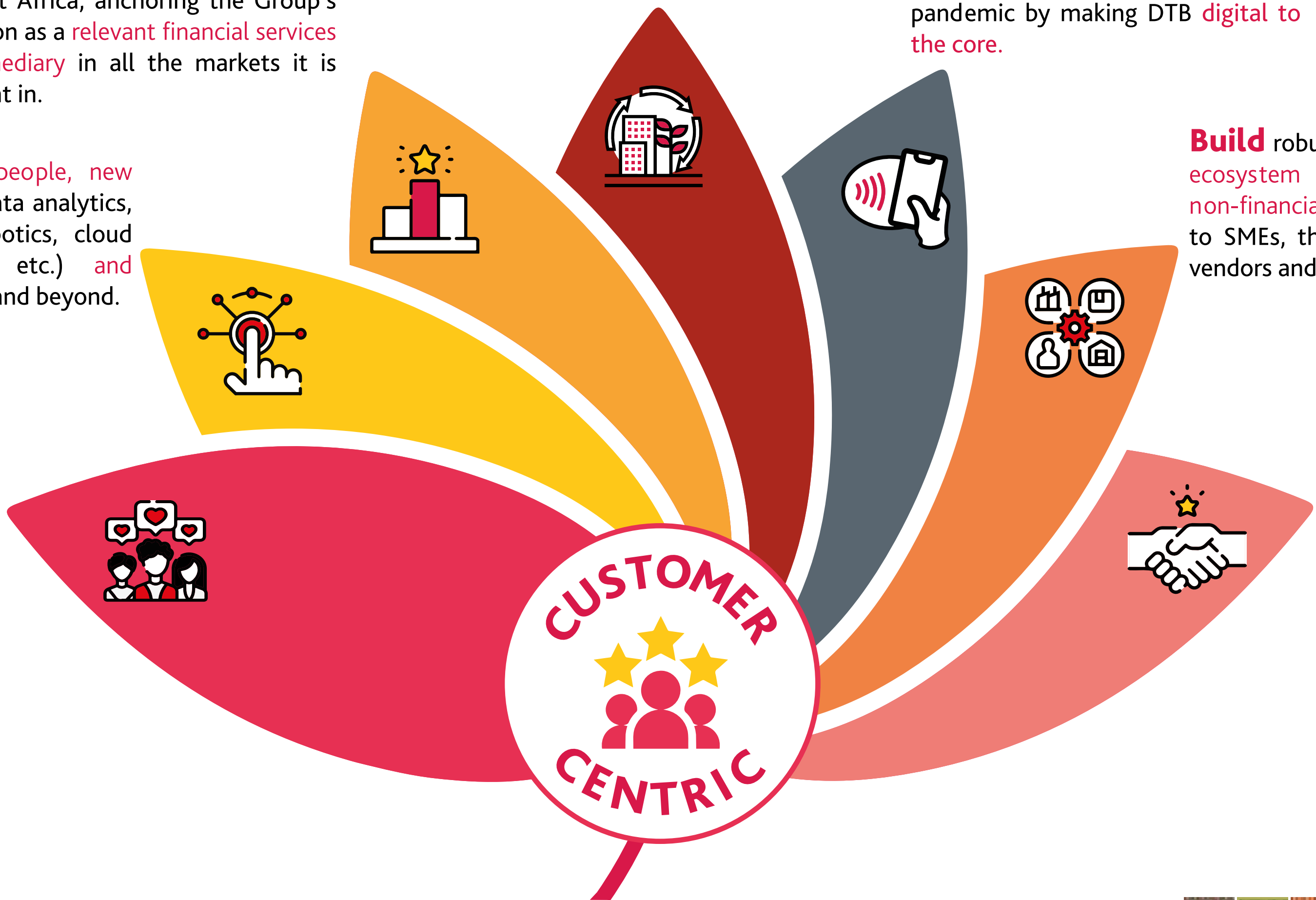
Respond to evolving customer behaviour and preferences in favour of contact-less/digital engagement, accelerated by the COVID-19 pandemic by making DTB digital to the core.

Invest continually in our people, new skills, technology assets (Big Data analytics, artificial intelligence (AI), robotics, cloud computing, cyber security etc.) and innovation capabilities in 2022 and beyond.

Build robust and all-inclusive SME ecosystem providing financial and non-financial value-added services to SMEs, their owners, employees, vendors and customers.

Anchor DTB's contribution to the improvement in the quality of lives of customers – those that it is currently serving, as well as those that are under served - and the broader community.

Scale up the customer-base by developing ecosystems through partnerships with telcos, fintechs, etc, and the use of digital channels.



ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS

Our business strategy is anchored on being a relevant and responsible citizen in our interactions with all our stakeholders. It is positioned to create value by enriching the lives of our customers, arguably our most important stakeholder, as well as the other stakeholders in a sustainable and impactful way. Our business model involves extending our offerings and to be truly an omnichannel bank for all our customers. This involves a high investment in inputs, such as technology, which together with our traditional branch distribution network and, increasingly, our digital channels, form a key component of our manufactured capital. Apart from building a strong technology foundation, our business model also requires us to invest in and develop our human capital, as well as intellectual capital, to continuously innovate our offerings and improve our process efficiencies to add to our ability to be responsive and timely. Furthermore, energy, paper and water use have the most significant impact on the environment, and DTB has made the management thereof the focus of its environmental stewardship initiatives.

Our various activities generate outcomes which, in turn, create value and impact for our stakeholders. In the process, we ensure our business activities are aligned with our core values and guided by our governance framework, and also that our strategies and risk mitigation efforts are in line with, and responsive to, pressure from the external environment and market forces.

Capital

Human Capital

Our human capital goes beyond our staff complement; it also covers 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 so that they can stay ahead of the curve in this rapidly disruptive era of digital adoption and transformation. People are at the heart of our operations. We provide an enabling workplace environment to attract, retain and grow young and fresh minds, as well as develop a highly skilled and future-ready workforce that leads to creation of value. Over the years, their passion, dedication and commitment have empowered us to reach new heights, propelling our institution to become a leading bank in the region. Our people define our success.

Manufactured Capital

Manufactured capital includes our investments in brick and mortar branch locations, agency banking network, digital platforms, the servers and other IT hardware infrastructure we rely on for our IT delivery capability, equipment and supplies we use in our office premises combined with human and intellectual capital enable us to create long-term value.

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

Inputs	Outputs	Impact
• Group Head count: 2,156 of which 97% are permanent. • 78% of employees are University graduates. • Doubling of investments in employee training. • Offered wellness checks for all employees across the Group.	• 161 new employees (7%) hired across the Group. • Staff force comprising of 79% youth (<40 years). • All employees across the Group attended at least one training during the year. • 48% of employees across the Group attended a wellness check.	• Average length of service: 11 Years of senior leadership team across East Africa. • 49% Female staff with 27% of EXCO consisting of women, across the Group. • Career development linked to value, strategy and growth. (627 staff promoted)

Inputs	Outputs	Impact
• 129 Branches in East Africa. • 12 Digital Lobbies in East Africa. • 150 ATMs in East Africa. • Tier III Data Centre in Kenya. • Continued growth in revenue streams through revamped digital products and platforms. • Best in class IT SOC Centre. • Continuous enrichments in digital offerings. • IT hardware and software investments of KShs 659 million in East Africa. • Over 2,000 locations in East Africa with DTB POS machines of which 946 onboarded in 2021.	• Over 7 million financial mobile banking transactions done on the mobile banking platform across East Africa. • 88% of transaction done outside the Group's branch network (Kenya- 93%). • Continued growth in revenue streams through revamped digital products and platforms across the Group. • 99.16% IT networks uptime. • Tier III data centre with dual-powered servers, storage, network links and other IT components.	• Convenient access to banking services provided to customers. • 24/7/365 service availability through our digital channels. • Expanded reach, leading to customer acquisition. • Stability of IT networks and systems. • Out of the total retail customer base subscribed to mobile banking, 88% of customers are actively using it across the Group. • Innovative digital products and customer value propositions.

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

Social and Relationship Capital

Our journey is one built upon the relationships we have created and nurtured with our stakeholders – our Customers, our Employees, our Regulators, our Shareholders, our Community and our Environment. We co-operate with all our stakeholders in order to create sustainable value, and to help achieve objectives in a mutually beneficial way. These relationships, through which we hope to create a better tomorrow, for ourselves and all our stakeholders, make up our social and relationship capital.

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.

Natural Capital

Our indirect impact on natural resources through our financing activities and, more directly, the utilities we require to operate. Through our environmental initiatives, we aim to reduce the impacts of our operations on the ecosystem and pave the way towards a more sustainable way of doing business.

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

Inputs	Outputs	Impact
• 570,867 customers in East Africa. • 80% of all procurements across the Group were sourced from East African vendors. • Provided financial literacy trainings. • Continued the Credit Guarantee Scheme sponsored by the National Treasury in Kenya, providing SMEs with easier access to credit of over KShs 250 million.	• Over 3,200 East African MSME customers underwent virtual Financial Literacy Training programmes in 2021 in Kenya. • KShs 4,149 million was sourced from local vendors.	• Transparency in pricing of products and services through public disclosures, such as on the Bank's website, as well as displayed in the banking halls of all DTB branches, in line with Kenya Banking Sector Charter pillar. • Meaningful contribution to the socio-economic well-being of East African communities. (Refer to How We Distribute Value no page 47 for more details). • Contribution to UN SDGs. The Group continues to track progress in 11 out of the 17 UN SDGs. (Refer to page 80-87). • Enrolling into the UN Global Compact Initiative (GCI) (More information on Page 80). • Continued growth in revenue streams through revamped digital products and platforms.

Inputs	Outputs	Impact
• Core (Tier I) Capital of KShs 68 Billion. • Customer Deposits: KShs 331 Billion. • Subordinated debt of KShs 4 Billion. • Long term senior loans of KShs 13 Billion.	• Growth in net loans and advances by 6% from KShs 209 billion to KShs 220 billion. • Equity growth by KShs 6.2 billion sourced through 2021 retained earnings. • Maintained strong liquidity level of 60.4% in 2021.	• Growth in Capital Adequacy Ratio. • Reduction in cost of funds. • Core capital/ Total risk weighted assets - 21.0% (Dec 2021) vs 21.2% (Dec 2020). • Total capital/ Total risk weighted assets - 22.3% (Dec 2021) vs 22.9% (Dec 2020).

Inputs	Outputs	Impact
• Strategic partnership with Agence Française de Développement (AFD) to finance energy efficient and renewable energy projects under the SUNREF facility at concessional interest rates. • Application of Social and Environmental Management Systems (SEMS) for funding activities.	• Financing of 15 projects under the AFD SUNREF green financing lines in Kenya and Uganda. • 33% reduction of paper reams used in 2021 compared to 2017 in Kenya. • Recycled over 4.5 tonnes of waste paper generated from DTB Kenya's Head Office, since 2019.	• Continued commitment to environmental conservation. • Cost reduction in materials and energy usage. • Influencing our borrowers to be more sustainable in their operation through the continued application of Social and Environmental Management Systems (SEMS).

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS - OUR BUSINESS MODEL

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

Customers

Who They Are

- Individuals: from children all through to high net-worth individuals across all ages.
- Businesses: sole proprietors, small and medium enterprises and corporates.
- Banks: Local, regional and international financial institutions.

Needs and Expectations

- Multiple, reliable, cost effective, convenient, seamless and innovative channels for banking.
- Consistent excellent customer service.
- Innovative digital channels, products and services.
- Fair and transparent pricing, providing value for money.
- Safety and protection against fraud encompassing physical and data security.
- Responsible and ethical business practices as a trusted financial partner.

How We Measure Our Performance

- Net promoter score.
- Complaints management and response within seven working days.
- Granular tracking of customer experience, feedback and regular reporting to the EXCO.
- Monitoring market share of customer deposits and advances.
- Monitoring dormancy rate of customer accounts.
- Monitoring adoption of digital channels-activity rate on the *m24/7* mobile banking and *i24/7* internet banking channels.

Outcome

48
NPS score as at December 2021-ranked as **'Great'**.

768,000+
customer interactions in Kenya alone, with synopsys of feedback reported to the EXCO each month.

11%
reduction in dormancy rate of customer accounts from 2020 across the Group.

88%
of customers use mobile banking, up from 83% in 2020.

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

Employees

Who They Are

- 2,156 employees across East Africa.
- 49% women and 51% men.
- 79% of employees are young people (under 40 years) across the Group.

Needs and Expectations

- Career development through training and growth opportunities.
- Empowerment with the changing skill-set required in the digital era.
- A safe, healthy and engaging workplace.
- Talent recognition informed by meritorious work and achievement.
- Competitive remuneration and rewards system.

How We Measure Our Performance

- Open employee engagement.
- Feedback sessions organised by the Head of Human Resources.
- Feedback 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.
- Offered employees across the Group wellness checks.
- Training offered to all employees across the Group.

Outcome

2,500+ hours invested in online interactive sessions across the Group.

11% 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.

48% 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 Burundi amongst others.
- Suppliers and service vendors.

Needs and Expectations

- With the changing demographics and a move towards contactless economy during the pandemic, the community wants appropriate financial intermediary solutions, digital banking channels, products and services.
- To adapt to the disruptive environment by offering financial literacy knowledge sessions.
- Adhering to global and local environmental, social and governance frameworks.
- 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 SDGs.
- Number of East African MSME customers that underwent virtual Financial Literacy Training programmes in 2021.

Outcome

80% of all procurements across the Group were sourced from East African vendors.

Over **3,200** MSME customers underwent virtual Financial Literacy Training programmes in 2021.

11/17 SDGs adopted by the Group.

10 Principles of the UN Global Compact Initiative 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.

How We Measure Our Performance

- Collaborative relationships with the National Treasury in Kenya through the SME focused Credit Guarantee Scheme and access to affordable housing mortgage initiative through KMRC.
- High compliance culture with no payments of fines or penalities for any regulatory breaches.
- Ratings on capital and liquidity levels.
- Feedback on regulatory returns and inspections.

Outcome

Nearly
200
SME customers benefited from credit facilities disbursed under the National Treasury sponsored, Credit Guarantee Scheme in Kenya.

60.4%
liquidity compared to 56.3% in 2020 and regulatory minimum of 12%.

22.3%
Total Capital ratio in 2021 compared to a regulatory minimum of 14.5%.

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

Shareholders

Who They Are

- 11,393 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.

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.

Outcome

9%

Growth in revenue from KShs 31.1 billion to KShs 36.9 billion.

KShs **839 million**

dividends paid in 2021 comprising a payout ratio of 22%.

HOW WE DISTRIBUTE VALUE

Revenue:

(Excluding Interest Expense)

2021: 40,167

2020: 36,925

All figures in KShs. Millions.

Community Investment:
2021: 15 | **2020:** 118

Shareholder Dividend:
2021: 839 | **2020:** -

Taxes to Government:
2021: 3,544 | **2020:** 4,113

Human Capital Remuneration:
2021: 5,027 | **2020:** 4,870

Payment to Suppliers:
2021: 5,186 | **2020:** 4,723

Repayment to lenders: (Interest Expense)
2021: 13,233 | **2020:** 12,560

"At the peak of the pandemic when restaurants had to scale down operations, I was worried about my business and whether my food supplies to the DTB community would be affected. Thankfully, the bank was very open to working with me to ensure I experience minimal business disruption while ensuring the safety of the bank staff and my employees."

Humphrey
Restaurant Owner

Community

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

At the core of our success is the effective and ethical leadership provided by a highly experienced and widely skilled Board of Directors and executive management team. Diamond Trust Bank Kenya Limited ("Bank") understands that practising good corporate governance is fundamental to ensuring accountability, fairness and transparency in the Bank's relationship with all its diverse stakeholders. Consequently, good corporate governance is a key priority of the Board of Directors ("Board") and it has put in place policies, systems and controls to enable the Bank achieve the highest levels of good corporate governance that enables continuous accountability and deters malpractice and fraud. The Chairman, on behalf of the Board, further takes this opportunity to restate to the Bank's stakeholders, the Board and the Bank's commitment to best practice in all their activities and to full and continued compliance with the legislation, 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 Directors have a fiduciary duty to act with care and skill and to exercise their powers and perform their functions as Directors in the best interest of the Bank. Each Director has attested that he/she undertakes to:

- act in good faith towards the Bank;
- avoid as far as possible and, as a minimum, declare any conflict between his/her other interests and the interests of the Bank.
- place the interest of the Bank and its depositors 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 of its shareholders, including the minority shareholders. The duties and responsibilities of the Board are as stipulated by the legislation and regulations governing the Bank, its Articles of Association and resolutions of the Shareholders.

The Board works within this framework to:

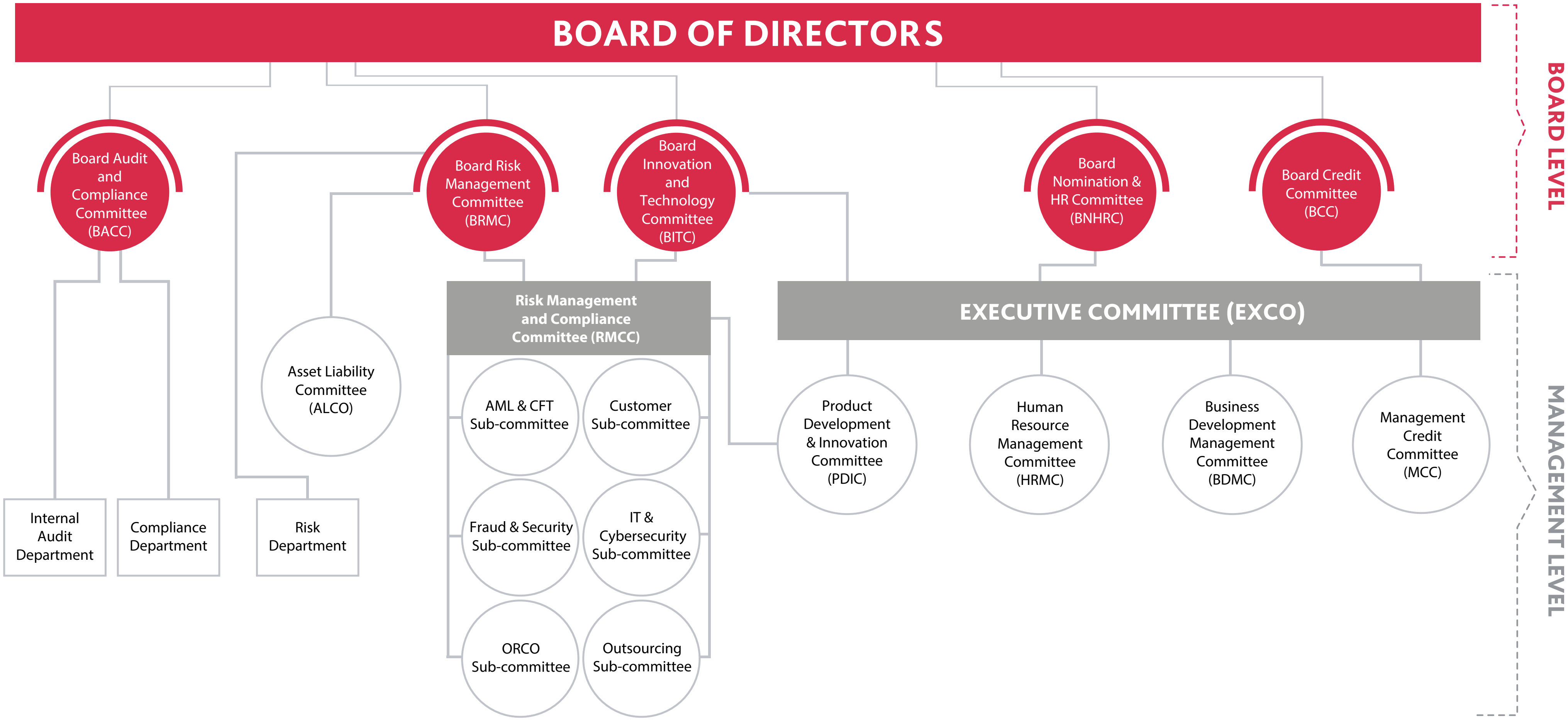
1. Review the strategic direction of the Group and adopting business plans proposed by management for the achievement of the strategic direction set.
2. Approve specific financial and non-financial objectives and policies proposed by management.
3. Review processes for the identification and management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

The Board fulfills its fiduciary obligations to the shareholders by maintaining control over the strategic, financial, operational and compliance requirements of the Bank. That notwithstanding, whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance requirements of the Bank, it has delegated authority to the Bank's Managing Director (Chief Executive Officer) 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 that the Group's purpose is fulfilled. The Board also recognises its responsibility to ensure that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The Board discharges its duty through policies and frameworks and is supported in the discharge of its mandate by five Board committees. In 2021, the Board continued enhancing the Bank's Governance structure which reflected the various committees that have existed as well as those newly set up at Board and Management level. The Governance structure is illustrated below:



As part of its Corporate Governance Framework, the Bank has 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 Managing Director (Chief Executive Officer), having regard at all times to principles of good corporate governance, international best practice and applicable laws.

The provisions of the said 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 Capital Markets Authority Regulations. Each year, the regulators in Kenya as well as in the countries in the region in which the Group operates, have continued to enhance the regulatory and risk management guidelines. The Group continuously embraces the changes and remains at the forefront in adopting best practices in corporate governance and risk management in the rapidly evolving banking landscape.

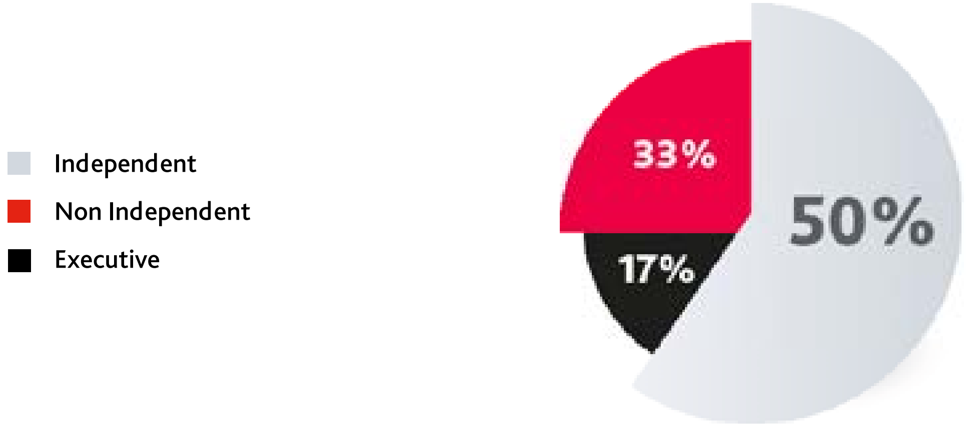
STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Separation of Functions of Chairman and Chief Executive Officer

As part of its commitment to good corporate governance, the Board has ensured that the functions of the Chairman and the Chief Executive Officer are not exercised by the same individual. Furthermore, the roles and responsibilities of the Chairman and the Chief Executive Officer of the Bank are separate and distinct. There is clear division of responsibility with the Chairman having the primary duty of chairing the Board of the Bank and the Chief Executive Officer having the primary duty of running the 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 of the Directors in order to enhance accountability in the decision- making process. The Bank is compliant with these requirements and the independent and non- executive Directors together constitute over 80% of the Board. Directors are considered independent where they are not part of the management, have not served on the Board for a period of more than nine years and are free of any business or other relationship that could materially interfere with their ability to make 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

The Board, on an annual basis, reviews and determines its independent members, as they bring impartial and objective judgement to the Board and mitigates against 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 both the CBK Prudential Guidelines and the CMA Code.

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, building the brand and customer franchise, the adequacy and optimal utilisation of systems, employees and resources.
  - Oversees management's adherence to the control environment and compliance with regulations, policy framework and best practices.
  - Ensures accountability by management through frequent reporting and presentations to the Board and Board committees.
- **Bears ultimate responsibility *inter alia* for**
  - Governance
  - Strategy
  - Business Growth and sustainability
  - Risk management
  - Financial performance

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Areas of Focus in 2021

- Governance
- Corporate Strategy
- Business and Operations Review
- Enhanced Risk Management
- Compliance Excellence through adoption of Global Best Practices across Key Risk Management Frameworks
- Kenya Banking Sector Charter Compliance
- Financial Performance
- Feedback from Board Committees
- Directors' Training
- Shareholder Engagement

Board of Directors

BACC	BCC	BITC	BNHRC	BRMC
• Internal control environment. • Internal and external Audit. • Credible financial reporting. • Compliance with regulatory provisions, internal policies and procedures.	• Oversaw credit risk management framework. • Large credit approvals. • Credit portfolio monitoring given the elevated credit risk environment induced by the pandemic. • Oversaw remediation of distressed exposures with an emphasis on relief measures extended to borrowers adversely impacted by the pandemic.	• Ensured promotion of an ethical IT governance and management culture. • Oversaw IT risk management framework. • Reviewed budgets and utilisation of approved funding for ICT related investments. • Reviewed various innovation -related initiatives. • Reviewed and monitored execution of the IT strategy.	• Proposed new nominees to the Board. • Reviewed Board mix in terms of skills and expertise. • Oversaw key HR initiatives including succession planning and staff development. • Recommended executive directors and senior management remuneration.	• Oversaw risk governance and management framework for all non-credit related risks. • Reviewed Bank's ICAAP and forward-looking capital plans. • Reviewed the Bank's current and forward looking capital and liquidity positions. • Monitored management's activation of Business Continuity Plan (BCP), adapted in response to the pandemic.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Charter

The Board Charter is the Constitution that guides our Board and its Committees in their activities and decisions in their dealings with each other, with management and with other stakeholders as well as the Group as a whole. The duties relate to:

- Board and Governance structure including composition, tenure and succession planning;
- Mandate, role, responsibilities and practices of the Board;
- Regulating the manner in which the business of the Bank is conducted;
- Maintain adequate capital base;
- Conflict of Interest and Board independence;
- Promulgate policies and actions with a long-term view to support environmental and social sustainability;
- Board processes; and
- 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 by the BNHRC, 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 having been received from the CBK. Such newly appointed Directors are then required to retire at the immediate next Annual General Meeting ("AGM") following their appointment and, being eligible, to offer themselves for re-election by the shareholders thus ensuring shareholder contribution in all appointments.

Directors' Skills, Experience & Diversity

The Board currently comprises of 12 members, including two female directors. Each Director is expected to be aligned to the Group's vision, mission and values as well as bring to the Board their own unique strengths. Directors are appointed on the basis of integrity, leadership qualities and sound judgement. In addition, the Group seeks to have a Board that brings a right mix of individuals with a variety of appropriate skills, knowledge and experience and who jointly have the overall collective competence to deal with the current and emerging issues and effectively guide management in ensuring the optimal Group performance. We also recognise that diversity is not limited to gender or any other personal attributes.

The aggregate mix of skills and experience of the Directors seeks to challenge management, ensure robust and constructive debate and challenge the strategic thinking of the executives thereby adding value to the Group. The Directors regularly review the skills, knowledge and experience represented on the Board against the skills and experience needed to deliver the Group strategy. The current skills and industry experience represented on the Board are illustrated below:

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Committees:

The Board has constituted five 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 Board approved terms of reference. Following such review, the Committees may thereafter either refer matters to the Board for 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, is reviewed by the Board on an annual basis.
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

Skill mix of members

Strategy	5
Governance Leadership	5
Financial Services	3
Credit/ Treasury/ Risk Management	5
Business Management/ Consultancy	2
Accounting/ Audit/ Tax Advisory	2
Legal	1

The BACC comprises of five non-executive Directors, four of whom are independent. It is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, strengthening the control environment and the 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 issued by regulatory bodies, as well as the Bank's laid-down policies and procedures.
The BACC assists the Board in fulfilling its statutory, regulatory and fiduciary responsibilities. It provides an objective and independent review of the effectiveness of:

(a) The external reporting of financial information including correct application of accounting requirements.
(b) Internal control environment of the Bank including governance of financial and accounting risks.
(c) The internal audit and external audit functions, including an assessment of the independence adequacy and effectiveness of those functions.
(d) The compliance management framework.

Between them, the members of the BACC have extensive financial and accounting expertise and a sufficient understanding of the Bank and the industry and environment in which it operates to be able to effectively discharge the BACC's mandate. 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 and Head of Risk and Head of Compliance & Combating Financial Crime (CFC) are invited to all the meetings of the BACC. The external auditor also holds at least two closed-door meetings, to the exclusion of management, with the BACC every year. Whereas the Directors are responsible for preparing the financial statements and for presenting a balanced and fair view of the financial position of the Bank, 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. The shareholders appoint/ reappoint the external auditor at each AGM of the Bank.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Credit Committee (BCC)

Chaired by **Jeremy Ngunze**

Skill mix of members

Strategy	Governance Leadership	Financial Services	Credit/ Treasury/ Risk Management	Business Management/ Consultancy	Accounting/ Audit/ Tax Advisory	Legal
5	5	3	5	2	2	1

Members:

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

The BCC comprises of 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, professionally and effectively managed for business growth and in compliance with internal policy and external and statutory regulations. It formally meets at least once every quarter.

Board Innovation and Technology Committee (BITC)

Skill mix of members

Strategy	Governance Leadership	Financial Services	Credit/ Treasury/ Risk Management	Business Management/ Consultancy	Accounting/ Audit/ Tax Advisory
6	6	4	6	4	1

The BITC comprises of six non-executive Directors, three of whom are independent. Its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's IT risk management framework as well as monitor 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 Nomination and Human Resource Committee (BNHRC)

Chaired by **Pamella Ager**

Skill mix of members

Strategy	6
Governance Leadership	6
Financial Services	3
Credit/ Treasury/ Risk Management	6
Business Management/ Consultancy	4
Accounting/ Audit/ Tax Advisory	1
Legal	1

Members:

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

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

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

Board Risk Management Committee (BRMC)

Skill mix of members

Strategy	6
Governance Leadership	6
Financial Services	5
Credit/ Treasury/ Risk Management	6
Business Management/ Consultancy	3
Accounting/ Audit/ Tax Advisory	1

The BRMC comprises six non-executive Directors, two of whom are independent. Its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's risk management framework except for credit risk management which is reviewed by the BCC.

It is also charged with setting out the nature, role, responsibility and authority of the risk management function of the Bank and 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 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 and thereafter such a member may continue in office but be re-designated as a non-independent member. In addition, non-executive Directors are required to retire at the immediate next AGM after such member attains 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 such member will have offered themselves for re-election.

Meetings of The Board

The Board has in place an annual work plan that sets out the Board activities for the year. The Board meets at least once every quarter, and additionally when necessary, and has a formal schedule of matters reserved for it. The Chairman, Managing Director, Finance 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 further entitled to request additional information where they consider further information is 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 to election by shareholders at the immediate next AGM following their appointment.

