



INTEGRATED REPORT AND FINANCIAL STATEMENTS

2017



REGIONAL BRANCH NETWORK

KENYA

NAIROBI

1. Buru Buru Branch, off Mumias Road
2. Capital Centre Branch, Mombasa Road
3. Courtyard Branch, along General Mathenge Drive
4. Cross Roads Branch, Cross Roads
5. Diamond Plaza, 4th Avenue Parklands
6. DTB Centre Branch, Mombasa Road
7. Eastleigh Branch, 7th Street
8. Funzi Branch, Funzi Road, Industrial Area
9. Garden City Branch, Thika Road Super Highway
10. Industrial Area Branch, Likoni Road
11. JKIA Branch, Airport Trade Centre
12. Karen Hub Branch, Karen
13. Koinange Branch, Koinange Street
14. Lavington Branch, James Gichuru Road
15. Madina Mall Branch, Starehe/Pumwani Road
16. Mwanzi Road Branch, Mwanzi Road Westlands
17. Nation Centre Branch, Kimathi Street
18. 9 West Branch, Ring Road Road, Westlands
19. OTC Branch, Gwasi Lane, off Racecourse Road
20. The Oval Branch, Ring Road Road, Westlands
21. Parklands Branch, 3rd Avenue Parklands
22. Prestige Plaza Branch, Ngong Road
23. Rivaan Centre Branch, off Brookside Grove
24. Riverside Branch, 96 Riverside Drive Westlands
25. Ronald Ngala Street Branch, Uyoma Street
26. South C Branch, Muhoho Road
27. Thika Road Mall Branch, Thika Road Super Highway

28. T-Mall Branch, Langata Road
29. Two Rivers Branch, Limuru Road
30. Upper Hill Branch, Kilimanjaro Road
31. Village Market Branch, Limuru Road
32. Wabera Street Branch, Wabera Street
33. Westgate Branch, Mwanzi Road

COAST REGION

34. Diani Branch, Diani Beach Road
35. Jamhuri Branch, Jamhuri Street Malindi
36. Jomo Kenyatta Branch, Jomo Kenyatta Avenue, Mombasa
37. Kilifi Branch, off Mombasa – Malindi Highway
38. Lamu Branch, Lamu Town, opposite Jetty at the dock
39. Malindi Branch, Lamu Road
40. Mariakani Branch, along Mombasa - Nairobi Road
41. Mombasa Branch, Moi Avenue Road
42. Mtwapa Branch, along Mombasa Malindi Road
43. Nkrumah Road Branch, Nkrumah Road Mombasa
44. Nyali Branch, Links Road, Mombasa
45. Shimanzi Branch, Dar-es-Salaam Road, Mombasa
46. Voi Branch, Biashara Street
47. Watamu Branch, Watamu Town

OTHER TOWNS

48. Bungoma Branch, Moi Avenue
49. Busia Branch, along Busia Main Road
50. Eldoret Branch, Uganda Road
51. Embu Branch, Jomo Kenyatta Avenue
52. Kago Branch, Kago Street Eldoret
53. Kakamega Branch, Canon Awori Road
54. Kericho Branch, Tengecha Road
55. Kisii Branch, Moi Highway
56. Kisumu Branch, Oginga Odinga Street
57. Kitale Branch, Kenyatta Street
58. Kitengela Branch, Kajado Road
59. Machakos Branch, Mbolu Malu Road
60. Meru Branch, Njuri Ncheke Road
61. Migori Branch, Isibania Road
62. Milele Mall Branch, Ngong
63. Nakuru Branch, Kenyatta Avenue
64. Nakuru – Biashara Branch, Biashara Street
65. Narok Branch, Narok Town
66. Nyeri Branch, Kenyatta Road
67. Thika Branch, Kenyatta Highway
68. West End Mall Branch, Jomo Kenyatta Highway, Kisumu

TANZANIA

DAR-ES-SALAAM

1. CBD Branch, Samora Avenue / Mirambo Street
2. Kariakoo Branch, Msimbazi Street
3. Magomeni Branch, off Morogoro Road
4. Main Branch, Jamat / Mosque Street
5. Masaki Branch, Haile Sellasie Road Junction
6. Mbagala Branch, Kilwa Road
7. Mbezi Branch, Mbezi Beach, Old Bagamoyo Road
8. Mbezi chini Branch, Mwai Kibaki Road
9. Mlimani City Branch, Sam Nujoma Road
10. Morocco Branch, Ali Hasan Mwinyi Road
11. Nelson Mandela Branch, Mandela Road
12. Nyerere Branch, Nyerere Road
13. Uhuru Branch, Uhuru Street
14. Upanga Branch, United Nations Road

ARUSHA

15. Arusha City Branch, Sokoine Road
16. Arusha Main Branch, Moshi Road

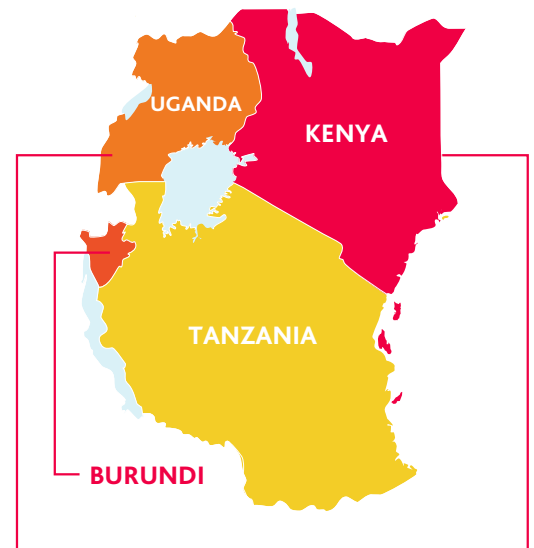
OTHER TOWNS

17. Dodoma Branch, 7th Street, near Main Road
18. Iringa Branch, Miyomboni / Jamat Street
19. Kahama Branch, Ngaya/Isaka Road
20. Mbeya Branch, Market Street Junction
21. Morogoro Branch, Lumumba Road
22. Moshi Branch, Old Moshi Road
23. Mtwara Branch, Tanu Road
24. Mwanza Branch, Kenyatta Road
25. Mwanza Main Branch, Nyerere Road
26. Tabora Branch, Ujiji Street
27. Tanga Branch, Taifa Road
28. Zanzibar Branch, Forodhani Area

BURUNDI

BUJUMBURA

1. Agence du Siege, 14 Chaussée Prince Louis Rwagasore
2. Agence Marché Central de Bujumbura, 3688 Avenue de la Croix Rouge
3. Agence Marché de Ruvumera, Avenue Ntahangwa
4. Agence Quartier Asiatique, 143 Avenue de la Ntahangwa



UGANDA

KAMPALA

1. Bwaise Branch, Bombo Road
2. Freedom City Branch, Entebbe Road
3. George Street Branch, George Street
4. Hotel Equatoria Branch, William Street
5. Industrial Area Branch, Kibiira Road
6. ISBAT Branch, Lugogo Bypass
7. Kabalagala Branch, Ggaba Road
8. Kampala Road Branch, Kampala Road
9. Kamwokya Branch, Kira Road
10. Kikuubo Branch, Ben Kiwanuka Street
11. Kitintale Branch, Port Bell Road
12. Kyengera Branch, Masaka Road
13. Naalya Branch, off Northern Bypass
14. Nakasero Branch, Market Street
15. Nakivubo Branch, Channel Street
16. Nansana Branch, Hoima Road
17. Namanve Branch, Namanve Industrial Park
18. Nateete Branch, Masaka Road
19. Ndeeba Branch, Masaka Road
20. Ntinda Branch, Kiira Road
21. Oasis Mall Branch, Yusuf Lule Road
22. Old Kampala Branch, Old Kampala Road

23. Owino Branch, Ham Shopping Mall
24. Parliament Branch, Parliament Avenue
25. Seeta Branch, Block 110 Seeta
26. Usafi Market Branch, Kalitansi Roundabout
27. Wandegeya Branch, Bombo Road

OTHER TOWNS

28. Arua Branch, Avenue Road
29. Busia Branch, Sophia Lane
30. Jinja Branch, Main Street
31. Lira Branch, Atupi Road
32. Malaba Customs Branch, Kwata /Tororo Road
33. Masaka Branch, Kampala Road
34. Mbale Branch, Bishop Wasike Road
35. Mbarara Branch, Mbaguta Road
36. Victoria Mall Branch (Entebbe), off Entebbe Road
37. Entebbe Branch

Collection Centres

1. Lumumba Avenue Collection Centre
2. Nira Collection Centre

**24/7 DIGITAL LOBBIES
(Kampala)**

- Jubilee Insurance Centre
- Nakasero Shopping Complex
- Sena Arcade
- Namanve Industrial Park
- Kalahari Building

**24/7 DIGITAL LOBBIES
(Nairobi/Mombasa)**

- Garden City Mall
- The Oval
- The Hub
- Two Rivers Mall
- Diamond Plaza
- Lavington Curve
- Nation Centre
- Nyali

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This is our second integrated annual report. The report is meant to enrich our stakeholders with both financial and non-financial performance presented against the background of the environment we operate in. It contains insight on our short, medium and long term approach to value creation anchored on our strategic framework, purpose and vision.

Preparation and Presentation

DTB's 2017 integrated annual report has been prepared for the period between 1 January 2017 and 31 December 2017. It captures the activities of the DTB Group, its strategic initiatives, contribution to sustainable development, financial performance and risk management framework as well as material issues considered relevant and important to influence the assessment of the report users in respect to DTB's ability to create value over the short, medium and long term.

Assurance

DTB Kenya 2017 financial statements were audited by KPMG Kenya, DTB Tanzania by PwC, DTB Uganda and Network Insurance Agency by Deloitte, DTB Burundi by KPMG Rwanda while Diamond Trust Insurance Agency was audited by RSM Eastern Africa.

1946

Incorporated as the Diamond Jubilee Investment Trust ("DJIT") to commemorate the Diamond Jubilee of the ascension to the Imamate 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), and subsequently in Nairobi and Kisumu (Kenya). It operated as a community based finance house, canvassing savings and extending credit to members of the Ismaili Community.

1972

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

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.

1997

DTK acquired a licence to conduct commercial banking business and changed its name to Diamond Trust Bank Kenya Limited ("DTB"). It commenced commercial banking services in July 1997, offering a full range of services targeting principally small and mid-sized corporates. DTT and DTU were also converted into commercial banks and renamed Diamond Trust Bank Tanzania Limited ("DTB Tanzania") and Diamond Trust Bank Uganda Limited ("DTB Uganda") respectively.

2007

DTB increased its shareholding in DTB Tanzania to 55% from 33% following 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 Insurance Agency Ltd, DTB's fully-owned insurance agency subsidiary, commenced operations.

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 increased its shareholding in DTB Uganda to 67%, from 62%, after participating in a rights issue by the latter.

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.

1983

Participation of institutional shareholders, including International Finance Corporation ("IFC") who took up 10% equity interest in DTK.

1995

DTK and AKFED recapitalised DJIT (Tanzania) whose operations had become moribund following the nationalisation policy pursued by the authorities. DJIT (Tanzania) was renamed Diamond Trust of Tanzania (DTT) and operated as a NBFI, with DTK holding a 33% equity stake (AKFED – 31% and General Public – 36%).

DTK and AKFED also revived the banking operations in Uganda which had become moribund, following the political events in Uganda in the 1970s. DJIT (Uganda)'s operations were taken over by Diamond Trust of Uganda (DTU) which also operated as a NBFI, with DTK holding a 27% equity stake in the company (AKFED – 33%, DJIT (Uganda) – 40%).

1999

DTB acquired the assets and liabilities of its fully owned subsidiary, Premier Savings & Finance Limited, which was operating as a non-banking financial institution.

2008

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

2012-2016

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

To-date: DTB has raised additional equity and debt capital for asset growth and market expansion through the NSE and institutional investors (IFC, DEG, PROPARCO and AFD). The bank has also expanded operations in the region through its subsidiaries DTB Tanzania, DTB Uganda and DTB Burundi.

OUR MISSION

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



OUR VISION

Enabling people to advance with confidence and success.



OUR VALUES

Our values are the fundamental principles that define our culture and are brought to life in both our attitudes and our behaviour. These make us unique and unmistakable:



Excellence

This is the core of everything we do. We believe in being the best in everything we do in terms of our services, products and premises.

Integrity

We steadfastly adhere to high moral principles and professional standards, knowing that our success depends on our customers' trust.

Customer focus

We fully understand the needs of our customers and we adapt our products and services to meet them. We always strive to put satisfaction of our customers first.

Meritocracy

We believe in giving opportunities and advantages to our employees on the basis of their ability. We believe in rewarding achievement and in providing first-class career opportunities for all.

Progressiveness

We believe in the advancement of society through the adoption of enlightened working practices, innovative new products and processes.



DTB P.O.S Machine

Reduce time spent on handling cash and reconciliation

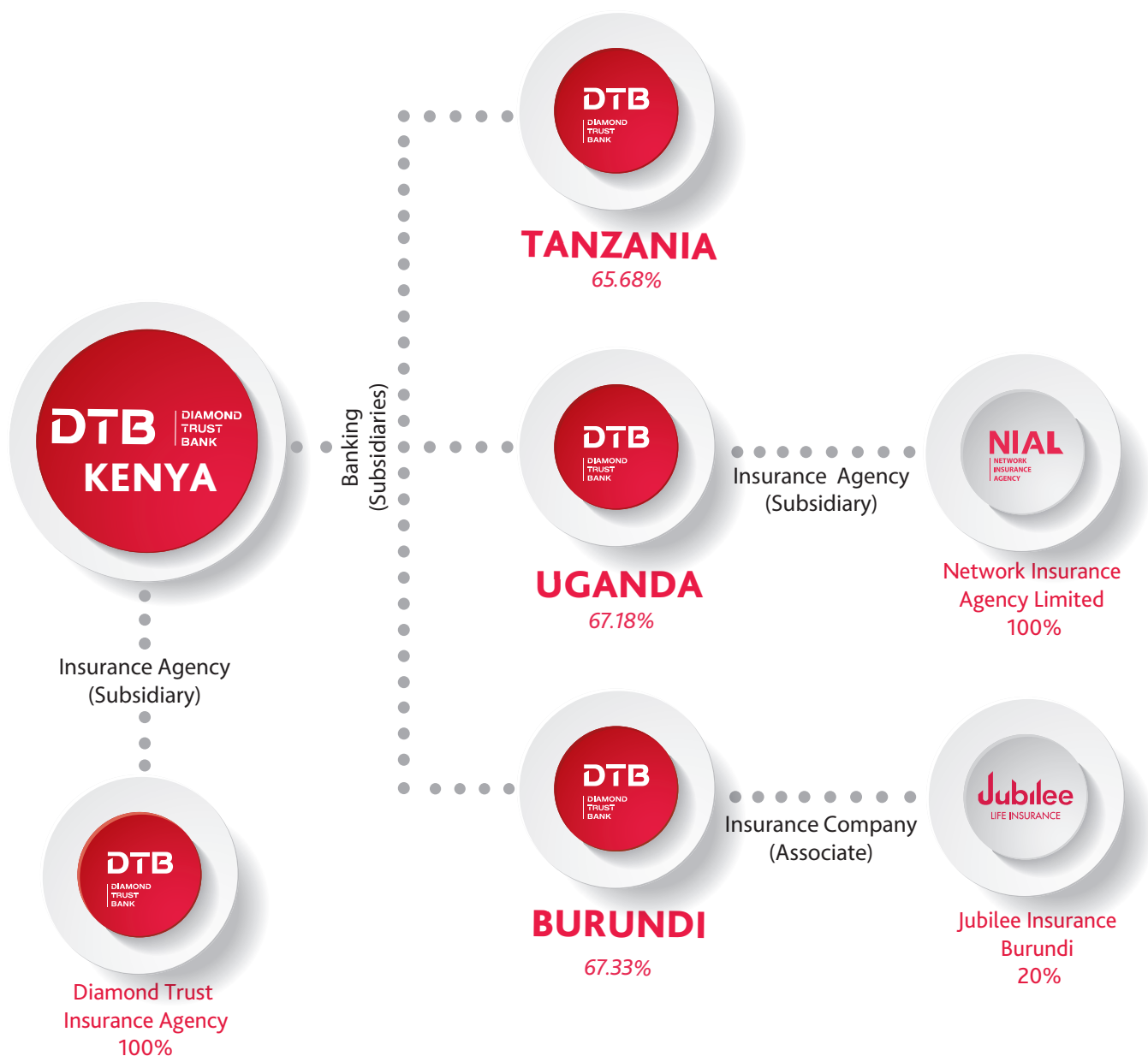
Reduce cash handling costs and risk of fraud

Grow your business with more customers and higher turnover



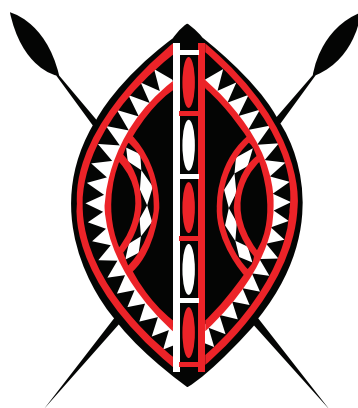
VISA

DTB GROUP STRUCTURE AND FOOTPRINT





Here are 3 reasons you should insure your car with DTB defender



**Your wallet
will thank you!**

Rate from 3.75%

**You're protected,
no matter what!**

Provides excess protector

**You're always
sorted!**

Political violence &
terrorism cover



0795 599 999

Underwritten by
Jubilee Insurance Company and Saham Assurance

COMPANY INFORMATION

COMPANY SECRETARY

Stephen Kodumbe

REGISTERED OFFICE

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

AUDITOR

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

PRINCIPAL CORRESPONDENTS

New York

Standard Chartered Bank Plc
Citibank N.A.

Frankfurt

Standard Chartered Bank Plc
Commerzbank
BHF Bank

London

Standard Chartered Bank Plc
Citibank N.A.