Meetings Attendance Record (1 January 2021 to 31 December 2021)

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

1. BOC dissolved on 23 June 2021 *2. Appointed to the Board on 29 June 2021* *3. Appointed to BCC, BITC, BHNHRC and BRMC on 22 September 2021*

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Access to Information

There is a clear flow of information between the management of the Bank and the Board 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, enabling members of the Board to have access, at reasonable times, to all relevant information and to senior management, to assist them in the discharge of their duties and responsibilities and to enable them to take informed decisions.

Independent Advice

The Directors are entitled to obtain independent professional advice, at the Bank's expense, as they may require to better perform their duties as Directors. Directors are expected to strictly 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 in accordance with the Bank's Board Induction Policy. This is intended to familiarise them with the Bank's operations, senior management, the business environment in which the Bank operates and to enhance their effectiveness in the Board. New Board members are also introduced to their fiduciary duties and responsibilities as part of the aforementioned induction. In order to help serving Directors acquire, maintain and deepen their knowledge and skills and to fulfill their responsibilities, the Board continuously ensures that members have access to programmes of tailored training 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. The program of continuous education ensures that the members of the Board are kept up to date with developments in the industry both locally and globally.

Annual Performance Evaluation

The Chairman is charged with the responsibility of ensuring the Bank has an effective Board of Directors. The Board undertook an annual evaluation of its own performance, the performance of the Chairman, the Committees, individual Directors, the executive Directors and the Company Secretary. This was undertaken in accordance with the Bank's Annual Evaluation Policy. The Board's performance is evaluated based on:

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

The annual evaluation for the year 2021 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 the regulatory requirement.

Board Remuneration

The Board has in place a Board Remuneration Policy. The said Policy 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 and shall not receive any performance-based remuneration. The fees and sitting allowances are determined by the Board and approved by the shareholders at the AGM of the Bank on a pre- or post- facto basis. The remuneration of all Directors is subject to regular monitoring to ensure the levels of remuneration and compensation are appropriate. Details of the fees for the non-executive Directors and remuneration of the executive Directors, paid in 2021, are set out in the Directors Remuneration Report on page 96-97.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Internal Control Systems

The Bank has well defined written policies and procedures to ensure that best practices are followed in conducting the 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 complete, accurate and timely execution of transactions, operations and commitments and the safeguarding of 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 in fulfilling 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 given 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 meets at least once every month.

Asset Liability Committee (ALCO)

ALCO reports to 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 achieved and maintained in line with dynamic market trends, the Bank's vision, mission and values, as well as prevailing regulatory frameworks. The BDMC meets once every quarter.

Human Resource Management Committee (HRMC)

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

Management Credit Committee (MCC)

The MCC reports to EXCO which reports to BCC and assists in the oversight of the Credit Risk Management Framework, review and approval of credit applications, credit strategy, Policies, Procedures, monitoring, reporting and 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 determination and implementation of new products from conceptualization to go to market. PDIC meets once every six weeks.

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 with a view to ensuring operational and financial resilience. RMCC supports the Board in policy formulation 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 crime. Oversight of the consolidated supervision framework covering the subsidiaries (DTBU, DTBT and DTBB) risk management frameworks. RMCC meets once every six weeks.

AML & CFT Sub-Committee

The AML & CFT Sub-Committee 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, annual AML/CFT risk assessment.

The Sub-Committee monitors and reports on the implementation and closure of internal and external CFC audit / review reports. The Sub-Committee meets once every month.

Customer Sub-Committee

The Customer Sub-Committee has oversight on the customer acceptance process; Know Your Customer (KYC), Customer Due Diligence (CDD) and Enhanced Due Diligence (EDD) processes; Customer data, record keeping and customer data retrieval process. The Sub-Committee has oversight of the on-going Customer Due Diligence in line with the Board approved policy. The Sub-Committee also reviews customer complaints to identify the root causes so as to ensure the matters are adequately attended from a Bank and not only customer perspective. The Sub-Committee also monitors and reports on customer due diligence internal and external audit / review reports. The Sub-Committee meets at least once a month.

Fraud and Security Sub-Committee

The Fraud & Security Sub-Committee reports to RMCC and has oversight of the Fraud Risk Management Framework, policies and implementation of internal controls to deter fraud. The Sub-Committee has oversight of the fraud risk assessment, identification and understanding of the potential impact of fraud and misconduct risks on the Bank.

The Sub-Committee assists in the evaluation of the design and operational effectiveness of the anti-fraud programs and controls to prevent, detect, respond and deter fraud and misconduct. The Sub-Committee meets once a month.

IT & Cyber Security Sub-Committee

The IT & Cyber Security Sub-Committee 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 & Cyber risk across the Bank. The Sub-Committee meets at least once a month.

Operational Risk Sub-Committee (ORCO)

The Operational Risk Sub-Committee reports to the RMCC and has oversight of the Operational Risk Management Framework, Policy and the implementation of the related procedures and process flows. The Sub-Committee monitors and reports on the implementation and closure of operational exceptions raised on internal and external audit/review reports. The Sub-Committee meets at least once a month.

Outsourcing Sub-Committee

The Outsourcing Sub-Committee meets once every quarter and reports to RMCC which reports to BRMC. The Outsourcing Sub-Committee assists RMCC in reviewing the outsourcing business case, operational risks associated with outsourcing arrangements, evaluating the materiality of all existing and prospective outsourcing based on the framework approved by the Board and ensuring that effective risk management policies and practices are in place to manage the risk in outsourcing activities. The Sub-Committee meets atleast once a quarter.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

The Company Secretary

The Board is assisted by a suitably qualified Company Secretary who is a member, in good standing, of the Institute of Certified Public Secretaries of Kenya. The Company Secretary plays an important role in supporting the Board. Each Director has direct access to the Company Secretary. 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.

Directors' Shareholding

At the end of year 2021, none of the Directors, held shares in their individual capacity that were more than 1% of the Bank's total equity. The details of the Directors' shareholding in the Bank are disclosed in the Directors' report on page 95.

Ethical Culture and Leadership

Conflict of Interest Policy & Related Party Transactions

Conflict of interest refers to any situation that has the potential to undermine the impartiality of a person because of the possibility of a clash between the person's self- interest, professional interest or public interest. In this context, all Directors, senior management and all 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 of the Directors, senior management or employees who consider 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 of the Directors, senior management or employees with a material personal interest in any matter being considered during any Board or Committee meeting will not, as the case may be, vote on the matter or be present when the matter is being discussed and considered.

Business transactions with the Directors or their related parties are disclosed on page 212-214.

Code of Ethics and Conduct Policy

The Bank's Code of Ethics and Conduct expresses the values that drive our behaviour including addressing ethical issues, integrity on reporting, adherence to policies and procedures and addressing internal and external audit matters. It gives guidance to the Board, management and employees on acceptable behaviour and ethical standards.

Scan to view the Code of Ethics and Conduct Policy

Whistleblowing Policy

The Board has an established Whistle Blowing Policy which:

- Sets out the obligations and commitments of the Board, Management and Employees to upholding the highest levels of integrity and observance of the rule of law and the Bank's policy and procedure framework;
- Provides a definition of who a whistle blower is, protection and remedies for whistle blowers, dispute resolution mechanism, voluntary disclosure programme, reporting channels and procedures, timely disclosure on findings and resolution and data retention;
- Is consistent with the commitments made in the Board Charter and Code of Ethics and Conduct; and
- Provides stakeholders with a secure, confidential and anonymous channel to report information that requires Management's and the Boards' 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. We endeavour to process personal data responsibly and ethically and in compliance with our 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. A data mapping exercise was conducted in 2020 and the Bank embarked on placing mitigation measures to ensure that our processes align to our legal obligations.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Anti-Bribery and Anti-Corruption Policy

DTB performs regular Anti-bribery and Anti-corruption risk assessments, which identify the level of bribery and corruption risk that DTB might reasonably anticipate. This risk tends to relate to the countries in which we operate, how we engage certain parts of our diverse customer base, and how we manage third-party relationships. We analyse, assess and prioritise the identified bribery risks and evaluate the suitability and effectiveness of the existing controls to mitigate the assessed bribery risks. The assessment is informed by quantitative and qualitative measures and is performed monthly, with oversight by the relevant governance structures, including submission to the Board Risk Management Committee with a summary to the Board Audit and Compliance Committee.

Our Anti-Bribery and Anti-Corruption Policy is designed to comply with legislations in all the jurisdictions in which DTB operates and considers the recommendations of various international financial crime standards setting bodies. The Policy is reviewed annually, and the control requirements are benchmarked to independent ratings or best practices and newer typologies experienced during the year.

We proactively engage with relevant industry bodies as well as private and public sector bodies to ensure robust discussion and active contribution to the reduction of financial crime. These include the Financial Reporting Centre (FRC), Kenya Bankers Association (KBA) amongst other industry bodies.

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

Procurement Policy

The Procurement Policy subscribes to the principles of transparency, integrity and fairness in implementing the Bank's procurement practices by:

- providing fair opportunity to prospective vendors and bidders.
- procuring of items that meet the Bank's pre-set standards.
- obtaining a conflict of interest declaration from any Director or employee of the Bank by virtue of having an interest in any company, or in any 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 in any way involved in the procurement process.
- ensuring accountability in all procurement transactions and subjecting the same to regular independent audits.
- ensuring that there are channels for whistleblowing.
- upholding the anti-bribery and anti-corruption regulatory framework and policies of the Bank.
- conducting Supplier Due Diligence and obtaining Conflict of Interest declarations for all material procurements in line with the compliance standards and the Group's ethics framework.
- ensuring alignment to the Bank's strategic plans hence ensuring prudent allocation of resources to enhance stakeholder value.
- as part of DTB's Combatting Financial Crime (CFC) procedures, all suppliers were screened against adverse media and the global, regulatory and law enforcement sanctions watch lists on human trafficking, drug trafficking, arms dealing, organised crime etc in 2021. Furthermore, no suppliers were positively matched against the lists or exited in 2021 for ethical concerns.
- over 170 large suppliers (with procurements of over KShs 5,000,000 or USD 50,000 equivalent worth of procurements per order) declared their commitment to ethics, human rights, governance and ethical tender practices.

Information Technology (IT) & Cybersecurity Policy Framework

The Board has established Information Security and Cyber Risk Policies. The two policies ensure that confidentiality, integrity and availability of the Bank's information assets is upheld at all times. The Confidentiality, Integrity and Availability (CIA) triad ensures that the Bank offers banking services to its customers in an efficient and safe environment. Trust is key in banking and customers must feel safe that their deposits are safe with the Bank and that they can access their deposits as and when they require it safely and conveniently.

Our information security policy is anchored on the following tenets:

- Our reputation is key, and the Bank will ensure that we manage information assets in a way that protects our brand;
- The Bank will ensure that confidentiality of information is always maintained and that we will not disclose customers' information to any unauthorised parties unless required by law;
- The Bank will ensure integrity of information maintained in our systems and any information being used by the Bank or being given to the customer can be relied upon.
- Availability of information is paramount to ensure that the Bank meets business needs. The Bank will make every effort to ensure that the information systems are available at all times and that banking services are not interrupted.
- The Bank will maintain its information systems in such a way that it is compliant with relevant statutory, regulatory requirements, and contractual obligations are met.

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

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Relations with Shareholders

The Board recognises and respects the rights of the Bank's shareholders. It further ensures that all the shareholders are treated equitably. The Board recognises the importance of good communication and the equitable provision of information to all shareholders. Investor briefings, the AGM as well as shareholders' circulars and the detailed integrated reports and financial statements are used to communicate with the 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 the shareholders and investors electronically through the Bank's website. The shareholders are accordingly encouraged to visit the Bank's website for information on the Bank and to be able to view integrated reports and financial statements of the Bank. They are also encouraged to attend (in 2022, virtually) and participate in the scheduled AGMs of the Bank. The Company Secretary, supported by the Shares Registrar, is responsible for managing communication with the shareholders and they are always accessible to the shareholders either through correspondence or at the Bank's registered office.

Shareholding Structure

The distribution of issued share capital of the Bank as at 31 December 2021 was as follows:

Range (shares)	No. of Shareholders	No. of Shares held	% Shareholding
Up to 500	3,558	679,139	0.24
501-5,000	4,163	8,358,981	2.99
5,001- 10,000	1,564	10,218,744	3.65
10,001- 100,000	1,931	46,537,747	16.64
100,001- 1,000,000	153	39,774,039	14.23
Over 1,000,000	24	174,033,570	62.25
Total	**11,393**	**279,602,220**	**100.00**

Shareholders' Profile

Criteria	No. of Shareholders	No. of Shares held	% Shareholding
Local Individuals	5,788	37,801,229	13.52
Local Institutions	704	84,444,585	30.20
Foreign Individuals	2,257	25,946,314	9.28
Foreign Institutional	18	116,260,898	41.58
East African Individuals	2,587	12,632,259	4.52
East African Institutions	39	2,516,935	0.90
Total	**11,393**	**279,602,220**	**100.00**

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 2021 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 Insurance Company of Kenya Limited	21,982,242	7.86
4	Stanbic Nominees Ltd A/C NR1031461	7,840,039	2.80
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	**152,732,727**	**54.63**

Share Trading Policy

The Policy prohibits Directors, management and employees of the Bank from dealing in the shares of the Bank or any related company when they have or may be perceived as having relevant 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 during the year 2021, 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

The 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 www.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 2020. 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) and 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 governance auditor's opinion is disclosed beside.

SCRIBE Services

GOVERNANCE AUDITOR'S REPORT

Introduction

We have performed the Governance Audit for Diamond Trust Bank Kenya Limited for the year ended 31 December 2020 which comprised the assessment of governance structures, systems, processes and controls established by the Board.

Board Responsibility

The Board is responsible for establishing governance structures, systems, processes and controls that support the practice of good governance in the organization. The responsibility includes planning, designing and maintaining governance structures through policy formulation, direction and oversight necessary for efficient and effective management of the organization. The Board is responsible for ensuring its proper constitution and independence; ethical leadership and strategic management; transparency and disclosure, compliance with laws and internal policies; shareholders and stakeholders value enhancement and the organisation's sustainability.

Governance Auditor's Responsibility

Our responsibility is to express an opinion on the existence, effectiveness and implementation of good corporate governance consistent with the Board's policies, structures, systems and practices and the applicable legal and regulatory requirements.

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 governance policies, systems, practices and processes. We believe that our governance audits provide a reasonable basis for our opinion.

Opinion

In our opinion, the Board has established, implemented and overseen an effective governance framework and control environment consistent with the legal and regulatory requirements, internal policies and good governance practices in the interest of shareholders and stakeholders.

CS. BERNARD KIRAGU, ICS GA. No 00159

For SCRIBE SERVICES

27 | 01 | 2022

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Going Concern Statement

The Board has reviewed the facts and assumptions on which it has relied upon and based upon this information, continues to view the Bank as a going concern for the foreseeable future.

Statement on Legal and Compliance Audit

In 2021, the Board subjected the Bank to a legal and compliance audit. The legal and compliance audit was conducted by H. Chacha Odera, a Senior Partner at Oraro and Company Advocates and an advocate of good standing with the Law Society of Kenya, and the primary purpose was to ensure that the Bank complies with the Constitution of Kenya, all applicable laws and regulations, national and international standards, as well as the Bank's internal policies. In the opinion of the legal and compliance auditor, the Board of DTB Kenya has put in place effective, appropriate and adequate systems and policies to enable the Bank to identify and comply with the laws, regulations and standards that are required to be complied with in the ordinary course of its business in the interest of shareholders and other stakeholders. The legal and compliance auditor's opinion is disclosed beside.

ORARO & COMPANY
ADVOCATES

YOUR REFERENCE:	OUR REFERENCE:	DATE:
	DTB2.11	16th February 2022

Diamond Trust Bank Kenya Limited
DTB Centre, Mombasa Road
P.O. Box 61711-00200
NAIROBI

Dear Sir,

REPORT ON THE OUTCOME OF THE DIAMOND TRUST BANK KENYA LIMITED ("DTB") LEGAL AND COMPLIANCE AUDIT

Reference is made to the above matter.

The attached Legal and Compliance Audit Report ("**Audit Report**") has been prepared further to the legal and compliance audit undertaken by the undersigned with the objective of establishing DTB's level of adherence to the applicable laws, regulations and standards, within the scope detailed therein, in accordance with Section 2.10 of the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 ("**Code**").

In carrying out the review, the audit was conducted in the form of a review of documents, site visits to DTB's Head Office and one selected branch and oral and written responses from the Management. The analysis of the audit findings was on the basis of the level of DTB's compliance per the applicable legislative and regulatory requirements.

Based on the audit findings, from an aggregate perspective, it is my considered view that DTB has put in place adequate systems and policies to enable DTB to identify and comply with the laws, regulations and standards that it is required to comply with in the ordinary course of its business.

The findings of the audit and ensuing recommendations are detailed in the Audit Report.

The Audit Report is intended solely for the information and use of DTB and is not intended to be, and should not be, used by anyone else other than the said party.

Yours faithfully
ORARO & COMPANY ADVOCATES

CHACHA ODERA
chacha@oraro.co.ke

PARTNERS

An Affiliate Member of
AB & David
AFRICA

MATERIAL MATTERS

Our material matters are evident in the key risks and opportunities and represent the issues that have the most impact on our ability to create value. These change over time as new trends and developments shape the macro-environment and our stakeholders' needs evolve. We determine our material matters through the following process:

1 Identify

We identify matters that may impact the execution of our strategy. 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 prioritise 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 continously to ensure that our strategy remains relevant. Important matters are managed as part of our business and operational processes.

ESG Risk

Environmental, Social, and Governance (ESG) issues as well as their associated opportunities and risks are becoming even more relevant for financial institutions. For banks, sustainability is not just an ethical question, but also an economic question, generating a new type of risk: ESG (Environmental, Social and Governance). Heightened demand from investors and lenders for sustainable products as well as increasing pressure from regulatory bodies highlight the need for banks to consider ESG risks in their risk management framework.

Impact

Financial institutions must assess the implications of ESG on their business model and core operations in order to map and prioritise the key functions to be addressed e.g. investment policies, governance, risk controls etc based on regulatory guidelines and industry trends.

Response

The Group will continue to integrate Environmental, Social and Governance (ESG) risks into its ERM strategy with a special focus to developing a robust policy framework and embedding ESG-related risks into its overall business processes. DTB commits to increase its funding towards greener and more sustainable investments.

Climate Risk

Climate risk to a financial institution stems from the climate-related issues that are related to bank customers, vendors, as well as its own operations.

Impact

Addressing the global climate crisis by supporting the transition to a sustainable, low-carbon economy that balances the environmental, social and economic needs of society. As physical risks continue to materialise, regulatory pressures are increasing and investors are demanding more transparency in terms of disclosure to exposures related to borrowers in various sectors, including energy, manufacturing, mining etc. As credit risk increases, regulators are ramping up scrutiny of financial institutions, including climate stress tests covering a large part of balance sheets and assessing the impact of various climate scenarios.

Response

DTB is in the process of revamping the existing environmental and social risk framework by developing a robust Environmental and Social Management System (ESMS) with an articulated policy, procedures and processes on climate risk, which are integrated into the Bank's credit cycle. DTB has a clear roadmap on how to further embed Environmental and Social Risk Management, including the climate risk framework, in line with the recently issued climate-related risk management guidelines by CBK and Nairobi Securities Exchange ESG Disclosures Guidance. For more information, refer to page 83.

Digital Disruption

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.

Impact

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.

Response

DTB is on course to embrace a new strategy which will enable the Group to become digital at the core. The Bank has launched a number of digital initiatives since 2019 including a revamped mobile banking and online banking platforms, value chain financing solutions and a salary advance product for its customers.

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 intricacies and severity of cyber-attacks on the global financial sector have elevated drastically in the recent years, and was even further escalated by the COVID-19 pandemic. 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.

Impact

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

Continuous heavy investments in cybersecurity infrastructure, people skills and training to identify and neutralise threats, prevent data breaches and other forms of cyber-attacks. DTB carries out enhanced penetration tests on its systems using in-house ethical hackers and externally sourced skilled experts.

ENTERPRISE RISK MANAGEMENT

Since the outbreak of COVID-19 in December 2019 and discovery of the first case in Kenya in March 2020, COVID-19 pandemic has disrupted the lives and livelihoods across the globe. The financial sector has borne the brunt of the pandemic. The financial sector has been hit by hackers more often than other sectors, even though the increased attacks have not resulted into significant business disruptions or financial losses. The financial sector has also witnessed heightened credit risk due to the economic shocks caused by the pandemic. Although many economies, Kenya included are gradually recovering, the emergence of other variants e.g., Omicron will continue to pose both health and economic challenges.

The Group has put in measures to ensure resilience, learn, evolve and adapt to the 'new normal'. In 2021, DTB focused on mitigating the risks and managing the disruption caused by the COVID-19 pandemic as well as the heightened exposure to cyber threats. Despite adoption of digital platforms as the main banking delivery channel, the Bank did not experience any successful cyber-attacks as many attempts were thwarted by the Bank's cyber defence assets. DTB continues to develop its capability to respond to emerging opportunities, manage existing and emerging risks effectively whilst ensuring resilience. Effective ERM management remains a core function within the Group.

Risk and Compliance Management

Risk and Compliance management remains a top-of-mind for everyone in DTB. It is the Board's responsibility to establish appropriate governance, policies, procedures and systems to avoid DTB being unintentionally exposed to risks. This includes a broad spectrum of risks: credit risk, liquidity risk, market risk, operational risk, legal and compliance risk, reputational risk and financial crime.

The Board of Directors has instituted a culture of compliance and risk management which is articulated through the Group's code of conduct, values, policies, procedures, training and the risk appetite statement. The Board provides oversight on the management of risks and approves the strategies, policies and appetite statements that govern DTB's operations. The Board draws its powers, roles and responsibilities from the Board Charter whose tenets are summarised on page 53 of this report. The role of the Board and Board Committees are further detailed in the respective Board-approved Terms of Reference (TORs) as summarised on page 54-56. The Board of Directors has exclusive responsibility for fundamental strategic decisions. The Board of Directors has delegated operative risk management to the respective Board committees. The Board committees are supported in this role by the management committees.

The Heads of Risk and Head of Compliance and Combatting Financial Crime report independently to the respective Board Committees on the effectiveness of the tools used to mitigate risk. Both the Head of Risk and Head of Compliance are also members of all the management committees. The roles and responsibilities of the Board and management committees are more specifically covered under the Internal Controls Section.

Internal Controls

The Board reviews the Group's internal control policies and ensures that appropriate controls are in place. The Directors responsibility for the Group's internal control systems, includes taking reasonable steps to ensure that adequate systems are being maintained. Internal control systems are designed to meet the particular needs of the Group, and the risks to which it is exposed with procedures and processes intended to provide effective internal financial and operational control. The Board has put in place a comprehensive ERM framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. ERM is integrated in the overall management monitoring and reporting structure.

The Group's performance is reported quarterly to the Board and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently. The Group operates three lines of defence against the risks that could adversely affect DTB.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

The structure adopted reflects best practice in the market with clear roles and responsibilities in terms of the management of risk.

GOVERNANCE

- Board of Directors
- Board Committees
- Management Committees

Accountable for the overall oversight and responsible for ensuring:

- Adequate Board and Senior Management Oversight.
- Adequate Policies, Procedures and Limits.
- Adequate Risk Monitoring and Management Information Systems.
- Internal Controls.

1ST LINE OF DEFENCE

1 Business Owner

Responsible and accountable for the day to day identification, control and management of risks in their functional areas so as to stop loss or risk materialising as they provide products and services to customers. Accountable for the operationalisation of strategies in a way that limits risk whilst also ensuring compliance with regulation, policy and procedures.

2ND LINE OF DEFENCE

2 Risk & Compliance Management

Engage continuously with 1st line to ensure that processes and controls are working as expected. Provide oversight and training on risk management strategies. Assist 1st line to identify, review and track to closure any existing and emerging risk issues. Monitor and report on risks & compliance with regulation, policies & processes. Monitor controls against the early warning indicators and Board approved limits.

3RD LINE OF DEFENCE

3 Internal Audit

Review and provide independent and objective assurance to the Board and senior management on the overall effectiveness of the internal control framework at both 1st line and 2nd line. Provide an advisory role to management.

External Audit Assurance

Regulation, Stakeholders, Operating Environment

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Consolidated Supervision and Combined Assurance

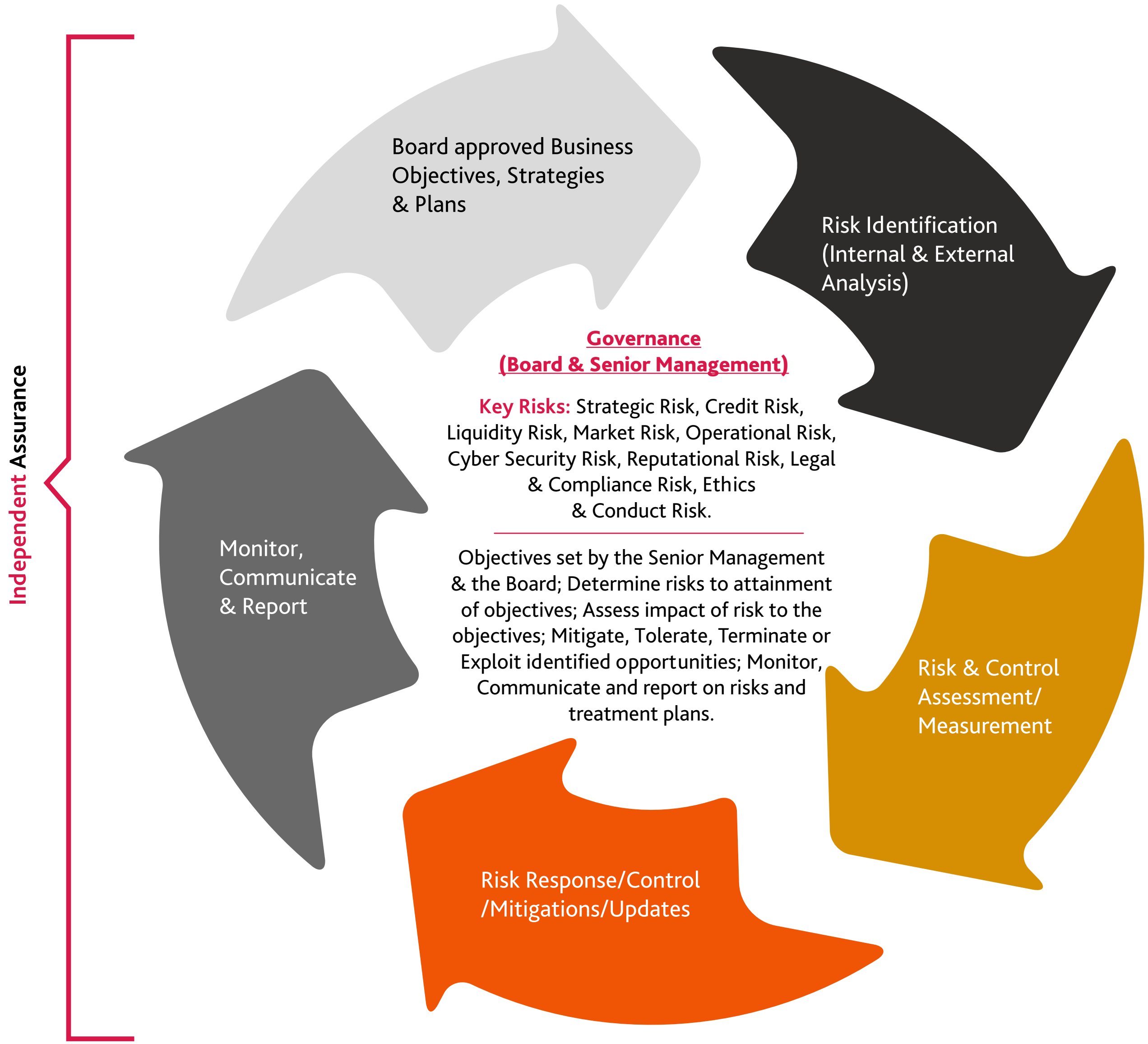
DTB uses a combined assurance model when undertaking reviews across the subsidiary banks. Compliance with Group's standards is supported by a programme of annual reviews undertaken by both the Internal Audit and the Risk and Compliance Departments. The results of the reviews are tabled to the management and respective Board committees of the subsidiary to which they relate, with summaries submitted to the management, risk and audit committees at the Group. The oversight and compliance cover DTB 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 Internal Audit 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 willingness to take risk. The risk is derived from the DTB's objectives, strategy and business plans. The Enterprise Risk Appetite Statement (ERAS) guides the overall approach, including policies, controls and systems, through which risk appetite is established, communicated and monitored. The ERAS demonstrates the implicit link between risk and strategy. In doing so, it defines the risk limits and tolerances around those limits. The 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 that are responsible for the implementation of the ERAS and forms a fundamental component of the Enterprise Risk Management Framework.

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	• **Market Changes:** Volatility in the global economy continues as the COVID-19 pandemic evolves into an endemic. • **Competition:** Risk of new disruptive business models which can impact market share.	• DTB has built significant capital buffers as a cushion to ensure resilience in its operations. In the wake of the pandemic, DTB continues to simulate various scenarios to determine the unexpected but likely plausible adverse economic impacts of the COVID-19 pandemic to its capital base and CARs 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. • DTB continues its digital transformation strategy noting that digital business will play a key role in future growth.
Internal Risk	• Inappropriate risk mitigation strategies to treat risk. • Failure to identify potential risks. • Poor planning for the risk. • Poor strategies implemented to help lessen or halt the risk.	DTB has specific strategies to address: • 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 risk is the risk that a borrower or debtor may default on obligations under a credit agreement. The Board Credit Committee (BCC) has oversight of credit through the Management Credit Committee (MCC). The MCC continuously reviews the credit strategy, credit policies and procedures, monitors credit risk, credit risk appetite, write offs, debt recovery, provisions, stress tests and changes in the operating environment. The MCC reports on any exceptions identified, insider lending, credit portfolio, 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:

- Board & Senior Management Oversight
- Credit Strategy, Policies, Procedures & Limits
- Segregation of Duties
- Product Approval Process & Review
- Credit Underwriting Policies & Procedures
- Credit Risk, Credit Controls Assessment & Mitigation Techniques
- Internal Credit Risk Scoring System
- Internal Controls & Independent Testing
- Management of Problem Credits
- Policies of Inter-bank Limits & Transactions
- Policies on Provisioning
- Identification, Evaluation & Measurement of Credit Risk
- Credit Administration & Monitoring
- Monitoring, Reporting & Communication
- Stress Testing

Credit risk will continue to be a key focus area in 2022 given the continued impact of COVID-19 especially in sectors such as Tourism and Hospitality and Transport Sectors.

RISK	IMPLICATIONS	MITIGANTS
Increase in non-performing loans	Negative effect of non-performing loans ratio on return on assets, i.e. non-performing loans negatively affect profitability.	DTB continues to assess the impact of the pandemic, on the sectors and businesses most impacted by the COVID-19 pandemic. Based on this analysis DTB evaluates borrowers who may continue to require relief measures on their loans and their individual circumstances towards applying as appropriate restructuring mechanisms of credit facilities during the pandemic. This has continuously been undertaken in liaison with the borrowers and the assessment of the borrower's capacity to pay under the proposed new terms in accordance with DTB's laid down credit risk policies and procedures.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Liquidity Risk

Liquidity Risk is 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:

- Board & Senior Management Oversight
- Policies, Procedures & Limits
- Measurement of Liquidity Positions
- Minimum Liquidity Ratio
- Loan to Deposit Ratio
- Maturity Profile
- Contigency Planning
- Risk Internal Controls Assessment
- Independent Testing (Internal Audit)
- Stress Testing
- Monitoring against Board Approved Limits & Early Warning Indicators
- Monthly Reporting to ALCO
- Quarterly Reporting to BRMC

RISK	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.	• 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 cushion in case of a possible shortfall. • DTB Contingency Funding Plan is revised from time to time to take care of any changes in the operating environment e.g., COVID-19 pandemic. • DTB has enhanced the stress tests programme to include scenarios and parameters to take account of the COVID-19 impact. • The stress test results are regularly reported to senior management and Board of directors through the various committees as well as the regulator. • Continuous monitoring of risk appetite limits and proper reporting of the same to management.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Market Risk

Also known as systematic 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 risk factors including but not limited to interest and foreign exchange rates. The market risk framework elements comprise:

- Board & Senior Management Oversight
- Policies, Procedures & Limits
- Measuring & Limiting Market Risk
- Product Approval and Review Process
- Monitoring and Reporting on Market Exposures
- Stress Testing
- Monitoring against Board Approved Limits & Early Warning Indicators
- Daily Monitoring of Market Positions
- Independent Testing
- Monthly Reporting to ALCO
- Quarterly Reporting to BRMC

RISK	IMPLICATIONS	MITIGANTS
The different types of market risks include interest rate risk, currency risk (exchange risk), country risk.	• Noting that market risk is largely Systematic (the risk affects the entire market), it cannot be diversified in order to be mitigated but can be hedged to minimise exposure. • Interest rate risk arises from unanticipated fluctuations in the interest rates due to monetary policy measures undertaken by the Central Bank. • Currency risk due to a decline in the value of the return accruing to an investor owing to the depreciation of the value of the domestic currency. • Macro variables such as political stability, level of fiscal deficit, regulatory environment that are outside the control of a financial market can impact the level of return due to an investment.	• DTB ensures that it manages concentration risk through Board approved limits that ensure diversification and mitigate against the is the risk of entirely or substantially investing in one sector. • DTB structures its investments as per the horizon of its liabilities. • DTB Kenya has intensified its ERM process to identify and measure the plausible impact on the performance of clients affected by the associated value chains. In addition, the Bank has an existing Credit Remedial Unit that is proactively managing the position and tracking early alert facilities in a bid to contain any negative migrations.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk management seeks to identify both the potential and actual losses that the Bank could be exposed to, in the normal cost of its operations. The main concern of operational risk include people, processes, systems and external factors. DTB recognises that operational risk is a fundamental element that is inherent in all our DTB products, systems, activities and processes. The Board through the Board Risk Management Committee (BRMC), issues policies that guide management on appropriate strategies of operational risk mitigation. The Head of Risk is responsible for the implementation of the Enterprise Risk Management Framework (ERMF) and reports independently to the BRMC. Internal Audit provides independent assurance to the Board on implementation of ERMF.

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

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Some key areas of focus are detailed below:

RISK	IMPLICATIONS	MITIGANTS
Business Continuity Risk	• Lack of preparedness to effectively address the on-going COVID-19 Pandemic.	• DTB reviewed its Business Continuity Plan (BCP) to incorporate actions to enhance preparedness, ensure resiliency and minimise the potential adverse effects of the COVID-19 pandemic. • During the pandemic period, DTB has increasingly focused attention on how third parties / partners are operating as well as their ability to meet not only the regulatory but also DTB resiliency standards.
Cyber Security Risk	• The data exchanged in the cyberspace can be exploited for various purposes by the cyber attackers. Some of the examples of cyber threats to individuals, businesses and government are identity theft, phishing, social engineering, cyber terrorism, compound threats targeting mobile devices and smart phone, compromised digital certificates, advanced persistent threats, denial of service, bot nets and data leakage.	Primary focus by DTB is on: • Prevention of cybersecurity incidents through proactive threat analysis • Monitoring, detection, and analysis of potential cybersecurity intrusions in real time and historical trending – Use of dashboards for different use cases – Security Information and Event Management (SIEM) tools • Response to confirmed cybersecurity incidents, by coordinating resources and directing use of timely and appropriate countermeasures – IT Resolver Teams • Providing situational awareness and reporting on cybersecurity status, incidents, and trends in adversary behavior.

Legal & Compliance Risk

Compliance risk is exposure to legal penalties, financial forfeiture and material loss due to failure to act in accordance with laws and regulations. The compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of every DTB employee. A key component of the Compliance function is Combating Financial Crime.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

The Combating Financial Crime framework comprises the elements below:

- Governance, Oversight & Risk Management Framework
- Strategy Risk Appetite, Key Risk Indicators
- Policies, Procedures & Limits
- Data & Systems, Customer Data Set
- Risk & Control Self Assessment
- Screening & Sanctions Management
- Compliance Monitoring Plan
- Optimisation of Rules & Scenarios
- AML/CFT Risk Assessment & Refresh
- Skills, Training, Development & Awareness
- Customer Risk Scoring
- On-going Due Diligence
- Enhanced Due Diligence
- Independent Assurance
- Monitoring, Remediation, Reporting

RISK	IMPLICATIONS	MITIGANTS
• Increased risks of bribery corruption & fraud. • Increased financial volatility resulting to new financial crime schemes. • Changing customer financial behaviors & patterns. • Increased use of virtual currencies. • New trade-based money laundering schemes.	• Penalties or sanctions due to non-compliance with new laws and regulations such as those related to sanctions. • Penalties due to failure to identify and report suspicious transactions in line with regulatory requirements.	• Every employee has an obligation to monitor, identify and escalate potential suspicious transactions to the Money Laundering Reporting Officer. Training is essential to ensure that all staff effectively discharge their obligations. During year 2021, all employees (100%) were trained on AML/ CFT. The Board of Directors was also trained on AML/CFT in December 2020 and October 2021. The Group invested in SafeWatchProfiling (SWP) AML & transaction monitoring system for the detection of suspicious behaviors and transactions in December 2019. SWP has data analytics and visualisation capabilities allowing DTB to observe and analyse trends. In addition, the solution has predefined rule sets that considers multiple factors from 'know your customer' controls and transaction monitoring to account behaviour, relationship, and counter party activity monitoring, which are easily configurable. The Group has further invested in SafeWatch 360 Transaction Risk Radar that allows a real-time approach in combating fraud and money laundering. Areas of focus in year 2022 shall continue on risk monitoring and acceptance; staffing; training & awareness; due diligence and acceptance; monitoring; ongoing review; quality assurance and independent testing.

Environmental, Social and Climate Related Risks

Environmental and social risk to a financial institution stems from the environmental and social issues that are related to bank customers, vendors and its own operations. A financial institution's transaction with either its customers or vendors may expose it to financial, legal, regulatory, and reputational risks. It is in this context and also in the context of being a good corporate citizen that DTB takes management of environmental, social and climate 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 Kenya understands these critical sustainability issues and recognises that it's imperative to appreciate the impact of the environment and social issues in its operations, supply chain and client transactions.

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

- Decrease its exposure to overall risk.
- Increased market opportunities and enhanced reputation.
- Long-term financial viability.
- Compliancy with regulatory requirements.

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

Below is our approach to ensure full compliance with the guidelines issued by CBK.

Our approach on climate related risks in fulfillment of CBK's guidance on climate-related risk management.

November 2021

Board Approved Climate Related Implementation Plan

Developed an ESG work plan to address climate related risks as per CBK's guidelines.

January - February 2022

Capacity Development

Capacity Development at all levels to enable the compliance and implementation of the guidelines.

March - October 2022

Implementation Plan

Implementation of a solid ESMS and entrenching ESG culture in our operations and continuous monitoring and evaluation.

November 2022

Disclosures

Develop an approach to disclosure on the financial risks from climate change.

ENTERPRISE RISK MANAGEMENT (CONTINUED)

Some key E&S risks include:

RISK	IMPLICATIONS	MITIGANTS
Credit risk (Default probability)	Client is not able to repay the loan on account of social and environmental issues.	• Development of a robust Environmental and Social Management System (ESMS) with a adequate policies, procedures and processes to be applied during Project Financing appraisal. • Develop a set of Environmental and Social Standards for compliance.
Liability risk	Bank faces legal complications, fees, and/or fines in rectifying social and environmental damage by virtue of taking possession of collateral that is contaminated.	• Setting out requirements for the Bank and borrowers relating to identification and assessment of environmental risks and impacts associated with investment projects that the Bank supports. • Assist borrowers fulfilling their national and international environmental and social obligations and enhance the sustainable development outcomes of projects through stakeholder engagement.
Reputational risk	Negative aspects of a project harm a financial institution's image in the media, with the public, with the business and financial community, and even with their own staff.	• Review all projects that have had occupational health and safety incidents to ensure that the incidents are properly managed, and risks of further accidents reduced. • Reviewing borrowers' ESG and climate efforts during the credit cycle to monitor transfer of negative publicity.

2022 Outlook

It is anticipated that 2022 shall be dominated by supervisory and policy actions designed to address the impact of the COVID-19 pandemic with emphasis being placed on conduct risk, digital transformation, operational resilience, data protection, cybersecurity, ESG and financial crime. DTB will continue to review its business environment and ensure it can adapt and upgrade its systems timely to ensure compliance with any new regulatory actions.

The Group continues to review its ERM to ensure it remains relevant in the 'new normal'. DTB will further enhance its frameworks as and when required to ensure resiliency as well as compliance to laws and regulation. DTB is cognisant of sustainability issues that requires industry wide collaboration and response and is continually working with a range of stakeholders to progress key aspects. The Group will continue to integrate Environmental, Social and Governance (ESG) risks into its ERM strategy with special focus to developing a robust policy framework and embedding climate related risks into its overall business processes. The Bank further commits to pivot more finance towards greener and more sustainable investments. Emphasis on risk and controls self-assessment, management of existing and emerging risks remains critical for DTB. Further to this, the Group will continue its digital transformation journey through expanded use of technology and data. DTB shall continue to review the impact of the digital platforms on the detection and prevention of crime.

SUSTAINABILITY REVIEW

Business sustainability is a conscious decision encapsulating the '3Ps' of People, Prosperity and Planet. At DTB, we have always been committed to good corporate citizenship and responsible business practices that are embedded in all our business operations. Sustainability is at the forefront in ensuring that as the Bank endeavors towards making profit, there is positive impact and influence on the people and our planet.

DTB is guided by the Sustainable Development Goals, which are a universal call to action to end poverty, protect the planet, and ensure that by 2030 all people enjoy peace and prosperity.

This Sustainability Review covers our position on Environmental, Social and Governance (ESG) issues and highlights the activities that we undertook as a Bank in 2021 to promote them.

Signing Up as a Participant of the UN Global Compact

DTB became a participant of the UN Global Compact on 10 August 2021 joining thousands of leading companies across the world that have committed to advance principles of responsible and sustainable business.

DTB supports the 10 principles of the UN Global Compact on Environment, Human Rights, Labour and Anti-Corruption. Under the UN Global Compact, DTB has been an active participant of two major accelerator programmes run by the Compact, namely:

- The **SDG Ambition Accelerator** aimed at supporting participants on setting corporate targets aligned with the SDGs and enabling long-term growth.
- **Target Gender Equality Programme** focused on supporting participants to strengthen their contribution towards equal gender representation.

DTB's approach to improving its sustainability disclosures and outcomes is guided by the above SDGs.

SUSTAINABILITY REVIEW (CONTINUED)

Supporting School Girls Under The #AchieveMoreGirl Initiative

In an effort to ensure underprivileged girls remain in school during their menstrual cycle, DTB committed to spend KShs 50 million over five years on an initiative to support over 30,000 vulnerable schoolgirls to access quality menstrual health products. The initiative dubbed #AchieveMoreGirl was launched on International Women's Day 2020 and was informed by the prevalent Menstrual Hygiene Management (MHM) challenge that persists across Kenya and remains a particular challenge for low-income women and girls.

The long-term goal for this project is to sustainably reach the communities through enhanced access to quality education by reducing school absenteeism among adolescent girls during menses, promote menstruation health and access to products, offer linkages to health and other services and provide opportunity for economic empowerment to youth, especially young women.

Through this initiative, DTB has so far reached over 15,000 girls, with 9,165 reached in 2021. The girls were provided with reusable menstrual care packages that last up to four years.

DTB Director Pamella Ager (right) joins HON. Adan Mohammed at Oloolua Primary School for a handover of menstrual health kits under the #AchieveMoreGirl initiative.

Much More Than Trees

As part of the effort to sustainably contribute to Environmental Conservation and Climate Change, DTB has an initiative dubbed Much More Than Trees (#MMTT).

Through this initiative, the Bank aims to engage and empower various community members to plant, nurture and protect trees within the Environment as they benefit from them in the long run.

During World Environment Day 2021, DTB, under an initiative facilitated by the Aga Khan Development Network (AKDN), participated in a tree planting initiative where we planted over 1,200 trees across the country to commemorate the day under the global theme of 'Ecosystem Restoration'. DTB Tanzania and DTB Uganda also joined in the World Environment Day activities by planting trees with various partners.

DTB Kenya also took part in mangrove restoration at Tudor Creek in November 2021, where 1,000 mangrove trees were planted under the Adopt a Site initiative at the Kenyan Coast.

To date, the Group has planted over one million trees.

DTB staff join students at Aga Khan Junior Academy to plant trees on World Environment Day 2021.

SUSTAINABILITY REVIEW (CONTINUED)

17 PARTNERSHIPS FOR THE GOALS

Empowering MSMEs Through Financial Literacy Training

DTB, in partnership with the Kenya Bankers Association (KBA), conducted a series of financial literacy training sessions in 2021 aimed at empowering micro, small and medium-business owners to grow their businesses.

Through the training, MSME owners were sensitised on various aspects on running a business including forms of business ownership, financial management, business planning, operations & value chain management, marketing, human resource management, and legal management.

This tailormade programme was aimed at supporting Kenyan entrepreneurs on capacity building to run their businesses in a sustainable and efficient manner. The Bank hosted 3,200 participants over 8 sessions.

Module 1: Inua Biashara
Friday 20th August 2021; 10:00am – 12:00pm
This is an introductory module that highlights various opportunities available to MSME's to secure their growth such as the credit guarantee scheme.

Module 2: Entrepreneurship
Thursday 26th August; 10:00am – 12:00pm
This module endeavors to deepen the business owners understanding of entrepreneurship and its benefits. It covers various forms of business ownership and the business formation process.

Module 3: Financial Management
Friday 3rd September; 10:00am – 12:00pm
This module introduces business owners to the practice of financial management, working capital management, capital expenditure, how to prepare a budget and how to make suitable financial decisions.

Module 4: Business and Strategic Planning
Friday 10th September 10:00am – 12:00pm
This module addresses business and strategic planning for micro, small and medium enterprises for the success of business initiation, growth, and development in Kenya.

Module 5: Operations and Value Chain Management
Friday 17th September 10:00am – 12:00pm
This module introduces business owners to the concepts of operations management and value chain management covering strategies to improve a business' production, productivity, and service quality.

Module 6: Marketing and Business Communication
Friday 24th September 10:00am – 12:00pm
This module is designed to inculcate entrepreneurs' skills that will lead to increased income through understanding of their customers' preferences and enhanced business communication.

Module 7: Human Resource Management
Friday 1st October 10:00am – 12:00pm
This module focuses on understanding organization staffing needs, recruitment processes, evaluation of staff performance and the legal requirements relating to employment in Kenya.

Module 8: Legal Management, Constitutional Rights, Vision 2030 and the Socio-Economic Roles of MSMEs
Friday 8th October 10:00am – 12:00pmThis module seeks to explain business owners' constitutional rights in relation to their Business's operations and property rights.

13 CLIMATE ACTION

Climate Change Mitigation Action

DTB is fully committed to SDG 13 on Climate Action joining in the global target of taking urgent action to mitigate the impacts of climate change. As such, DTB considers various ways that balance costs and technical feasibility when approaching this issue, including engaging with our clients to understand and assess the carbon and climate risks and opportunities associated with their business. The Bank is part of the global AKDN Environment and Climate Change Committee whose primary objective is to reduce Greenhouse Gas Emissions (GHG) , including the emissions caused by the operating activities and to become a carbon neutral organisation by 2030.

In light of this, the Bank has in 2021 kickstarted calculating it's Greenhouse Gas Emissions (GHG), identifying the major causes of emission with the goal of providing measures to reduce and offset emissions. The Bank is aligning with the Paris Agreement that committed to transforming development trajectories towards sustainability and limiting global warming to well below 2°C – ideally 1.5°C – above pre-industrial levels.

DTB staff planting trees under the #MuchMoreThanTrees initiative.

SUSTAINABILITY REVIEW (CONTINUED)

Environmental, Social, Governance and Climate Related Risks

Environmental and social risk to a financial institution stems from the environmental and social issues that are related to bank customers or vendors' operations. A financial institution's transaction with either its customers or vendors may expose it to financial, legal, regulatory, and reputational risks. It is in this context and also in the context of being a good corporate citizen that DTB takes management of environmental, social and climate 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 the 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 recognises that it's imperative to appreciate the impact of the environment and social issues in its operations, supply chain and client transactions.

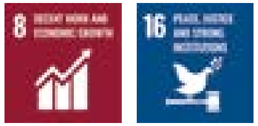
Considering environmental and social risks as part of the risk appraisal process helps a financial institution to:

- Decrease its exposure to overall risk.
- Increased market opportunities and enhance reputation.
- Long-term financial viability.
- Compliance with regulatory requirements.

DTB is in the process of revamping the existing environmental and social risk framework by developing a robust Environmental and Social Management System (ESMS) with an articulated policy, procedures and processes which are integrated into the Bank's credit cycle. DTB has a clear roadmap on how to further embed Environmental and Social Risk Management in line with the recently issued guidelines on Climate-Related Risk Management by CBK and Nairobi Securities Exchange ESG disclosures guidance manual.

Below is our approach to ensure full compliance with the guidelines issued by CBK on climate related risks management and the Nairobi Securities Exchange ESG disclosures guidance manual.

SUSTAINABILITY REVIEW (CONTINUED)



Decent Work and Employee Growth

DTB has always put employees first and aims towards creating decent jobs across the value chain while empowering employees. Throughout the year various trainings have been conducted to staff with the aim of empowering and diversifying their knowledge. In the year 2021 the following training programs were conducted to all bank staff:

- Anti-money laundering.
- Business continuity.
- Data privacy.
- OSHA training.
- Risk management.
- Fire marshals and first aid training.
- Mental health awareness webinar from Chiromo Hospital Group.

The Graduate Management Trainee Programme which involves annual intake of university graduates continues to be a key element of the Group. This involves graduates taking part in a 3-year programme involving rotating in different functions of the Bank before settling on one area of expertise under middle management. In 2021, five staff graduated under the programme. So far, over 30 of the programme graduates continue to serve across the Group at various levels from middle to senior management.

Following the pandemic-related heightened health risks, the Bank has included all COVID-19 related treatment under the medical insurance cover provided to staff. Besides improving the company positively staff training also empowers and develops the employees' capabilities. DTB also offer consistent training methods which helps in providing exceptional quality services for their customers.

The Graduate Management Trainees pose with board members and senior leadership during their graduation ceremony in 2021.

SUSTAINABILITY REVIEW (CONTINUED)

Supporting SMEs Through The Credit Guarantee Scheme

Micro, Small and Medium-sized Enterprises remain the principal engine behind Kenya's economic growth. According to the Kenya National Bureau of Statistics (KNBS), more than 7.4 million MSMEs in the country provide employment to approximately 14.9 million Kenyans in various sectors. However, with the adverse impact of the COVID-19 pandemic on the SME sector, coupled with pre-existing barriers, the sector faces an acute challenge in its ability to access affordable credit to sustain its operations. To address this, the National Treasury together with Central Bank of Kenya, Office of the President – SME Advisory Unit, Ministry of Trade, Kenya Bankers Association, Association of Micro Finance Institutions, donors, and other stakeholders spearheaded the development of a Credit Guarantee Scheme (CGS) to promote enterprise growth by enabling access to quality and affordable credit.

The National Treasury has partnered with DTB and six other banks to implement the Scheme as a COVID response facility. It offers SMEs affordable credit to sustain their operations from the adverse effects of the pandemic. The Bank also partnered with the Women Economic Empowerment Hub, affiliated with the University of Nairobi and the National Treasury to speak to women-owned business owners about the Credit Guarantee Scheme. The forum was attended by over 60 women entrepreneurs through collaborative efforts with Kenya Private Sector Alliance. So far, over 170 loans worth KShs 258 million plus have been disbursed by DTB.

Responsible Consumption and Production

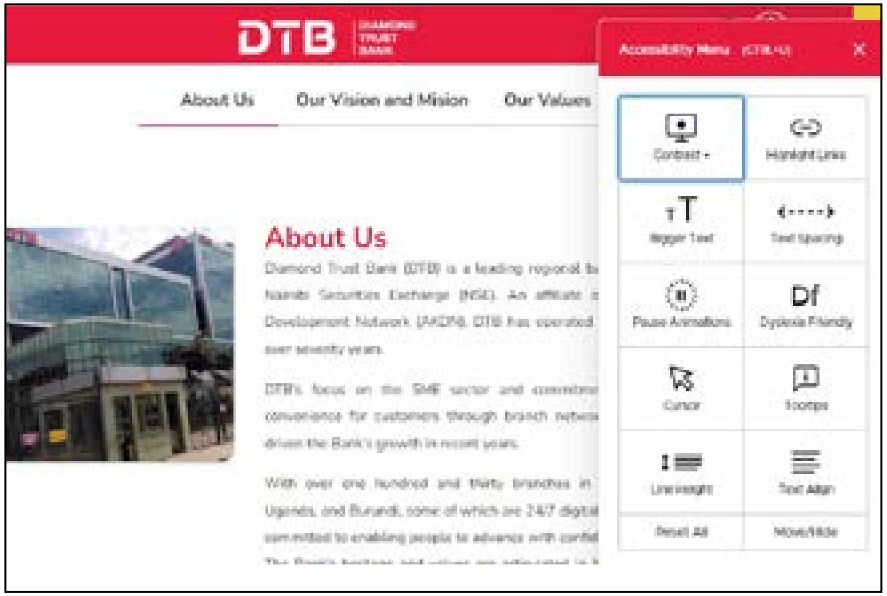
DTB is fully committed towards SDG 12 on ensuring sustainable consumption and production patterns on all bank operations.
Since 2019, the Bank started a project of recycling all wastepaper produced at the Head Office. Since then, 4.5 tonnes of paper has been recycled. In 2021, 1.3 tonnes of paper were recycled.
The Bank has also ensured there is efficient energy use and consumption by incorporating energy saving LED light bulbs and sensors to ensure lights go off when not in use.

SUSTAINABILITY REVIEW (CONTINUED)

Digital Accessibility and Financial Inclusion of People with Disabilities (PwDs)

PwDs are consumers of banking services like everybody else. A bank website avails an important segment for clients to bank from the comfort of their homes, avoiding making the journey to a bank's physical location. One of the access barriers for PwDs in an increasingly digital ecosystem is the inaccessibility of online content. Invariably, PwDs cite poorly designed websites that do not incorporate basic accessibility features as the chief access barrier to digital banking.

In 2021 DTB embarked on a project to promote digital accessibility for persons living with disability by making our website (https://dtbk.dtbafrica.com) more accessible. The feature involves a plugin into the DTB website, which is in line with global accessibility standards, to assist visually impaired people have a better experience when navigating our website. The plug in, provides accessibility options for people to deal with adjusting contrast, spacing, text size, among others.

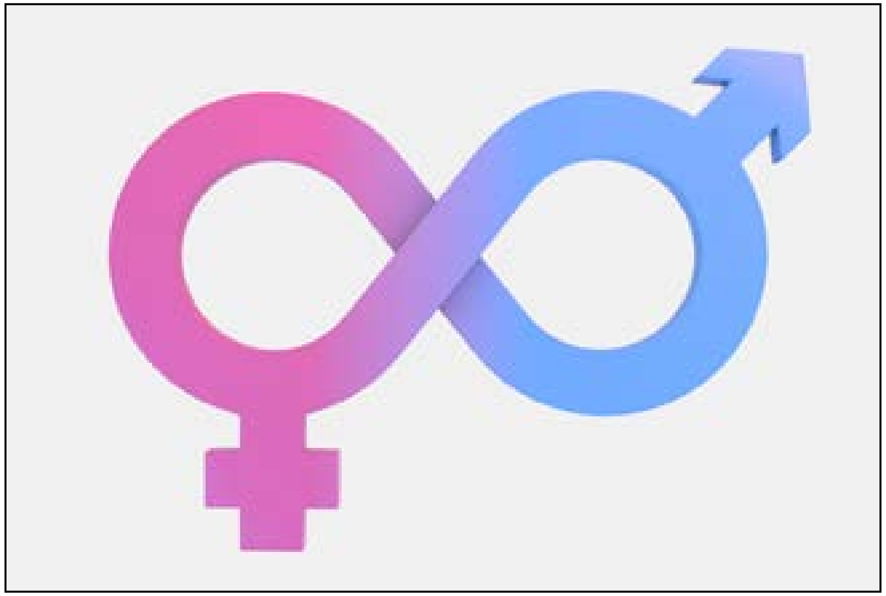


The accessibility menu on the DTB website.

Gender Equality

All businesses stand to benefit from gender equality and women's empowerment. At DTB, gender equality and women empowerment continue to be a key performance Indicator. In an increasingly globalised and interconnected world, utilising all social and economic assets is crucial for success. Yet, despite progress, women continue to confront discrimination, marginalisation, and exclusion, even though equality between men and women stands as a universal international precept—a fundamental and inviolable human right. DTB continues to be guided by the United Nations Women Empowerment Principles in achieving and integrating gender equality in the business.

The current female to male employee gender ratio for the Group is at 49:51 with DTB Tanzania having a ratio of 51:49 which is a change from it's previous 49:51 ratio. 32% of the executive management in DTB Kenya are female. DTB is determined to achieve a 50:50 ratio at all levels.



SUSTAINABILITY REVIEW (CONTINUED)

Ethics, Integrity and Confidentiality

All DTB staff members are expected to demonstrate the highest standards of integrity and act in good faith, with intellectual honesty and fairness, in all matters affecting their official duties and the interests of DTB. In light of this, various policies and procedures have been put in place to ensure that all staff operate in an ethical manner. Some of these policies include:

- The Gift Policy;
- The Anti-Fraud Policy;
- The Code of Ethics and Professional Conduct;
- The Whistle-Blowing Policy;
- Declaration of secrecy;
- Anti-bribery and Anti-corruption Policy.

As the Bank ensures integrity and fairness in all it's processes, it has ensured that there is transparency and accountability in the procurement process. This is by conducting Supplier Due Diligence and obtaining Conflict of Interest declarations for all material procurements. As part of DTB's Combatting Financial Crime procedures, all suppliers were screened against adverse media and the global, regulatory and law enforcement sanctions watch lists on human trafficking, drug trafficking, arms dealing, organised crimes etc in 2021. Over 170 large suppliers (with procurements of over KShs 5,000,000 equivalent worth of procurement per order) declared their commitment to ethics, human rights, governance, and ethical tender practices.

Technology

According to the UN Sustainable Development Goals, Technology, Science, and capacity building are major pillars of the Means of Implementation of the Post-2015 Agenda and of the Rio+20 follow-up processes.

The research, development, deployment, and widespread diffusion of environmentally sound technologies in the context of a green economy is also closely linked to other core elements and means of implementation, including innovation, business opportunities and development, trade of environmental goods and services, finance and investment, and institutional capabilities.

In this regard, DTB has continued to improve and provide easy access to all its digital channels such as mobile banking and online banking. This has seen a steady growth in the transactions done outside of the banking hall from 88% to 93% in Kenya. These channels have greatly improved DTB's customers' experience hence promoting efficiency while at the same time reducing our customers' footprint.

'My role at DTB is to provide our employees with support and build a strong relationship with them. This enables me to bring about positive change in the organisation and continuously improve on development of all staff thus empowering them to grow in their career.'