Mumbai

DCB Bank Limited
ICICI Bank

Tokyo

Standard Chartered Bank Plc

Toronto

Bank of Montreal

Johannesburg

Standard Bank, South Africa

Dubai

Habib Bank Limited

Milan

Banca Intesa Sanpaolo

Melbourne

National Australian Bank

Stockholm

Swedbank AB



***An elite card that
suits your lifestyle***

BOARD OF DIRECTORS



Linus Gitahi, MBS
Director

Guedi Ainache
Director

Moez Jamal
Director

Shaffiq Dharamshi
Director

Abdul Samji
Chairman

Nasim Devji
*Group Chief Executive Officer
and Managing Director*



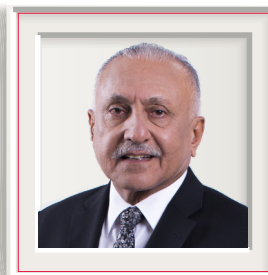
BOARD OF DIRECTORS (CONTINUED)

Directors' Profiles



Mr. Abdul Samji *Chairman*

Mr. Samji became the Chairman of the DTB Group in May 2010 after having been appointed to the Board in 1997. He is a Certified Public Accountant and Management Consultant by profession and is a former Managing Partner of PKF Kenya, a firm of Certified Public Accountants. He is a B.Com (Hons) graduate, Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Certified Public Accountants of Kenya. He is also a member of the Institute of Directors (Kenya). Mr. Samji is a past District Governor of Rotary International, District 9200, and is a Trustee for several institutions involved in charitable and service activities. Mr. Samji is also the Chairman of the PDM Group of Companies. Mr. Samji is aged 71 years.



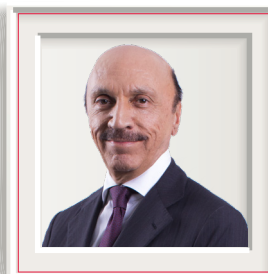
Mrs. Nasim Devji *Group Chief Executive Officer and Managing Director*

Mrs. Devji joined the DTB Group in 1996 following which she was appointed Group Chief Executive Officer of Diamond Trust Bank in East Africa in 2001. She is a Fellow of The Institute of Chartered Accountants of England and Wales, a Fellow of the Kenya Institute of Bankers, a Fellow of the Institute of Directors (Kenya) and an Associate of the Institute of Taxation (United Kingdom). Mrs. Devji is a director of DTB Tanzania, DTB Uganda, DTB Burundi, Jubilee Insurance Burundi, Diamond Trust Insurance Agency Limited and the Nairobi Securities Exchange Limited. She has also previously served as a member of the Kenya Deposit Insurance Corporation. Mrs. Devji is aged 64 years.



Mr. Moez Jamal *Director*

Mr. Jamal was appointed to the Board in December 2009. He has vast experience in banking and is currently a Director of Habib Bank Limited, Pakistan, Marcuard Family Office, Switzerland and Jubilee Holdings Limited, Kenya. Mr. Jamal has previously worked in various senior positions with Credit Suisse and Lloyds Bank International London/New York and his last assignment was as the Global Treasurer, Credit Suisse. Mr. Jamal holds an MBA in Finance from Stern Business School, New York University and a BA (Hons.) from Manchester University in England. He is also a member of the Institute of Directors (Kenya). Mr. Jamal is aged 62 years.



Mr. Jamaludin Shamji *Director*

Mr. Shamji was appointed to the Board in March 2010. He holds a B.A. (Honors) in Business Administration from Washington State University, U.S.A. and has undertaken courses towards an M.B.A. (Strategic Management) from Drexel University, U.S.A. He is also a Fellow of the Kenya Institute of Bankers and a member of the Institute of Directors (Kenya). Mr. Shamji is a prominent businessman based in Kisii and serves as a director of various companies including DTB Burundi, A. Jiwa Shamji Limited and Sansora Bakers & Confectioners Limited. He has previously served on the Boards of the Aga Khan Health Services, Kenya, the Aga Khan Education Services, Kenya and as Chairman of the Board of Governors of Kisii Special School for the Mentally Handicapped. He has also served as a member of the Kisii County Public Private Partnership Committee, Kisii County Budget & Economic Forum Committee and Board of Directors - Kisii Teaching & Referral Hospital. Mr. Shamji is aged 55 years.



Mr. Ismail Mawji *Director*

Mr. Mawji was appointed to the Board in September 2014. He is the founder and Senior Partner in Mawji Sennik and Company, Certified Public Accountants. Mr. Mawji is a member of the Institute of Certified Public Secretaries of Kenya and a Chartered Accountant from United Kingdom and a member of the Institute of Directors (Kenya). For many years Mr. Mawji has served on the Insurance Committee of the Institute of Certified Public Accountants of Kenya and on the Corporate Governance Committee of The Institute of Certified Public Secretaries of Kenya. Mr. Mawji is aged 67 years.



Mr. Shaffiq Dharamshi *Director*

Mr. Dharamshi was appointed to the Board in April 2015. He is a professional banker with over twenty years of senior management experience in the Middle East and Africa. Mr. Dharamshi is the Head of Banking for the Aga Khan Fund for Economic Development (AKFED), and responsible for providing oversight on operations of financial institutions in the AKFED portfolio across Asia and Africa. He also serves as a Director on the Boards of DTB Uganda and DTB Tanzania, Habib Bank Limited, Pakistan, Kyrgyz Investment and Credit Bank, Kyrgyzstan, First Microfinance Bank, Tajikistan and DCB Bank, India. Prior to taking this position with AKFED, he was Senior Vice President, Wholesale Credit Risk Management at Mashreq Bank in Dubai. Before joining Mashreq Bank, Mr. Dharamshi spent 17 years with Citibank in a wide range of positions across different areas of the bank in Africa and the Middle East. Mr. Dharamshi holds a MSc. in Economics/Information Systems from the London School of Economics. He is also a member of the Institute of Directors (Kenya). Mr. Dharamshi is aged 53 years.

BOARD OF DIRECTORS (CONTINUED)

Directors' Profiles (Continued)

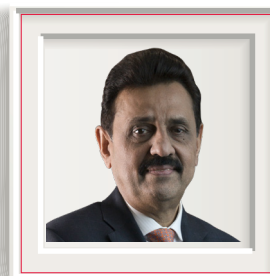


Mrs. Pamela Ager *Director*



Mrs. Ager was appointed to the Board in May 2013. She is a partner in Oraro & Company Advocates and holds a First Class Honours LL.M Degree from Auckland University and a Bachelor of Laws Degree from the University of Waikato - Hamilton, New Zealand. She also holds a diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya, Mrs. Ager is a member of the Law Society of Kenya, Federation of Women Lawyers, East African Law Society and Commonwealth Lawyers Association. She is also a member of the Institute of Directors (Kenya) and sits on various boards for education and non-profit organisations. Mrs. Ager is aged 47 years.

Mr. Rizwan Hyder *Director*



Mr. Hyder was appointed to the Board in March 2016. He is a seasoned banker with over thirty years of diverse banking experience, in senior management positions, with local and International banks. He is currently the Chief Risk Officer for Habib Bank Limited (HBL), Pakistan's largest bank. Mr. Hyder also serves on the Boards of HBL Asset Management Limited - Pakistan, Habib Finance International Limited - Hong Kong and Habib Financial Services Limited - Pakistan. He has previously served as the Regional General Manager - Far East and Africa regions and Head of International and Market Risks at HBL. Prior to joining HBL, Mr. Hyder was with Credit Agricole, where he held senior management positions in Corporate and Investment Banking and Risk Management. He holds a degree in Commerce from University of Karachi, Pakistan. He is also a member of the Institute of Directors (Kenya). Mr. Hyder is aged 61 years.

Mr. Irfan Keshavjee *Director*



Mr. Keshavjee was appointed to the Board in May 2013. He has an MBA from the University of Oxford, UK and a Bachelors' Degree in Civil-Environmental Engineering from Queen's University in Canada. He also holds a certificate in Housing Finance from the Wharton Real Estate Centre, University of Pennsylvania. Mr. Keshavjee has had over 20 years of commercial experience in East Africa as a Director of the White Rose Group of Companies. He is also the Founder of Karibu Homes, an organisation dedicated to providing affordable housing to hardworking Kenyans, with over 1,000 homes currently under development in peri-urban Kenya. He was awarded the prestigious Ashoka Fellowship and the Acumen Fund East Africa Fellowship for having co-founded award-winning enterprises that impact on the livelihoods of low-income Kenyans. He is also a member of the Institute of Directors (Kenya). Mr. Keshavjee is aged 47 years.

Mr. Linus Gitahi, MBS *Director*



Mr. Gitahi, MBS, was appointed to the Board in April 2017. He holds a B.Com (Hons) in Accounting from the University of Nairobi, a Diploma in Management from the Kenya Institute of Management and an MBA from the United States International University. He is also a Fellow of the Kenya Institute of Management. Mr. Gitahi is currently the Chairman of Tropikal Brands (Africa) Limited, Chairman of Oxygene Communication Limited and a Trustee of the Management University of Africa. In addition, he is a director of Simba Corp, Outspan Hospital and Medical College as well as Allianz Insurance (K) Limited. He previously served as the Chief Executive Officer of the Nation Media Group and prior to that was the Group Chief Executive Officer for West Africa for GlaxoSmithKline after having held diverse management positions with them. Mr. Gitahi is aged 55 years.

Mr. Guedi Ainache *Director*



Mr. Ainache, was appointed to the Board in April 2017. He holds a Masters Degree in Economic Science and Management from the University of Le Mans, France and a Post Graduate Degree in Audit and Risk Management from the University of Angers, France. He is currently the Corporate Finance Director for MMD Group in Nairobi. He has also previously served as the Head of the Syndication for The Eastern and Southern African Trade and Development Bank (PTA Bank) in Nairobi and as the Regional Director for East Africa for PROPARCO (French Development Agency) in addition to having held diverse positions with PROPARCO and Credit Agricole Corporate and Investment Banking both in Paris. Mr. Ainache is aged 42 years.

Mr. Stephen Kodumbe *Company Secretary*



Mr. Kodumbe joined DTB in 2008 as the Manager, Legal Services and was appointed Company Secretary in August 2009. Mr. Kodumbe holds a Bachelor of Laws (LL.B) Degree and a Masters in Business Administration Degree from the University of Nairobi together with a Diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Kodumbe is a member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Institute of Directors (Kenya). Mr. Kodumbe is aged 41 years.

KEY

Board of Directors

Board Credit Committee

Board Risk Management Committee

Board Nomination & Human Resource Committee

Board Audit & Compliance Committee

Board Information Technology Committee

Board Executive Committee

PRINCIPAL OFFICERS



Nasim Devji – *Group Chief Executive Officer and Managing Director*

Nasim joined the DTB Group in 1996 following which she was appointed Group Chief Executive Officer of Diamond Trust Bank in East Africa in 2001. She is a Fellow of The Institute of Chartered Accountants of England and Wales, a Fellow of the Kenya Institute of Bankers, a Fellow of the Institute of Directors (Kenya) and an Associate of the Institute of Taxation (United Kingdom). Mrs. Devji is a director of DTB Tanzania, DTB Uganda, DTB Burundi, Jubilee Insurance Burundi, Diamond Trust Insurance Agency Limited and the Nairobi Securities Exchange Limited. She has also previously served as a member of the Kenya Deposit Insurance Corporation.



Stephen Kodumbe – *Company Secretary & Head of Legal*

Stephen joined DTB in 2008 as the Manager, Legal Services and was appointed Company Secretary in August 2009. Mr. Kodumbe holds a Bachelor of Laws (LL.B) Degree and a Masters in Business Administration Degree from the University of Nairobi together with a Diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Kodumbe is a member of the Law Society of Kenya, the Institute of Certified Public Secretaries of Kenya and the Institute of Directors (Kenya).



Alkarim Jiwa – *Head of Finance & Planning*

Alkarim is the Chief Finance Officer of DTB. He joined DTB's finance function in 1998, becoming its head in 2001. He is also responsible for the bank's Procurement & Logistics and Property Services functions. He is a director of Diamond Trust Bank Burundi S.A., DTB's subsidiary in Burundi. Prior to joining DTB, Alkarim worked for several years with an accountancy and audit firm in Nairobi. He is a Fellow of the United Kingdom- based Association of Chartered Certified Accountants and a member of the Institute of Certified Public Accountants of Kenya.



Shahzad Karim – *Head of Corporate Banking*

Shahzad joined DTB in 1986, thereafter rising to the position of Head of DTB Corporate Banking. Shahzad is a holder of a Bachelor of Business Administration Degree with a specialization in Accounting and Marketing from Simon Fraser University, British Columbia, Canada.



Gopa Kumar – *Head of Retail Banking*

Gopa joined DTB in 2002 and was subsequently promoted Head of Retail Banking. Prior to 2002, he worked for several years in the corporate, trade finance and operations departments of banks in India and Kenya. Gopa is a holder of a Bachelor of Science Degree from Madurai Kamaraj University, India and a Certified Associate of Indian Institute of Bankers.



Kennedy Nyakomitta – *Head of Business Development*

Kennedy joined DTB in 2000 and currently serves as the Head of Business Development. He is also responsible for the bank's asset finance function as well as the branches in the western region of Kenya. Prior to joining DTB, Kennedy had acquired several years' experience with various Kenyan banks. He holds a Bachelor of Arts in Economics and a Master's in Business Administration and Leadership and Governance.



Shibu Jacob – *Head of Coast Region*

Shibu joined DTB as Head of Coast Region in September 2012. He has more than 33 years of banking experience with various banks in India and he has exposure to the UAE financial markets as Head of City Exchange LLC, Dubai. Shibu has a Master's degree in English Literature and holds a postgraduate diploma in Financial Management.



Venkatramani Iyer – *Head of Treasury*

Venkatramani joined DTB Tanzania in 2008 as the Head of Treasury and International Banking and later joined DTB Kenya as the Group Treasurer in 2015. Prior to this, he acquired several years' experience in the same function and in similar positions with banks in India. Venkatramani is a holder of a B.Com Degree (Madras University) and a Certified Associate of Indian Institute of Bankers.



George Otiende – *Head of Branches & Alternate Channels*

George is Head of Branches and Alternate Channels for DTB. In this role, he is responsible for all aspects of branch and channel operations, service and revenue growth. Prior to joining DTB in 2006, he worked with Standard Chartered Bank Kenya. George graduated with a BBAM (First Class honors) from Egerton University.



Lillian Ngala – *Head of Human Resources*

Lillian joined DTB in May 2012 and is currently the Head of the Human Resource Department. She holds a Bachelor's degree in Human Resource Management, has an MBA in Strategic Management from JKUAT, and a post-graduate diploma in Human Resource Management from the Institute of Human Resource Management.

PRINCIPAL OFFICERS (CONTINUED)



Nizar Tundai – *Head of Technology*

Nizar joined DTB in 2004 as the Head of Information Technology. He spearheads the Information Technology initiatives and is responsible for developing DTB's cutting edge technology to drive and deliver business growth, supported by technology and innovations. Nizar has a Certificate in Project Management, diploma in Computer Sciences and a diploma in Advanced Management Program from Strathmore Business School, Kenya and IESE Business School, Spain.



Suraj Shah – *Head of Centralized Operations*

Suraj joined DTB in 2003 and is currently the Head of Centralized Operations. Prior to joining DTB, he acquired several years of experience in various positions with other banks in Kenya. Suraj is a Fellow of the Association of Chartered Certified Accountants.



Millerangum Jayaraman – *Head of Credit*

Millerangum joined DTB in 2000 and was later promoted to the position of Head of Credit. Prior to 2000, he worked for several years in senior positions with banks in Kenya and India. He holds a B.Tech in Aeronautical Engineering and is a Certified Associate of the Indian Institute of Bankers.



Nita Shah – *Head of Credit Support*

Nita joined DTB in 2000 and is currently serving as the Head of Credit Support at DTB. Nita has several years of experience in audit and risk working as an auditor with PricewaterhouseCoopers and as an internal auditor of various companies. She is a Fellow of the United Kingdom-based Association of Chartered Certified Accountants and of the Chartered Institute of Secretaries and Administrators and a member of the Institute of Certified Public Secretaries of Kenya.



Farouk Khimji – *Head of Products & Marketing*

Farouk joined the Bank in 2004 and was promoted to Head of Products and Marketing in 2015. He is currently responsible for the innovation team and digital transformation. Farouk graduated with a BA (Hons) in Economics from the University of Western Ontario and a Hons. Diploma in Banking and Financial Services from Westervelt College, London Ontario, Canada.



Azra Thobani – *Head of Service Excellence*

Azra joined DTB in 2009 and was appointed as the Head of Service Excellence in 2016. Prior to this appointment, Azra worked in the Risk and Product Development functions at DTB after completing 3 years in the Graduate Management Trainee programme. Azra holds a Bachelor of Science in International Business Administration from the United States International University – Africa.



Hilda Gituro – *Head of Risk & Compliance*

Hilda joined DTB in 2004 and is currently serving as the Head of Risk and Compliance. She holds a Bachelor of Commerce from the Catholic University of Eastern Africa and a MBA (Finance) from the United States International University - Africa. She is a Certified Compliance Officer, Certified Enterprise Risk Manager, and an Associate member of the Certified Fraud Examiners and Business Continuity Institute.



Peter Kimani – *Head of Internal Audit*

Peter joined DTB in 2001 and was promoted to the Head of Internal Audit in 2005. Prior to joining DTB, he worked for several years in different capacities within the internal audit departments of various companies. He holds a Bachelor of Science in Business Administration from the United States International University – Africa, and is also a Certified Public Accountant and a member of the Institute of Certified Public Accountants of Kenya.



Naftali Mwangi – *Head of Security, Fraud and Forensic Investigations*

Naftali joined DTB in 2011 and currently serves as the Head of Security, Fraud & Forensic Investigations. He holds a Masters of Arts in Economics and a Bachelors of Arts (First Class honors) specializing in Economics from the University of Nairobi. He is also a CPA (K) finalist and a trained Cadet Inspector of Police from Kenya Police Service.

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The Kenyan economy grew by 5.5% in 2017, compared to 5.8% in the previous year, despite the subdued conditions experienced during the year, marked by:

- the effects of drought in the first half of the year;
- a prolonged period of uncertainty and business indecision as well as suppressed levels of public sector investment ahead of the August 2017 and repeat Presidential election;
- a pronounced stagnation in private sector credit growth after the enactment of interest rate capping legislation in September 2016;
- a dip in growth prospects of the real estate/ property sector; and
- elevated risks from the global sphere related to uncertainties in the global financial markets, particularly with regards to the U.S. economic and trade policies and the fallout from BREXIT.

The challenges outlined above resulted in a cash crunch and reduced investments that impacted all spheres of the economy, with the resultant effect filtering down across all value chain players. This, consequently, had a negative impact on asset quality held by the banking sector. On the positive side, core economic growth continue to find anchor in the sound monetary policy measures effected over the year, exchange rate stability and Government measures to increase the supply of key food items, albeit at subsidised prices.

Going forward, for there to be an upturn in the mid- to long- term economic outlook there needs to be:

- continuing heavy investments in public infrastructure projects;
- generation of new and additional revenue streams from, inter alia, Kenya's infant oil sector, budding manufacturing sector, etc.;
- sustained enforcement of fiscal discipline, targeted at reducing the growing budget deficit and, by extension, public debt; and
- revival of credit to the private sector on the back of enabling macro – economic and regulatory environments.

The banking industry in Kenya, and for that matter in the wider East African Community (EAC), continues to endure difficult conditions, accentuated by the subdued business environment. Against this backdrop, DTB continues to leverage its solid brand equity and market positioning credentials, thereby attracting steady deposit growth and entrenching its position as a leading Tier I bank in Kenya and the wider EAC regional market.

The headwinds experienced by the Kenyan banking sector in the last two years have seen some consolidation within the sector: DTB's acquisition of HBL Kenya's business in August

2017, driven by mutual strategic interests of the parties, was preceded by the entry of State Bank of Mauritius (SBM) in Kenya through the acquisition of a distressed, local Tier III bank (Fidelity Commercial Bank). Recently, the Central Bank of Kenya announced that SBM had also won the bid to acquire the troubled Chase Bank's healthy portfolio after CBK had put the bank under receivership in April 2016. Tier II- ranked I&M Bank also acquired Giro Commercial Bank, a Tier III player, earlier last year. Recently, CBK invited bidders to acquire the assets or takeover the equity of Imperial Bank (in receivership) (IBL).

In Kenya, the full year adverse impact of the interest capping legislation, passed in September 2016, has seen many players report lower operating profits in 2017. This, coupled with increased provisions to cover rising NPL levels within the industry impacted the banking sector's profitability in 2017; according to the December 2017 Monthly Economic Indicators report published by CBK, the industry's aggregate 2017 pre-tax profit reduced by 10%, relative to the previous year.

By comparison, in 2017, DTB posted a full- year group pre-tax profit of Shs 10.1 billion, a reduction of 8% compared to the previous year. The Group's asset base rose to Shs 363 billion, an 11% increase over the previous year. The main contributor to asset growth was the continuing expansion of the customer deposit base which went up by 12%, from Shs 238 billion in 2016 to Shs 266 billion at the end of 2017. DTB Group's loan book grew at a modest rate of 5%, closing at Shs 196 billion, up from Shs 186 billion, a year earlier. DTB's investment portfolio in Government securities continued to expand, from Shs 93 billion at the end of 2016 to Shs 112 billion a year later.

Against the background of a continuing rise in non- performing loan (NPL) levels across industry players in the last couple of years, DTB Group's NPL level was Shs 13.1 billion or 6.6% of the loan book, at the end of 2017. Whilst, DTB's NPL book has grown since 2015 - a reflection of difficult business terrain prevailing across East Africa - the Group is confident of recovering these non- performing assets which are more than adequately secured by quality collateral. The recovery of the non- performing assets will be influenced by an improvement in the business environment and the legal enforcement measurements, currently pursued by the Group. The success of the latter measure is, however, anchored, to a large degree, on the efficiency and effectiveness of the Judiciary. Notwithstanding, the relatively high quality of DTB's performing loan book and the collaterals it holds against the non- performing book, bad debt provisions were enhanced during the year, with the coverage ratio (specific provisions/ NPLs) standing at 63% as at year end which is well above the industry average and reflective of the continuing prudent provisioning practices adopted by the Group.

In spite of the difficult trading environment in the other EAC markets the Group is present in, DTB Kenya's subsidiaries in Tanzania, Uganda and Burundi continue to contribute positively to the Group's performance. In 2017, the DTB

CHAIRMAN'S STATEMENT (CONTINUED)

subsidiaries collectively contributed to 26% of the Group's total assets and 18% of its profitability. Both DTB Tanzania and DTB Uganda continue to build on their market share in their respective geographies. Burundi continues to face challenges against the backdrop of heightened political risks, subdued investment as well as a sustained and chronic foreign exchange shortage. Whilst this has impeded DTB Burundi's growth prospects, the bank continues to return profits, whilst managing risks. The subsidiaries' performance reflects the underlying resilience of the DTB Group as a leading and solid commercial banking franchise in East Africa.

Recognising the growing potential of East Africa and, as a reflection of DTB's long-term commitment to and confidence in the region, your Bank invested an equivalent of Shs 1.1 billion in DTB Uganda last year when the latter undertook a rights issue to augment its capital base. Consequently, DTB Kenya increased its shareholding in DTB Uganda from 61.71% to 67.18%.

Aside from organic growth achieved by DTB over the years, the acquisition of the Kenyan branches of Habib Bank Limited (HBL) in August 2017, following shareholder and regulatory approvals, has augmented DTB Kenya's position as a leading Tier I bank, ranking amongst the Top 5 players in the industry. This achievement resonates with DTB Group's business strategy, *DTB Vision 2020*, which sought to position DTB as a Tier I player in the markets it is present in.

With the objectives of *DTB Vision 2020*, having largely been met, I am pleased to advise that, in 2018, DTB has embarked on developing its strategic blueprint for the next long-term strategic planning cycle – *DTB Vision 2030 and beyond*. Taking cognisance of the continuously emerging and dynamic developments – in fact, disruptions – that have come to dominate the banking landscape, *DTB Vision 2030 and beyond* is expected to lay the road map for DTB to grow its brand as a leading business bank in East Africa by expanding its niche SME customer base, as well as widening its spectrum of customer segments to include the under-banked and un-banked. Importantly, the cornerstone of *DTB Vision 2030 and beyond* will be to enable the Group to pursue a meaningful financial inclusion agenda which, ultimately, seeks to improve the quality of life of its customers and the broader communities in which DTB operates. By being digitally innovative, technologically modern and fostering partnerships with, *inter alia*, fintechs, DTB will continue to set its sight on transforming customer experience and increasing efficiency.

In 2018, banks have adopted the International Financial Reporting Standard 9 (IFRS 9), heralding a significant shift in how financial assets are accounted for. Significantly, banks will be required to calculate provisions on their loan books on a forward-looking basis. This will require banks to set aside provisions in anticipation of loan losses. This fundamental change in provisioning will require banks to re-look at their business models with changes in internal controls, procedures and application of stricter credit

assessment, monitoring and collateralisation standards. In 2012, DTB had early adopted the previous version of IFRS 9 dealing with classification and measurement of financial assets. Following enhancements made to IFRS 9, which became effective from this year, DTB has reviewed and revamped its internal models in readiness for IFRS 9 compliance. Indeed, DTB Group is well poised to comply with the enhanced provisions required under the new sections of the Standard, with net additional impact in provisions, as at the beginning of 2018, estimated to be a marginal 1% - 2% of the provisions held at the end of 2017.

Before I come to the conclusion of my Statement, I would like to reiterate that the outstanding performance exhibited by the DTB Group over the years has been achieved, in large measure, through the dedication, professionalism and hard work of the Management and Staff, ably led by the Group CEO and Managing Director, Mrs. Nasim Devji. On behalf of the Shareholders and the Board, I would like to pay a special tribute to Nasim and the entire DTB team for the Group's performance, in what have been difficult times.

To my colleagues on the Board, I remain most grateful to them for their diligence in executing their responsibilities as directors and for their invaluable support and contribution during the year.

On behalf of the entire DTB family, I would like to take this opportunity to welcome new customers to the Bank and to thank our depositors and borrowers for their loyal support. We strive to repay this confidence by being responsive to the needs of all our customers and by providing an unrivalled service.

Finally, I would also like to express our deepest appreciation to you, the Shareholders, for your ongoing support. We will continue to deliver in terms of return, value and service.



Abdul Samji

Chairman

23 March 2018

Uchumi wa taifa la Kenya ulikua kwa kiwango cha asilimia 5.5 mwaka wa 2017 ikilinganishwa na asilimia 5.8 mwaka wa 2016 licha ya hali zilizohuhudiwa katika kipindi cha mwaka huo kama vile:

- Athari za njaa na kiangazi katika kipindi cha kwanza cha mwaka;
- Kipindi kirefu cha upungufu wa uwekezaji katika sekta ya umma na biashara kabla ya agosti mwaka wa 2017 na marudio ya uchaguzi wa urais nchini;
- Kukwama kwa ukuaji wa mikopo ya sekta ya kibinafsi baada ya utekelezaji wa sheria ya kudhibiti viwango vya riba nchini mwaka wa 2016;
- Kukwama kwa matumaini ya ukuaji katika sekta ya uuzaji wa mali isiyohamishika; na
- Ongezeko la hatari katika ulimwengu wa kimataifa kuhusiana na uhakika katika masoko ya kifedha ulimwenguni, hasa sera za kiuchumi na bisahara za Marekani na mtawanyiko wa BREXIT

Changamoto zilizoorodheshwa hapo juu zilisababisha upungufu wa fedha na uwekezaji na kuathiri sekta zote za uchumi na hata kuwaathiri washikadau. Hali hii aidha ilikuwa na athari hasi katika ubora wa mali unaoshikiliwa na sekta ya benki. Hata hivyo ukuaji wa kiuchumi unazidi kutiwa nanga maridhawa na sera zilizotekelezwa mwaka uliopita za kifedha, uthabiti wa soko la ubadilishanaji wa fedha na hatua za serikali kuongeza ugavi wa vyakula muhimu hata kwa bei ya ruzuku.

Ili kuwepo na mabadiliko ya muda mrefu katika ya kiuchumi humu nchini haya yanapaswa kuzingatiwa:

- Kuendeleza/kukuza uwekezaji wa hali ya juu katika miradi ya kimsingi ya umma;
- Uvumbuzi wa njia mpya za kuzalisha fedha kutokana na upanuzi wa sekta changa ya uchimbaji mafuta nchini, sekta ya viwanda na nyinginezo;
- Kuendeleza utekelezaji wa nidhamu ya kifedha lengo kuu likiwa kukabiliana na upungufu wa bajeti ya taifa na hatimaye kupunguza deni la kitaifa; na
- Ufufuo wa mikopo kwa sekta za kibinafsi ili kuweka misingi dhabiti itakayohakikisha ukuaji wa uchumi na mazingira dhabiti ya kufanya biashara.

Sekta ya benki humu nchini na katika jumuiya ya Afrika mashariki inazidi kushuhudia hali ngumu inayotokana na kuharibika kwa mazingira ya kibiashara. Kwa kuzingatia hali hii benki ya DTB inazidi kuimarisha sifa zake katika soko la kifedha na hivyo kuvutia ukuaji wa amana huku aidha ikidhibitisha msimamo wake kama benki inayoongoza ya daraja la kwanza humu nchini na katika soko la Afrika Mashariki kwa jumla.

Changamoto zilizohuhudiwa katika sekta ya benki kwa kipindi cha miaka miwili iliyopita zimesababisha uimarikaji na miungano katika sekta hii: Ununuzi wa biashara ya HBL

Kenya na benki ya DTB Agosti mwaka wa 2017 ulitangulizwa na kuwasili kwa State Bank ya Mauritius (SBM) kupitia kwa ununuzi wa benki ya daraja la tatu humu nchini (Fidelity Commercial Bank) iliyokuwa ikipitia changamoto za kifedha. Hivi majuzi Benki kuu ya Kenya ilitangaza kuwa Benki ya SBM ilishinda zabuni ya ununuzi wa Chase Bank baada ya kuwekwa chini ya urasimu mwezi Aprili mwaka wa 2016. Benki ya daraja la pili ya I&M aidha iliinunua benki ya daraja la tatu ya Giro (Giro Commercial Bank) huku sasa benki kuu ikialika washikadau katika sekta ya benki kuinunua benki ya Imperial iliyo chini ya mrasimu kwa sasa.

Nchini Kenya, wahuika katika sekta ya benki walilalamikia kupungua kwa faida za mwaka wa 2017 zilizotokana na utekelezaji wa sheria ya kudhibiti viwango vya riba iliyopitishwa Septemba mwaka wa 2016. Hili pamoja na ongezeko la utoaji ili kumudu viwango vinavyoongezeka vya NPL katika sekta hii viliathiri kwa kiwango faida za mwaka wa 2017; Kulingana na ripoti ya mwezi Disemba ya viashiria vya uchumi iliyochapishwa na benki kuu ya Kenya, faida za kabla ya kukatwa ushuru zilipungua kwa asilimia 10, sawa na mwaka uliotangulia.

Kwa kulinganisha, mwaka wa 2017, faida iliyotangazwa na Benki ya DTB kabla ya ushuru ilipungua kwa kiwango cha asilimia 8 na kuwa bilioni 10.1 ikilinganishwa na mwaka uliopita. Raslimali ya benki ilikua kwa kiwango cha asilimia 11 na kufikia bilioni 363 ikilinganishwa na mwaka uliotangulia. Ukuaji wa raslimali hii ulichangiwa kwa kiwango kikubwa na upanuzi wa msingi wa amana ya wateja uliokua kwa asilimia 12 kutoka bilioni 238 mwaka wa 2016 hadi bilioni 266 kufikia mwishoni mwa mwaka wa 2017. Mikopo ya DTB ilikua kwa kiwango cha wastani cha asilimia 5 kutoka shilingi bilioni 186 mwaka wa 2016 hadi bilioni 196 mwaka wa 2017. Uwekezaji wa benki ya DTB katika dhamana za serikali (government securities) ulipanuka kutoka bilioni 93 mwaka wa 2016 hadi bilioni 113 mwaka mmoja baadaye.

Kufuatia ongezeko la kiwango cha mikopo ambayo haijatimizwa (non-performing loans-NPL) katika sekta ya benki kwa kipindi cha miaka kadhaa iliyopita, kiwango cha mikopo ya DTB ambayo haijatimizwa kilifikia bilioni 13.1 ambacho ni asilimia 6.6 ya mikopo yote kufikia mwishoni mwa mwaka wa 2017. Mikopo isiyotimizwa ya DTB imezidi kuongezeka tangu mwaka wa 2015 – hili likiashiria hali ngumu ya kufanya biashara ukanda wa Afrika Mashariki – lakini benki ina uhakika wa kuipata mikopo hii ambayo imedhaminiwa vilivyo. Ulipaji wa mikopo hii isiyotimizwa utaathiriwa pakubwa na uimarikaji wa mazingira ya kibiashara na pia mikakati ya kisheria inayofuatiliwa na shirika hili. Mafanikio ya kuipata mikopo hii hata hivyo yametiwa nanga kwa kiasi kikubwa katika utendakazi wa idara ya mahakama. Hata hivyo kiwango cha hali ya juu cha mikopo inayoendelea kulipwa cha DTB pamoja na dhamana za mikopo ambayo haijatimizwa zinazoshikiliwa na benki, kuongezwa kwa masharti ya mikopo ambayo haijatimizwa, ziliwiana (Masharti/mikopo ambayo haijatimizwa) kwa asilimia 63 kufikia mwishoni mwa mwaka na kupita viwango vya chini vilivyowekwa, hii ikiwa ishara ya masharti yenye utaratibu wa hali ya juu yanayofuatiliwa na Benki hii.

TAARIFA YA MWENYEKITI (INAENDELEA)

Licha ya mazingira magumu ya kibiashara yanayoshuhudiwa katika soko za ukanda wa Afrika Mashariki iliko benki ya DTB, matawi ya DTB nchini Tanzania, Uganda na Burundi yamezidi kuchangia katika matokeo bora ya benki hii. Mwaka wa 2017 matawi ya DTB yalichangia jumla ya asilimia 26 ya rasimali ya benki na asilimia 18 ya faida ya kampuni hii. DTB Tanzania pamoja na DTB Uganda zimezidi kukuza mgao wake wa soko katika maeneo hayo. Hata hivyo Burundi inazidi kukumbwa na athari za kisiasa, kupunguka kwa uwekezaji na upungufu katika soko la ubadilishanaji wa fedha. Huku hali hii ikiwa kikwazo kikubwa cha ukuaji wa Benki ya DTB Burundi, benki hii imeendelea kupata faida na kuzuia hatari zozote za kifedha. Matokeo bora ya matawi haya ya DTB ni ishara ya udhabiti na ustahimilifu wa Benki ya DTB kama mojawapo ya benki zinazoongoza katika sekta hii Afrika Mashariki.

Kutambua uwezekano wa kukua wa Afrika Mashariki na kama nia mojawapo ya kuakisi imani ya DTB katika ukanda huu, Benki yako iliwekeza sawa na shilingi bilioni 1.1 katika benki ya DTB Uganda mwaka uliopita na hivyo DTB Kenya iliongeza hisa zake katika benki ya DTB Uganda kufikia asilimia 67.18 kutoka 61.71.

Kando na ukuaji wa kawaida wa Benki ya DTB miaka yote hii, ununuzi wa matawi ya Benki ya Habib humu nchini Kenya Agosti 2017 baada ya idhini kutoka kwa washikadau na mdhibiti kumeikuza benki ya DTB kama mojawapo ya benki tano bora nchini za daraja la kwanza. Mafanikio haya yanalingana vyema na sera za kibiashara za DTB pamoja na Maono ya DTB ya mwaka wa 2020 lengo kuu likiwa kuiweka benki ya DTB katika daraja la kwanza katika sekta ya benki.

Huku malengo mengi katika maono ya DTB ya mwaka wa 2020 yakiwa yameafikiwa nina raha kuwajulisha kwamba mwaka wa 2018, DTB tayari imeanza kuunda mipango maalum ya kimikakati ya muda mrefu yaani Maono ya DTB mwaka wa 2030 na zaidi. Tukizingatia changamoto zinazozidi kuikumba sekta ya benki nchini, maono ya DTB ya mwaka wa 2030 na zaidi inanua kuongoza shughuli za ukuaji wa benki hii kufikia kiwango cha benki bora ya kibiashara ukanda wa Afrika Mashariki kwa kukuza idadi ya wateja wa bisahara ndogo na za kati (SME's) pamoja na kukuza idadi ya wateja ili kuwahusisha walio na matumizi finyu ya benki na hata wale wasiotumia kuwa na huduma za benki kwa sasa. La muhimu ni kuwa msingi wa maono ya DTB ya mwaka wa 2030 ni kuiwezesha benki kufuatilia ajenda jumlishi ya kifedha ambayo inalenga kuimarisha maisha ya wateja wake na jamii kwa jumla. DTB itazidi kutia jitihada katika uimarishaji wa utoaji wa huduma za hali ya juu kwa wateja wake kwa kuendelea na uvumbuzi wa mifumo ya kidijitali, matumizi ya teknolojia ya kisasa na kuimarisha uhusiano na kampuni za kiteknolojia kama vile fintechs.