Lillian Ngala
Head of HR

Collaboration

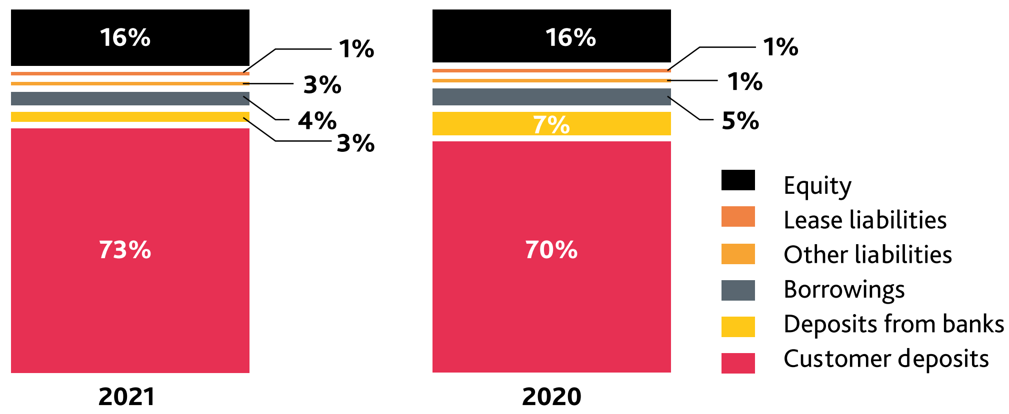
FIVE YEAR FINANCIAL REVIEW

	2021 Shs'000	2020 Shs'000	2019 Shs'000	2018 Shs'000	2017 Shs'000
Net interest income	21,130,094	19 ,307,871	20,078,388	21,009,651	20,640,399
Non-fund-based income	6,262,858	5,834,799	5,471,881	5,160,877	5,125,330
Gross operating income	**27,392,952**	**25,142,670**	**25,550,269**	**26,170,528**	**25,765,729**
Net operating profit before provisions	14,138,702	11,705,089	12,287,508	13,708,775	14,248,933
Charge for impairment of loans	(7,513,045)	(7,036,818)	(1,024,594)	(2,708,503)	(4,150,698)
Profit before income tax	**6,625,657**	**4,668,271**	**11,262,914**	**11,000,272**	**10,098,235**
Profit after tax and non-controlling interest	3,908,411	3,247,534	6,785,603	6,686,612	6,449,811
Total assets	**456,842,717**	**425,054,034**	**386,230,186**	**377,719,314**	**363,303,400**
Advances to customers (net)	220,425,335	208,592,888	199,089,371	193,074,357	196,048,155
Total deposits (customers and banks)	346,246,247	328,135,605	302,640,812	300,003,210	286,750,847
Shareholders' funds	**67,294,138**	**61,970,587**	**58,850,841**	**53,657,050**	**48,369,795**
Dividends for the year	838,807	-	754,926	726,966	726,966
Performance ratios					
Earnings per share - basic	Kshs. 13.98	Kshs. 11.61	Kshs 24.27	KShs 23.91	KShs 23.73
- diluted	Kshs. 13.98	Kshs. 11.61	Kshs 24.27	KShs 23.91	KShs 23.73
Dividend per share - basic	Kshs. 3.00	-	Kshs 2.70	KShs. 2.60	KShs. 2.60
- diluted	Kshs. 3.00	-	Kshs 2.70	KShs. 2.60	KShs. 2.60
Net loans to deposits	63.66%	63.56%	65.78%	64.36%	68.37%
Non-performing loans to total loans (before provisions)	12.29%	10.06%	6.59%	6.04%	6.30%
Return on average assets	1.00%	0.87%	1.90%	1.91%	2.00%
Return on average shareholders' funds	6.83%	5.84%	12.06%	13.11%	14.43%
Non-fund-based income to total income	22.86%	23.20%	21.42%	19.72%	19.89%
Number of branches	129	134	137	137	137
Number of employees	2,156	2,231	2,269	2,252	2,156
Expenditure on property and equipment	929,106	1,621,240	1,452,491	1,056,731	1,365,838
Other indicators (Bank only)					
Core capital to customer deposits	22.05%	22.85%	22.29%	19.38%	18.56%
Core capital to total risk weighted assets	19.86%	20.75%	19.05%	18.70%	17.30%
Total capital to total risk weighted assets	21.15%	22.48%	20.91%	21.10%	19.00%

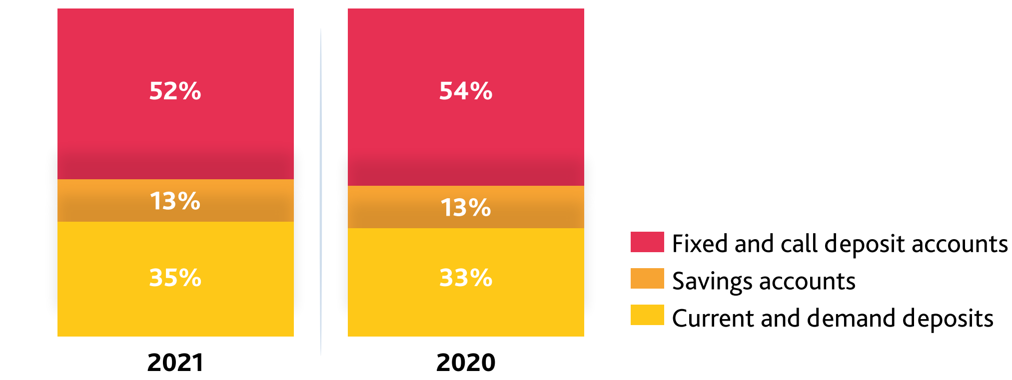
The extracts from the consolidated financial statements are stated in thousands of Kenya Shillings (Shs. 000) except where otherwise indicated.

Financial Performance Highlights

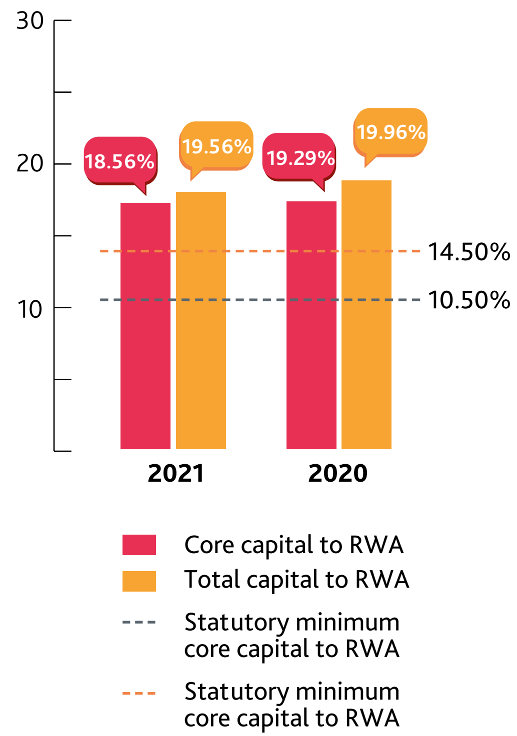
i) Distribution of funding



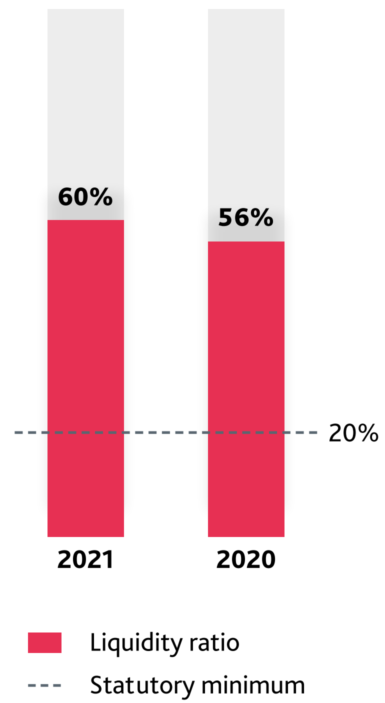
iv) Customer deposit spread



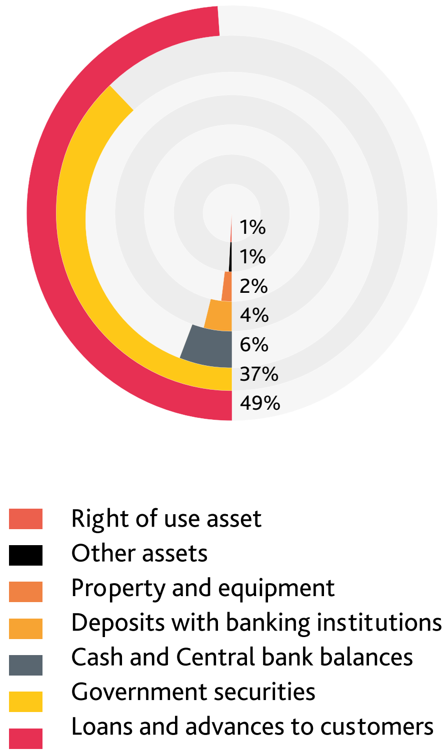
ii) Capital ratios



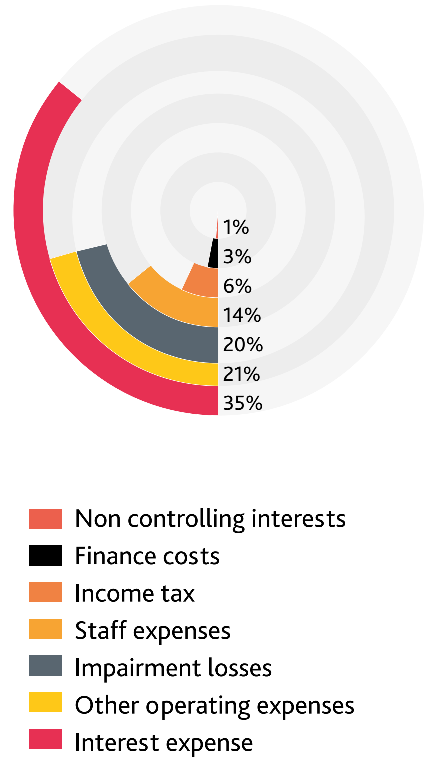
iii) Liquidity ratio



v) Distribution of assets



vi) Distribution of income



'Looking back, I remember how a normal school day would turn into an unpleasant experience at the onset of my cycle. Today, thanks to DTB's #AchieveMoreGirl programme, I am one of the 15,000 girls who have renewed focus and determination to stay in school and chase my dream of becoming the next Wangari Maathai.'

Carol
Student

Confidence

DIRECTORS AND STATUTORY INFORMATION

BOARD OF DIRECTORS

Linus Gitahi	Chairman
Shaffiq Dharamshi	Vice Chairman
Nasim Devji	Group Chief Executive Officer and 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 -Appointed on 29 June 2021
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 2021 in accordance with Section 22 of the Banking Act and the Kenyan Companies Act 2015 which discloses the state of affairs of Diamond Trust Bank Kenya Limited and its subsidiaries (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 92.

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 102 and summarised below.

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	6,625,657	4,668,271	4,696,070	3,824,363
Income tax expense	(2,212,184)	(1,139,645)	(1,732,923)	(778,423)
Profit for the year	4,413,473	3,528,626	2,963,147	3,045,940
Non controlling interests	(505,062)	(281,092)	-	-
Profit attributable to owners of the Bank	3,908,411	3,247,534	2,963,147	3,045,940
Dividends	(838,807)	-	(838,807)	-
Retained profit for the year	**3,069,604**	**3,247,534**	**2,124,340**	**3,045,940**

The directors recomend the approval of a final dividend of Shs 838,806,660 (2020: nil).

Equity and Reserves

The authorised issued share capital and reserves of the Group and Company at 31 December 2021 and matters relating thereto are set out in Note 31 to 32 to the financial statements. No additional shares were issued in the year. Full details of the Group and Company reserves and movements therein during the year are shown on pages 105 to 108 and pages 204 to 205.

Property, Plant and Equipment

Details of the movements in property, plant and equipment are shown on Note 21 to the financial statements.

Directors

The present membership of the Board is listed on page 92. Mr. Jeremy Ngunze was appointed as a Director on the Board on 29 June 2021.

In accordance with articles No. 101 of the Bank's Articles of Association, Messrs Moez Jamal and Jamaludin Shamji retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article No. 102 of the Bank's Articles of Association, Mr. Jeremy Ngunze retires by rotation in accordance with Article 102 of the Company's Articles of association, this being his first Annual General Meeting following his appointment as an additional Director, and being eligible, offer himself for re-election.

Business Review

DTB remains one of the leading commercial banks with a strong capital base, liquidity, corporate governance and risk management practices. This has enabled DTB to help businesses mobilise, stabilise and return to work with a long term view of the businesses building resilience to navigate future shocks.

The net interest income grew by 9% to Shs 21 billlion from Shs 19 billion in the previous year. The growth is attributed to Group's strategic focus on lending to customers coupled with sustained product innovations, which created synergy with the constantly changing customer needs.

The Group continued to maintain and grow a strong balance sheet demonstrated by a 7% growth in total assets mainly attributed to loans and advances which grew by 6% to Shs 220 billion. The Group's investment in Government securities also grew by 14% financed by the deposits. The Group too has a specific focus on containing the funding cost through growth of less expensive deposits. This saw the customer deposits grow by 11% ensuring sufficient Group liquidity with an impressive 15% growth in the current and saving accounts.

DIRECTORS' REPORT (CONTINUED)

Building Resilience Post Covid-19

To meet the myriad challenges posed by the pandemic, businesses around the world had to react in agile and decisive ways which meant a reset of the ways we live, work and do business. As we move into the next phase, now is the time for businesses to seek out and seize the opportunities emerging in the recovery to enhance business value today and build strategic resilience for tomorrow.

Moving forward, as COVID-19 creates further economic uncertainty and loss, the Group strategically invests time and energy into considering upcoming risk and determining the right actions for each with a view of turning potential surprises into strategic opportunities. The Group has adapted to consumer shift to cashless and remote operations by enhancing a new combination of talent and technology to deliver decisive advances, operational efficiency and competitive edge. Refer to page 38 to 41 on new digital strategies implemented by the Group.

On regulatory change, the Group and businesses at large are spending more in dealing with regulatory change and increasing amounts of time and effort are devoted to control, risk and compliance functions. The Group is using automation to transform its operations, processes and even business models to drive resilience and agility. All these business discoveries and change in strategies are implemented and shared with stakeholders with an end goal of supporting businesses and ensuring a seamless recovery across all DTB partners.

With the impact of the coronavirus (COVID-19) is still being felt by all businesses around the world with no certain end projected, the Group remains optimistic about 2022 although awake to the likely setbacks that may arise from prolonged pandemic impact. The Group is focused on business growth by increasing presence into the key economic sectors, optimizing our digital ecosystem and diversifying our portfolios with special focus on SMEs to grow transactions.

Future Outlook

Diamond Trust Bank Kenya Limited (DTB) embarked on the development of its new business strategy - *DTB Business Growth Strategy* – which will leverage on the strong foundation already built by the Bank.

DTB Business Growth Strategy, will seek to position the Bank as a premier, digitally- driven SME Bank in East Africa.

DTB Business Growth Strategy will be anchored on how DTB will contribute to the improvement in the quality of lives of customers – those that it is currently serving as well as those that are underserved. It will also require DTB to continue investing significantly in its people, new skills and technologies (Big Data analytics, artificial intelligence (AI), robotics, block chain technology, cloud computing, etc.) and innovation. Ultimately, *DTB Business Growth Strategy* will be focused on ensuring that the Group continues to remain relevant, as a financial services intermediary player, in all the markets it is present in. Given the fast evolving and disruptive business landscape, the new strategy will be focused on three pillars: (i) DTB being digital at the core, whilst abiding by the disciplines of (ii) operational and (iii) compliance excellence.

Principal Risks and Uncertainities

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 137 to 176.

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

Corporate Social Responsibilities

As a corporate citizen, Diamond Trust Bank Kenya Limited (DTB) seeks to undertake initiatives which benefit the communities and environment it operates in. The sustainability report under pages 80 to 87 details the activities the Group has undertaken in the year.

DIRECTORS' REPORT (CONTINUED)

Relevant Audit Information

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

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

Substantial Shareholding

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

	2021	2020
	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%
Jubilee Holdings Limited	2.08%	2.08%
	42.60%	**42.60%**

Directors' Interests

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

	2021		2020	
Director	**No of shares**	**Shareholding %**	**No of shares**	**Shareholding %**
Nasim Devji	263,022	0.1%	263,022	0.1%
Irfan Keshavjee	1,143	0.0%	1,143	0.0%
Alkarim Jiwa	60	0.0%	60	0.0%

Terms of Appointment of the Auditor

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

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

Approval of the Financial Statements

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2022.

By order of the Board

Stephen Kodumbe
Company Secretary
25 March 2022
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 2021.

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 CEO & 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

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

The directors' remuneration during the year increased to Shs 27 million from Shs 24 million in 2020 mainly due to appointment of an additional director in the year and a review of the fees to align their remuneration package with market levels.

Statement of voting at the general meeting on Directors' remuneration

In the last AGM held on 24th June 2021, 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 REPORT (CONTINUED)

Directors' remuneration paid during the year

Non-Executive Directors

	2021			2020		
Name	**Fees Shs '000**	**Sitting Allowance Shs '000**	**Total Shs '000**	**Fees Shs '000**	**Sitting Allowance Shs '000**	**Total Shs '000**
Linus Gitahi	4,980	720	5,700	3,690	950	4,640
Shaffiq Dharamshi	Waived	Waived	Waived	Waived	Waived	Waived
Pamella Ager	1,440	1,380	2,820	1,320	2,020	3,340
Guedi Ainache	1,440	1,380	2,820	1,320	1,480	2,800
Moez Jamal	1,440	840	2,280	1,323	820	2,143
Irfan Keshavjee	1,440	1,560	3,000	1,320	1,640	2,960
Ismail Mawji	1,440	1,440	2,880	1,320	1,570	2,890
Sagheer Mufti	1,440	1,140	2,580	1,233	780	2,013
Jeremy Ngunze*	728	1,320	2,048	-	-	-
Jamaludin Shamji	1,440	1,380	2,820	1,320	1,910	3,230
	15,788	**11,160**	**26,948**	**12,846**	**11,170**	**24,016**

* Jeremy Ngunze was appointed to the Board on 29th June 2021.

Contract of service – Executive directors

	Gross Pay Shs' 000	**Bonus Shs' 000**	**Retirement benefits Shs' 000**	**Non Cash Benefits Shs' 000**	**Total Shs' 000**
2021					
Nasim Devji	61,109	-	2	2,072	63,183
Alkarim Jiwa	43,136	-	3,659	1,338	48,133
	104,245	**-**	**3,661**	**3,410**	**111,316**
2020					
Nasim Devji	61,109	-	2	1,863	62,974
Alkarim Jiwa	42,025	-	3,570	1,344	46,939
	103,134	**-**	**3,572**	**3,207**	**109,913**

Approval of the Directors' Remuneration Report

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

By order of the Board

Stephen Kodumbe
Company Secretary
25 March 2022
Nairobi.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Group and Bank financial statements of Diamond Trust Bank Kenya Limited (the Bank) and its subsidiaries (together, the Group) set out on pages 102 to 214, which comprise the consolidated statement of financial position at 31 December 2021 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year then ended, together with the separate statement of financial position of the Bank at 31 December 2021 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and the 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 International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act, 2015, the Directors are required to prepare financial statements for each financial year which give a true and fair view of the 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 of the Group and the Bank.

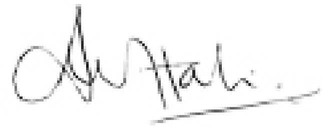
The Directors accept responsibility for the annual consolidated and separate financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act, 2015. The Directors are of the opinion that the financial statements give a true and fair view of the 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 Bank and its subsidiaries' 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 25 March 2022.



Linus Gitahi
Chairman

Nasim Devji
Managing Director

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

KPMG

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 Bank) set out on pages 102 to 214 which comprise the Group and Bank statements of financial position as at 31 December 2021, 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.

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 its at 31 December 2021, and of its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) 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 at amortised 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) – Summary of significant accounting policies, (page 122 - 126)
— Note 3 (ii) – Critical accounting estimates and judgements in applying accounting policies, *Determination of Significant Increase in Credit Risk* (page 136)
— Note 4 – Financial risk management, *Credit risk management* (page 138 - 160)
— Note 18 – Loans and advances to customers (page 184 - 186)

The key audit matter	How the matter was addressed
Subjective estimate The measurement of 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 ECL assessment and therefore increased levels of audit focus are: – Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's and Bank's ECL 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 ECL calculation as these criteria determine whether a 12 month or lifetime credit loss is recorded.	Our procedures in this area included: – Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of the ECL 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, classified and valued based on IFRS 9 principles as well as regulatory considerations; • For a sample of key data inputs and assumptions applied in the determination of ECL, assessing the accuracy of economic forecasts and challenging PD assumptions applied by involving our specialists in the reperformance of the economic forecasts and PDs; • 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 into stages 1, 2 and 3;

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 at amortised in the consolidated and separate financial statements (Continued)

The key audit matter	How the matter was addressed
– Economic scenarios – IFRS 9, *Financial Instruments* ("IFRS 9") requires the Group and Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the forward-looking information in the economic scenarios and the probability weightings applied to them especially when considering the current uncertain economic environment as a result of COVID-19. We determined that the loss allowances on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.	• Evaluating management's basis for establishing stage 3 loss allowances in terms of the Group's and Bank's policies and in terms of the requirements of IFRS 9. This included challenging reasonability of management assumptions on cashflows projections and time to realization for a sample of the facilities. – Making use of our internal financial risk modelling specialists to: • 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 variables used in the determination of ECL, including agreeing a sample of economic variables 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. – 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.

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Diamond Trust Bank 2021 Integrated Report &Financial Statements* but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon, other than that prescribed by the Kenyan Companies Act, 2015, as set out below.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs, 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. 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.

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

KPMG

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 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 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 auditors' 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 93 to 95 is consistent with the consolidated and separate financial statements; and

ii) The auditable part of the directors' remuneration report on pages 96 to 97 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 Joseph Kariuki - P/2102.

For and on behalf of:
KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers,
Waiyaki Way
P.O Box 40612-00100,

25 March 2022

GROUP AND BANK STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Interest income calculated using the effective interest method	5	33,904,379	31,089,802	23,648,195	22,368,833
Interest expense	6	(12,774,285)	(11,781,931)	(9,971,544)	(9,364,811)
Net interest income		**21,130,094**	**19,307,871**	**13,676,651**	**13,004,022**
Net fee and commission income	7	3,310,019	2,947,120	1,716,268	1,586,208
Foreign exchange income		2,448,624	2,325,543	1,818,437	1,681,597
Other operating income	8	504,215	562,136	518,855	772,725
Operating income		**27,392,952**	**25,142,670**	**17,730,211**	**17,044,552**
Operating expenses	9	(12,325,714)	(12,344,122)	(6,640,616)	(6,810,216)
Net impairment charge on loans and advances	18	(7,513,045)	(7,036,818)	(5,742,897)	(5,292,619)
Profit from operations		**7,554,193**	**5,761,730**	**5,346,698**	**4,941,717**
Share of results of associate after tax	26(b)	(47,015)	38,687	-	-
Finance costs	30(e)	(1,137,521)	(1,228,378)	(931,450)	(999,290)
Gain/(loss) on modified assets		256,000	96,232	280,822	(118,064)
Profit before income tax		**6,625,657**	**4,668,271**	**4,696,070**	**3,824,363**
Income tax expense	11	(2,212,184)	(1,139,645)	(1,732,923)	(778,423)
Profit for the year		**4,413,473**	**3,528,626**	**2,963,147**	**3,045,940**
Profit attributable to:					
Owners of the Bank		3,908,411	3,247,534	2,963,147	3,045,940
Non controlling interests	26(c)	505,062	281,092	-	-
		4,413,473	**3,528,626**	**2,963,147**	**3,045,940**
Earnings per share (Shs per share)					
Basic and diluted	12	13.98	11.61	10.60	10.89

The notes on pages 110 to 214 are an integral part of these financial statements.

GROUP AND BANK STATEMENTS OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Bank	
	Note	2021	2020	2021	2020
		Shs'000	Shs'000	Shs'000	Shs'000
Profit for the year		**4,413,473**	**3,528,626**	**2,963,147**	**3,045,940**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations		1,067,279	1,293,597	-	-
Net (loss)/gain from changes in fair value of government securities		(90,633)	43,767	(184,771)	-
Items that will not be reclassified to profit or loss					
Net gain/(loss) from changes in fair value of equity investments	25	87,121	(260,478)	87,121	(260,478)
Revaluation of land and buildings	21	820,872	-	705,235	-
Income tax relating to these items	24	(59,260)	(13,663)	(35,262)	-
Other comprehensive income for the year, net of tax		**1,825,379**	**1,063,223**	**572,323**	**(260,478)**
Total comprehensive income for the year		**6,238,852**	**4,591,849**	**3,535,470**	**2,785,462**
Total comprehensive income attributable to:					
Owners of the Bank		5,323,550	3,874,672	3,535,470	2,785,462
Non controlling interests		915,302	717,177	-	-
		6,238,852	**4,591,849**	**3,535,470**	**2,785,462**

The notes on pages 110 to 214 are an integral part of these financial statements.

GROUP AND BANK STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

		Group		Bank	
		2021	**2020**	**2021**	**2020**
	Note	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Assets					
Cash and balances with Central Banks	15	27,695,508	25,983,424	17,219,059	14,831,865
Government Securities	16	167,630,504	147,119,743	124,309,703	111,118,568
Deposits and balances due from banking institutions	17	16,136,223	19,945,900	3,850,652	10,667,900
Loans and advances to customers	18	220,425,335	208,592,888	159,180,869	154,998,068
Other assets	19	2,574,967	2,666,410	1,480,866	1,475,884
Intangible assets - software costs	20	675,803	721,250	356,697	397,282
Property and equipment	21	6,835,347	6,436,930	4,612,727	4,288,886
Intangible assets - goodwill	22	173,372	173,372	-	-
Right of use asset	23	3,437,595	3,640,987	1,784,519	1,867,738
Current income tax	11(c)	570,906	1,237,081	39,450	557,959
Deferred income tax	24	9,279,037	7,168,949	6,449,795	4,979,763
Equity investment - at fair value through OCI	25	1,345,364	1,258,198	1,339,691	1,252,570
Investments in subsidiaries and associates	26	62,756	108,902	5,752,702	5,752,702
Total assets		**456,842,717**	**425,054,034**	**326,376,730**	**312,189,185**
Liabilities					
Customer deposits	27	331,451,673	298,166,604	225,782,765	207,984,496
Deposits and balances due to banking institutions	28	14,794,574	29,969,001	11,672,102	27,063,578
Other liabilities	29	11,493,514	4,243,587	9,670,690	1,994,949
Borrowings	30	20,171,452	19,798,455	19,205,520	18,521,027
Lease liabilities	23	4,378,520	4,562,255	2,478,269	2,593,221
Total liabilities		**382,289,733**	**356,739,902**	**268,809,346**	**258,157,271**
Shareholders' equity					
Share capital	31	1,118,409	1,118,409	1,118,409	1,118,409
Share premium	31	9,006,569	9,006,569	9,006,569	9,006,569
Retained earnings	32 (c)	54,854,274	51,002,806	45,384,579	43,231,351
Statutory loan loss reserve	32 (d)	-	789,473	-	-
Other reserves	32	1,476,079	53,331	1,219,020	675,585
Proposed dividend	13	838,807	-	838,807	-
Equity attributable to owners of the Bank		**67,294,138**	**61,970,588**	**57,567,384**	**54,031,914**
Non controlling interests	26(c)	7,258,846	6,343,544	-	-
Total equity		**74,552,984**	**68,314,132**	**57,567,384**	**54,031,914**
Total liabilities and equity		**456,842,717**	**425,054,034**	**326,376,730**	**312,189,185**

The financial statements on pages 102 to 214 approved and authorised for issue by the Board of Directors on 25 March 2022 and signed on its behalf by:

Linus Gitahi
Chairman

Nasim Devji
Managing Director

Ismail Mawji
Director

Stephen Kodumbe
Company Secretary

The notes on pages 110 to 214 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		-	-	-	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	13	-	-	-	-	(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 110 to 214 are an integral part of these financial statements

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020		**1,118,409**	**9,006,569**	**1,062,649**	**(575,081)**	**47,483,370**	**754,926**	**58,850,842**	**5,664,503**	**64,515,345**
Profit for the year		-	-	-	-	3,247,534	-	3,247,534	281,092	3,528,626
Other comprehensive income		-	-	-	627,138	-	-	627,138	436,085	1,063,223
Transfer of excess depreciation		-	-	-	(37,678)	37,678	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	3,701	(3,701)	-	-	-	-
Statutory loan loss reserve		-	-	(273,176)	-	273,176	-	-	-	-
Legal and public investment reserve		-	-	-	35,251	(35,251)	-	-	-	-
Total comprehensive income		**-**	**-**	**(273,176)**	**628,412**	**3,519,436**	**-**	**3,874,672**	**717,177**	**4,591,849**
Transactions with owners in their capacity as owners:										
Dividends:										
- Final for 2019 paid	13	-	-	-	-	-	(754,926)	(754,926)	(38,136)	(793,062)
- Proposed for 2020	13	-	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**(754,926)**	**(754,926)**	**(38,136)**	**(793,062)**
At end of year		**1,118,409**	**9,006,569**	**789,473**	**53,331**	**51,002,806**	**-**	**61,970,588**	**6,343,544**	**68,314,132**

The notes on pages 110 to 214 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		-	-	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	13	-	-	-	(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 110 to 214 are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

	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 2020		**1,118,409**	**9,006,569**	**964,951**	**40,156,523**	**754,926**	**52,001,378**
Profit for the year		-	-	-	3,045,940	-	3,045,940
Other comprehensive income		-	-	(260,478)	-	-	(260,478)
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	1,520	(1,520)	-	-
Total comprehensive income		**-**	**-**	**(289,366)**	**3,074,828**	**-**	**2,785,462**
Transactions with owners in their capacity as owners:							
Dividends:							
- Final for 2019 paid	13	-	-	-	-	(754,926)	(754,926)
- Proposed for 2020	13	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**(754,926)**	**(754,926)**
At end of year		**1,118,409**	**9,006,569**	**675,585**	**43,231,351**	**-**	**54,031,914**

The notes on pages 110 to 214 are an integral part of these financial statements

GROUP AND BANK STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

		Group		Bank	
		2021	2020	2021	2020
	Note	Shs'000	Shs'000	Shs'000	Shs'000
Cash flows generated from/(used in) operating activities					
Cash (used in)/generated from operating activities	33	**(9,822,762)**	**(9,160,863)**	**9,644**	**(15,862,760)**
Interest received		32,615,973	31,913,946	22,735,728	23,013,346
Interest paid		(12,372,396)	(12,095,626)	(9,667,366)	(9,625,100)
Income taxes paid	11(c)	(3,544,020)	(4,112,683)	(2,719,708)	(2,878,479)
Net cash generated from/(used in) operating activities		**6,876,795**	**6,544,774**	**10,358,298**	**(5,352,993)**
Cash flows (used in)/generated from investing activities					
Purchase of property and equipment	21	(773,345)	(1,420,013)	(226,764)	(229,879)
Purchase of intangible assets - software costs	20	(155,761)	(201,227)	(121,239)	(130,640)
Proceeds from sale of investment in Government securities		215,285	(20,754)	215,285	(20,754)
Proceeds from sale of property and equipment		6,024	12,272	7,381	6,313
Dividend received		-	-	300,000	569,500
Net cash (used in)/generated from investing activities		**(707,797)**	**(1,629,722)**	**174,663**	**194,540**
Cash flows(used in)/generated from financing activities					
Proceeds from borrowings	30	3,276,000	10,135,000	3,276,000	10,135,000
Payment of principal portion of borrowings	30	(2,853,739)	(1,925,069)	(2,555,483)	(1,417,781)
Interest paid on borrowings		(728,338)	(770,594)	(675,627)	(644,248)
Payments for principal and interest portions of the lease liability		(858,975)	(766,366)	(370,609)	(367,886)
Dividends paid to equity holders of the bank		-	(754,926)	-	(754,926)
Dividends paid to non controlling interests		-	(38,136)	-	-
Net cash (used in)/generated from financing activities		**(1,165,052)**	**5,879,909**	**(325,719)**	**6,950,159**
Net increase in cash and cash equivalents		**5,003,946**	**10,794,961**	**10,207,242**	**1,791,706**
Cash and cash equivalents at start of year		10,543,897	(1,921,617)	(10,261,892)	(12,053,598)
Effect of exchange rate fluctuations		944,953	1,670,553	-	-
		11,488,850	**(251,064)**	**(10,261,892)**	**(12,053,598)**
Cash and cash equivalents at end of year	37	**16,492,796**	**10,543,897**	**(54,650)**	**(10,261,892)**

The notes on pages 110 to 214 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 92. 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. 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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRSs and in the manner required by the Kenyan Companies Act, 2015. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

Basis of measurement

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

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

Level 1 – fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – fair value measurements are derived from inputs other than quoted prices used in Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 – fair values measurements are derived from valuation techniques that include inputs for assets or liabilities that are not based on observable market data (unobservable inputs).