Mwaka wa 2018 benki zimekubali kuzingatia kiwango cha kimataifa cha utoaji wa taarifa za kifedha (IFRS 9),

hili liakiashiria mabadiliko katika jinsi rasimali za kifedha zitakavyo wajibikiwa. Benki sasa zitahitajika kufanya hesabu za utoaji wa mikopo kwa njia edelevu. Aidha benki zitahitajika kuhifadhi fedha huku zikitazamia hasara inayotokana na mikopo. Mabadiliko haya yatazilazimu benki kukagua tena miundo ya baishara zake na kutilia manani taratibu za kutathmini mikopo, ufuatiliaji na aidha viwango vya dhamana. Mwaka wa 2012, Benki ya DTB ilikubali mfumo wa awali wa IFRS 9 katika uainishaji na upimaji wa rasimali za kifedha. Kufuatia nyongeza zilizofanyiwa IFRS 9 zitakazoanza kutekelezwa kuanzia mwaka huu, DTB imekagua na kuimarisha miundo mbinu ya utendakazi wake kuoana na IFRS 9. Ama kwa hakika DTB imejiandaa vilivyo kuafikiana na masharti yaliyoongezwa chini ya sehemu mpya ya viwango hivyo huku athari katika masharti haya ikikadiriwa kuwa ndogo kati ya asilimia 1 hadi 2 mwanzoni mwa mwaka wa 2018 ikilinganishwa na mwishoni mwa mwaka wa 2017.

Kabla sijahitimisha, ningependa kusisitiza kwamba , matokeo bora ya benki ya DTB kwa kipindi cha miaka yote hii yamefanikishwa kwa kiasi kikubwa na kijituma, weledi na bidii ya mchwa ya usimamizi na wafanyikazi wa benki chini ya uongozi wa afisa mkuu mtendaji na ambaye pia ni mkurugenzi mkuu Bi. Nasim Devji. Kwa niaba ya washikadau wote na bodi ya usimamizi, ningependa kutoa shukrani za dhati kwake Bi. Nasim na Kikosi kizima cha DTB kwa matokeo bora katika kipindi ambacho kimekuwa kigumu zaidi.

Na kwa wenzagu walioko kwenye Bodi ya usimamizi, nazidi kuwashukuru kwa sababu ya bidii yao katika utendakazi wao kama wakurugenzi na, msaada na mchango wao katika kipindi cha mwaka huo.

Kwa niaba ya kikosi kizima cha DTB, ningependa kuchukua fursa hii kuwakaribisha wateja wetu wapya na kuwashukuru wanaowezeza na benki hii kwa kutuunga mkono. Tunajitahidi kila wakati kuhakikisha tunaafikia mahitaji ya wateja wetu kwa kuwapa huduma za hali ya juu.

Hatimaye ningependa kuwashukuru nyinyi washikadau wetu kwa sababu ya msaada wenu na kusimama na sisi. Tutazidi kutekeleza wajibu wetu kuhakikisha kuna faida, dhamani na huduma bora.



Abdul Samji

Mwenyekiti

23 Machi 2018

Taarifa iliyoko hapa juu ni tafsiri ya Mwenyekiti iliyoko ukurasa wa 19-20. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya kingereza ndiyo itakayotawala.

The text set above is a Swahili translation of the Chairman's Statement, which appears in pages 19-20. In the event of any dispute in the interpretation of the Swahili version, the English version shall be the authoritative version.

STATEMENT OF POLICY ON GOOD CORPORATE GOVERNANCE

Diamond Trust Bank Kenya Limited ("Bank") understands that practicing 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 they have 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.

CORPORATE GOVERNANCE FRAMEWORK

The Bank has adopted a corporate governance framework that includes 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 Code and the Capital Markets Authority Regulations.

BOARD OF DIRECTORS

The Bank is governed by a duly appointed, 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 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 issues, it has delegated authority to the Bank's Managing Director (Chief Executive Officer) to conduct the day-to-day business of the Bank.

BOARD CHARTER

The Board Charter sets out the role of the Board of Directors in the business structure and operations of the Bank. It further provides that the Board shall conduct itself by using the highest standards of ethics and at all times proceed in accordance with the applicable laws, for the best interests of the Bank's Shareholders and stakeholders. The Board Charter is reviewed annually and complies with the provisions of the Companies Act, 2015, the CMA Code and the Bank's Articles of Association.

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 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 constitute two thirds of the Board.

Directors are considered independent where they are not part of the management and 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 independent 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 Code.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

BOARD DIVERSITY

The Board has the appropriate balance of skills, experience, independence and knowledge of banking business to enable the Board discharge its duties and responsibilities efficiently and effectively. The individual Directors possess extensive experience in a variety of disciplines, including banking, accounting, law, business and financial management, all of which are applied in the overall management of the Bank. The profiles of the Directors are set out in pages 12 - 13.

The current skills and experience represented on the Board, in summary, are set out hereunder.

NAME:	SKILLS AND EXPERIENCE:
Abdul Samji	Accounting, management consultancy and advisory services
Nasim Devji	Financial services, audit, tax advisory, business management
Pamella Ager	Legal, commercial and advisory services
Guedi Ainache	Audit and risk management and financial services
Shaffiq Dharamshi	Credit and risk management and financial services
Linus Gitahi	Accounting, management, strategy and business management
Rizwan Hyder	Corporate and investment banking, risk management and financial services
Moez Jamal	Treasury and advisory services and financial services
Irfan Keshavjee	Business and enterprise management
Ismail Mawji	Accounting, insurance and advisory services
Jamaludin Shamji	Business management, strategy and administration

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 experience, availability and fit. Each such appointment is 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.

Since the last AGM, the Board has not appointed any new members to the Board.

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 Directors are also expected to submit themselves to election by shareholders at the immediate next AGM following their appointment.

BOARD TENURE

The Board Appointment and Diversity Policy provides that a non- executive Director shall be appointed for a term of three (3) years ("Term") and may thereafter serve for a maximum of three additional Terms. In addition, non- executive Directors are required to retire at the immediate next AGM after such member attains the age of seventy 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 seventy two years, in the event such member will have offered themselves for re-election.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

COMPOSITION OF THE BOARD AND COMMITTEES

The Board consists of ten non- executive directors (including the Chairman) and one executive director (the Managing Director) (the "Directors"). The size and composition of the Board is determined by the Bank's Articles of Association, internal governance policies and applicable legislation and regulations.

The current composition of the Board and the Board committees (the "Committees") is as hereunder.

No.	BOARD MEMBER:	DESIGNATION OF DIRECTOR:	COMMITTEES					
			BACC	BCC	BEC	BITC	BNHRC	BRMC
1	Abdul Samji	Chairman and non- executive Director		√	√ (C)		√	
2	Nasim Devji	Managing Director and Group Chief Executive Officer	N/A	N/A	N/A	N/A	N/A	N/A
3	Pamella Ager	Independent and non- executive Director	√	√	√		√	
4	Guedi Ainache	Independent and non- executive Director	√		√	√		√
5	Shaffiq Dharamshi	Non- executive Director				√		√
6	Linus Gitahi	Independent and non- executive Director	√	√	√	√		
7	Rizwan Hyder	Non- executive Director						√
8	Moez Jamal	Independent and non- executive Director				√ (C)		√ (C)
9	Irfan Keshavjee	Independent and non- executive Director	√	√	√	√		
10	Ismail Mawji	Independent and non- executive Director	√ (C)	√	√		√	
11	Jamaludin Shamji	Independent and non- executive Director		√ (C)	√	√	√ (C)	√

BACC - Board Audit and Compliance Committee

BCC - Board Credit Committee

BEC - Board Executive Committee

BITC - Board Information Technology Committee

BNHRC - Board Nomination and Human Resource Committee

BRMC - Board Risk Management Committee

(C) - Chairman of Committee

N/A - Is not a member of the Committee and attends by invitation

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 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.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Attendance of meetings during the year 2017 was as hereunder.

#	BOARD MEMBER	DESIGNATION	AGM	BACC	BCC	BEC	BITC	BNHRC	BRMC	BOARD
1	Abdul Samji	Chairman and non-executive Director	1/1	-	4/4	4/4	-	4/4	-	5/5
2	Nasim Devji (Mrs)	Managing Director and Group Chief Executive Officer	1/1	-	-	-	-	-	-	5/5
3	Pamella Ager (Mrs)	Non- executive Director	1/1	4/4	4/4	4/4	-	4/4	2/2	5/5
4	Guedi Ainache*	Non- executive Director	1/1	-	2/2	2/2	2/2	-	2/2	3/3
5	Shaffiq Dharamshi	Non- executive Director	1/1	4/4	-	-	4/4	-	4/4	4/5**
6	Linus Gitahi*	Non- executive Director	1/1	3/3	2/2	2/2	2/2	-	-	3/3
7	Rizwan Hyder	Non- executive Director	1/1	4/4	-	-	-	-	4/4	4/5**
8	Moez Jamal	Non- executive Director	1/1	-	-	-	4/4	-	4/4	4/5**
9	Irfan Keshavjee	Non- executive Director	1/1	-	4/4	4/4	4/4	4/4	2/2	5/5
10	Ismail Mawji	Non- executive Director	1/1	4/4	4/4	4/4	-	4/4	-	5/5
11	Jamaludin Shamji	Non- executive Director	1/1	1/1	4/4	4/4	4/4	4/4	4/4	5/5

KEY:

*Appointed 5 April 2017

**Directors were excused from the meeting held on 31 January 2017 as they were interested parties in the matter under discussion.

BOARD COMMITTEES

The Board has constituted six Committees to supplement its functions. It also reserves the right to establish ad-hoc Committees as and when required. The Committees review matters on behalf of the Board in accordance with their 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 discretion delegated to them by the Board.

The membership of the Committees is designed to spread responsibility and make use of the diverse skill set within the Board. The membership as well as the terms of reference of each Committee is reviewed by the Board on an annual basis.

A constitution and summary of the role of each of the Committees is set out hereunder.

BACC

The BACC comprises of five non-executive Directors, of which three are also 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 meets at least once every quarter.

BCC

The BCC comprises of five non-executive Directors.

Its primary purpose is to oversee and monitor the credit function of the Bank and further to ensure that it is 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.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

BEC

The BEC comprises of the Chairman of the Board and four other non-executive Directors.

The BEC is the link between the Board and management and assists the Board in reviewing and overseeing the operational and financial matters of the Bank during the intra-meeting periods, which then assists management discharge its duties and responsibilities for the day-to-day business of the Bank.

The BEC meets at least once a quarter.

BITC

The BITC comprises four non-executive Directors.

Its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's ICT risk management framework.

The BITC meets at least once every quarter.

BNHRC

The BNHRC comprises of five non-executive Directors.

The BNHRC 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.

The BNHRC meets at least once a quarter.

BRMC

The BRMC comprises six non-executive Directors.

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.

The BRMC meets at least once every quarter.

BOARD AUDIT AND COMPLIANCE COMMITTEE ("BACC")

The BACC assists the Board in fulfilling its statutory, regulatory and fiduciary responsibilities. It provides an objective and non-executive review of the effectiveness of:

- (a) The external reporting of financial information including correct application of accounting requirements.
- (b) Internal control environment of the Group 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 compliance 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 Board meetings. The shareholders' appoint/ reappoint the external auditor at each AGM of the Bank.

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 in order to facilitate both quantitative and qualitative evaluation and appraisal of the Bank's performance. The Board is further entitled to seek any information it requires from any employee of the Bank or from any other source. Procedures are in place, through the Chairman of the Board, Chairs of the Committees and the Company Secretary, 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 such independent professional advice, at the Bank's expense, as they may require in order 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.

NEW DIRECTORS INDUCTION

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.

CONTINUOUS PROFESSIONAL DEVELOPMENT

In order to help 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 Board is kept up to date with developments in the industry both locally and globally.

For the year 2017, amongst other individual and collective professional development courses, the Board underwent training facilitated by the Institute of Directors (Kenya), KPMG and Deloitte.

ANNUAL PERFORMANCE EVALUATION

The Board undertook an annual evaluation of its own performance, the performance of the Chairman, the Committees, individual Directors, the Chief Executive Officer and the company secretary. This was undertaken in accordance with the Bank's Annual Evaluation Policy. The annual evaluation for the year 2017 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 were 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 the non-executive Directors 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 that levels of remuneration and compensation are appropriate.

Details of the member of the Boards' fees for the non-executive Directors and remuneration of the executive Director paid in 2017 are set out in the Directors remuneration report

DIRECTORS' SHAREHOLDING

None of the Directors, at the end of year 2017, held shares in their individual capacity that were more than 1% of the Bank's total equity.

Business transactions with the Directors or their related parties are disclosed on page 139

CONFLICTS OF INTEREST

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 and 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 Directors, senior management and all employees who considers that they may have a conflict of interest or a material personal interest in any matter concerning the Bank is immediately required to declare the potential conflict of interest for review in the terms of the Bank's Code of Ethics and Conduct. Any Directors, senior management and all 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.

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 and financial reporting as well as in 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:

Management Credit Committee ("MCC")

In accordance with the Bank's Credit Policy, the MCC, which reports to the BCC, is chaired by the Managing Director and comprises four other senior management staff. It meets regularly to review and approve the Bank's credit applications, within pre-defined Board-approved limits. Depending on the level of credit limits applied for, credit applications are recommended by the MCC for consideration by the BCC.

Assets and Liability Committee ("ALCO")

The ALCO, which reports to the BRMC, is chaired by the Managing Director and has nine other members drawn from the Bank's senior management staff. The ALCO, which meets at least once a month, is mandated to optimise returns, whilst prudently managing and monitoring the assets and liabilities of the Bank. The ALCO is responsible for controlling and managing the Bank's interest rate risk, currency risk and liquidity risk, in addition to ensuring compliance with the Bank's Investment Policy, laid down by the Board, and statutory requirements relating to liquidity, foreign exchange exposure and cash ratio requirements.

Operations Risk Committee ("ORCO")

The ORCO reports to the BRMC and is chaired by the Managing Director and has ten other members drawn from the Bank's senior management staff. The ORCO, which meets at least once every two months, is responsible for identifying major areas of business operations prone to operational risks, recommending to the BRMC and implementing suitable policy guidelines for managing and mitigating operational risk and reviewing audit irregularities relating to operations.

Compliance and Audit Coordination Team ("CACT")

The CACT, which reports to the BACC, is chaired by the Head of Risk & Compliance and has three other members drawn from the Bank's risk, compliance internal audit and security & investigations functions. Certain management representatives may be invited to the CACT sessions, as needed. CACT meets once every month in line with its Board approved Terms of Reference. The CACT provides a framework to ensure that the four respective functions are effective in coordinating and complementing their duties and optimising on synergies.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

IT Steering Committee ("ITSC")

The ITSC, which reports to the BITC is chaired by the Managing Director and has seven other members drawn from the Bank's senior management staff. The ITSC meets once every quarter and is charged with the responsibility of ensuring that IT is operating in a manner that meets the needs of the business and that the IT Strategy is aligned to the Bank's overall Business Strategy. The ITSC's main functions also include recommending to the Board, through the BITC, the business strategy for IT and assigning priorities to IT projects that are to be implemented by the Bank.

Product Committee ("PC")

The PC, which is chaired by the Managing Director, has eight members drawn from the senior management who are stakeholders in business and support functions. The PC's main function is the determination and implementations of new products and regular review of the Bank's product portfolio. The PC meets every six weeks and reports to BITC, BRMC and BEC.

Business Development Management Committee ("BDMC")

The BDMC is a forum for the development and implementation of key business development strategies that the Bank undertakes to ensure business targets are achieved and maintained in line with dynamic market trends, the Bank's mission, vision and values, as well as the prevailing regulatory framework. All the Bank's business unit heads are mandatory members of the BDMC which provides key leadership in driving the business development agenda for the Bank that would efficiently serve to benefit and ensure retention of the Bank's customer relationships. The BDMC meets regularly and reports to the Managing Director.

Human Resources Management Committee ("HRMC")

The principal objective of the HRMC is the review and recommendation of appropriate actions in respect of Human Resource (HR) policies regarding staff incentives, remuneration, compensation and benefits, promotions, recruitment, training and development, staff appraisal and any other strategic HR functions requiring major policy decisions that will ensure overall efficient management of HR functions at the Bank. The HRMC meets at least once quarterly and reports to the Managing Director.

Outsourcing Committee (OC)

The OC is vested with the responsibility of looking after all Outsourcing Activities. The responsibility of the OC includes determining and approving the activities or services that can be outsourced by the Bank, evaluating the risks and materiality of all existing and prospective Outsourcing, based on the framework approved by the Board and reviewing the business case for each proposed outsourcing. The OC meets at least once quarterly and reports to the Managing Director.

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 annual 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 annual reports and financial statements of the Bank. They are also encouraged to attend and participate in the scheduled AGM.

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.

THE COMPANY SECRETARY

Certified Public Secretaries of Kenya in good standing. The Company Secretary plays an important role in supporting the Board by ensuring adherence to Board policies and procedures. Each Director has direct access to the Company Secretary. The Company Secretary also facilitates effective communication between the Bank and the shareholders.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

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.

SHAREHOLDING STRUCTURE

The distribution of issued share capital of the Bank as at 31 December 2017 was as follows:

Range	No. of shareholders	No. of shares held	% Shareholding
Up to 500 shares	3,188	623,569	0.22
501 – 5,000 shares	4,036	8,134,037	2.91
5001 – 10,000 shares	1,613	10,520,461	3.76
10,001 – 100,000 shares	1,829	33,887,922	12.12
100,001 – 1,000,000 shares	391	59,602,291	21.32
Over 1,000,000 shares	24	166,833,940	59.67
Total	11,081	279,602,220	100.00

SHAREHOLDERS PROFILE

Criteria	No. of shareholders	Number of shares held	% Shareholding
Local Individuals	5,222	30,299,726	10.84
Local Institutions	875	88,444,529	31.63
Foreign Individuals	2,276	25,565,393	9.14
Foreign Institutional	33	116,226,331	41.56
EA Individuals	2,629	16,490,083	5.90
EA Institutions	46	2,576,158	0.93
Total	11,081	279,602,220	100.00

The ten largest Shareholders of the Bank and their respective holdings as at 31 December 2017 were as follows:

Name	No. of shares	% Shareholding
Aga Khan Fund for Economic Development	46,130,236	16.50
Habib Bank Limited	45,159,849	16.15
The Jubilee Insurance Company of Kenya Limited	27,806,043	9.94
Standard Chartered Nominees A/C KE18965	5,299,122	1.90
Standard Chartered Nominees A/C KE18972	5,216,922	1.87
The Diamond Jubilee Investment Trust (U) Limited	3,838,436	1.37
Standard Chartered Nominees A/C KE002382	3,508,930	1.25
Aunali Fidahusseini Rajabali And Sajjad Fidahusseini Rajabali	3,340,000	1.19
Standard Chartered Nominee Non Resd a/c KE11752	2,774,499	0.99
CFC Stanbic Nominee Limited A/C NR1873738	2,745,100	0.98

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 OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

STATEMENT ON GOVERNANCE AUDIT

The Board subjected the Bank to an annual governance audit for the year 2017. The said governance audit was conducted by a competent and recognized professional accredited for that purpose by the Institute of Certified Public Secretaries of Kenya (ICPSK) and the primary purpose was to check on the level of the Bank's compliance with sound governance practices. In summary, the audit finding was that the overall performance of the Bank from an aggregate perspective indicated that the adequacy and effectiveness of its policies, systems, practices and processes were within the legal and regulatory framework and in line with the global best practices on corporate governance.