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

Use of estimates

The preparation of financial statements in conformity with IFRS 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

The Group has adopted the following new standards and amendments during the year ended 31 December 2021, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2021. The nature and effects of the changes are as explained herein.

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

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)

Covid-19-related Rent Concessions (Amendments to IFRS 16)
As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 *Leases* which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concessions as variable lease payments in the period in which they are granted.

Entities applying the practical expedients must disclose this fact, whether the expedient has been applied to all qualifying rent concessions or, if not, information about the nature of the contracts to which it has been applied, as well as the amount recognised in profit or loss arising from the rent concessions.

If a lessee already applied the original practical expedient, it is required to continue to apply it consistently, to all lease contracts with similar characteristics and in similar circumstances, using the subsequent amendment. If a lessee did not apply the original practical expedient to eligible lease concessions, it is prohibited from applying the expedient in the 2021 amendment.

However, if a lessee has not yet established an accounting policy on applying (or not) the practical expedient to eligible lease concessions, it can still decide to do so.

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

Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
In August 2020, the IASB made amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to address the issues that arise during the reform of an interest rate benchmark rate, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide the following reliefs:

- When changing the basis for determining contractual cash flows for financial assets and liabilities (including lease liabilities), the reliefs have the effect that the changes, that are necessary as a direct consequence of IBOR reform and which are considered economically equivalent, will not result in an immediate gain or loss in the income statement.
- The hedge accounting reliefs will allow most IAS 39 or IFRS 9 hedge relationships that are directly affected by IBOR reform to continue. However, additional ineffectiveness might need to be recorded.

Affected entities need to disclose information about the nature and extent of risks arising from IBOR reform to which the entity is exposed, how the entity manages those risks, and the entity's progress in completing the transition to alternative benchmark rates and how it is managing that transition.

The Group has several LIBOR linked contracts that extend beyond 2021. The Group has established a steering committee and working group within treasury, compliance and credit to manage the transition to ARRs. 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.

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

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2021
A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2021 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)	To be determined
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
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
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	1 January 2023
IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts	1 January 2023
Annual Improvement cycle (2018–2020) - various standards	1 January 2022

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 2021 (Continued)

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 Group anticipate that the application of these amendments may have an impact on the Group's 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 (eg the receipt of a waver 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.

Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)
The amendment to IAS 16 *Property, Plant and Equipment (PP&E)* prohibits an entity from deducting from the cost of an item of PP&E any proceeds received from selling items produced while the entity is preparing the asset for its intended use. It also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. Entities must disclose separately the amounts of proceeds and costs relating to items produced that are not an output of the entity's ordinary activities.

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.

Reference to the Conceptual Framework (Amendments to IFRS 3)
Minor amendments were made to IFRS 3 *Business Combinations* to update the references to the Conceptual Framework for Financial Reporting and add an exception for the recognition of liabilities and contingent liabilities within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* and Interpretation 21 Levies. The amendments also confirm that contingent assets should not be recognised at the acquisition date.

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.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
The amendment clarifies which costs an entity includes in assessing whether a contract will be loss-making. This assessment is made by considering unavoidable costs, which are the lower of the net cost of exiting the contract and the costs to fulfil the contract. The amendment clarifies the meaning of 'costs to fulfil a contract'. Under the amendment, costs to fulfil a contract include incremental costs and the allocation of other costs that relate directly to fulfilling the contract.

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. If it is disclosed, it should not obscure material accounting information.

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 2021 (Continued)

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

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, and
- 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 2021, the Group taxable temporary difference in relation to the right-of-use asset is Shs 3.4 billion (Bank: Shs 1.8 bilion) and the deductible temporary difference in relation to the lease liability is Shs 4.4 billion (Bank: Shs 2.5 billion), resulting in a net deferred tax asset of Shs 282 million (Bank: Shs 208 million). Under the amendments, the Group will present a separate deferred tax liability of Shs 1 billion (Bank: Shs 535 million) and a deferred tax asset of Shs 1.3 billion (Bank: Shs 743 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.

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.

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 2021 (Continued)

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

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 a material impact on the Group's financial statements.

Annual improvement cycle (2018 – 2020) – various standards

The following improvements were finalised in May 2020 effective 1 January 2022:

Standards	Amendments
IFRS 9 *Financial Instruments*	IFRS 9 *Financial Instruments* – clarifies which fees should be included in the 10% test for derecognition of financial liabilities.
IFRS 16 *Leases*	IFRS 16 *Leases* – amendment of illustrative example 13 to remove the illustration of payments from the lessor relating to leasehold improvements, to remove any confusion about the treatment of lease incentives.
IFRS 1 *First-time Adoption of International Financial Reporting Standards*	IFRS 1 *First-time Adoption of International Financial Reporting Standards* – allows entities that have measured their assets and liabilities at carrying amounts recorded in their parent's books to also measure any cumulative translation differences using the amounts reported by the parent. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

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 consolidated 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 2021.

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 26) 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.

(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.

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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(d) Interest income and expense (Continued)

Amortised cost and gross carrying amount *(Continued)*

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 OCI includes:

- interest on financial assets and financial liabilities measured at amortised cost
- interest on debt instruments measured at 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 FVTPL are presented in net income from other financial instruments at FVTPL.

(e) Fees and commission income

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

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

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

(f) Property and equipment

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

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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(f) Property and equipment (Continued)

Decreases that offset previous increases of the same asset are charged in other comprehensive income; all other decreases are charged to the statement of profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the statement of profit or loss) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. Revaluation surpluses are not distributable.

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

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

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

(g) Intangible assets – software costs

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

(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 amortized cost or at FVTOCI as at FVTPL 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. amortized cost
2. fair value through other comprehensive income (FVTOCI) or
3. fair value through profit or loss (FVTPL).

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Classification and measurement of financial assets *(Continued)*

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.

Amortized 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 amortized 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 amortized cost unless it is designated as at fair value through profit or loss (FVTPL) 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 amortized 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 (FVTPL); equity investments designated as at fair value through other comprehensive income (FVTOCI) and financial assets at amortised cost. Management determines the appropriate classification of its investment at initial recognition.

The classification of financial instruments can be seen in the table below:

	Class as defined by IFRS 9 and as determined by the group	**Subclasses**
Financial assets	Financial assets at fair value through profit and loss (FVTPL)	Government securities held for trading
	Investments as at fair value through other comprehensive income (FVTOCI)	Equity investments Government securities acquired for both holding and selling
	Financial assets at amortised cost	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
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

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Business model assessment for amortized cost measurement

For amortized 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 realize cash flows by collecting contractual payments over the life of the instrument. That is, the Group manages the assets held within the portfolio to collect those particular contractual cash flows (instead of managing the overall return on the portfolio by both holding and selling assets).

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

Fair value through other comprehensive income (FVTOCI)

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 (FVTOCI) if both of the following conditions are met:

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

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

Designation of equity instruments as at FVTOCI

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 FVTOCI 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 FVTOCI 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

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

***Business model assessment for FVTOCI measurement** (Continued)*

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.

Fair value through profit or loss (FVTPL)

The Group classifies assets that do not qualify for amortized cost measurement or measurement at FVTOCI to be measured subsequently to initial recognition at FVTPL (except if it is an investment in an equity instrument designated at FVTOCI).

The Group may irrevocably elect on initial recognition to designate a financial asset that meets the conditions for amortized cost measurement or FVTOCI as at FVTPL if that designation eliminates or significantly reduces accounting mismatch that would have occurred if the financial asset had been measured at amortized cost or FVTOCI.

Financial assets of the Group classified as at FVTPL 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 FVTPL, and should be recognised in profit or loss when they occur.

Business model assessment

The Group makes an assessment of the objective of a business model in which an asset is held at a portfolio levels because this best reflects the way the business is managed and information is provided to management. The information considered includes:

1. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing 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 realized.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Contractual cash flows characteristics test

Financial asset of the Group that are debt instruments to be measured at amortized 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Contractual cash flows characteristics test (Continued)

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.

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 FVTOCI 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 amortized cost to FVTOCI (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 FVTOCI to amortized 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 amortized cost to FVTOCI 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 amortized cost to FVTPL, 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Measurement at the date of reclassification *(Continued)*

Similarly, if the Group reclassifies a financial asset from FVTOCI to FVTPL, it discloses as a separate line in its statement of comprehensive income any gain or loss arising from reclassifying the previously recognised amount in other comprehensive income to profit or loss.

Impairments of financial asset

The Group's impairment approach, is based on expected credit losses and the Group uses the general approach in determining the impairment of financial assets. Therefore, it is not necessary for a loss event to have occurred before credit losses are recognised; instead, a loss allowance is always recognised for expected credit losses and is re-measured at each reporting date for changes in those expected credit losses. The only exception is for purchased or credit-impaired financial assets where a different impairment approach applies. Determining whether an expected credit loss should be based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk of the financial asset since initial recognition.

The Group recognises loss allowances for Expected Credit Losses (ECL) on the following financial instruments that are not measured at FVTPL:

- 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.

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;

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 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.	
Stage 2: (Watch Lists)	Lifetime ECL – Loans that have witnessed significant increase in credit risk	i. Repayment of principal and interest is past due for more than 30 days, but less than 90 days. ii. Consistent drop in turnover figures for 2 months.	i. Negative/Bad report from Credit Risk Management System (CRMS) and Credit Bureaus. ii. Failure to submit Audited Financial Statement more than a year after the reporting date.	i. Evidences of misapplication of loan proceeds by customer. ii. Litigations likely to have material impact.
Stage 2: (Watch Lists) *(Continued)*		iii. Drop in ratings (internal or external) by 2 notches. iv. Significant decline in the value of the collateral, third party guarantees or credit enhancements. 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. vi. Decrease in estimated future cash flows of the instrument/ cash flow difficulty of the customer.	iii. Report of management squabbles /trade union dispute / issues of unpaid salaries. iv. Adverse changes in business, financial and economic conditions. v. Breaches of covenant/ contract. vi. Delay by customer in providing perfection documents. vii. Underperforming instruments.	iii. Profit warnings.

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

Significant increase in credit risk (SICR)

The Group decision on whether expected credit losses are based on 12-month expected credit losses or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is made at each reporting date. When making the assessment, the Group uses the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward migration.

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

Qualitative criteria

There are other factors that are considered by the Group policies in the determination of significant increase in credit risk. They include but are not limited to the following:

- Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g. increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Qualitative criteria (Continued)

- 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 amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
- Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the Group specifically intervening with the borrower).
- Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organizational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
- Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise effect the probability of default (e.g. if the value of collateral declines because house prices decline, borrowers in some jurisdictions have a greater incentive to default on their mortgages); or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
- Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
- Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount)

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized 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 amortized cost: as a deduction from the gross carrying amount of the assets;

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Qualitative criteria *(Continued)*

- Loan commitments and financial guarantee contracts: generally, as a provision;
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and
- Debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

General approach to collective or individual assessment

The Group's measurement of expected credit losses is based on the weighted average credit loss. As a result, the measurement of the loss allowance should be the same regardless of whether it is measured on an individual basis or a collective basis although measurement on a collective basis is accepted by the Group if more practical for large portfolios of items.

When it comes to the assessment of whether there has been a significant increase in credit risk it may be necessary to perform the assessment of significant increases in credit risk on a collective basis. Where the Group is not able to identify significant changes in credit risk on individual financial instruments before the financial instrument becomes past due (e.g. there may be little or no information for an individual retail loan until a customer fails to pay), the Group assesses significant increase in credit risk on a collective basis. This is because loss allowance based only on credit information at an individual financial instrument level would not faithfully represent the changes in credit risk since initial recognition.

When assessing for significant increases in credit risk and recognizing a loss allowance on a collective basis, financial instruments are grouped on the basis of shared credit risk characteristics to enable significant increases in credit risk to be identified on a timely basis. The Group uses the following for segmentation based on shared credit risk characteristics:

- Product type;
- Industry;
- Economic sectors

Collateral

The Group obtains collateral where appropriate, from customers to manage their credit risk exposure to the customer. The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer in the event that the customer defaults.

The Group may also use other credit instruments, such as stock borrowing contracts, and derivative contracts in order to reduce their credit risk.

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 amortized cost with the exception of derivative liabilities which are FVTPL or where fair value option is elected provided specific criteria are met.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity *(Continued)*

Where the Group measures any financial liability at FVTPL, fair value gains or losses related to credit risk are presented separately in other comprehensive income while all other fair value gains or losses are presented in profit or loss.

Contractual obligation to deliver cash or another financial asset

The key feature in determining whether a financial instrument of the Group is a liability is the existence of a contractual obligation of one party (the issuer) to deliver cash or another financial asset to another party (the holder), or to exchange financial assets or liabilities under conditions that are potentially unfavorable. In contrast, in the case of an equity instrument (e.g. ordinary shares) the right to receive cash in the form of dividends or other distributions is at the issuer's discretion and, therefore, there is no obligation to deliver cash or another financial asset to the holder of the instrument. There is an exception to this rule for certain puttable instruments and instruments with an obligation to deliver a pro rata share of net assets only at liquidation.

Items such as deferred revenue and warranty obligations require delivery of goods or services rather than an obligation to deliver cash or another financial asset and, therefore, are not financial liabilities.

Classification of financial liabilities

All financial liabilities of the Group are classified and subsequently measured at amortised cost using the effective interest rate method except for:

- financial liabilities at fair value through profit or loss (FVTPL);
- 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 FVTPL 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 FVTPL

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 FVTPL.

(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 FVTPL 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 FVTPL

Financial liability of the Group can only be designated as at FVTPL 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 FVTPL only in one of the following circumstances:

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Classification of financial liabilities *(Continued)*

(iii) Financial liabilities designated as at FVTPL (Continued)

- 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 FVTPL 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 amortized 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 FVTPL. 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 amortized cost of the rights and obligations retained (if the asset is measured at amortized 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 FVTPL 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 FVTPL 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 FVTPL or elected to be designated at FVTOCI 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.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Investment equity securities *(Continued)*

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 FVTPL 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.*

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 FVTPL. 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

Modification of loans (Continued)

(b) Modifications not leading to derecognition (Continued)

90 day rebuttable presumption
The Group assumes a rebuttable presumption that a default does not occur later than when a financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Cure definition under IFRS 9
The Group's definition of cure, is the extent to which financial assets return to a performing status from a non-performing status. Payment of amounts in arrears constitutes cure.

Deterioration definition
This is the rate at which modified loans that revert to 12 month expected losses on modification then subsequently move to lifetime expected credit losses.

Default definition under IFRS 9
The Group has established its own policy for what it considers a default, and applied a definition consistent with that used for internal credit risk management purposes for the relevant financial instrument. The Group considers qualitative indicators (e.g. financial covenants) when appropriate. The definition of default used for these purposes is applied consistently to all financial instruments unless information becomes available that demonstrates that another default definition is more appropriate for a particular financial instrument. The default point is defined at 90 days.

Recognition of regular way purchases and sales of financial assets
Regular way purchase or/and sale of the Group's financial assets can be recognised (and derecognised) using either trade date or settlement date accounting.

The method used is applied consistently for all purchases and sales of financial assets that belong to the same category.When trade date accounting is applied, the Group recognises the financial asset to be received and the corresponding liability to pay for it at the trade date; on disposal, the financial asset is removed from the statement of financial position on the trade date.

When the settlement approach is applied, the asset is recognised on the date on which it is received by the Group; on disposal, the asset is not derecognised until the asset is delivered to the buyer.

When the purchase of an asset is accounted for using settlement date accounting, between the trade date and settlement date, although the asset itself is not yet recognised, the Group accounts for changes in its fair value, applying the same measurement basis that will be used to account for the acquired asset once it is recognised; therefore, changes in fair value are recognised in profit or loss for assets classified or designated as at FVTPL, in other comprehensive income (OCI) for assets designated as at fair value through other comprehensive income, and not recognised for assets measured at amortized 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:

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

***Other policies** (Continued)*

***Valuation techniques** (Continued)*

(a) Market approach *(Continued)*

- When the Group holds a large number of similar (but not identical) assets or liabilities (e.g. debt securities) that are measured at fair value and a quoted price in an active market is available but not readily accessible for each of those assets or liabilities individually (i.e. given the large number of similar assets or liabilities held by the Group, it would be difficult to obtain pricing information for each individual asset or liability at the measurement date). In such circumstances, as a practical expedient, the Group may measure fair value using an alternative pricing method that does not rely exclusively on quoted prices (e.g. matrix pricing). However, the use of an alternative pricing method results in a fair value measurement categorized within a lower level of the fair value hierarchy.
- When a quoted price in an active market does not represent fair value at the measurement date. That might be the case if, for example, significant events (such as transactions in a principal-to-principal market, trades in a brokered market or announcements) take place after the close of a market but before the measurement date. The Group shall establish and consistently apply a policy for identifying those events that might affect fair value measurements. However, if the quoted price is adjusted for new information, the adjustment results in a fair value measurement categorized within a lower level of the fair value hierarchy.
- When measuring the fair value of a liability or the Group's own equity instrument using the quoted price for the identical item traded as an asset in an active market and that price needs to be adjusted for factors specific to the item or the asset. If no adjustment to the quoted price of the asset is required, the result is a fair value measurement categorized within Level 1 of the fair value hierarchy. However, any adjustment to the quoted price of the asset results in a fair value measurement categorized within a lower level of the fair value hierarchy.

When a quoted price for an asset or a liability exists in multiple active markets, the Group identifies the market and price which represents fair value for the specific facts and circumstances.

Valuation techniques consistent with the market approach often use market multiples derived from a set of comparable assets or liabilities. A range of multiples may be derived, with a different multiple for each comparable asset or liability.

The selection of the appropriate multiple within the range requires the exercise of judgement – with appropriate consideration of the qualitative and quantitative factors specific to the measurement.

Valuation techniques consistent with the market approach include matrix pricing. Matrix pricing is a mathematical technique used principally to value some types of financial instruments, such as debt securities, without relying exclusively on quoted prices for the specific securities, but rather relying on the securities' relationship to other benchmark quoted securities.

(b) Cost/replacement cost approach

The 'cost approach' is defined as a valuation technique that reflects the amount that would be required currently to replace the service capacity of an asset (often referred to as current replacement cost). This method is often used to measure the fair value of tangible assets that are used in combination with other assets or with other assets and liabilities.

(c) Income approach

The 'income approach' is defined as valuation techniques that convert future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The fair value measurement is determined on the basis of the value indicated by current market expectations about those future amounts. Income approaches that are used for measuring the fair value of financial instruments include, for example:

- present value techniques and
- option pricing models, such as Black-Scholes-Merton formula or a binomial model (i.e. a lattice model), that incorporate present value techniques and reflect both the time value and the intrinsic value of an option.

This approach describes two types of present value techniques:

- the discount rate adjustment technique and
- the expected cash flow (expected present value) technique does not specifically require that one of these present value techniques be used. The most appropriate present value technique for the measurement of fair value in a particular scenario will depend on the facts and circumstances specific to the asset or liability being measured (e.g. whether prices for comparable assets or liabilities can be observed in the market) and the availability of sufficient data.

Disclosure requirements

The Group classifies financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. The classes reconciled to the line items presented in the statement of financial position.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Disclosure requirements *(Continued)*

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 amortized cost and those that are measured at fair value. Amortized cost financial assets are the financial instrument category that comprise various classes such as term loans, overdraft, unsecured medium-term loans etc.

Categories of financial assets and financial liabilities

The Group discloses the carrying amount for each financial instrument category as defined by IFRS 9 either in the statement of financial position or in the notes to the financial statements. The carrying amounts of each of the following categories are disclosed:

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

b. financial liabilities at fair value through profit or loss, showing separately
   i. those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVTPL and
   ii. those that meet the definition of held for trading in IFRS 9;

c. financial assets measured at amortized cost;

d. financial liabilities measured at amortized cost; and

e. financial assets measured at fair value through other comprehensive income, showing separately:
   i. financial assets that are measured at fair value through other comprehensive income in accordance with (e.g. debt instruments that are held within a business model that is collecting contractual cash flows and selling financial assets); and
   ii. investments in equity instruments designated as such upon initial recognition.

Financial assets at FVTPL

If the Group designates certain debt instruments (or a group of debt instruments) as at fair value through profit or loss (FVTPL), 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 FVTPL

When the Group has designated financial liabilities as at FVTPL, 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 FVTPL, it presents the effects of changes in that liability's credit risk in other comprehensive income, it discloses:

- the cumulative change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
- the difference between the financial liability's carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the obligation
- any transfers of the cumulative gain or loss within equity during the period, including the reason for such transfers;
- if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realized at derecognition.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

***Disclosure requirements** (Continued)*

***Financial assets at FVTPL** (Continued)*

If the Group designates a financial liability as at FVTPL and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss, it discloses:

- the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability; and
- the difference between the financial liability's carrying amount and the amount the Group would be contractually required to pay at maturity to the holder of the obligation.

Write off

The Group writes off a loan and advance balance (and any related allowancefor 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 borower/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 amortized cost to FVTPL, 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 FVTPL to amortized 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 amortized 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.

(i) 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.

NOTES (CONTINUED)

2. Summary of significant accounting policies (Continued)

(j) Leases (Continued)

(i) Group acting as a lessee (Continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group has disclosed the lease liability and right-of-use assets separately in the statement of financial position. Long-term leases of over 50 years have been separately disclosed under property and equipment. The Group has also assessed that the interest payments constitute financing activities in the statement of cashflows.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including leases of equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) 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.

(q) Employee benefits

(i) Defined contribution plan

The Group operates a defined contribution retirement scheme, the assets of which are held in a separate trustee-administered fund. The Group's contributions to the defined contribution scheme are charged to the statement of profit or loss in the year to which they relate. The Group has no further payment obligation once the contributions have been paid.

The Group and all its employees also contribute to the National Social Security Fund, operating in the respective countries, which is a defined contribution scheme.

(ii) Other short term employee benefits

Short term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(r) Proposed dividends

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until approved by the shareholders at the Annual General Meeting.

(s) 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.

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;

- 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.
- Impairment of financial assets classified as amortised cost and FVTOCI: 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.
- 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.
- Determination of control over investees.
- Incorporation of restructures in the ECL model: Changes to estimation techniques and assumptions in measuring ECL for restructures only applicable within the moratorium period.

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. Covid-19 restructures are factored into the model to cater for the payments holidays and sector/subsector risks. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' and viceversa requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis

(iii) Coronavirus (COVID-19) on key judgements and estimates

The COVID-19 pandemic and its effect on the global economy have impacted our customers, operations and Group performance necessitating governments to respond at unprecedented levels to protect the health of the population, local economies and livelihoods. This has significantly increased the estimation uncertainty in the preparation of these financial statements including:

- the extent and duration of the disruption to business arising from the actions of governments, businesses and consumers to contain the spread of the virus;
- the extent and duration of the expected economic downturn, and subsequent recovery;
- the effectiveness of government and central bank measures to support businesses and consumers through this disruption and economic downturn.

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2021 about future events that the Directors believe are reasonable in the circumstances.

The significant accounting estimates impacted by these forecasts and associated uncertainities are predominantly related to expected credit losses. See Note 3 b(ii) above on the SICR estimate after the COVID-19 restructures.

(iv) Determination of the incremental borrowing rate

The bank determines the rate of interest that it would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

3. Critical accounting estimates and judgements in applying accounting policies (Continued)

b) Assumptions and estimation uncertainties (Continued)

(v) Lease extension and termination

Extension and termination options are included in a number of property and equipment leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

4. Financial risk management

Introduction

Effective risk management is fundamental to the business activities of the Group. Whilst we remain committed to the objective of increasing shareholder value by developing and growing our business in a way that is consistent with our board-determined risk appetite, we are also cognisant of the need to balance this objective with the interests of depositors, debt holders and our regulators. We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment. Risk management is at the core of the operating structures of the Group. The Group seeks to limit adverse variations in earnings and equity by managing the risk exposures and capital within agreed levels of risk appetite.

Managing and controlling risks, minimising undue concentrations of exposure and limiting potential losses from stress events are all essential elements of the Group's risk management and control framework. The risks are managed through a framework, organisational structure, risk management and monitoring processes that are closely aligned with the activities of the Group and in line with the guidelines given by the Central Bank of Kenya (CBK) or the regulators under which it is operating in other countries.

The Group defines risk as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the Group appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and enhanced.

The Group operates in an environment of numerous risks as shown below that may cause financial and non-financial results to differ significantly from anticipated objectives. The Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organisation. These risks are classified as follows;

- Credit risk
- Liquidity risk
- Market risks that fall within:
  - Interest rate risk
  - Price risk
  - Foreign exchange risk

The main pillars of the Group's risk management framework are set out below:

a) Active Board and Senior Management Oversight

The Board and the Senior management bear the responsibility of implementing strategies in a manner that limits risks associated with each strategy. Management is therefore fully involved in the activities of the bank and possess sufficient knowledge of all major business lines to ensure that appropriate policies, procedures, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

b) Adequate Policies, Procedures and Limits

The Group's policies, procedures and limits provide for adequate and timely identification, measurement, monitoring, control and mitigation of the risks posed by its lending, investing, trading, off balance sheet and other significant activities at the business/functional line and bank-wide levels. These clearly delineate accountability and lines of authority across the Bank's various business activities, and ensure there is a clear segregation between business/functional lines and the risk function as well as escalate and address breaches of limits.

c) Adequate Risk Monitoring and Management Information Systems

The Group maintains an effective MIS system that facilitates the Bank's risk monitoring practices and avails risk reports that address all of its material risks for both management and board purposes.

d) Internal Controls

The Group maintains a system of internal controls consistent to the type and level of risks posed by the nature and scope of its business activities. This also includes clearly delineated lines of authority and responsibility for monitoring adherence to policies, procedures, and limits.

NOTES (CONTINUED)

4. Financial risk management (Continued)

Risk management principles

The following key principles form part of our approach to risk management.

- The Board of directors provides overall risk & capital management supervision of The bank. The Board, through its comprehensive sub-committee structure, oversees risk management, reviews and approves enterprise- wide risk policies and procedures and sets tolerance limits wherever required. The procedures describe The facility types, aggregate facility exposures and conditions under which The Group is prepared to do business.

- The risk management function is independent of the Group's business and operating units. This function, which is headed by the Head of Risk and Compliance, manages Credit, Market, Reputational, Strategic and Regulatory risks on an integrated basis.

- Various committees at functional levels oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units.

- Market and liquidity risks are overseen by the Board Risk Management Committee (BRMC) and managed by a well-represented Asset and Liabilities Committee (ALCO). The members of ALCO are the Chief Executive Officer and the Heads of Risk, Treasury, Finance and business units.

- The compliance function is independent of the Group's business and operating units, reporting to the Board Audit & Compliance Committee on a quarterly basis. The function, on a pro-active basis, identifies and assesses the compliance and operational risks associated with the Group's business. It helps management accomplish its objectives by addressing the current and prospective risk to earnings or capital arising from violations or on non-conformance with laws, rules, regulations, prescribed practice or ethical standards issued by the Board and the regulator from time to time.

- The Credit and Operational Risk Management committees are responsible for defining and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee respectively.

- Independent review of the effectiveness of the overall risk framework is undertaken by the internal audit function which reports directly to the Board Audit & Compliance Committee. The Internal audit department independently monitors the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks.

- External audit has a statutory duty to report its independent opinion on the Group's financial statements to shareholders and acts as a third line of defence.

(a) Credit risk management

Credit risk is the risk of loss due to the failure of a borrower to meet its credit obligations in accordance with agreed contract terms. It arises principally from, but is not limited to, commercial loans and advances, commitments from forward foreign exchange contracts , financial guarantees, letters of credit and acceptances, investments in debt securities and other exposures arising from trading and settlement activities with market counterparties.

Credit risk makes up the largest part of the Group's risk exposures. The Group's credit process is governed by centrally established credit policies and procedures, rules and guidelines with an aim to maintain a well-diversified credit portfolio.

Credit risk policies and procedures are reviewed by the management and are approved by the Board. The Group has a system of checks and balances in place around the extension of credit that comprise of:

- an independent credit risk management function;
- multiple credit approvers; and
- independent audit, risk review and compliance functions.

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

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.

4. Financial risk management (Continued)

Risk management principles (Continued)

(a) Credit risk management (Continued)

The Group monitors its credit portfolio on a continuing basis. Procedures are in place to identify, at an early stage, credit exposures for which there may be a risk of loss. The objective of an early warning system is to address potential problems while various options may still be available. Early detection of problem loans is a tenet of our credit culture and is intended to ensure that greater attention is paid to such exposure. The Bank has an established Debt Recovery Unit to focus on expediting recoveries of problem credits. The Unit negotiates with problem borrowers and recommends restructuring and rescheduling of stuck up loans to the Management, the Board Credit Committee and the full Board. For cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated.

Significant increase in credit risk

As explained in note 2 under the policies, the Group monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward migration. Significant increase in credit risk may include indications of a financial asset experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise. As a backstop, the Group considers that a significant increase in credit risk occurs no later than when an asset is more than 30 days past due. Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower. The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit are effective, meaning that significant increase in credit risk is identified before the exposure is defaulted or when the asset becomes 30 days past due.

Definition of default

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held);
- the borrower is more than 90 days past due on any material credit obligation to the Group
- overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding; or
- it is becoming probable that the borrower will restructure the asset as a result of bankruptcy due to the borrower's inability to pay its credit obligations.

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

- qualitative e.g. breaches of covenant;
- quantitative e.g. overdue status and non-payment on another obligation of the same issuer to the Group; and based on data developed internally and obtained from external sources. Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

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 2021 for the years 2022 to 2026, for Kenya which is the country where the parent operates and therefore is the country that has a material impact in ECLs.

NOTES (CONTINUED)

Incorporation of forward-looking information (Continued)

	2022	2023	2024	2025	2026
Nominal GDP, LCU, % chg y-o-y					
- Base case	0.111	0.113	0.115	0.119	0.126
- Best case	0.115	0.118	0.120	0.124	0.131
- Worst case	0.107	0.108	0.110	0.114	0.121
Exports of goods and services real growth, % y-o-y					
- Base case	0.052	0.041	0.039	0.057	0.117
- Best case	0.054	0.043	0.041	0.060	0.123
- Worst case	0.049	0.039	0.037	0.054	0.112
Money Supply M2, LCU, % chg y-o-y					
- Base case	0.090	0.090	0.090	0.090	0.090
- Best case	0.095	0.095	0.095	0.095	0.095
- Worst case	0.085	0.085	0.085	0.085	0.085
Money Supply M3, USD, % chg y-o-y					
- Base case	0.110	0.063	0.078	0.082	0.100
- Best case	0.120	0.069	0.084	0.089	0.109
- Worst case	0.100	0.058	0.071	0.074	0.092
Total revenue, LCU, % chg y-o-y					
- Base case	0.112	0.118	0.164	0.145	0.180
- Best case	0.120	0.128	0.177	0.156	0.194
- Worst case	0.103	0.109	0.152	0.134	0.167
Total government debt per capita, USD, % chg y-o-y					
- Base case	0.133	0.048	0.055	0.069	0.069
- Best case	0.143	0.052	0.059	0.074	0.074
- Worst case	0.122	0.044	0.051	0.063	0.063
Foreign reserves ex gold, USD, % chg y-o-y					
- Base case	0.030	0.015	0.030	0.035	0.040
- Best case	0.025	0.013	0.025	0.029	0.034
- Worst case	0.035	0.017	0.035	0.041	0.046

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Incorporation of forward-looking information (Continued)

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. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

In addition to the base case economic forecast which reflects the negative economic consequences of COVID-19, greater weighting has been applied to the downside economic scenario given the Group's assessment of downside risks.

	2021	2020
Base case	40%	40%
Best case	20%	20%
Worst case	40%	40%

ECL - Sensitivity analysis

The uncertainty of the impact of COVID-19 introduces significant estimation uncertainty in relation to the measurement of the Group's allowance for expected credit losses. The rapidly evolving consequences of COVID-19 and government, business and consumer responses could result in significant adjustments to the allowance in future financial years.

Given current economic uncertainties 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 to key factors used in determining it as at 31 December 2021:

	ECL Shs'000	Impact Shs'000
100% upside scenario	14,584,132	271,648
100% base scenario	14,789,996	65,784
100% downside scenario	15,056,500	(200,720)

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

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.

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.

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Modified financial assets *(Continued)*

Measurement of ECL *(Continued)*

The Group measures ECL considering the risk of default over the maximum contractual period (including extension options) over which the entity is exposed to credit risk and not a longer period, even if contract extension or renewal is common business practice. However, for financial instruments such as credit cards, revolving credit facilities and overdraft facilities that include both a loan and an undrawn commitment component, the Group's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual notice period.

Loan modifications

Following the outbreak of Covid-19 the Group witnessed a number of restructures in 2020. On spill over effects on Covid-19 and the slow pace in economic recovery, some customers, whose cashflows were still constrained requested for further modifications to their facilities. The Group has granted flexible but reasonable modification terms to support its clientele.

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	
	Shs'000	Shs'000	Shs'000	Shs'000
Gain/(loss) on modification of loans	256,000	96,232	280,822	(118,064)

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.

Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

On Balance Sheet

Loans and advances to customers at amortised cost	**Stage 1 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total 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	(16,258)	(1,058)	(3,188,288)	-	(3,205,604)
Other changes	5,173,020	663,013	4,051,377	-	9,887,410
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 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total 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					
- Gross and net carrying amount as at 31 December 2021	**167,630,504**	**-**	**-**	**-**	**167,630,504**
Off balance sheet					
Loans and advances to customers at amortised cost					
Gross carrying amount as at 31 December 2020 and 1 January 2021	**59,311,992**	**660,733**	**43**	**-**	**59,972,768**
Changes in the gross carrying amount					
– Transfer to stage 1	51,778	(51,778)	-	-	-
– Transfer to stage 2	(1,362,566)	1,362,566	-	-	-
– Transfer to stage 3	(1,213)	-	1,213	-	-
New financial assets originated or purchased	35,907,162	1,329,810	621	-	37,237,593
Financial assets that have been derecognised	(34,624,216)	(301,083)	(281,245)	-	(35,206,544)
Write-offs	(7,838)	-	-	-	(7,838)
Other changes	(7,432,092)	(649,938)	282,656	-	(7,799,374)
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 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 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	(105)	-	(2,081,239)	-	(2,081,344)
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	595,167	263,035	5,194,356	-	6,052,558
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

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

On Balance Sheet

Loans and advances to customers at amortised cost	**Stage 1 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total Shs'000**
Gross carrying amount as at 31 December 2019 and as at 1 January 2020	**160,369,124**	**32,363,555**	**13,604,728**	**-**	**206,337,407**
Changes in the gross carrying amount					
– Transfer to stage 1	1,371,829	(1,777,263)	405,434	-	-
– Transfer to stage 2	(2,230,525)	2,243,134	(12,609)	-	-
– Transfer to stage 3	(561,902)	(4,851,431)	5,413,333	-	-
New financial assets originated or purchased	68,712,254	16,913,896	4,486,560	-	90,112,710
Financial assets that have been derecognised	(76,084,423)	(22,736,049)	(531,943)	-	(99,352,415)
Write-offs	-	-	(2,262,185)	-	(2,262,185)
Other changes	22,509,885	1,538,463	2,231,986	-	26,280,334
Gross carrying amount as at 31 December 2020	**174,086,242**	**23,694,305**	**23,335,304**	**-**	**221,115,851**
Loss allowance as at 31 December 2020	1,137,722	1,642,666	9,640,696	-	12,421,084
Net carrying Amount as at 31 December 2020	**172,948,520**	**22,051,639**	**13,694,608**	**-**	**208,694,767**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group (Continued)

Other financial assets	**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**
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	19,988,092	-	-	-	19,988,092
- ECL	(42,192)	-	-	-	(42,192)
Net carrying amount as at 31 December 2020	**19,945,900**	**-**	**-**	**-**	**19,945,900**
Government securities					
- Gross and net carrying amount as at 31 December 2020	**147,119,743**	**-**	**-**	**-**	**147,119,743**
Off balance sheet					
Loans and advances to customers at amortised cost					
Gross carrying amount as at 31 December 2019 and 1 January 2020	78,426,755	2,427,838	673	-	80,855,266
– Transfer to stage 1	5,487,437	(867,655)	(4,619,782)	-	-
– Transfer to stage 2	(546,421)	641,463	(95,042)	-	-
– Transfer to stage 3	(5,671)	(15,378)	21,049	-	-
New financial assets originated or purchased	26,542,395	44,785	6,963	-	26,594,143
Financial assets that have been derecognised	(44,826,858)	(1,456,065)	(286,552)	-	(46,569,475)
Write-offs	-	-	-	-	-
Other changes	(5,793,632)	(114,681)	4,973,003	-	(935,310)
Gross carrying amount as at 31 December 2020	**59,284,005**	**660,307**	**312**	**-**	**59,944,624**
Loss allowance as at 31 December 2020	94,253	7,626	-	-	101,879
Net carrying Amount as at 31 December 2020	**59,189,752**	**652,681**	**312**	**-**	**59,842,745**

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 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 2020	**1,428,384**	**1,110,424**	**4,576,690**	**-**	**7,115,498**
Changes in the loss allowance					
– Transfer to stage 1	73,700	(610,738)	537,038	-	-
– Transfer to stage 2	(42,080)	42,407	(327)	-	-
– Transfer to stage 3	(10,152)	(273,460)	283,612	-	-
– Write-offs	-	-	(938,931)	-	(938,931)
New financial assets originated or purchased	235,663	992,386	2,466,787	-	3,694,836
Financial assets that have been derecognised	(694,917)	(541,872)	(1,258,657)	-	(2,495,446)
Changes in models/risk parameters	(12,124)	(133,441)	5,611	-	(139,954)
Foreign exchange and other movements	159,248	1,056,960	3,968,873	-	5,185,081
Loss allowance as at 31 December 2020	**1,137,722**	**1,642,666**	**9,640,696**	**-**	**12,421,084**

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	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 2020	**283,878**	**525**	**3,178**	**-**	**287,581**
Changes in the loss allowance					
– Transfer to stage 1	269,492	(6,301)	(263,191)	-	-
– Transfer to stage 2	(916)	916	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	29,845	978	(15,826)	-	14,997
Financial assets that have been derecognised	(293,404)	(5,686)	(674)	-	(299,764)
Changes in models/risk parameters	4,318	1,019	-	-	5,337
Foreign exchange and other movements	(198,960)	16,175	276,513	-	93,728
Loss allowance as at 31 December 2020	**94,253**	**7,626**	**-**	**-**	**101,879**
Total Loss Allowance	**1,231,975**	**1,650,292**	**9,640,696**	**-**	**12,522,963**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

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

	Group	
	2021 Shs'000	**2020 Shs'000**
Credit-impaired loans and advances to customers at 1 January	22,253,877	13,604,721
Classified as credit-impaired during the year	2,651,262	1,798,780
Transferred to not credit-impaired during the year	(3,344,324)	7,729,780
Net repayments	(87,864)	(1,215,512)
Disposals	(3,188,288)	(2,262,185)
Other movements	10,570,185	2,598,293
Credit-impaired loans and advances to customers at 31 December	**28,854,848**	**22,253,877**

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is Shs 3.2 billion (2020-Shs. 2.3 billion).

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

On Balance Sheet

Loans and advances to customers at amortised cost	**Stage 1 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 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	-	-	(1,981,943)	-	(1,981,943)
Other movements	1,522,289	168,050	3,899,493	-	5,589,832
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**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Other financial assets	**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**
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**	**-**	**-**	**-**	**3,850,652**
Government securities					
- Gross and net carrying amount as at 31 December 2021	**124,309,703**	**-**	**-**	**-**	**124,309,703**
Off balance sheet facilities					
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 movements	(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 **Loss allowance – Loans and advances to customers at amortised cost**	**Stage 1** **12-month ECL** **Shs'000**	**Stage 2** **Lifetime ECL** **Shs'000**	**Stage 3** **Lifetime ECL** **Shs'000**	**POCI** **Shs'000**	**Total** **Shs'000**
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	-	-	(1,732,382)	-	(1,732,382)
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)	(1,937,993)	-	(2,920,800)
Changes in models/risk parameters	(18,673)	6,286	(41,500)	-	(53,887)
Foreign exchange and other movements	243,119	(99,725)	4,307,676	-	4,451,070
Loss allowance as at 31 December 2021	**628,856**	**1,189,042**	**9,733,402**	**-**	**11,551,300**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Off balance Sheet Facilities	**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 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)

Bank (Continued)

On Balance Sheet

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2019 and 1 January 2020	**114,720,904**	**29,747,534**	**10,752,208**	**-**	**155,220,646**
Changes in the gross carrying amount					
– Transfer to stage 1	1,421,302	(1,587,390)	166,088	-	-
– Transfer to stage 2	(1,326,178)	1,338,787	(12,609)	-	-
– Transfer to stage 3	(135,304)	(4,667,704)	4,803,008	-	-
New financial assets originated or purchased	58,881,751	12,720,417	4,295,683	-	75,897,851
Financial assets that have been derecognised	(50,498,894)	(20,526,128)	(227,158)	-	(71,252,180)
Write-offs	-	-	(597,249)	-	(597,249)
Other changes	4,772,462	1,338,787	102,706	-	6,213,955
Gross carrying amount as at 31 December 2020	**127,836,043**	**18,364,303**	**19,282,677**	**-**	**165,483,023**
Loss allowance as at 31 December 2020	728,146	1,334,923	8,348,257	-	10,411,326
Net carrying Amount as at 31 December 2020	**127,107,897**	**17,029,380**	**10,934,420**	**-**	**155,071,697**
Other financial assets					
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	10,675,684	-	-	-	10,675,684
- ECL	(7,784)	-	-	-	(7,784)
Net carrying amount as at 31 December 2020	**10,667,900**	**-**	**-**	**-**	**10,667,900**
Government securities					
- Gross and net carrying amount as at 31 December 2020	**111,118,568**	**-**	**-**	**-**	**111,118,568**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

Off balance sheet facilities

	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 2019 and 1 January 2020	**71,305,367**	**2,175,522**	**-**	**-**	**73,480,889**
Changes in the gross carrying amount					
– Transfer to stage 1	779,905	(853,754)	73,849	-	-
– Transfer to stage 2	(349,907)	349,907	-	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	21,193,090	26,614	-	-	21,219,704
Financial assets that have been derecognised	(41,601,512)	(969,380)	-	-	(42,570,892)
Write-offs	-	-	-	-	-
Other changes	531,908	(78,972)	(73,849)	-	379,087
Gross carrying amount as at 31 December 2020	**51,858,851**	**649,937**	**-**	**-**	**52,508,788**
Loss allowance as at 31 December 2020	66,076	7,553	-	-	73,629
Net carrying Amount as at 31 December 2020	**51,792,775**	**642,384**	**-**	**-**	**52,435,159**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank (Continued)

On balance sheet facilities	**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 – Loans and advances to customers at amortised cost					
Loss allowance as at 1 January 2020	**908,295**	**888,596**	**3,665,927**	**-**	**5,462,818**
Changes in the loss allowance					
– Transfer to stage 1	62,098	(598,827)	536,729	-	-
– Transfer to stage 2	(40,927)	41,254	(327)	-	-
– Transfer to stage 3	(1,562)	(273,018)	274,580	-	-
– Write-offs	-	-	(597,249)	-	(597,249)
New financial assets originated or purchased	212,240	909,258	1,994,246	-	3,115,744
Financial assets that have been derecognised	(523,028)	(500,646)	(1,133,539)	-	(2,157,213)
Changes in models/risk parameters	9,114	(109,098)	(32,286)	-	(132,270)
Foreign exchange and other movements	101,916	977,404	3,640,176	-	4,719,496
Loss allowance as at 31 December 2020	**728,146**	**1,334,923**	**8,348,257**	**-**	**10,411,326**
Off balance Sheet facilities					
Loss allowance as at 1 January 2020	**256,043**	**471**	**2,598**	**-**	**259,112**
Changes in the loss allowance					
– Transfer to stage 1	5,285	(6,301)	1,016	-	-
– Transfer to stage 2	(915)	915	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	15,409	959	-	-	16,368
Financial assets that have been derecognised	(293,371)	(5,674)	-	-	(299,045)
Changes in models/risk parameters	5,377	1,019	-	-	6,396
Foreign exchange and other movements	78,248	16,164	(3,614)	-	90,798
Loss allowance as at 31 December 2020	**66,076**	**7,553**	**-**	**-**	**73,629**
Total Loss allowance	**794,222**	**1,342,476**	**8,348,257**	**-**	**10,484,955**

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 2021 Shs'000	Bank 2020 Shs'000
Credit-impaired loans and advances to customers at 1 January	19,282,677	10,752,208
Change in allowance for impairment		
Classified as credit-impaired during the year	1,413,194	8,172,424
Transferred to not credit-impaired during the year	(3,050,305)	(37,456)
Net repayments	(50,907)	(1,136,284)
Disposals	(1,981,943)	(597,249)
Other movements	10,445,160	2,129,034
Credit-impaired loans and advances to customers at 31 December	**26,057,876**	**19,282,677**

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2021 and that are still subject to enforcement activity is 2.0 billion (2020 - Shs 597 million).

Loans and advances are summarised as follows:

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Neither past due nor impaired	162,402,815	162,166,089	107,820,385	115,988,141
Past due but not impaired (Including advances not past due but in stage 2 using qualitative criteria)	43,474,349	36,695,885	36,895,238	30,212,205
Impaired	28,854,848	22,253,877	26,057,876	19,282,677
Gross	234,732,012	221,115,851	170,773,499	165,483,023
Less: Provision for impairment of loans and advances				
Stage 3 impairment	(11,354,391)	(9,640,696)	(9,733,402)	(8,348,258)
Stage 1 and 2 impairment	(2,952,286)	(2,882,267)	(1,859,228)	(2,136,697)
	220,425,335	**208,592,888**	**159,180,869**	**154,998,068**
Past due up to 30 days	53,819,838	16,657,733	19,678,148	11,795,825
Past due 31 - 60 days (Including advances not past due but in stage 2 using qualitative criteria)	31,697,528	14,731,788	27,174,727	13,728,434
Past due 61 - 90 days	16,218,185	5,306,364	11,573,206	4,687,946
Total	**101,735,551**	**36,695,885**	**58,426,081**	**30,212,205**

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Balances with Central Banks	20,551,062	17,923,774	13,033,998	9,951,029
Government securities	167,630,504	147,119,743	124,309,703	111,118,568
Deposits and balances due from banking institutions	16,136,223	19,945,900	3,850,652	10,667,900
Loans and advances to customers	220,425,335	208,592,888	159,180,869	154,998,068
Other assets	1,593,088	1,652,877	915,245	884,987
Credit risk exposures relating to off-balance sheet items:				
- Acceptances and letters of credit	23,982,743	13,680,157	20,335,008	10,581,811
- Guarantee and performance bonds	16,659,214	28,997,754	12,742,359	25,340,555
	466,978,169	**437,913,093**	**334,367,834**	**323,542,918**

Collateral, other credit enhancements

The Group holds collateral and other enhancements against its credit exposures mainly loans and advances to customer. The collateral is in the form of cash, properties, motor vehicles and corporate and personal guarantees.

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value of collateral	**325,820,497**	**310,055,286**	**253,926,813**	**253,467,589**

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 2021

On balance sheet	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
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	234,732,012
Deposits due from banking institutions	-	-	-	16,136,223	-	-	-	-	-	-	16,136,223
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,593,088	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**	**253,806,687**
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)

Group

31 December 2020	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	-	-	1,202,570	55,628	-	-	-	-	-	-	1,258,198
Loans and advances to customers (Gross)	29,021,422	42,639,107	15,958,626	26,312,811	11,085,510	51,548,657	1,397,505	29,796,856	6,708,930	6,646,427	221,115,851
Deposits due from banking institutions	-	-	-	19,945,900	-	-	-	-	-	-	19,945,900
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,652,877	1,652,877
	29,021,422	**42,639,107**	**17,161,196**	**46,314,339**	**11,085,510**	**51,548,657**	**1,397,505**	**29,796,856**	**6,708,930**	**8,299,304**	**243,972,826**
Off balance sheet											
Contingent assets	16,711,593	14,509,761	2,233,426	2,492,102	198,109	4,136,723	-	363,992	441,511	1,590,694	42,677,911
Undrawn credit lines	1,925,640	3,038,236	403,546	572,101	200,090	1,841,451	-	1,536,910	762,923	966,101	11,246,998
	18,637,233	**17,547,997**	**2,636,972**	**3,064,203**	**398,199**	**5,978,174**	**-**	**1,900,902**	**1,204,434**	**2,556,795**	**53,924,909**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Bank

31 December 2021	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	-	-	1,289,691	50,000	-	-	-	-	-	-	1,339,691
Loans and advances to customers (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	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**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Bank

31 December 2020	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**	
Equity investment - at fair value through OCI	-	-	1,202,570	50,000	-	-	-	-	-	-	1,252,570
Loans and advances (Gross)	16,884,623	28,018,272	13,089,926	23,753,409	9,423,411	40,769,384	1,392,119	25,389,565	6,433,076	329,238	165,483,023
Deposits due from banking institutions	-	-	-	10,667,900	-	-	-	-	-	-	10,667,900
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	884,987	884,987
	16,884,623	**28,018,272**	**14,292,496**	**34,471,309**	**9,423,411**	**40,769,384**	**1,392,119**	**25,389,565**	**6,433,076**	**1,214,225**	**178,288,480**
Off balance sheet											
Contingent liabilities	15,152,062	12,181,335	2,168,847	1,813,053	187,344	2,885,237	-	311,155	441,511	781,822	35,922,366
Undrawn credit lines	662,573	2,102,203	107,234	360,000	2,220	1,774,171	-	1,482,190	526,072	-	7,016,663
	15,814,635	**14,283,538**	**2,276,081**	**2,173,053**	**189,564**	**4,659,408**	**-**	**1,793,345**	**967,583**	**781,822**	**42,939,029**

(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. The impact on financial assets from a price movement of +/-1% in the price of the securities would be as follows:

	Group	Bank
	Shs '000	**Shs '000**
+ 1% movement	(348,425)	(313,645)
- 1% movement	348,425	313,645

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	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
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	27,695,508	27,695,508
Government securities	14,347,993	25,501,480	31,184,354	70,715,652	25,881,025	-	167,630,504
Deposits and balances due from banking institutions	5,997,671	3,951,346	1,264,018	-	-	4,923,188	16,136,223
Loans and advances to customers	36,407,197	164,602,766	557,938	1,356,977	-	17,500,457	220,425,335
Equity investment - at fair value through OCI	-	-	-	1,289,691	-	55,673	1,345,364
Other assets	-	-	-	-	-	1,593,088	1,593,088
Total financial assets	**56,752,861**	**194,055,592**	**33,006,310**	**73,362,320**	**25,881,025**	**51,767,914**	**434,826,022**
FINANCIAL LIABILITIES							
Customer deposits	161,426,498	44,239,659	94,155,748	6,359,117	-	25,270,651	331,451,673
Deposits and balances due to banking institutions	13,542,627	1,143,011	14,073	-	-	94,863	14,794,574
Borrowings	-	2,064,099	18,103,204	-	-	4,149	20,171,452
Other liabilities	-	-	-	-	-	11,137,820	11,137,820
Lease liabilities	37,260	56,210	291,206	3,436,110	557,734	-	4,378,520
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**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest rate risk (Continued)

Group At 31 December 2020	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
Total financial assets	82,740,804	184,666,717	49,772,172	45,089,072	-	42,284,265	404,553,030
Total financial liabilities	153,415,169	16,361,267	105,397,072	55,712,510	-	25,518,019	356,404,037
Interest sensitivity gap	**(70,674,365)**	**168,305,450**	**(55,624,900)**	**(10,623,438)**	**-**	**16,766,246**	**48,148,993**
Bank							
At 31 December 2021							
FINANCIAL ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	17,219,059	**17,219,059**
Government securities	10,950,784	22,722,868	15,646,932	56,818,246	18,170,873	-	**124,309,703**
Deposits and balances due from banking institutions	3,850,652	-	-	-	-	-	**3,850,652**
Loans and advances to customers	87,660	142,486,676	281,442	617	-	16,324,474	**159,180,869**
Equity investment - at fair value through OCI	-	-	-	1,289,691	-	50,000	**1,339,691**
Other assets	-	-	-	-	-	915,245	**915,245**
Total financial assets	**14,889,096**	**165,209,544**	**15,928,374**	**58,108,554**	**18,170,873**	**34,508,778**	**306,815,219**
FINANCIAL LIABILITIES							
Customer deposits	115,502,531	38,048,566	71,551,427	680,241	-	-	**225,782,765**
Deposits and balances due to banking institutions	10,515,018	1,143,011	14,073	-	-	-	**11,672,102**
Borrowings	-	950,550	18,254,970	-	-	-	**19,205,520**
Other liabilities	-	-	-	-	-	9,512,032	**9,512,032**
Lease liabilities	23,926	29,544	170,071	1,214,635	1,040,093	-	**2,478,269**
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**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest rate risk (Continued)

Bank

At 31 December 2020	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
Total financial assets	39,191,218	164,313,659	34,222,353	31,459,077	-	24,567,651	293,753,958
Total financial liabilities	113,645,479	8,320,244	83,407,610	49,591,492	1,197,497	1,828,806	257,991,128
Interest sensitivity gap	**(74,454,261)**	**155,993,415**	**(49,185,257)**	**(18,132,415)**	**(1,197,497)**	**22,738,845**	**35,762,830**

Interest rate risk sensitivity analysis

The impact on financial assets, net of financial liabilities, of a 5% increase or decrease in interest rates would be as follows:

	Group		Bank	
	2021 Shs'million	2020 Shs'million	2021 Shs'million	2020 Shs'million
+ 5% movement	3,444	(665)	2,640	(1,050)
- 5% movement	(3,444)	665	(2,640)	1,050

(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 2021. 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 2021					
FINANCIAL ASSETS					
Cash and balances with Central banks	2,757,549	192,540	539,435	4,518	3,494,042
Deposits and balances due from banking institutions	12,490,996	709,577	2,116,323	281,161	15,598,057
Other assets	1,017,927	-	8	-	1,017,935
Loans and advances to customers	116,251,678	19,916	5,175,730	4,956	121,452,280
Equity investment - at fair value through OCI	1,289,691	-	-	-	1,289,691
Total financial assets	**133,807,841**	**922,033**	**7,831,496**	**290,635**	**142,852,005**
FINANCIAL LIABILITIES					
Customer deposits	91,379,161	6,125,206	5,107,210	262,798	102,874,375
Deposits and balances due to banking institutions	10,171,871	262,542	4,889	314,244	10,753,546
Other liabilities	515,384	5,416	1,910	2,634	525,344
Borrowings	20,167,302	-	-	4,150	20,171,452
Lease liabilities	1,393,975	-	-	5,539	1,399,514
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**
At 31 December 2020					
Total financial assets	137,336,768	955,480	7,357,517	213,191	145,862,956
Total financial liabilities	130,795,388	5,863,087	3,568,027	617,673	140,844,175
Net balance sheet position	**6,541,380**	**(4,907,607)**	**3,789,490**	**(404,482)**	**5,018,781**
Net off balance sheet position	**(6,559,797)**	**4,892,944**	**(3,703,446)**	**243,143**	**(5,127,156)**
Overall net position	**(18,417)**	**(14,663)**	**86,044**	**(161,339)**	**(108,375)**

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 2021					
FINANCIAL ASSETS					
Cash and balances with Central banks	512,804	62,552	315,715	-	891,071
Deposits and balances due from banking institutions	2,548,364	411,722	618,956	235,606	3,814,648
Other assets	2,631	-	-	-	2,631
Loans and advances to customers	78,974,057	20,125	5,134,076	-	84,128,258
Equity investment - at fair value through OCI	1,289,691	-	-	-	1,289,691
Total financial assets	**83,327,547**	**494,399**	**6,068,747**	**235,606**	**90,126,299**
FINANCIAL LIABILITIES					
Customer deposits	43,425,969	5,394,111	3,419,491	246,777	52,486,348
Deposits and balances due to banking institutions	11,090,534	262,542	4,782	314,244	11,672,102
Other liabilities	199,917	374	116	1,700	202,107
Borrowings	19,205,520	-	-	-	19,205,520
Lease liabilities	383,875	-	-	-	383,875
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**
At 31 December 2020					
Total financial assets	90,433,021	614,796	6,495,065	154,934	97,697,816
Total financial liabilities	83,162,699	5,218,828	2,781,658	588,165	91,751,350
Net balance sheet position	**7,270,322**	**(4,604,032)**	**3,713,407**	**(433,231)**	**5,946,466**
Net off balance sheet position	**(6,942,543)**	**4,596,871**	**(3,691,936)**	**260,743**	**(5,776,865)**
Overall net position	**327,779**	**(7,161)**	**21,471**	**(172,488)**	**169,601**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(c) Market Risk Management (Continued)

(iii) Foreign exchange risk (Continued)

Currency risk sensitivity analysis

At 31 December 2021, 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 would have been as shown below:

	Group		Bank	
	2021	2020	2021	2020
	Shs'million	Shs'million	Shs'million	Shs'million
+ 5% movement	29.0	(3.7)	5.3	5.7
- 5% movement	(29.0)	3.7	(5.3)	(5.7)

(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).

COVID-19 has impacted the normal operations of financial markets including funding markets, however the actions of governments globally and central banks have provided significant liquidity support to the system and financial markets generally.The sustained regulatory reduction of the Cash Reserve Ratio (CRR) requirement since 2020 in a bid to cushion banks during the pandemic increased the liquidity in the banking industry.The Group also performs stress tests for exceptional, worst and Covid 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 2021	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Cash and balances with Central Banks	20,039,335	2,624,264	4,702,332	329,577	-	27,695,508
Government securities	14,672,656	25,872,797	33,938,497	87,726,017	42,264,940	204,474,907
Deposits and balances due from banking institutions	13,456,159	4,013,339	138,233	-	-	17,607,731
Loans and advances to customers	15,794,170	24,602,544	46,359,169	93,959,208	83,152,951	263,868,042
Equity investment - at fair value through OCI	-	-	-	-	1,345,364	1,345,364
Other assets	803,833	84,053	439,645	-	265,557	1,593,088
Total financial assets	**64,766,153**	**57,196,997**	**85,577,876**	**182,014,802**	**127,028,812**	**516,584,640**
FINANCIAL LIABILITIES						
Customer deposits	186,507,965	45,354,498	98,536,607	7,327,933	152,925	337,879,928
Deposits and balances due to banking institutions	14,976,818	1,146,387	28,515	-	-	16,151,720
Borrowings	20,263	1,069,992	11,494,774	8,569,115	140,283	21,294,427
Other liabilities	11,094,337	6,402	-	-	37,081	11,137,820
Lease liabilities	59,173	87,064	446,965	3,898,073	3,061,302	7,552,577
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**
At 31 December 2020						
Total financial assets	91,369,534	48,459,184	95,322,518	137,893,427	87,069,312	460,113,975
Total financial liabilities	233,560,660	21,391,289	99,641,870	70,272,337	4,867,182	429,733,338
Net liquidity gap	**(142,191,126)**	**27,067,895**	**(4,319,352)**	**67,621,090**	**82,202,130**	**30,380,637**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(d) Liquidity risk management (Continued)

Bank

At 31 December 2021	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
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	10,850,251	2,421,745	3,811,300	135,763	-	17,219,059
Government securities	11,054,018	22,945,982	16,638,629	72,025,111	33,870,245	156,533,985
Deposits and balances due from banking institutions	3,850,679	-	-	-	-	3,850,679
Loans and advances to customers	12,137,070	13,952,740	24,058,926	61,369,714	76,692,446	188,210,896
Other assets	391,547	84,053	439,645	-	-	915,245
Equity investment - at fair value through OCI	-	-	-	-	1,339,691	1,339,691
Total financial assets	**38,283,565**	**39,404,520**	**44,948,500**	**133,530,588**	**111,902,382**	**368,069,555**
FINANCIAL LIABILITIES						
Customer deposits	115,785,770	38,877,268	74,905,313	772,674	-	230,341,025
Deposits and balances due to banking institutions	10,516,703	1,146,387	14,162	-	-	11,677,252
Borrowings	-	950,550	11,448,896	7,802,224	-	20,201,670
Lease liabilities	42,338	52,282	300,949	2,149,359	1,840,496	4,385,424
Other liabilities	9,512,032	-	-	-	-	9,512,032
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**
At 31 December 2020						
Total financial assets	63,554,349	32,572,799	62,438,621	99,005,801	76,421,420	333,992,990
Total financial liabilities	169,383,649	14,869,344	76,586,597	63,597,101	3,282,632	327,719,323
Net liquidity gap	**(105,829,300)**	**17,703,455**	**(14,147,976)**	**35,408,700**	**73,138,788**	**6,273,667**

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 organization. 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 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 March 2022. 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 (ECL)s. 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.

NOTES (CONTINUED)

4. Financial risk management (Continued)

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

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 has several USD LIBOR linked contracts that extend beyond 2021. The bank ceased booking new LIBOR linked exposures from 1 October 2021, apart from in limited circumstances to align with industry guidance and best practice. From this date, new exposure will be booked using the ARRs being SOFR, SONIA, ESTR, TONA and SARON.