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 CMA Code has been included in this report on pages 33 to 40 and has been published on the Bank's website www.dtbafrika.com, as part of its commitment to transparency and accountability.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
A INTRODUCTION							
1	M	A.1	Has the company developed and published a Board Charter which is periodically reviewed and which sets out the Board responsibility for internal control?	1.1.2, 2.6.2, 6.3.2	Fully Applied	Board Charter is in place. The same is reviewed at least annually by the Board. The Board Charter has been published on the Company's website.	Board Charter
2	M	A.2	Does the Board Charter or Company documents distinguish the responsibilities of the Board from management in line with Code requirements?	1.1.2, 2.3.1, 2.3.2, 2.6.2	Fully Applied	Yes. The Board Charter and Corporate Governance Policy distinguish the responsibilities of the Board from management.	Board Charter; Corporate Governance Policy
3	A or E	A.3	Is there a statement indicating the responsibility of Board members for the application of corporate governance policies and procedures of the Company?	1.1.6	Fully Applied	Yes. The Board Charter provides that the Board is responsible for the governance of the Company and that it is committed to ensuring that its business and operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics.	Board Charter
4	M	A.4	How has the Board ensured all directors, CEOs and management are fully aware of the requirements of this Code?	1.1.6	Fully Applied	A check-list on the status of compliance with the Code was prepared and reviewed by the Board. The Internal Audit Department and Company Secretary thereafter ensured that the status of application of the Code was reported to the Board Audit and Compliance Committee ("BACC"), the Board Nomination and Human Resource Committee ("BNHRC") and the Board.	Code Compliance Check-List; BNHRC Minutes; BACC Minutes; Board Minutes.
5	M	A.5	Do company documents indicate the role of the Board in developing and monitoring the company strategy?	Part II - Overview, 2.3	Fully Applied	Yes.	Board Charter; Corporate Governance Policy.
6	A or E	A.6	Does the company strategy promote sustainability of the company?	2.3.6	Fully Applied	Yes.	The Company's 2017-2021 Business Strategy and Operating Budget; The Company's Vision 2020.
7	M	A.7	Are all board committees governed by a written charter/terms of reference, disclosing its mandate, authority, duties, composition, leadership and working processes?	2.2.2	Fully Applied	Yes	Terms of Reference of the BACC, Board Credit Committee ("BCC"), Board Executive Committee ("BEC"), Board Information Technology Committee ("BITC"), BNHRC and Board Risk Management Committee ("BRMC").
B BOARD OPERATIONS AND CONTROL							
8	M	B.1	Has the Board established a Nomination Committee comprised mainly of independent and non-executive Board members?	2.1.2, 2.2.2	Fully Applied	BNHRC in place. Three of the current four members thereof are independent non-executive. The fourth member is also a non-executive director.	BNHRC Terms of Reference ("ToR")
9	M	B.2	Is the chairperson of the Nomination Committee an independent director?	2.2.3	Fully Applied	Yes.	BNHRC ToR

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
10	M	B.3	Has the board adopted and published procedures for nomination and appointment of new Board members?	2.1.1, 2.1.7	Fully Applied	Yes.	BNHRC ToR; Board Appointment and Diversity Policy.
11	M	B.4	Is the Board size adequate for the exercise of the company business?	2.1.4	Fully Applied	Yes. There are currently eleven directors who are within the limits prescribed by the Company's Articles of Association, Board Charter and the Appointment and Diversity Policy	Articles of Association; Board Charter; Appointment and Diversity Policy.
12	A or E	B.5	Has the board adopted a policy to ensure the achievement of diversity including age, race and gender) in its composition?	2.1.2, 2.1.3, 2.1.5, 2.5.1	Fully Applied	Yes.	Board Appointment and Diversity Policy.
13	M	B.6	Do the Board members represent a mix of skills, experience, business knowledge and independence to enable the discharge of their duties?	2.2.1	Fully Applied	Yes.	This has been disclosed in the Director Profiles within the Integrated Report
14	M	B.7	Has the board adopted and applied a policy limiting the number of Board positions each Board member may hold at any one time?	2.1.6	Fully Applied	Yes.	Board Charter; Corporate Governance Policy.
15	M	B.8	Have any Alternate Board members been appointed? If so, have the Alternate Director/s been appointed according to regulation and Code requirements?	2.1.6, 2.1.7	Fully Applied	There are no alternate directors appointed.	Annual Returns as filed at the Companies Registry
16	M	B.9	Are independent directors at least one-third of the total number of Board members?	1.1.2, 2.1.3, 2.4.1	Fully Applied	Yes. Seven of the eleven Directors are independent and non-executive directors.	This has been disclosed in the Governance Report within the Integrated Report
17	A or E	B.10	Does the Board have policies and procedures to annually assess the independence of independent Board members?	2.4.1	Fully Applied	Yes. This is contained in the Board Appointment and Diversity Policy and is evaluated annually.	Board Appointment and Diversity Policy; Board Charter
18	M	B.11	Do all independent Board members have a tenure of less than 9 years?	2.4.2	Fully Applied	Yes. This is contained in the Board Appointment and Diversity Policy and is evaluated annually.	Board Appointment and Diversity Policy; Board Charter
19	M	B.12	Is the Board comprised of a majority of non-executive board members?	2.1.3	Fully Applied	Yes. 10 of the current 11 directors are Non-Executive Directors	This has been disclosed in the Governance Report within the Integrated Report
20	M	B.13	How does the Board ensure a smooth transition of Board members?	2.1.8	Fully Applied	By ensuring an adequate composition of the Board and that no more than one-third of the Board members shall retire at the same time.	Articles of Association; Board Appointment and Diversity Policy; Board Charter; Corporate Governance Policy
21	M	B.14	Has the Board established an effective Audit Committee according to Code requirements?	2.2.4, 6.5.1, 2.1.7	Fully Applied	Yes.	BACC ToR; This has been disclosed in the Governance Report within the Integrated Report
22	M	B.15	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	2.3.3	Fully Applied	Yes.	Corporate Governance Policy; Board Charter; This has been disclosed in the Governance Report within the Integrated Report

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
23	M	B.16	Is the Chairman of the Board a non-executive board member?	2.3.4	Fully Applied	Yes.	This has been disclosed in the Governance Report within the Integrated Report
24	A or E	B.17	Has the Board established procedures to allow its members access to relevant, accurate and complete information and professional advice?	2.3.5	Fully Applied	Yes.	Corporate Governance Policy; Board Charter; This has been disclosed in the Governance Report within the Integrated Report.
25	M	B.18	Has the Board adopted a policy on managing conflict of interest?	2.3.8	Fully Applied	Yes.	Code of Ethics and Conduct; Policy for dealing in Related Party Transactions; This has been disclosed in the Governance Report within the Integrated Report.
26	M	B.19	Has the Board adopted a policy on related party transactions to protect the interests of the company and all its shareholders and which meets the requirements of the Code?	2.3.7	Fully Applied	Yes.	Policy for Dealing with Related Party Transactions.
27	M	B.20	Has the company appointed a qualified and competent company secretary who is a member in good standing of ICPSK?	2.3.9	Fully Applied	Yes.	Corporate Governance Policy; This has been disclosed in the Governance Report within the Integrated Report
28	A or E	B.21	Has the Board adopted policies and processes to ensure oversight of sustainability, environmental and social risks and issues?	2.3.2, 2.3.6	Fully Applied	Yes.	Corporate Citizenship Policy; Corporate Social Responsibility Policy; Social and Environmental Management Policy; This has been disclosed in the Sustainability Report within the Integrated Report.
29	A or E	B.22	Has the Board developed an annual work-plan to guide its activities?	2.6.3	Fully Applied	Yes.	Board Work Plan and Board Calendar in place.
30	M	B.23	Has the Board determined, agreed on its annual evaluation process and undertaken the evaluation or the performance of the Board, the Board Committees, the CEO and the company secretary?	2.6.4, 2.8	Fully Applied	Yes. An evaluation of the Board, CEO and the Company Secretary was undertaken by an external consultant.	Annual Evaluation Policy; Board Evaluation undertaken by Institute of Directors (Kenya). The same is scheduled to be submitted to the CBK by 31 March 2018.
31	A or E	B.24	Has the Board established and applied a formal induction program for in-coming members?	2.7.1	Fully Applied	Yes.	There is an Induction Policy in place. There is a formal induction for all New Directors. Induction for the directors appointed in 2017 was undertaken by the Institute of Directors (Kenya).
32	A or E	B.25	Do Board members participate in on-going corporate governance training to the extent of 12 hours per year?	2.7.3	Fully Applied	Yes.	There are records confirming the same.
33	A or E	B.26	Has the Board set up an independent Remuneration Committee or assigned to another Board committee the responsibility for determination of remuneration of directors?	2.9.2	Fully Applied	Yes.	Board Remuneration Policy in place. This function has also been assigned to the BNHRC.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
34	M	B.27	Has the Board established and approved formal and transparent remuneration policies and procedures that attract and retain Board members?	2.9.1	Fully Applied	Yes.	Board Remuneration Policy in place.
35	M	B.28	How does the Board ensure compliance with all applicable laws, regulations and standards, including the Constitution and internal policies?	2.10, 2.10.1, 2.10.2	Fully Applied	Through the Internal Audit and Compliance Departments both of whom report to the BACC	BACC ToR. There are also records in place confirming the same e.g. BACC Minutes and Board Papers
36	M	B.29	In the past year, has the Board organized a legal and compliance audit to be carried out on a periodic basis?	2.10.3	Fully Applied	Yes.	An internal legal and compliance audit was carried out in 2017 as recommended by the Code. External professionals have also been engaged to carry out the external bi- annual Legal and Compliance Audit. Their report shall be tabled to the BACC in Q2, 2018.
37	A or E	B.30	Has the Board subjected the company to an annual governance audit?	2.11.1	Fully Applied	Yes.	There are records confirming the Governance Audit has been undertaken and a formal report submitted to the Company by a duly accredited governance auditor.
C RIGHTS OF SHAREHOLDERS							
38	M	C.1	Does the governance framework recognize the need to equitably treat all shareholders, including the minority and foreign shareholders?	3.0 Overview, 3.2.1	Fully Applied	Yes.	Articles of Association; Code of Ethics and Conduct; Corporate Governance Policy.
39	M	C.2	Other than at the AGM, how does the Board Fully Applied facilitate the effective exercise of shareholders' rights?	3.1.1	Fully Applied	By ensuring that information is disseminated adequately, timely and equitably using a variety of channels and availing a whistle blowing platform where malfeasance can be reported.	Communication via the media and the Company's website.
40	M	C.3	How does the Board Fully Applied facilitate shareholders participation at the AGM?	3.1.1	Fully Applied	By communicating the Agenda for the AGM in advance as set out in the Articles of Association, ensuring the AGM is conducted at a convenient venue and allowing shareholders to raise questions and seek clarifications on issues in the Notice of the AGM.	Articles of Association; Corporate Governance Policy.
41	A or E	C.4	Are minority and foreign shareholders holding the same class of shares treated equitably?	3.2.1	Fully Applied	Yes.	Articles of Association; Corporate Governance Policy.
42	A or E	C.5	Is there evidence that the Board proactively provides information to shareholders and the media, (and in a timely basis) on corporate affairs Fully Applied and corporate governance?	3.1.1, 3.4.1	Fully Applied	Yes.	Media Publications, the Company's website and social media platforms, and the Nairobi Securities Exchange website.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
D STAKEHOLDER RELATIONS							
43	A or E	D.1	Does the Board have a stakeholder-inclusive approach in its practice of corporate governance and which identifies its various stakeholders?	4.1.1	Fully Applied	Yes.	Board Charter; Corporate Citizenship Policy; Corporate Governance Policy; Corporate Social Responsibility Policy; disclosed in the Integrated Report.
44	A or E	D.2	Has the Board developed policies, procedures and strategies to manage relations with different/key stakeholder groups?	4.1.2, 4.1.3, 4.1.5, 4.2.1	Fully Applied	Yes.	Communication Policy; Social Media Policy; Stakeholder Management Policy.
45	A or E	D.3	How does the Board take into account the interests of key stakeholder groups prior to making decisions?	4.1.4	Fully Applied	By incorporating stakeholder feedback received by the Company following communication on major proposed decisions through public notices, shareholder circulars and, when required by law, in general meetings	There are records confirming the same.
46	M	D.4	How does the Board ensure effective communications with stakeholders?	4.2, 4.2.1	Fully Applied	By complying with requirements of legislation, regulation and Company's Articles of Association on public notices to and communications with stakeholders.	There are records confirming the same.
47	M	D.5	Has the Board established a formal dispute resolution process to address internal and external disputes?	4.3.1	Fully Applied	Yes.	There are formal internal dispute resolution processes and complaints channels. This is also covered in the contracts with external professionals.
E ETHICS AND SOCIAL RESPONSIBILITY							
48	A or E	E.1	Does the Board ensure that all deliberations, decisions and actions are founded on the core values (responsibility, accountability, Fully Appliedness and transparency) underpinning good governance and sustainability?	5.1.1	Fully Applied	Yes.	Anti- Bribery and Anti- Corruption Policy; Corporate Governance Policy; Code of Conduct and Ethics; Policy on Related Party Transactions.
49	M	E.2	Has the Board developed a Code of Ethics and Conduct (which includes sustainability) and has it worked to ensure its application by all directors, management and employees?	2.6.1, 5.2.2, 5.2.3, 5.2.4	Fully Applied	Yes.	Code of Ethics and Conduct applicable to all directors, management and employees.
50	A or E	E.3	How does the Board ensure that compliance with the Ethics Code and Conduct is integrated into company operations?	5.2.3	Fully Applied	The Code of Ethics and Conduct is availed to all new directors on induction and to all staff on the intranet. All new directors and staff are required to undertake to comply with inter alia the Code of Ethics and Conduct as part of their on-boarding.	Code of Ethics and Conduct; Corporate Governance Policy

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
51	A or E	E.4	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	5.2.1	Fully Applied	Yes.	Code of Ethics and Conduct; Risk Management Framework; Social and Environmental Management Plan.
52	A or E	E.5	How is the company performance on ethics assessed, monitored and disclosed to internal and external stakeholders?	5.2.4, 5.2.5	Fully Applied	Through a Governance Audit.	Governance Audit Report; This is disclosed in the Integrated Report.
53	A or E	E.6	Has the company established and implemented a whistle blowing policy?	5.2.5	Fully Applied	Yes.	Whistle Blowing Policy.
54	A or E	E.7	Has the Board/or management developed policies on corporate citizenship and sustainability and strategies for company use?	5.3.1, 5.4	Fully Applied	Yes.	Corporate Citizenship Policy; Corporate Social Responsibility Policy; and Social and Environmental Management Policy.
55	M	E.8	Does the Board consider not only the financial performance but also the impact of the company's operations on society and the environment?	5.3.2, 5.3.3	Fully Applied	Yes.	Corporate Citizenship Policy; and Corporate Social Responsibility Policy
56	A or E	E.9	Does the Board monitor and report activities leading to good corporate citizenship and sustainability to demonstrate they are well coordinated?	5.4.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
F ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL							
57	M	F.1	Does the Audit Committee and the Board consider and review the financial statements for integrity of the process and for truthful and fully Applied actual presentation?	6.1, 6.1.1a	Fully Applied	Yes.	BACC ToR; There are records confirming the same.
58	M	F.2	Does the Annual Report contain a statement from the Board explaining its responsibility for preparing the accounts and is there a statement by the external auditor about his/her reporting responsibilities?	6.1.2	Fully Applied	Yes.	This is disclosed in the Integrated Report.
59	A or E	F.3	Does the board or audit committee have a process in place to ensure the independence and competence of the Company's external auditors?	6.1.1b	Fully Applied	Yes.	The process is outlined in the BACC ToR and the Procurement Procedures. In addition, the external auditor's independence is confirmed in the Post-audit report on an annual basis. The external auditors also have two meetings a year with the BACC to the exclusion of management.
60	M	F.4	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process?	6.1.3	Fully Applied	Yes.	Notification of the proposed appointment is contained in the AGM Notice circulated to shareholders at least 21 days prior to the AGM. The proposal is then deliberated upon at the general meeting and put to a vote in accordance with the Company's Articles of Association.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