The Group has established a steering committee and working group within treasury, risk and credit to manage the transition to ARRs. 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. 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 amortized cost and their fair value approximates their carrying amount.

The fair values of Group and Bank's financial assets and liablities are as shown below:

	Carrying value		Fair value	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
Financial assets				
Cash and balances with Central Bank of Kenya	27,695,508	25,983,424	27,695,508	25,983,424
Government securities	167,630,504	147,119,743	167,630,504	147,119,743
Deposits and balances due from banking institutions	16,136,223	19,945,900	16,136,223	19,945,900
Loans and advances to customers	220,425,335	208,592,888	220,425,335	208,592,888
Other assets	1,593,088	1,652,877	1,593,088	1,652,877
Equity investment - at fair value through OCI	1,345,364	1,258,198	1,345,364	1,258,198
Total financial assets	**434,826,022**	**404,553,030**	**434,826,022**	**404,553,030**
Financial liabilities				
Customer deposits	331,451,673	298,166,604	331,451,673	298,166,604
Deposits and balances due to banking institutions	14,794,574	29,969,001	14,794,574	29,969,001
Borrowings	20,171,452	19,798,455	20,171,452	19,798,455
Lease liabilities	4,378,520	4,562,255	4,378,520	4,562,255
Other liabilities	11,137,820	3,907,722	11,137,820	3,907,722
Total financial liabilities	**381,934,039**	**356,404,037**	**381,934,039**	**356,404,037**

NOTES (CONTINUED)

4. Financial risk management (Continued)

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

	Carrying value		Fair value	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Bank				
Financial assets				
Cash and balances with Central Bank of Kenya	17,219,059	14,831,865	17,219,059	14,831,865
Government securities	124,309,703	111,118,568	124,309,703	111,118,568
Deposits and balances due from banking institutions	3,850,652	10,667,900	3,850,652	10,667,900
Loans and advances to customers	159,180,869	154,998,068	159,180,869	154,998,068
Other assets	915,245	884,987	915,245	884,987
Equity investment - at fair value through OCI	1,339,691	1,252,570	1,339,691	1,252,570
Total financial assets	**306,815,219**	**293,753,958**	**306,815,219**	**293,753,958**
Financial liabilities				
Customer deposits	225,782,765	207,984,496	225,782,765	207,984,496
Deposits and balances due to banking institutions	11,672,102	27,063,578	11,672,102	27,063,578
Borrowings	19,205,520	18,521,027	19,205,520	18,521,027
Lease liabilities	2,478,269	2,593,221	2,478,269	2,593,221
Other liabilities	9,512,034	1,828,808	9,512,034	1,828,808
Total financial liabilities	**268,650,690**	**257,991,130**	**268,650,690**	**257,991,130**

(i) Capital management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheet, are:

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The risk weighted assets are measured by means of a hierarchy, classified according to the nature and reflecting an estimate, of the credit risk associated with each assets and counter party. A similar treatment is adopted for off balance sheet exposure, with some adjustment to reflect the more contingent nature of the potential losses.

The Group manages its capital to meet the Central Bank requirements. In the case of the bank, the requirements are listed below:

– hold the minimum level or regulatory capital of Shs 1 billion;
– maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 8%;
– maintain core capital of not less than 8% of total deposit liabilities; and
– maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

Banks in Kenya are also required to maintain a capital conservation buffer of 2.5% over and above the minimum capital requirements. The statutory minimum capital adequacy ratios (CARs) including the buffer are as follows:

- Core capital to Total risk weighted assets (TRWA) ratio 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 Board minimum CAR requirement of 1% and 1.5% over and above the CBK prescribed minimum of Core capital/TRWA ratio of 11.50 % and Total capital to TRWA ratio of 16.0% respectively.

As at 31 December 2021, 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.

NOTES (CONTINUED)

4. Financial risk management (Continued)

(i) Capital management (Continued)

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Tier 1 Capital	64,805,880	60,954,412	49,790,343	47,560,614
Tier 1 + Tier 2 Capital	68,303,330	63,085,970	53,031,019	51,542,860
Risk-weighted assets				
On-balance sheet	242,013,577	225,840,067	170,748,578	163,491,044
Off-balance sheet	37,256,756	38,769,367	30,627,593	30,980,404
Operational and market risk	69,886,572	51,384,406	49,319,136	34,894,886
Total risk-weighted assets	**349,156,905**	**315,993,840**	**250,695,308**	**229,366,334**
Basel ratio				
Tier 1 (CBK minimum - 10.5%)	18.6%	19.3%	19.9%	20.7%
Tier I + Tier II (CBK minimum - 14.5%)	19.6%	20.0%	21.2%	22.5%

The capital adequacy ratios for the subsidiaries are summarised below;

Tier 1	**2021**	**2020**
DTB Tanzania - Bank of Tanzania (BOT) minimum - 12.5%;	18.3%	18.9%
DTB Uganda - Bank of Uganda (BOU) minimum - 10.5%	27.1%	25.7%
DTB Burundi - Banque de la Republique du Burundi minimum - 12.5%	47.7%	57.7%
Tier I + Tier II		
DTB Tanzania (BOT) minimum - 14.5%;	19.5%	20.9%
DTB Uganda - (BOU) minimum -14.5%	27.8%	26.1%
DTB Burundi - Banque de la Republique du Burundi minimum - 14.5%	48.5%	58.9%

5. Interest income

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Loans and advances	18,586,241	18,549,705	12,928,806	13,171,997
Government securities	15,082,348	12,370,928	10,632,804	9,153,948
Placements and bank balances	235,790	169,169	86,585	42,888
	33,904,379	**31,089,802**	**23,648,195**	**22,368,833**

6. Interest expense

Customer deposits	12,399,992	11,218,577	9,757,426	8,917,281
Deposits due to banking institutions	374,293	563,354	214,118	447,530
	12,774,285	**11,781,931**	**9,971,544**	**9,364,811**

NOTES (CONTINUED)

7. Net fee and commission income

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Fee and commission income	3,702,885	3,186,084	2,109,134	1,825,172
Inter-bank transaction fees	(392,866)	(238,964)	(392,866)	(238,964)
Net fees and commissions	**3,310,019**	**2,947,120**	**1,716,268**	**1,586,208**

8. Other operating income

Rental income	61,604	53,997	61,326	53,713
Commission from insurance business	314,556	323,832	66,874	118,620
(Loss)/gain on sale of property and equipment	(133,713)	(5,618)	(129,860)	5,618
Other	261,768	189,925	520,515	594,774
	504,215	**562,136**	**518,855**	**772,725**

9. Operating expenses

Operating expenses include:				
Staff costs (Note 10)	5,026,522	4,869,616	2,941,526	2,841,474
Depreciation (Note 21)	1,039,668	1,024,429	468,172	543,081
Amortisation of software costs (Note 20)	306,605	980,133	164,569	848,087
Depreciation charge on leases (Note 23)	548,273	475,960	195,232	194,397
Auditor's remuneration	33,021	29,407	14,939	11,062
Other expenses	5,371,625	4,964,577	2,856,178	2,372,115
	12,325,714	**12,344,122**	**6,640,616**	**6,810,216**

10. Staff costs

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Salaries and allowances	4,274,867	4,145,042	2,565,757	2,485,564
Contribution to defined contribution retirement scheme	181,314	177,638	180,008	175,587
National Social Security Fund contribution	159,020	148,250	2,468	2,533
Others including insurance and training expenses	411,321	398,686	193,293	177,790
	5,026,522	**4,869,616**	**2,941,526**	**2,841,474**

The average number of employees for the Group during the year was 2,156 (2020: 2,223).

11. Income tax expense

a) Tax charge				
Current income tax	4,267,573	3,676,242	3,238,217	2,461,009
(Over)/under provision of income tax in previous year	(57,378)	50,914	-	-
Deferred income tax (Note 24)	(2,764,890)	(2,581,817)	(1,726,957)	(1,676,824)
Under/(over) provision of deferred tax credit in previous year (Note 24)	766,879	(5,694)	221,663	(5,762)
	2,212,184	**1,139,645**	**1,732,923**	**778,423**

NOTES (CONTINUED)

11. 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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	6,625,657	4,668,271	4,696,070	3,824,363
Tax calculated at the statutory tax rate of 30% (2020-25%)	1,987,697	1,227,361	1,408,821	956,091
Tax effect of:				
Income not subject to tax	(1,828,742)	(667,469)	(1,554,966)	(252,125)
Expenses not deductible for tax purposes	1,343,728	813,986	1,657,405	359,690
Change in tax rate	-	(279,453)	-	(279,471)
Under provision of current income tax in previous year	(57,378)	50,914	-	-
Over provision of deferred tax credit in previous year	766,879	(5,694)	221,663	(5,762)
Income tax expense	**2,212,184**	**1,139,645**	**1,732,923**	**778,423**

c) Tax receivable				
At 1 January	(1,237,081)	(851,554)	(557,959)	(140,488)
Income tax charge	4,267,573	3,676,242	3,238,217	2,461,009
Prior year (over)/under provision	(57,378)	50,914	-	-
Tax paid	(3,544,020)	(4,112,683)	(2,719,708)	(2,878,480)
At 31 December	**(570,906)**	**(1,237,081)**	**(39,450)**	**(557,959)**

12. 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		Bank
	2021	2020	2021	2020
Profit attributable to shareholders (Shs thousands)	3,908,411	3,247,534	2,963,147	3,045,940
Weighted average number of ordinary shares in issue (thousands)	279,602	279,602	279,602	279,602
Earnings per share (Shs per share) - basic and diluted	13.98	11.61	10.60	10.89

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2021. There were no potentially dilutive shares outstanding at 31 December 2021.

13. Dividends per share

A final dividend in respect of the year ended 31 December 2021 of Shs 3.00 per share amounting to a total of Shs 838,806,660 is proposed. (2020: nil)

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)

14. Classification of financial assets and liabilities

(a) Group

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

31 December 2021	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investment at FVTOCI Shs'000	Amortised cost Shs'000	Total carrying amount Shs'000
Cash and balances with Central Banks	-	-	-	27,695,508	27,695,508
Government securities	-	45,049,521	14,027,962	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	**-**	**45,049,521**	**15,373,326**	**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	-	-	-	11,137,820	11,137,820
Borrowings	-	-	-	20,171,452	20,171,452
Lease liabilities	-	-	-	4,378,520	4,378,520
Total financial liabilities	**-**	**-**	**-**	**381,934,039**	**381,934,039**

NOTES (CONTINUED)

14. Classification of financial assets and liabilities (Continued)

(a) Group (Continued)

31 December 2020	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investment at FVTOCI Shs'000	Amortised cost Shs'000	Total carrying amount Shs'000
Cash and balances with Central Banks	-	-	-	25,983,424	25,983,424
Government securities	-	-	8,738,430	138,381,313	147,119,743
Deposits and balances due from banking institutions	-	-	-	19,945,900	19,945,900
Loans and advances to customers	-	-	-	208,592,888	208,592,888
Equity investment - at fair value through OCI	-	-	1,258,198	-	1,258,198
Other assets	-	-	-	1,652,877	1,652,877
Total financial assets	**-**	**-**	**9,996,628**	**394,556,402**	**404,553,030**
Customer deposits	-	-	-	298,166,604	298,166,604
Deposits and balances due to banking institutions	-	-	-	29,969,001	29,969,001
Other liabilities	-	-	-	3,907,722	3,907,722
Borrowings	-	-	-	19,798,455	19,798,455
Lease liabilities	-	-	-	4,562,255	4,562,255
Total financial liabilities	**-**	**-**	**-**	**356,404,037**	**356,404,037**

NOTES (CONTINUED)

14. Classification of financial assets and liabilities (Continued)

(a) Bank

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

31 December 2021	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investments at FVOCI Shs'000	Amortised cost Shs'000	Total carrying amount 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
Investment securities- at fair value through OCI	-	-	1,339,691	-	1,339,691
Other assets	-	-	-	915,245	915,245
Total financial assets	**-**	**41,022,810**	**1,339,691**	**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	-	-	-	9,512,034	9,512,034
Borrowings	-	-	-	19,205,520	19,205,520
Lease liabilities	-	-	-	2,478,269	2,478,269
Total financial liabilities	**-**	**-**	**-**	**268,650,690**	**268,650,690**

NOTES (CONTINUED)

14. Classification of financial assets and liabilities (Continued)

(a) Bank (Continued)

31 December 2020

	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investments at FVTOCI Shs'000	Amortised cost Shs'000	Total carrying amount Shs'000
Cash and balances with Central Banks	-	-	-	14,831,865	14,831,865
Government securities	-	-	-	111,118,568	111,118,568
Deposits and balances due from banking institutions	-	-	-	10,667,900	10,667,900
Loans and advances to customers	-	-	-	154,998,068	154,998,068
Equity investment - at fair value through OCI	-	-	1,252,570	-	1,252,570
Other assets	-	-	-	884,987	884,987
Total financial assets	**-**	**-**	**1,252,570**	**292,501,388**	**293,753,958**
Customer deposits	-	-	-	207,984,496	207,984,496
Deposits and balances due to banking institutions	-	-	-	27,063,578	27,063,578
Other liabilities	-	-	-	1,828,808	1,828,808
Borrowings	-	-	-	18,521,027	18,521,027
Lease liabilities	-	-	-	2,593,221	2,593,221
Total financial liabilities	**-**	**-**	**-**	**257,991,130**	**257,991,130**

NOTES (CONTINUED)

15. Cash and balances with Central Banks

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	7,144,446	8,059,650	4,185,061	4,880,836
Balances with Central Banks				
-Unrestricted balances	4,249,318	3,462,690	3,577,924	1,245,166
-Restricted balances (Statutory Minimum Reserve)	16,301,744	14,461,084	9,456,074	8,705,863
	27,695,508	**25,983,424**	**17,219,059**	**14,831,865**

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% (2020: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

16. Government securities

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
-At amortised cost				
Treasury bills	50,955,450	80,913,342	48,426,922	74,787,626
Treasury bonds	57,597,571	57,467,971	34,859,971	36,330,942
	108,553,021	**138,381,313**	**83,286,893**	**111,118,568**
-At fair value through OCI				
Treasury bills	14,027,962	8,738,430	-	-
Treasury bonds	45,049,521	-	41,022,810	-
Total Government securities	**167,630,504**	**147,119,743**	**124,309,703**	**111,118,568**

Treasury bills and bonds are debt securities issued by the Republic of Kenya in the case of the Bank, as well as the United Republic of Tanzania, Republic of Uganda and Republique du Burundi in the case of the Group.

The maturity profile of Government securities is as follows:

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Included in cash and cash equivalents	3,718,528	9,002,466	-	-
Less than 1 year	67,315,299	95,191,850	49,320,584	80,862,061
1-5 years	70,715,652	42,925,427	56,818,246	30,256,507
Over 5 years	25,881,025	-	18,170,873	-
	167,630,504	**147,119,743**	**124,309,703**	**111,118,568**

17. Deposits and balances due from banking institutions

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Due from other banks	16,175,078	19,988,092	3,854,467	10,675,684
Expected credit loss	(38,855)	(42,192)	(3,815)	(7,784)
	16,136,223	**19,945,900**	**3,850,652**	**10,667,900**

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

NOTES (CONTINUED)

18. Loans and advances to customers

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Loans and advances	231,241,737	217,670,165	167,283,224	162,037,337
Finance leases	3,490,275	3,445,686	3,490,275	3,445,686
Gross loans and advances	234,732,012	221,115,851	170,773,499	165,483,023
Less: Provision for impairment				
Stage 3 impairment	(11,354,391)	(9,640,696)	(9,733,402)	(8,348,258)
Stage 1&2 impairment	(2,952,286)	(2,882,267)	(1,859,228)	(2,136,697)
Net loans and advances	**220,425,335**	**208,592,888**	**159,180,869**	**154,998,068**

Movements in provisions for impairment of loans and advances are as follows:

	Group Stage 3 Impairment Shs'000	Group Stage 1&2 impairment Shs'000	Bank Stage 3 Impairment Shs'000	Bank Stage 1&2 impairment Shs'000
Year ended 31 December 2020				
At start of year	4,517,413	2,730,623	3,665,927	2,053,405
Provision for loan impairment	7,922,044	100,997	6,205,515	83,292
Loans written off during the year as uncollectible	(1,706,246)	-	(597,248)	-
Recoveries	(1,181,569)	-	(925,936)	-
Translation difference	89,054	50,647	-	-
At end of year	**9,640,696**	**2,882,267**	**8,348,258**	**2,136,697**
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**

NOTES (CONTINUED)

18. Loans and advances to customers (Continued)

Group	Stage 3 impairment Shs'000	Stage 1&2 impairment Shs'000	Total Shs'000
Charge to statement of profit or loss			
Year ended 31 December 2020			
Provision for loan impairment	7,922,044	100,997	8,023,041
Recoveries	(1,181,569)	-	(1,181,569)
Net increase in provision	6,740,475	100,997	6,841,472
Amounts recovered previously written off	(287,618)	-	(287,618)
Loans written off through the statement of profit or loss	482,964	-	482,964
Net charge to statement of profit or loss	**6,935,821**	**100,997**	**7,036,818**
Year ended 31 December 2021			
Provision for loan impairment	7,285,017	20,645	7,305,662
Recoveries	(1,879,750)	-	(1,879,750)
Net increase in provision	5,405,267	20,645	5,425,912
Amounts recovered previously written off	(45,074)	-	(45,074)
Loans written off through the statement of profit or loss	2,132,207	-	2,132,207
Net charge to statement of profit or loss	**7,492,400**	**20,645**	**7,513,045**

Bank	Stage 3 impairment Shs'000	Stage 1&2 impairment Shs'000	Total Shs'000
Charge to statement of profit or loss			
Year ended 31 December 2020			
Provision for loan impairment	6,205,515	83,292	6,288,807
Recoveries	(925,936)	-	(925,936)
Net increase in provision	5,279,579	83,292	5,362,871
Amounts recovered previously written off	(105,822)	-	(105,822)
Loans written off through statement of profit or loss	35,570	-	35,570
Net charge to statement of profit or loss	**5,209,327**	**83,292**	**5,292,619**
Year ended 31 December 2021			
Provision for loan impairment	5,768,589	(277,469)	5,491,120
Recoveries	(1,669,004)	-	(1,669,004)
Net increase in provision	4,099,585	(277,469)	3,822,116
Amounts recovered previously written off	(23,478)	-	(23,478)
Loans written off through statement of profit or loss	1,944,259	-	1,944,259
Net charge to statement of profit or loss	**6,020,366**	**(277,469)**	**5,742,897**

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 2021, was Group: Shs 17.5 billion, Bank: Shs 16.3 billion (2020 - Group: Shs 12.6 billion, Bank: Shs 10.9 billion).

NOTES (CONTINUED)

18. Loans and advances to customers (Continued)

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

	Group and Bank	
	2021	2020
	Shs'000	Shs'000
Gross investment in finance leases:		
Not later than 1 year	21,944	274,247
Later than 1 year and not later than 5 years	3,589,409	3,515,242
Later than 5 years	470,995	159,883
	4,082,348	3,949,372
Unearned future finance income on finance leases	(477,349)	(430,389)
Net investment in finance leases	**3,604,999**	**3,518,983**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	21,037	248,193
Later than 1 year and not later than 5 years	3,176,550	3,111,148
Later than 5 years	407,412	159,642
Net investment in finance leases	**3,604,999**	**3,518,983**

19. Other assets

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Uncleared effects	650,946	737,273	581,405	631,967
Deposits and prepayments	981,879	1,013,533	565,621	590,897
Others	942,142	915,604	333,840	253,020
	2,574,967	**2,666,410**	**1,480,866**	**1,475,884**

20. Intangible assets-software costs

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	721,250	1,421,566	397,282	1,114,729
Additions	155,761	201,227	121,239	130,640
Transfer from property and equipment (Note 21)	94,733	59,400	6,681	-
Amortisation charge for the year	(306,605)	(980,133)	(164,569)	(848,087)
Write offs/disposal	(3,936)	-	(3,936)	-
Translation difference	14,600	19,190	-	-
At the end of year	**675,803**	**721,250**	**356,697**	**397,282**
Cost	3,287,912	3,027,425	1,995,318	1,919,380
Accumulated amortisation	(2,612,109)	(2,306,175)	(1,638,621)	(1,522,098)
Net book amount	**675,803**	**721,250**	**356,697**	**397,282**

NOTES (CONTINUED)

21. Property and equipment

(a) Group

	Leasehold 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 2020							
Opening net book amount	1,025,858	2,465,821	534,343	31,541	1,716,032	256,726	6,030,321
Translation difference	1,174	11,567	25,120	1,813	44,091	4,550	88,315
Additions	-	3,890	24,868	28,153	605,212	757,890	1,420,013
Transfer from work in progress	-	-	14,477	-	106,228	(120,705)	-
Transfer to intangible assets (Note 20)	-	-	-	-	-	(59,400)	(59,400)
Write off	-	-	-	-	(123)	-	(123)
Disposals - cost	-	-	(33,690)	(15,942)	(75,843)	-	(125,475)
Disposals - accumulated depreciation	-	-	19,332	15,942	72,434	-	107,708
Depreciation charge	(18,724)	(48,082)	(135,624)	(20,322)	(801,677)	-	(1,024,429)
Closing net book amount	**1,008,308**	**2,433,196**	**448,826**	**41,185**	**1,666,354**	**839,061**	**6,436,930**
At 31 December 2020							
Cost or valuation	1,083,204	2,624,523	1,868,431	218,538	6,888,243	839,061	13,522,000
Accumulated depreciation	(74,896)	(191,327)	(1,419,605)	(177,353)	(5,221,889)	-	(7,085,070)
Net book amount	**1,008,308**	**2,433,196**	**448,826**	**41,185**	**1,666,354**	**839,061**	**6,436,930**
At 31 December 2020							
Cost	432,103	2,040,859	1,868,431	218,538	6,888,243	839,061	12,287,235
Revaluation surplus	651,101	583,664	-	-	-	-	1,234,765
Cost or valuation	**1,083,204**	**2,624,523**	**1,868,431**	**218,538**	**6,888,243**	**839,061**	**13,522,000**

NOTES (CONTINUED)

21. Property and equipment (Continued)

(a) Group (Continued)

	Leasehold 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	1,008,308	2,433,196	448,826	41,185	1,666,354	839,061	6,436,930
Translation difference	181	6,165	15,769	671	27,097	28,455	78,338
Additions	11,236	17,949	11,856	12,100	261,582	458,622	773,345
Transfer from work in progress	-	640,240	8,232	-	247,284	(895,756)	-
Transfer to intangible assets (Note 20)	-	-	-	-	-	(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	443,018	377,854	-	-	-	-	820,872
Depreciation charge	(18,747)	(48,533)	(122,052)	(18,318)	(832,018)	-	(1,039,668)
Closing net book amount	**1,443,996**	**3,426,871**	**355,882**	**35,619**	**1,297,239**	**275,740**	**6,835,347**
At 31 December 2021							
Cost or valuation	1,443,996	3,426,871	1,862,752	229,183	7,084,212	275,740	14,322,754
Accumulated depreciation	-	-	(1,506,870)	(193,564)	(5,786,973)	-	(7,487,407)
Net book amount	**1,443,996**	**3,426,871**	**355,882**	**35,619**	**1,297,239**	**275,740**	**6,835,347**
At 31 December 2021							
Cost	432,315	2,059,348	1,862,752	229,183	7,084,212	275,740	11,943,550
Revaluation surplus	1,011,681	1,367,523	-	-	-	-	2,379,204
Cost or valuation	**1,443,996**	**3,426,871**	**1,862,752**	**229,183**	**7,084,212**	**275,740**	**14,322,754**

NOTES (CONTINUED)

21. Property and equipment (Continued)

(b) Bank

	Leasehold 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 2020							
Opening net book amount	1,004,027	2,283,811	164,639	171	957,940	192,195	4,602,783
Additions	-	-	2,733	21,813	117,388	87,945	229,879
Transfers from work in progress	-	-	5,237	-	102,221	(107,458)	-
Write off	-	-	-	-	(123)	-	(123)
Disposals - cost	-	-	-	(15,733)	(21,047)	-	(36,780)
Disposals - accumulated depreciation	-	-	-	15,733	20,475	-	36,208
Depreciation charge	(18,724)	(36,348)	(58,905)	(4,260)	(424,844)	-	(543,081)
Closing net book amount	**985,303**	**2,247,463**	**113,704**	**17,724**	**752,010**	**172,682**	**4,288,886**
At 31 December 2020							
Cost or valuation	1,060,199	2,392,820	766,377	106,767	3,841,332	172,682	8,340,177
Accumulated depreciation	(74,896)	(145,357)	(652,673)	(89,043)	(3,089,322)	-	(4,051,291)
Net book amount	**985,303**	**2,247,463**	**113,704**	**17,724**	**752,010**	**172,682**	**4,288,886**
At 31 December 2020							
Cost	430,251	1,914,417	766,377	106,767	3,841,332	172,682	7,231,826
Revaluation surplus	629,948	478,403	-	-	-	-	1,108,351
Cost or valuation	**1,060,199**	**2,392,820**	**766,377**	**106,767**	**3,841,332**	**172,682**	**8,340,177**

NOTES (CONTINUED)

21. Property and equipment (Continued)

(b) Bank (Continued)

	Leasehold 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	985,303	2,247,463	113,704	17,724	752,010	172,682	4,288,886
Additions	11,236	-	-	12,100	80,069	123,359	226,764
Transfers from work in progress	-	-	-	-	139,804	(139,804)	-
Transfers to intangible assets (Note 20)	-	-	-	-	-	(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	417,708	287,527	-	-	-	-	705,235
Depreciation charge	(18,747)	(36,348)	(47,268)	(5,957)	(359,852)	-	(468,172)
Closing net book amount	**1,395,500**	**2,498,642**	**65,346**	**23,866**	**539,726**	**89,647**	**4,612,727**
At 31 December 2021							
Cost or revaluation	1,395,500	2,498,642	688,152	117,700	3,735,409	89,647	8,525,050
Accumulated depreciation	-	-	(622,806)	(93,834)	(3,195,683)	-	(3,912,323)
Net book amount	**1,395,500**	**2,498,642**	**65,346**	**23,866**	**539,726**	**89,647**	**4,612,727**
At 31 December 2021							
Cost	430,251	1,914,417	688,152	117,700	3,735,409	89,647	6,975,576
Revaluation surplus	965,249	584,225	-	-	-	-	1,549,474
Cost or valuation	**1,395,500**	**2,498,642**	**688,152**	**117,700**	**3,735,409**	**89,647**	**8,525,050**

NOTES (CONTINUED)

21. 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 and Construction and Design Engineering & Business Company "Debuco" respectively. The leasehold land and building are valued using level 2 model.The fair values of leasehold buildings have been derived by using depreciated replacement method. Replacement cost has been derived by using observable measures such as market prices and estimates.Valuations were made on the basis of the open market value. 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 leasehold land and buildings were stated at the historical cost basis, the amounts would be as follows:

Group

	Land	Building	Total
At 31 December 2021	**Shs'000**	**Shs'000**	**Shs'000**
Cost	443,339	2,058,808	2,502,147
Accumulated depreciation	(57,866)	(296,459)	(354,325)
Net book amount	**385,473**	**1,762,349**	**2,147,822**
At 31 December 2020			
Cost	432,103	2,040,859	2,472,962
Accumulated depreciation	(51,870)	(244,985)	(296,855)
Net book amount	**380,233**	**1,795,874**	**2,176,107**

Bank

At 31 December 2021			
Cost	441,487	1,914,417	2,355,904
Accumulated depreciation	(56,882)	(275,202)	(332,084)
Net book amount	**384,605**	**1,639,215**	**2,023,820**
At 31 December 2020			
Cost	430,251	1,914,417	2,344,668
Accumulated depreciation	(50,701)	(225,598)	(276,299)
Net book amount	**379,550**	**1,688,819**	**2,068,369**

22. Intangible assets - goodwill

	Group	
	2021	**2020**
	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.

23. 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)

23. Leases (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.

	2021			2020		
	Equipment	Building	Total	Equipment	Building	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Group						
Balance at 1 January	83,268	3,557,719	3,640,987	98,373	3,331,927	3,430,300
Modifications/additions	13,587	325,587	339,174	75,695	521,210	596,905
Depreciation charge for the year	(17,387)	(530,886)	(548,273)	(90,800)	(385,160)	(475,960)
De-recognition	-	(74,519)	(74,519)	-	(8,343)	(8,343)
Translation difference	-	80,226	80,226	-	98,085	98,085
	79,468	**3,358,127**	**3,437,595**	**83,268**	**3,557,719**	**3,640,987**
Bank						
Balance at 1 January	-	1,867,738	1,867,738	-	1,919,046	1,919,046
Modifications/additions	-	180,174	180,174	-	143,089	143,089
Depreciation charge for the year	-	(195,232)	(195,232)	-	(194,397)	(194,397)
De-recognition	-	(68,161)	(68,161)	-	-	-
	-	**1,784,519**	**1,784,519**	**-**	**1,867,738**	**1,867,738**

NOTES (CONTINUED)

23. Leases (Continued)

ii) Lease liability

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Expected to be settled within 12 months after the year end	429,195	540,523	395,569	392,603
Expected to be settled more than 12 months after the year end	3,949,325	4,021,732	2,082,700	2,200,618
	4,378,520	**4,562,255**	**2,478,269**	**2,593,221**
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	483,778	403,469	78,762	75,419
Interest paid on lease liabilities	375,197	362,897	291,847	292,467
	858,975	**766,366**	**370,609**	**367,886**
Lease liability movement				
Balance at 1 January	4,562,255	4,237,765	2,593,221	2,576,389
Modification/additions	222,492	530,899	68,114	92,251
Interest expense	458,447	449,889	291,847	292,467
Lease payments	(858,975)	(766,366)	(370,609)	(367,886)
Derecognition	(111,679)	(7,477)	(104,304)	-
Translation difference	105,980	117,545	-	-
	4,378,520	**4,562,255**	**2,478,269**	**2,593,221**

iii) Amounts recognised in profit or loss

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liabilities	(458,447)	(449,889)	(291,847)	(292,467)
Depreciation of right to use asset	(548,273)	(475,960)	(195,232)	(194,397)
Total	**(1,006,720)**	**(925,849)**	**(487,079)**	**(486,864)**

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.

24. 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% (2020: 30%). The movement on the deferred tax account is as follows:

Deferred tax asset	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	7,168,949	4,726,025	4,979,763	3,297,177
Charged through the statement of profit or loss (Note 11)	2,764,890	2,581,817	1,726,957	1,676,824
Charged through other comprehensive income	(59,260)	(13,663)	(35,262)	-
(Overstatement)/ understatement of deferred tax in previous year	(766,879)	5,694	(221,663)	5,762
Translation difference	171,337	(130,924)	-	-
At end of the year	**9,279,037**	**7,168,949**	**6,449,795**	**4,979,763**

NOTES (CONTINUED)

24. 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 2020	1.1.2020	Prior year under statement/ translation	Charged through OCI	Charged to the statement of profit or loss	31.12.2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax (liabilities)/ assets					
Unrealised foreign exchange gain	(392)	-	-	(31,333)	(31,725)
Property and equipment	472,969	-	-	247,506	720,475
Revaluation surplus	(31,986)	-	-	10,754	(21,232)
Provisions for loan impairment	2,256,830	(125,230)	-	1,782,228	3,913,828
Other provisions	1,326	-	-	39,546	40,872
Tax losses	980,865	-	-	560,743	1,541,608
Fair value changes in Government securities	(8,064)	-	(13,663)	-	(21,727)
IFRS 16	216,633	-	-	31,687	248,320
Interest Payable	837,844	-	-	(59,314)	778,530
Net deferred income tax asset	**4,726,025**	**(125,230)**	**(13,663)**	**2,581,817**	**7,168,949**

Year ended 31 December 2021	1.1.2021	Prior year under statement/ translation	Charged through OCI	Charged to the statement of profit or loss	31.12.2021
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**

NOTES (CONTINUED)

24. Deferred income tax (Continued)

Group (Continued)

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

Year of origin	Tax loss amount Shs'000	Tax credit recognised Shs'000
2016	81,104	24,331
2017	963,894	289,168
2018	1,254,528	376,359
2019	1,474,797	442,439
2020	1,716,969	515,091
2021	1,540,447	462,133
Total	**7,031,739**	**2,109,521**

Bank

Year ended 31 December 2020	1.1.2020 Shs'000	Prior year under - statement Shs'000	Charged through OCI Shs'000	Charged to profit or loss Shs'000	31.12.2020 Shs'000
Deferred income tax assets/ (liabilities)					
Property and equipment	469,060	-	-	260,873	729,933
Lease under IFRS 16	197,203	-	-	20,442	217,645
Loan loss allowance	1,794,139	5,762	-	1,446,137	3,246,038
Interest payable	837,844	-	-	(59,314)	778,530
Other provisions	1,326	-	-	4,127	5,453
Unrealised foreign exchange gain	(2,395)	-	-	(30,860)	(33,255)
Loss on modified assets	-	-	-	35,419	35,419
Net deferred tax asset	**3,297,177**	**5,762**	**-**	**1,676,824**	**4,979,763**

NOTES (CONTINUED)

24. Deferred income tax (Continued)

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**

25. Investments securities- at fair value through OCI

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Airways	1,289,691	1,202,570	1,289,691	1,202,570
Kenya Mortgage Refinancing Company (KMRC)	50,000	50,000	50,000	50,000
BI-Switch S.M- Investment	5,673	5,628	-	-
	1,345,364	**1,258,198**	**1,339,691**	**1,252,570**
The movement of the balance is set out below:				
Balance at the beginning of the year	1,258,198	1,518,389	1,252,570	1,513,048
Fair value gain/(loss) though OCI	87,121	(260,478)	87,121	(260,478)
Translation	45	287	-	-
Balance at year end	**1,345,364**	**1,258,198**	**1,339,691**	**1,252,570**

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

NOTES (CONTINUED)

26. 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	
			2021	2020	2021	2020
			Shs'000	Shs'000	Shs'000	Shs'000
Subsidiaries	**2021**	**2020**				
Diamond Trust Bank Tanzania Limited	65.68%	65.68%	-	-	2,058,576	2,058,576
Diamond Trust Bank Uganda Limited	67.18%	67.18%	-	-	3,026,081	3,026,081
Diamond Trust Bank Burundi S.A.	83.67%	83.67%	-	-	636,907	636,907
Diamond Trust Bancassurance Intermediary Limited.	100%	100%	-	-	2,000	2,000
Premier Savings and Finance Limited	100%	100%	-	-	29,137	29,137
					5,752,701	5,752,701
Associates						
Services and Systems Limited	40%	40%	1	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)

26. 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	
	2021	2020
	Shs'000	Shs'000
At start of year	108,902	66,632
Share of results after tax	21,064	38,687
Dividends received	(68,079)	-
Translation	869	3,583
At end of year	**62,756**	**108,902**

c) Noncontrolling interests

The total non-controlling interest at 31 December 2021 is Shs 7,258,846,000 (2020: Shs 6,343,544,000), of which Shs. 3,529,086,000 is for Diamond Trust Bank Tanzania Limited, Shs. 3,477,410,000 for Diamond Trust Bank Uganda Limited and Shs.252,351,000 is attributable to Diamond Trust Bank Burundi SA.

The total profits allocated to non-controlling interest at 31 December 2021 is Shs. 505,062,000 (2020: Shs 281,092,000), of which Shs. 179,361,000 is for Diamond Trust Bank Tanzania Limited, Shs. 301,382,000 for Diamond Trust Bank Uganda Limited and Shs.24,319,000 is attributable to Diamond Trust Bank Burundi SA.

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)

26. 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 SA	
	2021	2020	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets	68,998,414	63,106,751	64,176,364	52,877,828	4,199,918	3,720,238
Liabilities	58,715,527	53,877,361	53,579,994	43,867,695	2,654,599	2,378,146
Shareholders funds	10,282,887	9,229,390	10,596,370	9,010,133	1,545,319	1,342,092
Total liabilities and equity	68,998,414	63,106,751	64,176,364	52,877,828	4,199,918	3,720,238
Summarised statement of profit or loss						
Total operating income	4,861,417	4,268,944	4,437,632	4,094,906	388,763	297,270
Profit before tax	834,050	664,356	1,009,614	436,948	155,306	104,571
Income tax expense	(311,435)	(327,020)	(91,243)	11,935	(6,386)	5,703
Profit for the year	522,615	337,336	918,371	448,883	148,920	110,274
Total profit allocated to non-controlling interests	179,361	115,774	301,382	147,310	24,319	18,008
Dividends paid to non-controlling interests	-	38,136	-	-	-	-
Summarised Statement of cash flows						
Cash generated from/(used in) operations	1,740,206	4,693,379	(5,181,058)	6,442,140	(523,887)	899,513
Net cash used in investing activities	(278,099)	(1,074,946)	(277,074)	(145,258)	(21,753)	(32,504)
Net cash used in financing activities	(526,143)	(792,928)	(420,675)	(340,925)	(681)	(16,918)
Net increase/(decrease) in cash and cash equivalents	935,964	2,825,505	(5,878,807)	5,955,957	(546,321)	850,091
Cash and cash equivalents at start of year	8,049,143	4,639,384	12,534,831	6,181,812	187,407	(708,426)
Exchange differences in cash and cash equivalents	358,360	584,255	875,146	397,062	(3,317)	45,742
Cash and cash equivalents at end of year	**9,343,467**	**8,049,144**	**7,531,170**	**12,534,831**	**(362,231)**	**187,407**

NOTES (CONTINUED)

27. Customer deposits

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Current and demand deposits	116,167,758	99,261,931	70,979,471	63,393,518
Savings accounts	42,313,830	38,976,562	20,214,472	19,166,145
Fixed and call deposit accounts	172,970,085	159,928,111	134,588,822	125,424,833
	331,451,673	**298,166,604**	**225,782,765**	**207,984,496**

28. Deposits and balances due to banking institutions

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Deposits due to banking institutions	13,135,714	28,085,186	11,307,864	26,727,725
Current account balances due to banking institutions	1,658,860	1,883,815	364,238	335,853
	14,794,574	**29,969,001**	**11,672,102**	**27,063,578**

29. Other liabilities

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	184,925	285,554	150,099	245,715
Accrued expenses	592,061	568,209	140,396	127,394
Revenue collected on behalf of Revenue Authorities	625,702	739,713	-	-
Unearned income on funded and non funded income	338,698	313,807	141,660	144,083
Refundable deposits	16,996	22,058	16,996	22,058
Obligations arising from letters of credit	6,801,684	-	6,801,684	-
Other payables	2,933,448	2,314,246	2,340,295	1,376,139
	11,493,514	**4,243,587**	**9,670,690**	**1,994,949**

30. Borrowings

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
a. Subordinated debts				
i. International Finance Corporation (IFC)				
At start of year	1,361,423	2,458,877	1,250,798	2,148,821
Net movement in interest	52,484	139,937	51,398	106,406
Paid during the year	(800,404)	(1,395,611)	(683,957)	(1,160,647)
Translation difference	34,533	158,220	29,796	156,218
	648,036	**1,361,423**	**648,035**	**1,250,798**
ii. Deutsche Investitions- und Entwicklungsgesellschaft (DEG)				
At start of year	666,458	779,455	-	-
Net movement in interest	26,918	42,874	-	-
Paid during the year	(200,960)	(215,067)	-	-
Translation difference	25,668	59,196	-	-
	518,084	**666,458**	**-**	**-**
iii. African Development Bank (AfDB)				
At start of year	2,787,997	2,608,500	2,787,997	2,608,500
Net movement in interest	138,516	160,558	138,516	160,558
Paid during the year	(139,250)	(178,896)	(139,250)	(178,896)
Translation difference	99,693	197,835	99,694	197,835
	2,886,956	**2,787,997**	**2,886,957**	**2,787,997**
Total - Subordinated debts	**4,053,076**	**4,815,878**	**3,534,992**	**4,038,795**

NOTES (CONTINUED)

30. Borrowings (Continued)

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
b. Senior loan				
i. International Finance Corporation (IFC)				
At start of year	5,499,779	-	5,499,779	-
Additions during the year	-	5,067,500	-	5,067,500
Accrued interest	115,472	40,133	115,472	40,133
Paid during the year	(112,591)	-	(112,591)	-
Translation difference	198,503	392,146	198,503	392,146
	5,701,163	**5,499,779**	**5,701,163**	**5,499,779**
ii. Deutsche Investitions- und Entwicklungsgesellschaft (DEG)				
At start of year	2,543,510	2,066,400	2,543,510	2,066,400
Additions during the year	-	1,013,500	-	1,013,500
Accrued interest	60,628	102,438	60,628	102,438
Paid during the year	(1,113,151)	(842,813)	(1,113,151)	(842,813)
Translation difference	55,028	203,985	55,028	203,985
	1,546,015	**2,543,510**	**1,546,015**	**2,543,510**
iii. African Development Bank (AfDB)				
At start of year	5,081,936	1,037,369	5,081,936	1,037,369
Additions during the year	-	4,054,000	-	4,054,000
Accrued interest	160,807	158,763	160,807	158,763
Paid during the year	(1,086,343)	(555,524)	(1,086,343)	(555,524)
Translation difference	149,538	387,328	149,538	387,328
	4,305,938	**5,081,936**	**4,305,938**	**5,081,936**

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
iv. Societe de Promotion et de Participation pour la Cooperation Economique S.A (PROPARCO)				
At start of year	899,778	1,396,978	899,778	1,396,978
Accrued interest	20,232	51,896	20,232	51,896
Paid during the year	(617,858)	(620,328)	(617,858)	(620,328)
Translation difference	8,580	71,232	8,580	71,232
	310,732	**899,778**	**310,732**	**899,778**
v. Agence Francaise Development (AFD)				
At start of year	949,808	998,485	457,229	483,165
Accrued interest	3,552	11,176	7,746	13,133
Paid during the year	(133,272)	(116,440)	(69,302)	(74,928)
Translation difference	34,103	56,587	14,820	35,859
	854,191	**949,808**	**410,493**	**457,229**
Total - Senior loans	**12,718,039**	**14,974,811**	**12,274,341**	**14,482,232**

NOTES (CONTINUED)

30. Borrowings (Continued)

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
c. Trade Finance				
Caixa Bank				
At start of year	-	-	-	-
Additions during the year	3,276,000	-	3,276,000	-
Accrued interest	24,134	-	24,134	-
Paid during the year	(22,467)	-	(22,467)	-
Translation difference	118,520	-	118,520	-
Total - Trade finance	**3,396,187**	**-**	**3,396,187**	**-**
d. Administered funds				
Bank of Uganda	4,150	7,766	-	-
Total - Borrowings	**20,171,452**	**19,798,455**	**19,205,520**	**18,521,027**

Description of Borrowings

i. Subordinated debts

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited has two long-term subordinated debts facilities amounting to US$ 32 million (2020: US$ 36 million) raised from the International Finance Corporation (IFC) and the African Development Bank. These facilities comprise of:

- US$ 20 million unsecured facility issued in March 2015, with a tenure of 8 years. Outstanding balance as at 31 December 2021 was US$5.7 million.
- US$ 25 million unsecured facility from AFDB issued in October 2018, with a tenure of 8 years. Outstanding balance as at 31 December 2021 was US$25.5 million.

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 2021 was US$ 4.5 million.

ii. Senior loans

Diamond Trust Bank Kenya Limited

The bank has a 7 year loan from Proparco, 11 year loan from Agence Française de Développement (AFD), a 7 year loan from Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a 8 year loan from AFDB and a US$ 50 million Covid-19 working capital solutions facility from IFC drawn in September 2020. The total exposure at year end was US$ 108.5 million (2020 US$ 132.7 million)

Diamond Trust Bank Uganda Limited

On 11 May 2017, the Bank received USD 5 million from AFD (Agence Française De Développement) for 11.2 years at an interest rate referenced to the six months libor rate. Outstanding balance as at 31 December 2021 was US$3.9 million.

iii. Trade finance

The trade finance borrowing related to funds sourced to finance trade transactions. On 25 February 2021, Diamond Trust Bank Kenya Limited received USD 30 million from Caixa Bank at an interest rate referenced to the libor.

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 2021, the outstanding amount from the drawn down was Shs 4.1 million (2020 - Shs 7.8 million). This loan is for a period of 7 years at zero interest rate.

e. Finance costs

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liability (Note 23)	458,447	449,889	291,847	292,467
Subordinated debts	217,566	322,529	189,450	268,865
Senior loans	410,927	390,261	399,572	372,259
Trade finance borrowings	48,227	55,100	48,227	55,100
Amortised appraisal fees	2,354	10,599	2,354	10,599
	1,137,521	**1,228,378**	**931,450**	**999,290**

NOTES (CONTINUED)

31. Share capital and reserves

Share capital and Share premium

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000	Total Shs'000
1 January and 31 December 2020	279,602	1,118,409	9,006,569	10,124,978
1 January and 31 December 2021	279,602	1,118,409	9,006,569	10,124,978

The total authorised number of ordinary shares is 300,000,000 (2020: 300,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2021 are 279,602,220 (2020: 279,602,220) and are fully paid.

The ordinary share 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 annual and general meetings of the company.

NOTES (CONTINUED)

32. Other reserves

Consolidated statement of changes in other reserves

	Notes	Revaluation surplus Shs'000	Fair value reserve on government securities Shs'000	Translation reserve Shs'000	Other reserves Shs'000	Total Shs'000
Year ended 31 December 2020						
At start of year		1,390,490	(326,336)	(1,264,511)	(374,724)	(575,081)
Excess depreciation		(37,678)	-	-	-	(37,678)
Deferred tax on transfer of excess depreciation		3,701	-	-	-	3,701
Net loss from changes in fair value of Treasury bills		-	43,767	-	-	43,767
Income tax relating to OCI		-	(13,663)	-		(13,663)
Translation adjustment	(i)	-	-	857,512	-	857,512
Legal and public investment reserve	(ii)	-	-	-	35,251	35,251
Net loss from changes in fair value of Equity Investments		-	(260,478)	-	-	(260,478)
At end of year		**1,356,513**	**(556,710)**	**(406,999)**	**(339,473)**	**53,331**
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**

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 Shs'000	Fair value reserve on equity investment Shs'000	Total Shs'000
Year ended 31 December 2020			
At start of year	1,299,520	(334,569)	964,951
Fair value changes on valuation of equity investments	-	(260,478)	(260,478)
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	1,520	-	1,520
At end of year	**1,270,632**	**(595,047)**	**675,585**
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
	1,911,717	**(692,697)**	**1,219,020**

Other reserves represent surplus on the revaluation of leasehold land and buildings net of income tax and the fair value changes on equity investment at fair value through OCI. The reserves are non distributable.

a. **Revaluation surplus on property**
Revaluation reserve is made up of the periodic adjustments arising from the fair valuation of leasehold land and buildings, net of the related deferred taxation. The reserve is not available for distribution to the shareholders.

b. **Translation reserve**
The reserves represent exchange differences arising from translation of the net assets of the Group's foreign operation in Tanzania, Uganda and Burundi from their functional currency to the Group's presentation currency (Kenya Shillings). These differences are recognised directly through other comprehensive income and accumulated in the translation reserve.

c. **Retained earnings**
This represents undistributed profits from current and previous years.

d. **Statutory loan loss reserve**
Where impairment losses required by prudential guidelines issued by the banking regulators exceed those computed under the International Financial Reporting Standards (IFRS), the excess is recognised as a statutory reserve and accounted for as an appropriation from revenue reserves. The reserve is not available for distribution to the shareholders.

e. **Proposed dividend**
Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until approved by the shareholders at the Annual General Meeting.

NOTES (CONTINUED)

33. Cash flows (used in)/ generated from operating activities

		Group		Bank	
		2021	2020	2021	2020
	Note	Shs'000	Shs'000	Shs'000	Shs'000
Cash flows generated from/(used in) operating activities					
Profit before income tax		6,625,657	4,668,271	4,696,070	3,824,363
Adjustments for:					
Depreciation of property and equipment	9	1,039,668	1,024,429	468,172	543,081
Depreciation of right of use assets	9	548,273	475,960	195,232	194,397
Amortization of intangible assets	9	306,605	980,133	164,569	848,087
Interest income	5	(33,904,379)	(31,089,802)	(23,648,195)	(22,368,833)
Interest expense	6	12,774,285	11,781,931	9,971,544	9,364,811
Dividend income		-	-	(300,000)	(569,500)
Interest expense on lease liability	30(i)	458,447	449,889	291,847	292,467
Interest expense on borrowings	30(i)	679,074	778,489	639,603	706,823
Gain/(loss) on modified assets		(256,000)	(96,232)	(280,822)	118,064
IFRS 16 modification		(153,842)	(65,140)	(148,203)	(50,838)
Loss/(gain) on disposal of property and equipment		133,713	5,618	129,860	(5,618)
Credit impairment charge	18	7,513,045	7,036,818	5,742,897	5,292,619
Recovery of loans previously written off		45,074	287,618	23,478	105,822
Gain/(loss) on sale of treasury bonds		(215,285)	20,754	(215,285)	20,753
ECL on deposits with other banks		(3,337)	20,141	(3,968)	4,943
Operating profit before movements in operating assets and liabilities		**(4,409,002)**	**(3,721,123)**	**(2,273,201)**	**(1,678,559)**
Changes in operating assets and liabilities:					
- cash reserve requirement		(1,840,660)	1,838,631	(750,211)	1,597,105
- Government securities		(25,093,078)	(8,755,990)	(12,976,355)	(13,031,827)
- loans and advances to customers		(18,704,572)	(16,588,079)	(9,155,439)	(11,564,364)
- other assets		91,443	(226,788)	(4,982)	(42,403)
- customer deposits		32,883,180	17,528,316	17,494,091	8,755,560
- other liabilities		7,249,927	764,170	7,675,741	101,728
Cash (used in)/generated from operating activities		**(9,822,762)**	**(9,160,863)**	**9,644**	**(15,862,760)**

NOTES (CONTINUED)

34. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties.

	Group		Bank	
	2021	2020	2021	2020
Contingent liabilities	Shs'000	Shs'000	Shs'000	Shs'000
Acceptances and letters of credit	23,982,743	13,680,157	20,335,008	10,581,811
Guarantees and performance bonds	16,659,214	28,997,754	12,742,359	25,340,555
	40,641,957	**42,677,911**	**33,077,367**	**35,922,366**

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	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn credit lines and other commitments to lend	16,146,096	11,246,998	10,876,730	7,016,663
Foreign exchange forward contracts	16,821,877	18,031,594	14,877,070	16,096,737
Foreign exchange spot transactions	4,292,902	2,128,433	476,787	786,396
Capital commitments	368,961	347,079	161,406	136,934
	37,629,836	**31,754,104**	**26,391,993**	**24,036,730**

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.

35. Business segments information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board for the purposes of resource allocation and assessment of segment performance is focused on geographical regions. Although the Burundi segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the Board.

The reportable operating segments derive their revenue primarily from banking services including current, savings and deposits accounts, credit cards, asset finance, money transmission, treasury and commercial lending. The parent Bank also operates a fully owned Bancassurance intermediary in Kenya. The assets and profit of the intermediary are not material and make up less than 10% of the combined assets and profit of the Group. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

For management and reporting purposes, Diamond Trust Bank is organised into the following business segments;

- Diamond Trust Bank Tanzania Limited, which became a subsidiary company in June 2007, with operations in Tanzania.
- Diamond Trust Bank Uganda Limited, which became a subsidiary company in October 2008, with operations in Uganda. Network Insurance Agency Limited, which is a wholly owned subsidiary of Diamond Trust Bank Uganda Limited, operates in Uganda.
- Diamond Trust Bank Burundi S.A., which was set up as a subsidiary company in November 2008, with operations in Burundi.
- Kenya is the home country of the parent Bank and its fully owned Bancassurance intermediary, Diamond Trust Bancassurance Intermediary Limited

NOTES (CONTINUED)

35. 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 2021	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	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	99,843	6,262,858	-	6,262,858
Total income from external customers	27,638,899	6,060,280	6,016,613	451,445	40,167,237	-	40,167,237
Share of results of associate after tax	-	-	-	(47,015)	(47,015)	-	(47,015)
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	(9,939,872)	(1,199,915)	(1,571,588)	(62,910)	(12,774,285)	-	(12,774,285)
Other expenses – external	(6,026,647)	(2,317,755)	(2,484,673)	(150,366)	(10,979,441)	-	(10,979,441)
Inter-segment expenses	(31,672)	-	-	-	(31,672)	31,672	-
Finance costs	(931,450)	(111,640)	(91,001)	(3,430)	(1,137,521)	-	(1,137,521)
Depreciation and amortisation	(633,459)	(306,667)	(368,331)	(37,816)	(1,346,273)	-	(1,346,273)
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)

35. Business segments information (Continued)

a) Financial summary (continued)

At 31 December 2020	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	22,368,833	4,272,710	4,108,801	339,458	31,089,802	-	31,089,802
Other income from external customers	3,664,921	1,125,807	1,019,924	24,147	5,834,799	-	5,834,799
Total income from external customers	26,033,754	5,398,517	5,128,725	363,605	36,924,601	-	36,924,601
Share of results of associate after tax	-	-	-	38,687	38,687	-	38,687
(Loss)/gain on modified assets	(118,064)	-	214,296	-	96,232	-	96,232
Inter-segment income	596,403	297	20,656	42	617,398	(617,398)	-
Total income	**26,512,093**	**5,398,814**	**5,363,677**	**402,334**	**37,676,918**	**(617,398)**	**37,059,520**
Interest expense from external customers	(9,316,913)	(1,129,870)	(1,268,771)	(66,377)	(11,781,931)	-	(11,781,931)
Other expenses – external	(5,431,973)	(2,428,647)	(2,319,078)	(159,862)	(10,339,560)	-	(10,339,560)
Inter-segment expenses	(47,898)	-	-	-	(47,898)	47,898	-
Finance costs	(999,290)	(140,752)	(80,463)	(7,873)	(1,228,378)	-	(1,228,378)
Depreciation and amortisation	(1,391,504)	(269,411)	(315,477)	(28,170)	(2,004,562)	-	(2,004,562)
Impairment losses	(5,292,619)	(765,778)	(942,940)	(35,481)	(7,036,818)	-	(7,036,818)
Total expenses	**(22,480,197)**	**(4,734,458)**	**(4,926,729)**	**(297,763)**	**(32,439,147)**	**47,898**	**(32,391,249)**
Segment profit before tax	**4,031,896**	**664,356**	**436,948**	**104,571**	**5,237,771**	**(569,500)**	**4,668,271**
Income tax expense	(830,263)	(327,020)	11,935	5,703	(1,139,645)	-	(1,139,645)
Segment profit after tax	**3,201,633**	**337,336**	**448,883**	**110,274**	**4,098,126**	**(569,500)**	**3,528,626**
Segment assets	**312,491,650**	**63,106,751**	**52,877,828**	**3,720,238**	**432,196,467**	**(4,950,946)**	**427,245,521**
Segment liabilities	**258,179,803**	**53,877,361**	**43,867,695**	**2,378,146**	**358,303,005**	**7,206,012**	**365,509,017**

NOTES (CONTINUED)

35. 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 2021					
Property and equipment	228,369	261,493	263,292	20,191	773,345
Intangible assets-software	121,239	17,602	15,281	1,639	155,761
	349,608	**279,095**	**278,573**	**21,830**	**929,106**
At 31 December 2020					
Property and equipment	232,074	1,048,474	117,016	22,449	1,420,013
Intangible assets-software	130,640	28,563	31,074	10,950	201,227
	362,714	**1,077,037**	**148,090**	**33,399**	**1,621,240**

(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 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
	9,939,872	**1,199,915**	**1,571,588**	**62,910**	**12,774,285**
Net interest income	**13,710,001**	**3,583,359**	**3,548,042**	**288,692**	**21,130,094**
Non interest income					
Fee and commission income	1,716,268	860,333	638,993	94,425	3,310,019
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**	**99,843**	**6,262,858**

NOTES (CONTINUED)

35. Business segments information (Continued)

(c) Revenue by products (Continued)

An analysis of revenue by product from external customers is presented below:

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2020					
Interest income					
Loans and advances	13,171,997	3,373,139	1,812,315	192,254	18,549,705
Government securities	9,153,948	815,321	2,254,544	147,115	12,370,928
Placement and bank balances	42,888	84,250	41,942	89	169,169
	22,368,833	**4,272,710**	**4,108,801**	**339,458**	**31,089,802**
Interest expense					
Customer deposits	8,890,378	1,119,773	1,164,242	44,184	11,218,577
Deposits due to banking institutions	426,535	10,097	104,529	22,193	563,354
	9,316,913	**1,129,870**	**1,268,771**	**66,377**	**11,781,931**
Net interest income	**13,051,920**	**3,142,840**	**2,840,030**	**273,081**	**19,307,871**
Non interest income					
Fee and commission income	1,586,208	706,152	632,834	21,926	2,947,120
Foreign exchange income	1,681,597	417,014	226,034	898	2,325,543
Other income	397,116	2,641	161,056	1,323	562,136
	3,664,921	**1,125,807**	**1,019,924**	**24,147**	**5,834,799**

36. 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 2021 and 31 December 2020 were as follows:

Bank

	2021			2020		
	In Shs	In US$	In GBP	In Shs	In US$	In GBP
Assets						
Government securities	9.93%	-	-	9.53%	-	-
Deposits with banking institutions	-	0.02%	-	-	0.02%	-
Loans and advances to customers	11.80%	6.01%	9.50%	11.04%	5.52%	8.18%
Liabilities						
Customer deposits	5.48%	1.98%	1.24%	5.43%	1.46%	1.68%
Deposits due to banking institutions	4.50%	2.25%	1.00%	4.03%	3.04%	1.53%
Subordinated debts	-	4.76%	-	-	6.03%	-
Senior loans	-	2.94%	-	-	4.45%	-
Trade finance	-	1.59%	-	-	2.50%	-

NOTES (CONTINUED)

37. Analysis of cash and cash equivalents as shown in the statement of cash flows

	Group		Bank	
	2021	2020	2021	2020
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with the central banks (Note 15)	27,695,508	25,983,424	17,219,059	14,831,865
Cash reserve requirement	(16,301,744)	(14,461,084)	(9,456,074)	(8,705,863)
Government securities maturing within 91 days at the point of acquisition (Note 16)	3,718,528	9,002,466	-	-
Deposits and balances due from banking institutions (Note 17)	16,175,078	19,988,092	3,854,467	10,675,684
Deposits and balances due to banking institutions (Note 28)	(14,794,574)	(29,969,001)	(11,672,102)	(27,063,578)
	16,492,796	**10,543,897**	**(54,650)**	**(10,261,892)**

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% (2020: 4.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

38. 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	
	2021	2020	2021	2020
(a) Group Companies	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Amounts due to:				
Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	2,704,091	1,454,546
Interest expense paid on amounts due to group Companies	-	-	30,791	47,898
Amounts due from:				
Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	17,806	11,670
Interest income earned from amounts due from group Companies	-	-	881	1,434

NOTES (CONTINUED)

38. Related party transactions (Continued)

(b) Directors

Advances to customers at 31 December 2021 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Loans to directors:				
At start of year	18,775	21,323	16,143	19,135
Advanced during the year	9,787	150	113	150
Repaid during the year	(3,462)	(2,846)	(3,264)	(3,142)
Translation adjustment	99	148	-	-
At end of year	**25,199**	**18,775**	**12,992**	**16,143**
Interest income earned from directors loans	**1,331**	**1,546**	**1,331**	**1,546**

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.

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Deposits by directors:				
At start of year	954,824	977,708	901,733	939,092
Net movement during the year	371,639	(25,913)	18,345	(37,359)
Translation adjustment	2,320	3,029	-	-
At end of year	**1,328,783**	**954,824**	**920,078**	**901,733**
Interest paid on directors' deposits	64,882	65,608	64,875	65,557

(c) Other disclosures

Advances to other related parties	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
- Advances to companies related through control by a common shareholder, controlled by directors or their families	2,608,034	2,934,648	1,777,876	1,984,599
- Advances to employees	1,853,296	1,814,918	1,477,106	1,459,955
- 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	312,198	506,043	263,317	294,051
- Interest income earned from related companies and employees	395,396	406,053	297,466	279,020

NOTES (CONTINUED)

38. Related party transactions (Continued)

(c) Other disclosures (Continued)

	Group		Bank	
	2021 Shs'000	2020 Shs'000	2021 Shs'000	2020 Shs'000
Deposits with other related parties				
Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families	6,384,604	6,671,751	3,278,637	2,797,588
Deposits by employees	279,045	391,101	198,766	327,539
Interest expense incurred on deposits by related companies and employees	381,634	409,980	137,547	165,730

Advances to employees comprise of check-off loans repayable at an average interest rate of 9% per annum and property mortgages.

	Group 2021 Shs'000	Group 2020 Shs'000	Bank 2021 Shs'000	Bank 2020 Shs'000
Key management compensation				
Salaries and other short-term employment benefits	955,362	1,007,979	539,815	530,151
Termination benefits	23,709	48,050	23,709	24,946
	979,071	**1,056,029**	**563,524**	**555,097**
Director's remuneration				
- fees for services as a director	43,007	36,204	26,948	24,016
- other emoluments (included in key management compensation above)	161,893	155,588	111,332	109,913
	204,900	**191,792**	**138,280**	**133,929**

39. Assets pledged as security

As at 31 December 2021, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities (2020: nil).

40. 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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