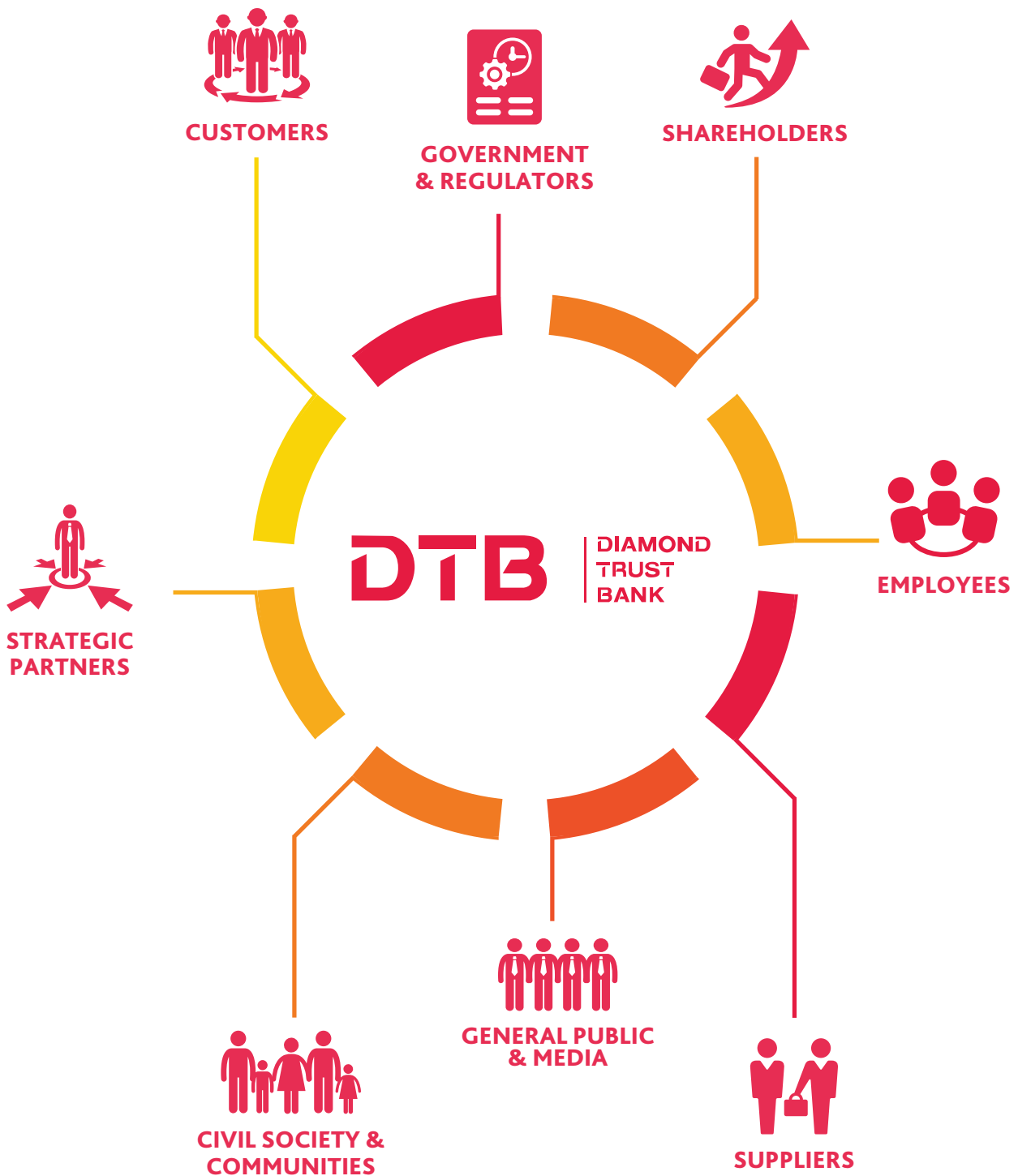
No.	Mandatory or 'explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
61	A or E	F.5	Is the Company working towards the introduction of integrated reporting (incorporating financial and non-financial information) or is the company's Annual Report prepared on an integrated basis using a framework available from the Integrated Reporting Council, The Global Reporting Initiative, G4 Sustainability Guidelines and/or Sustainability Accounting Standards Board standards?	6.1.5	Fully Applied	Yes.	The Annual Report is prepared on an integrated basis.
62	A or E	F.6	Has the Board established an effective risk management framework which is inclusive of key risks as well as foreseeable risks, environmental and social risks and issues?	6.2.1	Fully Applied	Yes.	This is comprised within the Enterprise Risk Management Framework.
63	M	F.7	Has the Board established and reviewed on a regular basis the adequacy, integrity and management of internal control systems and information systems (including for compliance with all applicable laws, regulations, rules and guidelines)?	6.3.1, 6.3.2, 6.3.3	Fully Applied	Yes.	This is contained in the Board and Board Committee mandates and management further reports thereon on a quarterly basis. This is also reviewed by BACC as per the BACC ToR and Internal Audit Department as per its Charter.
64	M	F.8	Does the Board annually conduct a review on the effectiveness of the company's risk management practices and internal control systems and report this to shareholders?	6.4.1	Fully Applied	Yes.	Risk Management Framework and internal control is reviewed annually by the Internal Audit Department which then reports to the BACC. This is as per the Internal Audit Department's Charter. The external auditor also reviews the internal control environment and reports thereon to the BACC. Disclosure is also made to shareholders through the Integrated Report.
65	M	F.9	Has the Board established an effective internal audit function according to Code requirements and which reports directly to the Audit Committee?	6.5.2	Fully Applied	Yes	This is provided for in the BACC ToR, Corporate Governance Policy and Internal Audit Department's Charter.
66	A or E	F.10	Does the Board disclose details of Audit Committee activities?	6.5.2	Fully Applied	Yes.	This is disclosed in the Integrated Report
G TRANSPARENCY AND DISCLOSURE							
67	M	G.1	Does the company have policies and processes to ensure timely and balanced disclosure of all material information as required by all laws, regulations and standards and this Code.	7.0 Overview, 7.1.1	Fully Applied	Yes.	This is covered by inter alia the Legal Manual and Share Trading Policy that mandates the Company Secretary to make the necessary disclosures in line with legislation and regulations governing the affairs of the Company.
68	A or E	G.2	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's governance, the Board and the Audit Committee?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
69	A or E	G.3	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to the company's mission, vision and strategic objectives?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
70	A or E	G.4	Does the Annual Report cover, as a minimum, disclosures as prescribed in 7.1.1 relating to remuneration and whistleblowing?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
71	A or E	G.5	As a minimum, does the company website disclose current information on all areas prescribed in 7.1.1 (Board Charter, Whistleblowing Policy, Code of Ethics and information on resignation of directors)?	7.1.1	Fully Applied	Yes.	The necessary disclosures are made in the Website

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA CODE CORPORATE GOVERNANCE REPORTING TEMPLATE (CONTINUED)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation	Source of Information
72	A or E	G.6	Does the Board disclose the management discussion and analysis as required in 7.1.1?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
73	A or E	G.7	Has the Board provided disclosures as required in 7.1.1 on compliance with laws, regulations and standards; ethical leadership, conflict of interest, corporate social responsibility and citizenship?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
74	A or E	G.8	Has the Board made all required disclosures, including confirming requirements of 7.1.1 which include that a governance audit was carried out and that there are no known insider dealings?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
75	A or E	G.9	Has the Board disclosed the company's risk management policy, company procurement policy, policy on information technology as per 7.1.1?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
76	M	G.10	Has the Board disclosed information on shareholders, including the key shareholders, including shareholding by directors and senior management and the extent of their shareholdings as required in 7.1.1 and on stakeholder who influence company performance and sustainability?	7.1.1	Fully Applied	Yes.	Disclosed in the Integrated Report, Annual Returns, monthly reporting to CMA and NSE as well as on the Company's website.
77	M	G.11	Has the Board disclosed all related-party transactions?	7.1.1	Fully Applied	Yes.	This is disclosed in the Integrated Report
78	M	G.12	Does the Board include in its Annual Report a statement of policy on good governance and the status of the application of this Code?	1.1.3, 7.1.1r	Fully Applied	Yes.	This is disclosed in the Integrated Report

DTB's key focus is to deliver tangible value to all our stakeholders, who consist of those who are affected by our business or whom our operations impact. As such, the Bank uses diverse channels to communicate to them. Communication includes but is not limited to collecting their feedback as well as disseminating information from the Group.



SUSTAINABILITY REVIEW

DTB, as a leading commercial banking group, plays a leading role in supporting economic development by offering tailor-made products and services, to both individual and corporate entities, driving economic development and job creation in the region. The DTB Group's support for the region's economy is demonstrated by its product and service offering which enables businesses get established, trade, grow and protect their wealth for the future. This is in line with DTB's vision of enabling communities to advance with confidence and success.

Commitment to Sustainability and Social Responsibility

DTB is committed to sustainable development and recognizes its social responsibilities. DTB's goal is to achieve sustainable growth and create added value for its customers, employees, investors, and the local communities surrounding its locations. It is recognized that the more DTB operates in harmony with society, the greater its success in business. Openness and dialogue, fairness towards business partners, responsibility to employees and locations, honest and fair partnership with customers are therefore part of the guiding principles for DTB's business activities.

Corporate Citizenship

DTB acknowledges that social and environmental responsibility is not merely reflected in business processes. On the contrary, it involves finding solutions to foster social development and DTB is committed to contributing in this area through financing environmentally sustainable projects and through its corporate social responsibility activities. DTB operates in four countries in Eastern Africa (Kenya, Burundi, Tanzania and Uganda) and the environments surrounding these locations are as diverse as the people living and working there. As a good corporate citizen, DTB, through its branches in the East African region, maintains a lively exchange with local communities and provides an impetus for an active, vital society through voluntary activities.

Corporate Social Responsibility

The primary purpose of DTB's corporate social responsibility philosophy is to make a meaningful and measurable impact in the lives of economically, physically and socially challenged communities in the areas around which it operates by supporting initiatives aimed at creating conditions suitable for sustainable livelihood in these communities. DTB shall also promote initiatives that preserve, restore and enhance environment, ecological balance, and natural resources and improve sanitation and hygiene.

Social and Environmental Impact

DTB is cognisant that its activities as well as those of the entities that it finances could have a social and environmental impact. Accordingly, it has made a conscious effort to ensure effective social and environmental management practices in all its activities, products and services. As part of its initiative to align key business operations with its sustainability objective, it has adopted a comprehensive social and environmental management policy. The key components of the said policy are:

- Financing projects only when they are expected to be designed, built, operated and maintained in a manner consistent with the applicable legislation and regulations;
- Making best efforts to ensure that all projects are operated in compliance with the applicable legislation and regulations on an ongoing basis; and
- Ensuring that DTB's clients understand the policy commitments made by DTB in this area.

It further provides guidelines on how to assess the social and environmental risks during the lending due diligence process to ensure the activities do not negatively impact on the surrounding communities and environment.

Managing Sustainability

Over and above the foregoing, DTB views sustainability as one of the drivers of creating value and creating competitive advantage. To achieve such sustainability, DTB is also focusing on five key areas as hereunder:

- Employee development
- Environmental impact
- Responsible lending
- Ethics and integrity
- Financial inclusion

Employee Development

The Group has seen substantial institutional growth in a short period; with staff numbers increasing from 1,745 in 2013 to 2,153 in 2017. As a result of the growth in scale there has been a need for skilled and experienced professionals who excel in branch operations and service delivery, risk management, product development and portray the appropriate image of DTB. The Group has focused its recruitment on young, trained professionals who have augmented DTB's skill set as well as gender balance. DTB's management is committed to developing its human capital. DTB Group also runs an active Graduate Management Trainee (GMT) programme with an intake for some 14-16 university graduates every year. There is a continuing need to bolster the middle management so that there is a skill set ready to be deployed in the region as well as people who can be promoted and moved up to senior management as part of succession planning. As for senior management, DTB will continue to avail senior level strategic leadership training programmes, which will help in team building as well as succession planning. DTB has an Occupational Health and Safety (OHS) team charged with the responsibility of overseeing the implementation of OHS matters. All workplaces have trained fire marshals and first aiders.

Environmental Impact

Efficient use of energy is key to ensuring a positive environmental impact. DTB's energy conservation mantra has led the bank to embrace the following measures:



- use of energy efficient lighting with motion sensors and LED lighting at DTB Centre (DTB's Head office) and in some of its branches.
- Adoption of paperless transactions (mobile and internet banking and online electronic forms).
- Introduction of video-conferencing for meetings.

DTB has also partnered with Agence Francaise de Developpment (AFD) in Kenya and Uganda in financing green energy projects for customers in those two countries. The credit line enables DTB to promote its sustainable development agenda by providing its eligible customers with access to credit at concessionary rates; equally important it provides our eligible borrowers the opportunity to benefit from SUNREF's (AFDs green credit line) technical evaluation of their projects.

Responsible Lending

DTB's lending decisions are aligned to DTB's sustainability goals. DTB finances business entities that are aligned with its values and are run professionally. This is all in a bid to ensure the commitment to deliver long term value to DTB's stakeholders is met. Corporate governance is at the centre of all DTB Group operations across the region.

Policy on Procurement

The Bank's procurement policy procedures and practices are aimed at supporting local businesses partners with opportunities whilst observing the highest levels of business ethics conduct and transparency. Oversight of the procurement function is provided by a tender committee which is governed by the Bank's internal policies and procedures.

Ethics and Integrity

DTB operations heavily rely on trust and confidence from its investors and the public. To this end, the bank continues to invest in initiatives that improve its financial crime governance and control framework. Integrity, accountability and transparency are key tenets that the bank subscribes to. Comprehensive Anti-Money Laundering (AML) and Countering Financing of Terrorism (CFT) Policy and Know your Customer (KYC) Procedures are in place and fully incorporate the requirements of the prudential

guidelines issued by the Group's various regulators, the Proceeds of Crime and Anti-Money Laundering Act and the Prevention of Terrorism Act.

DTB's AML policies and procedures are adequate and ensure that the Group's officers:



- Obtain and maintain proper identification of customers wishing to open accounts or make transactions whether directly or through proxy.
- Train staff on a regular basis in the prevention, detection and control of money laundering and the identification of suspicious transactions.
- Submit to the banking regulators a report of any suspicious transactions or activities that may indicate money laundering or other attempts to conceal the true identity of customers or ownership of assets.
- Establish adequate internal control measures which will assist in the prevention and detection of money laundering activities.
- Are prohibited from opening and maintaining anonymous accounts or accounts in obvious fictitious names.

Financial Inclusion

DTB is keen to provide financial products and services (increasingly those that are digitally anchored) which reach out to individuals and communities that lack access to banking services. By engaging this segment of the market, DTB aims to contribute positively and meaningfully to the quality of life of all its customers and the broader communities in which the Group operates.



The DTB team pick up the Sustainable Finance award for Micro, Small and Medium sized companies at the 2017 Catalyst Awards

VALUE CREATION PROCESS



Funding

DTB's Group funding is sourced from investors, institutional lenders and deposits from customers. These funds are used to run DTB Group's operations with a view to generate profits.

Shareholder's funds: Kshs 48.4 billion | Borrowings: Kshs 17.2 billion
Customer deposits: Kshs 266.2 billion



People Strength

DTB takes pride in its employees whose collective expertise and knowledge enable the Group grow and achieve more.

Staff head count: 2,156 employees | Permanent employees: 2,114 | Male: 53% | Female: 47%
Short-term employees: 42



Innovation

Innovation is a key pillar for DTB's growth. The Group's innovative capacity is demonstrated by the launch of digital products such as payments using QR codes, Masterpass as well as Kionect, a supply chain solution.



Technology

At the heart of DTB's operations is a robust IT foundation. This comprises a state of the art Data Centre coupled with robust software, IT hardware systems and structures.



Community Relations

DTB constructively engages with all its stakeholders including customers, national and county governments, the regulator, media and employees. The bank also invests in the communities it operates in through various CSR initiatives.



Environment

DTB strives to positively contribute to the natural eco-systems affecting both living and non-living organisms in the execution of its operations.



DTB's unique strengths

- Solid brand equity in East Africa built over 70 years.
- Strong capital base.
- Established regional network covering the East African Community.
- Strong corporate governance and compliance culture.
- Reputation for professionalism and integrity.
- Diversified distribution channels and extensive footprint.



Key deliverables

- Exceptional customer service.
- Opportunities for learning and growth for our people.
- Sustainable returns for our investors.
- Revenues for our business vendors.
- Taxes to government and community development.



Sources of revenue

- Net interest income
- Fees and commissions

Value Created (Shs' million)

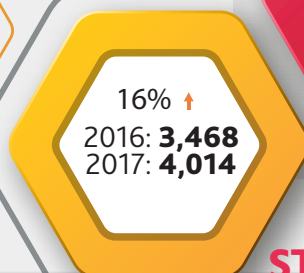


Revenue
(excluding interest expense)

Taxes to
Government



Human capital-
remuneration

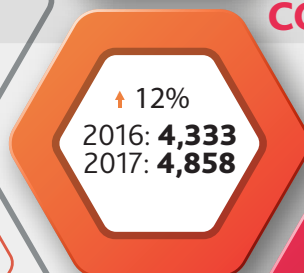


Repayment to lenders
(interest expense)



STAKEHOLDER
CONTRIBUTION

Payment to
suppliers



Community
investment



Shareholders
dividend



Acquisition of HBL Kenyan Branches

On 1 August 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).

Impact

The completion of the transaction, among others, increased DTB's market share, augmented its capital base, enhanced its operational leverage and diversified its presence through correspondent relationships in additional geographical areas that include some of the most promising growth frontier markets in Asia within the markets where HBL has operations. This transaction also supports the consolidation of the banking sector in line with the policy statements by the Central Bank of Kenya and the National Treasury of the Government of Kenya.

IFRS 9

DTB early adopted the previous version of IFRS 9 dealing with classification and measurement of financial assets in 2012. In July 2014, the IASB made further changes to the classification and measurement rules and also introduced a new impairment model. IFRS 9 is forward looking and requires the recognition of full lifetime losses.

Impact

Based on current estimates, the adoption of IFRS 9 is expected to result in incremental impairment provisions of between 1% to 2% from the provisions held as at 31 December 2017. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements.

Banking (Amendment) Act 2016

The enactment of this Act capped the lending rate at a maximum of 4% above the CBR whilst capping the minimum deposit rate to 70% of the CBR.

Impact

In Kenya, the full year adverse impact of the interest capping legislation, passed in September 2016, has seen many players report lower operating profits in 2017. According to the December 2017 Monthly Economic Indicators report published by CBK, the industry's aggregate 2017 pre-tax profit reduced by 10%, relative to the previous year. DTB will continue to invest in the future - principally in its people, technology and innovation - with a particular bias on new, digital- anchored channels, products and services- so that it is well pivoted as a strong, Tier I bank in all its principal markets, playing an effective financial intermediary role across the communities it operates in.

*You might not have travelled,
but your money can.*



worldremit

**XPRESS[™]
MONEY**
simple. fast. safe

 **MoneyGram[®]**
money transfer

**WESTERN
UNION WU**
moving money for better

DTB | **DIAMOND
TRUST
BANK**



DTB Vision 2020 envisions DTB as a 'one- bank, one customer' omnichannel regional bank – a bank that provides seamless and consistent consumer experience, across borders, through a multiplicity of channels – traditional (branches, agency banking, etc.) and also digital channels (enriched mobiles banking and enhanced on-line banking platforms, cards, cash management solutions, digital branches, social media channels, etc.)

Omnichannel

Omnichannel bank that is centered on providing a seamless banking experience to its customers. Through this omnichannel banking proposition, DTB aims to enable its customers to interact with the Bank anytime, anywhere and anyhow through a multiplicity of channels, all working together at the same high standard.

Driven by People

Emphasis is given towards preparing people for the behaviour and skills of omnichannel banking and promoting a culture of customer service excellence. This is achieved through the use of e-learning platforms to impart knowledge, developing a group-wide coaching and mentorship program and, re-skilling DTB's staff to operate and serve customers in a digital banking environment. DTB is committed to properly training and developing its people to enable them to grow and succeed throughout their careers. DTB's intent is to create effective leaders who embody its business principles.

Powered by Innovation

Technology has become a part and parcel of our lives. As DTB continues to focus on developing and offering innovative solutions to its customers, as underpinned by DTB Vision 2020, the Bank will not only adapt to its customers dynamically changing needs, but also excel as an agile and responsive player, taking advantage of the emerging opportunities ahead. Importantly, it also enables DTB to make an impact on financial inclusion as it engages across the spectrum of its diverse (and new) customer segments. Ultimately, it enables DTB to meaningfully contribute to the quality of life of its customers and the broader communities in which it operates.

Supported by Technology

DTB has invested in IT governance, people capacity and capabilities, and core infrastructure over the years. In 2015/16, DTB invested in an in-house electronic switch augmenting its capability to shorten the 'time-to-market' period for products and services and enabling DTB to control the ecosystem around various products and channels. DTB sees technology as an essential core competency and a key differentiator to drive future growth.

Funded to Grow

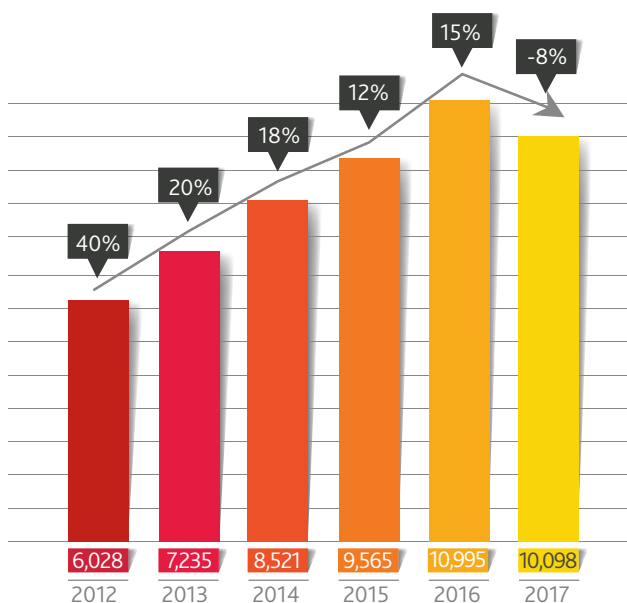
The leveraging of the bank's widespread footprint of branches, growing agency banking network and continuing expansion of digital channels well positions DTB to acquire higher business volumes, specifically relating to transactional banking services and attracting sustainable deposits.

FIVE-YEAR FINANCIAL REVIEW

	2017 Shs'000	2016 Shs'000	2015 Shs'000	2014 Shs'000	2013 Shs'000
Net interest income	20,640,399	20,455,051	15,927,331	13,038,918	11,149,291
Non-fund based income	5,125,330	4,996,542	4,697,929	3,776,851	3,349,992
Gross operating income	25,765,729	25,451,593	20,625,260	16,815,769	14,499,283
Net operating profit before provisions	14,248,933	15,193,038	11,715,470	9,372,496	8,133,815
Charge for impairment of loans	(4,150,698)	(4,197,342)	(2,150,278)	(851,210)	(898,812)
Profit before income tax	10,098,235	10,995,696	9,565,192	8,521,286	7,235,003
Profit after tax and non-controlling interest	6,449,811	7,173,939	5,912,082	5,083,519	4,756,635
Total assets	363,303,400	328,044,501	271,608,597	211,539,412	166,520,351
Advances to customers (net)	196,048,155	186,303,191	177,544,871	137,654,551	110,945,439
Total deposits (customers and banks)	286,750,847	255,679,442	202,458,255	163,348,180	133,506,710
Shareholders' funds	48,369,795	41,029,312	34,134,437	28,963,235	20,950,855
Dividends for the year	726,966	692,435	605,275	581,064	462,210
Performance ratios					
Earnings per share - basic	Shs 23.07	Shs 26.94	Shs 24.42	Shs 21.92	Shs 20.97
- diluted	Shs 23.07	Shs 25.66	Shs 21.14	Shs 18.18	Shs 17.01
Dividend per share - basic	Shs. 2.60	Shs. 2.60	Shs. 2.50	Shs. 2.40	Shs. 2.10
- diluted	Shs. 2.60	Shs. 2.48	Shs. 2.16	Shs. 2.08	Shs. 1.65
Net loans to deposits	68.4%	72.9%	87.7%	84.30%	83.1%
Non performing loans to total loans (before provisions)	6.2%	3.1%	2.3%	1.1%	1.1%
Return on average assets	2.0%	2.6%	2.7%	3.0%	3.5%
Return on average shareholders funds	14.4%	19.1%	18.7%	20.4%	24.4%
Non-fund based income to total income	19.9%	19.6%	22.8%	22.5%	23.1%
Number of branches	137	126	117	110	98
Number of employees	2,153	2,197	2,075	1,885	1,745
Expenditure on property and equipment	1,365,838	1,829,901	1,467,494	1,388,890	3,051,222
Other indicators (Bank only)					
Core capital to customer deposits	18.5%	17.5%	20.1%	21.8%	18.3%
Core capital to total risk weighted assets	17.3%	16.2%	14.8%	16.8%	17.1%
Total capital to total risk weighted assets	19.0%	18.5%	17.7%	18.9%	20.5%

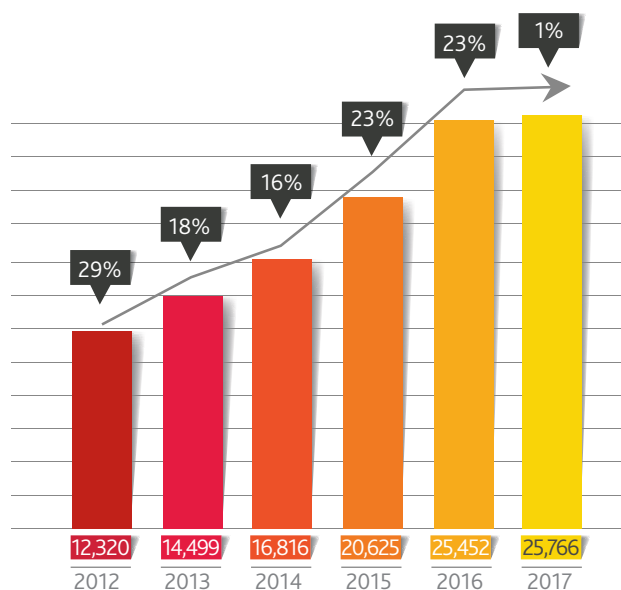
The extracts from the consolidated financial statements are stated in thousands of Kenya Shillings (Shs 000) except where otherwise indicated.

Group Profit before Tax (Shs Million)



Group's pre-tax profit declined by 8% from Shs 11.0 billion in 2016 to Shs 10.1 billion in 2017, with the group's subsidiaries operations contributing 18.5% to the overall PBT.

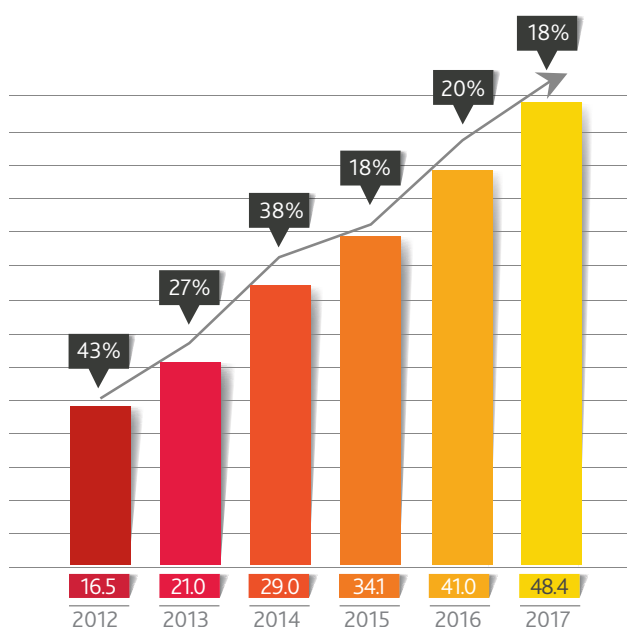
Operating income (Shs Million)



Operating Income grew by 1% to Shs 25.8 billion in 2017

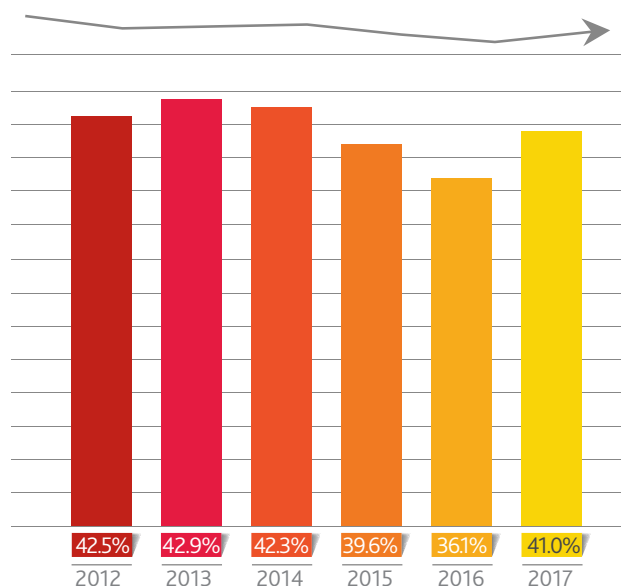
The Group will continue to pursue diversification of its non-fund business streams and growth through innovation.

Shareholders' funds (Shs Billion)

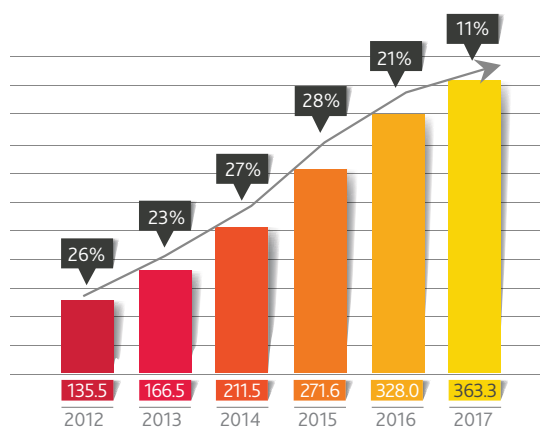
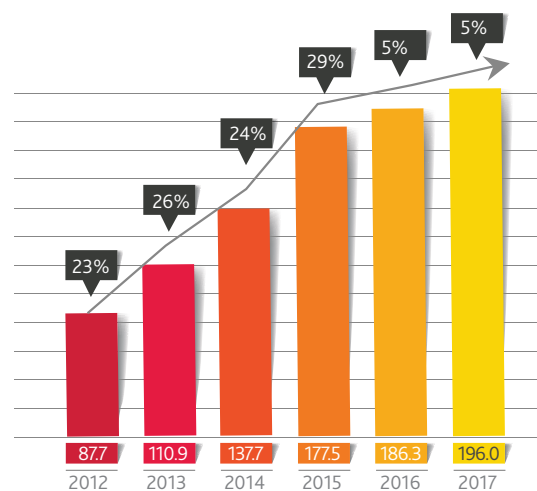


The growth in Shareholders' fund by 17% in the year 2017 is mainly attributed to KShs 6.4 billion profit after tax that was retained and issuance of shares on acquisition of HBL assets and liabilities during the year.

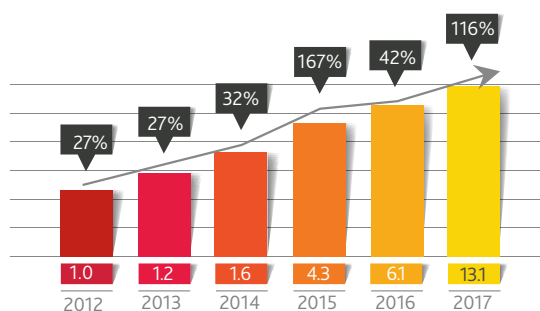
Cost income ratio (%)



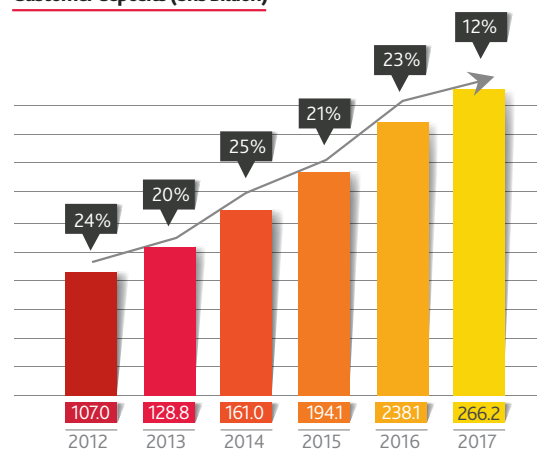
- Cost to income ratio rose in 2017 mainly due to a reversal of provision for certain costs of Shs 380 million in 2016 as well as the downstream effects of investments made in technology / digital platforms. The group intends to continue implementing its stringent cost management strategies.

Total Assets (Shs Billion)**Advances (Shs Billion)**

Total assets and net advances grew by 11% and 5% respectively, supported by growth in customer deposits by 12%

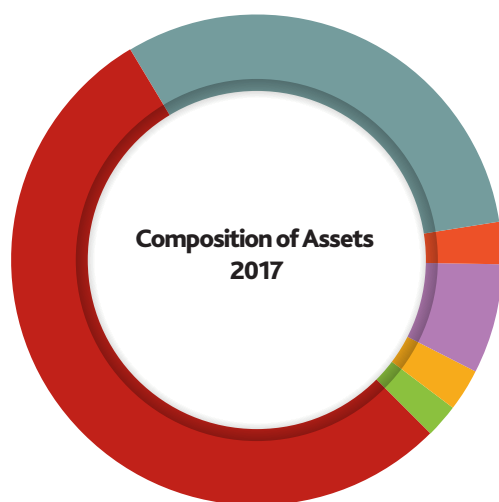
Non-performing loans (Shs Billion)

The proportion of non-performing loans to (NPLs) total loans increased to 6.3% up from 3.1% in 2016. This was mainly attributed to challenges faced in the East Africa economies resulting in a cash crunch and reduced investments that impacted all spheres of the economy. The Group holds adequate collateral against its NPL book and, as a prudent measure, has made robust provisions against the NPL book.

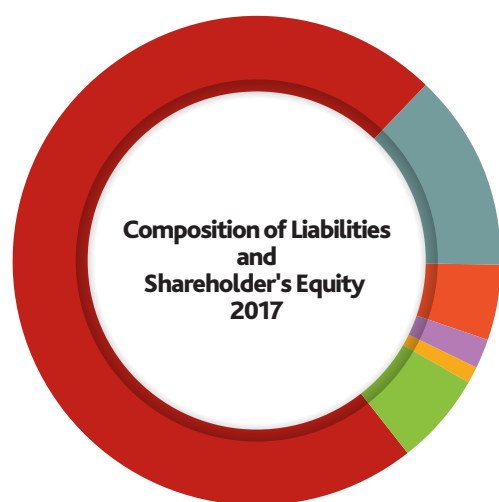
Customer deposits (Shs Billion)

Customer deposits grew by 12% supported by the Group's continuing expansion of its branch and agency banking networks.

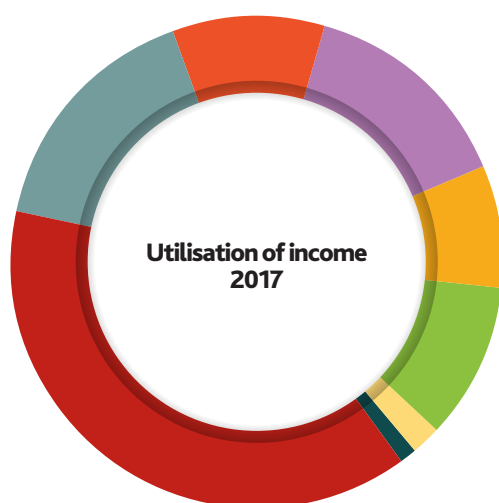
FINANCIAL PERFORMANCE HIGHLIGHTS (CONTINUED)



54%	Loans and advance to customers
31%	Government securities
3%	Deposits with banking institutions
7%	Cash and balances with Central Banks
3%	Other assets
2%	Property and equipment



73%	Customer deposits
13%	Shareholders' equity
5%	Borrowed funds
2%	Other Liabilities
1%	Non Controlling Interests
6%	Deposits to banking Institutions



38%	Interest expense
16%	Other operating expenses
10%	Staff expenses
15%	Retention
8%	Income tax
10%	Impairment losses
2%	Shareholders' dividends
1%	Non controlling interests

Enterprise Risk Management Statement

The Board of Directors is ultimately responsible for the level of risk taken and is supported in this task by the Board Risk Management Committee (BRMC) and at senior management level, the governance includes a number of risk committees. Risk management remains an integral part in the execution and implementation of the Bank's strategy and the Bank continues to evolve its risk architecture and governance framework in line with best practices, regulatory requirements, corporate governance and changes in the business needs.

The Bank has in year 2017 faced a tough operating environment with some types of risk such as credit risk, cyber, information and strategic risk coming to the forefront as areas where additional focus and management was emphasized.

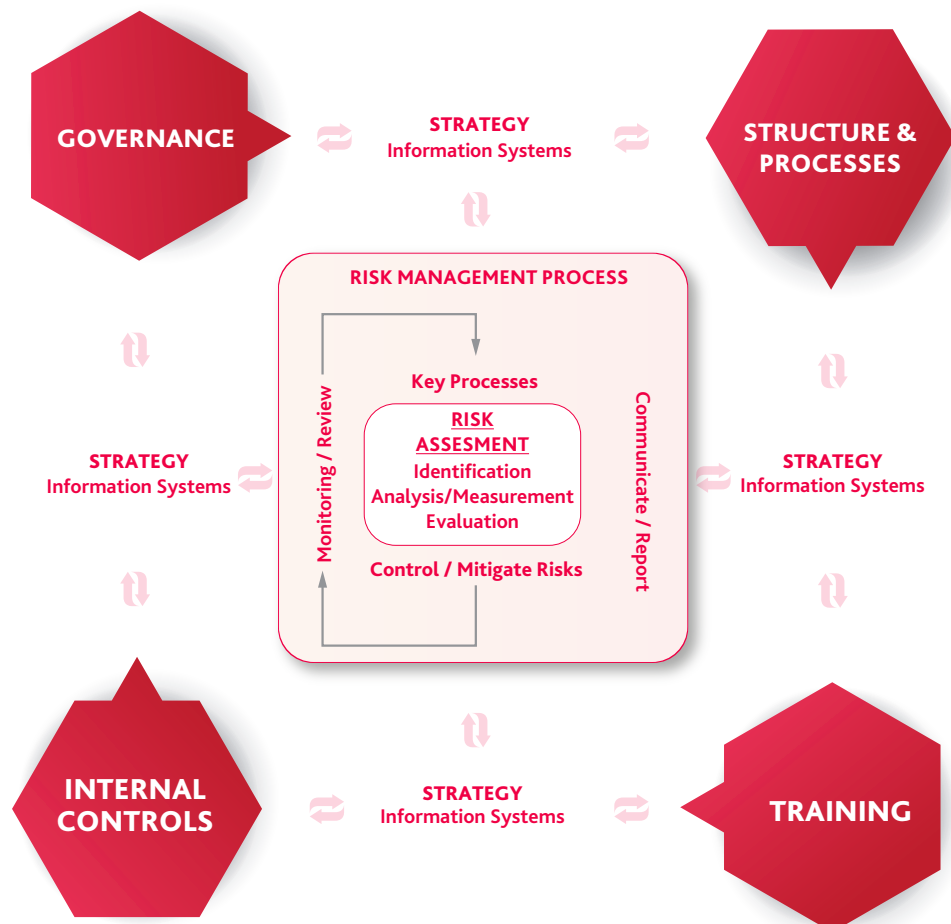
The Bank's risk appetite is articulated in the risk appetite statements set by the Board. All risk types are measured and monitored through identification, measurement, controls and including the escalation process from management to the Board. The Bank ensured during year 2017 that it has operated within the board approved limits.

The security of the Bank's information and technology infrastructure is vital to maintain the integrity of banking applications and protect customers. The Bank has a 24*7 Information Security Operations Centre (SOC). The Bank shall continue to make investments to strengthen the ability to prevent, detect and respond to cyber-attacks by improving governance and cyber-security controls as well as by educating staff through formal information security awareness programs.

The Bank has implemented a Business Continuity Management (BCM) program that comprises of two main parts: Crisis Management and Business Recovery. The BCM program is enhanced through training and awareness; exercises and testing. The tests provide a method to ensure all personnel are prepared should an event occur that leads to business disruption. Exercise results are documented and reviewed by all the participants, the Business Continuity Management Team and the BACC. Recommendations for improvements to the recovery process are identified, required corrective actions clearly defined and assigned to the appropriate personnel. These actions are tracked, completed and documented as appropriate.

DTB strives to achieve the highest standards of compliance in all its operations. The Bank has invested in systems and controls to comply with anti-money laundering laws and regulations. The Bank takes a conservative view on the inherent risks and has zero tolerance for compliance, money laundering, terrorism financing, bribery & corruption and regulatory risks. The Bank shall continue to improve its compliance management systems in order to meet its responsibilities and cope with the growing complexity and increasing regulatory requirements thereby enabling the Bank to secure its long-term business success.

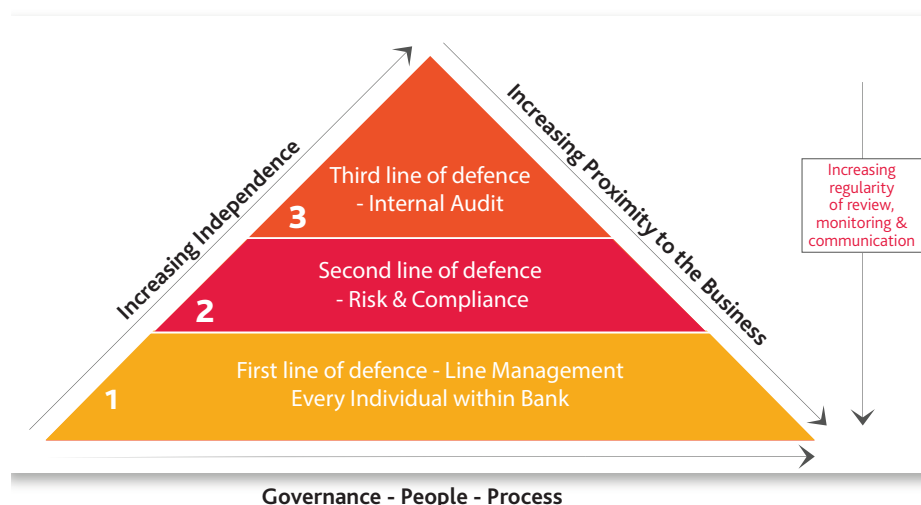
The risk management process has been embedded in DTB's business systems, so as to ensure that the responses to risk remain current and dynamic. All key risks associated with major change and significant actions by the Bank also fall within the risk management process. Sound assessment of risk enables the Bank anticipate and respond to changes in the business environment, as well as make informed decisions under conditions of uncertainty.



RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk Governance

The approach to risk management is based on set governance standards and processes and relies on both individual responsibility and collective oversight. The Bank has in place robust risk management processes and uses the three lines of defence model which promotes transparency, accountability and consistency through clear identification and segregation of roles with a view to reduce risk. This is illustrated below.



1) Line management is the first line of defense in risk management and control. The Department Heads (Management) and every individual within the department own and manage risks and the related controls. Management is responsible for implementing strategic objectives within the agreed scope and in a manner that limits risks associated with each strategy so as to ensure compliance with laws and regulations. Management is involved in the activities and possesses knowledge and skills to ensure that appropriate policies, controls and risk monitoring systems are in place and that accountability and lines of authority are clearly delineated.

2) The Risk & Compliance Department (RCD) provide the second line of defense by monitoring these risks and controls, and reporting on the level of risk to the Board Committees.

3) Internal Audit Department (IAD) is the third line of defence that provides independent and objective assurance to Management and the Board on the effectiveness of both the first and second lines in their management of risks and controls.

Each of these three "lines" plays a distinct role within the Bank's wider governance framework and as laid down in the respective policies and procedures to mitigate the inherent risks by ensuring that threats and vulnerabilities that put the Bank at risk are adequately mitigated.

Key Risks	Risk Management Approach
Strategic Risk The risk that the Bank's future business plans and strategies may be inadequate to prevent financial loss or protect the Bank's competitive position and shareholder returns.	Achieving strategic goals requires effective execution, planning and integration, appropriate infrastructure and clear understanding of products and services. Innovation is fundamental for the Bank to stay ahead and allows DTB to meet its strategic objectives, be relevant to its markets and attract and retain top and critical talent. The Bank has created an environment where innovation is encouraged to drive change, enhance key capabilities and embed it into the Bank's culture. To maintain profit margins and retain customers, the Bank has clearly defined its risk appetite, ensuring the alignment of decision-making and risk.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

The table below highlights the key risks that the Bank is exposed to and provides details of measures taken to mitigate these risks:

Key Risks	Risk Management Approach
Credit Risk	
Credit risk is the risk of loss arising from failure by counterparties to meet their financial or contractual obligations when due.	The Bank has an independent credit risk management function. The Bank's mitigation of credit risk is based on a combination of focussed strategy, defined target market, secured lending and quality of underwriting, ongoing monitoring and pre-set thresholds for exposure limits, sectoral concentration and acceptable collateral. The Board Credit Committee (BCC) is primarily responsible for oversight of the Credit and Concentration risk supported by the Management Credit Committee (MCC). The Bank also undertakes stress testing on a regular basis, a process which facilitates a forward looking approach to risk management by identifying possible events or changes in the macro economic conditions that could have an impact on the Bank. The outcomes of stress tests assist the management and the Board to determine appropriate mitigating actions to minimise and manage the risks induced by potential stresses. The bank is also ensuring that Environmental & Social risks in the loan book, arising from clients activities are adequately identified, managed and where necessary reported. Refer to Note 4 of the financial statements which highlights the credit risk impact on the Bank, in the current year.
Concentration Risk	
Probability of loss arising from heavy exposure to a particular group of counterparties, vendors, geographies, single vendor or transaction type.	Risk concentrations are activity managed in order to identify at an early stage and contain the increased potential for loss. The avoidance of risk concentrations is a core strategy of risk management. The Bank has articulated its appetite for concentration risk. This is monitored at individual, industry, transaction and portfolio basis at the management and board committee level.
Liquidity Risk	
The risk that the bank may be unable to meet short term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.	The Bank manages the maturities of its assets and liabilities and its cash flows on a daily basis. The Bank maintains substantial liquidity in the Central Bank of Kenya Reserve account and in short term deposits. The Bank has early warning indicators which are monitored at operational level, by ALCO and the Board Risk Management Committee (BRMC). The Bank also undertakes stress testing on a regular basis.
Market Risk	
The risk of loss from changes in market prices and rates (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations among them, and their levels of volatility	Market risk exposures as a result of trading activities are contained within the Bank's Investment Policy which details the market risk exposure limits as approved by BRMC. Market risk is managed through identification of market risks in the trading and banking books; management of market risk exposure on banking and trading activities; The Bank has early warning indicators which are monitored at operational level, by ALCO and the BRMC. The Bank also undertakes stress testing on a regular basis.
Foreign Exchange Risk	
Foreign currency risk arises as a result of the translation effect on the Bank's net assets in foreign operations, intra-group foreign-denominated debt and foreign-denominated cash exposures and accruals.	As the Bank does not maintain a significant trading book it has relatively low forex exposure risk. The foreign exchange exposures are managed by Treasury with defined levels of maximum allowable net open position in any single currency. The Bank has early warning indicators which are monitored at operational level, by ALCO and the BRMC. The Bank also undertakes stress testing on a regular basis.
Interest Rate Risk	
This risk results from the different repricing characteristics of banking assets and liabilities. It includes endowment risk, repricing risk, basis risk, optionality risk and yield curve risk.	Interest rate risk at the Bank is well managed and contained and the Bank has no significant long term interest rate positions. The Bank has early warning indicators which are monitored at operational level, by ALCO and the BRMC. The Bank also undertakes stress testing on a regular basis.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

Key Risks	Risk Management Approach
Operational Risk The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	The Bank manages operational risk through articulated risk appetite and ongoing monitoring with oversight by the ORCO and BRMC. The Bank recognises that operational risk is inherent in all areas of its business. It is not an objective to eliminate all exposure to operational risk as this would be neither commercially viable nor possible. The Bank has developed, implemented and maintained an enterprise-wide operational risk management framework that is fully integrated into the Bank's overall risk management processes. The Bank also undertakes stress testing on a regular basis and has set various tolerance trigger points. The Bank has an active approach to managing the operational risk, aiming to systematically identify operational risk profiles and risk concentrations and to define, prioritise and implement risk mitigation strategies. DTB also has a Whistle Blowing Policy which has been uploaded on its website www.dtbafrika.com. This policy provides the framework for managing and reporting on suspected fraudulent activities.
IT and Cyber Security Risk The risk of accidental or intentional illegal use, access, modification, disclosure or destruction of information resources, which would compromise the confidentiality, integrity and availability of information assets. Technology risk on the other hand is the risk of loss and disruption due to exploitation of network vulnerabilities, system failures or defects or from illegal use of bank systems.	DTB attaches great importance to the protection and security of its own information, information that is entrusted to the Bank by its customers, and of the business processes and systems used to process it. IT risks are identified, evaluated and regularly reviewed as part of the IT governance processes. Cyber risk has become an area of focus within the financial industry with more sophisticated attacks being meted on banks by exploiting vulnerabilities within the banks network infrastructure and financial systems. DTB is proactively managing this risk through implementation of a holistic cyber resilience framework – a multi-layered strategy that encompasses people, process and technology to address the risks and allow the bank prepare, protect, detect, respond and recover from any cyber security incident. IT and Cyber risk are covered in the quarterly report to the Board IT Sub-Committee (BITC) which is a specialized committee that reviews the IT security requirements based on the IT protection targets: Confidentiality, Integrity, Traceability and Availability. IT risks are also evaluated as part of the operational risk management through risk scenarios such as breakdown of critical IT, the risk of externals attacking the systems or data of the Bank i.e. cybercrime and advanced persistent threats, theft of corporate data or the default of service providers and vendors. The human factor being key in IT security and cyber security the Bank shall introduce additional training and awareness raising measures in 2018.
Business Continuity Risk Business continuity management (BCM) is a process that identifies potential operational disruptions and provides a basis for planning for the mitigation of the negative impact from such disruptions.	BCM is a fundamental part of the Bank's ability to protect its staff and fulfil its fiduciary responsibilities to customers. The Bank maintains Crisis Response and Business Recovery Plans to facilitate the management of any incident which has the potential to harm staff, damage the Bank premises or disrupt business. Contingency and recovery plans for core services, key systems and priority business activities have been developed and are reviewed as part of existing management processes to ensure that continuity strategies and plans remain relevant. In order to maintain a resilient information technology environment, management have a committed strategy that aims for near zero downtime and near zero data loss for all applications that support critical business processes.
Financial Crime (FC) Financial crime includes fraud, bribery and corruption and misconduct by employees, customers, suppliers, business partners and stakeholders.	The Bank has zero tolerance for FC and is vigilant to identify, report and take appropriate action to mitigate the inherent risk. Risk identification and mitigation is undertaken through risk assessment, effective implementation of due diligence requirements and ongoing account, transaction monitoring and sanction screening processes. The Bank has in place robust Anti Money Laundering/Combating the Financing of Terrorism (AML/CFT) governance process supported by three lines of defence. The Bank has a comprehensive AML/CFT Policy and procedures and provides continuous training to all staff in the area of AML/CFT obligations. The Board Audit & Compliance Committee (BACC) is primarily responsible for oversight of the ML/TF framework supported by the Operational Risk Committee (ORCO).

Key Risks	Risk Management Approach
Compliance Risk This is the risk of legal or regulatory sanctions, financial loss or damage to reputation that the Bank may suffer as a result of its failure to comply with laws, regulations, codes of conduct and standards of good practice that are applicable to its business activities.	DTB does not tolerate breaches of applicable laws, rules and regulations. It will not pursue deals where it knows or suspects that the business activities will lead to illegal behaviour. As such it will not enter into transactions with people or companies who deliberately take part in illegal activities. As part of its code of conduct, the Bank has defined binding standards for DTB's corporate responsibility, its dealings with customers and business partners as well as its colleagues with each other, which may have a material impact on day-to-day business. The Bank complies with relevant laws, regulatory requirements, industry standards and internal policies and procedures, which form an important part of the Bank's risk culture. The three lines of defense is a critical component in protecting against undesirable compliance risks. This includes the exposure to new laws as well as changes in interpretations of existing laws by appropriate authorities.
Reputation Risk Results from damage to the Bank's image which may impair its ability to retain and generate business due to the loss of trust and confidence by key stakeholders	Safeguarding the Bank's reputation is of paramount importance to its continued success and is the responsibility of every employee. Each unit is responsible for identifying, assessing and determining all reputational risks that may arise within their respective areas of business. The impact of such risks is considered alongside financial or other impacts. Should a risk event occur, the Bank's crisis management processes are designed to reduce the reputational impact of the event. Reputational risks are considered and assessed by the Board, the Bank's ORCO and management. DTB has in place a documented Code of Conduct and Ethics, the aforementioned Whistle Blowing Policy and promotes, as well as rewards, ethical behaviour.

Risk Appetite Statement (RAS)

Risk appetite is an expression of the amount or type of risk that the Bank is generally willing to take in pursuit of its financial and strategic objectives, reflecting its capacity to sustain losses and continue to meet its obligations as they fall due, under both normal and a range of stress conditions. The Bank's risk appetite governance framework provides guidance on the following:

- Senior management responsibility and approval by the Board
- The methodology to setting risk appetite and risk trigger limits
- Responsibilities for monitoring risk profile
- The escalation and resolution process where breaches occur

Some of the key Risk Appetite and Early Warning Indicators (Risk Triggers) approved by the Board are detailed below:

Risk Type	Risk Statement	Risk Appetite	Risk Trigger
Total capital adequacy ratio	Factoring in the impact of stress events contained in the macroeconomic scenarios approved by the relevant governance committee, and, if necessary, after taking account of the effect of mitigating management actions: the total capital adequacy ratio will not be lower than the specified ratio expressed as a percentage of total capital.	15.5%	16.5%
Core capital adequacy ratio	Factoring in the impact of stress events contained in the macroeconomic scenarios approved by the relevant governance committee, and, if necessary, after taking account of the effect of mitigating management actions: the core capital adequacy ratio will not be lower than the specified ratio expressed as a percentage of core capital.	11.5%	12.5%
Core capital to deposit ratio	Factoring in the impact of stress events contained in the scenarios approved by the relevant governance committee the core capital to deposit adequacy ratio will not be lower than the specified ratio expressed as a percentage of deposit liabilities.	9%	10%

RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk Type	Risk Statement	Risk Appetite	Risk Trigger
Total Insider Limit	The total insider limit shall not be higher than the specified ratio expressed as a percentage of core capital.	15%	12.5%
Exposure concentration	The exposure concentration above 10% of core capital shall not be higher than the specified ratio expressed as a percentage of core capital.	400%	300%
Single Currency FX Ratio	The exposure not to exceed the specified ratio expressed as a percentage of core capital.	5%	2.5%
Aggregate FX Risk Ratio	The result obtained by dividing the aggregate foreign exchange open position by total capital not to exceed the specified ratio expressed as a percentage of total capital.	20%	15%
FX Maturity Gap Ratio	For each FX currency representing more than 5% of the borrower's assets the result obtained by dividing the currency maturity gap by total capital not to exceed the specified ratio expressed as a percentage of total capital.	-150%	-125%
Aggregate Negative Maturity Gap	For FX currencies and local currencies, the result obtained by dividing the aggregate of each currency maturity gap which is a negative number by total capital not to exceed the specified ratio expressed as a percentage of total capital.	-300%	-200%
Interest Rate Risk	For each time period, the result obtained by dividing the adjusted interest rate gap for such time period by total capital not to exceed the specified ratio expressed as a percentage of total capital.	(10%)<1<10%	(7.5%)<1<7.5%
Aggregate Interest Rate Risk	The result obtained by dividing the aggregate of all adjusted interest rate gaps in all time periods by total capital not to exceed the specified ratio expressed as a percentage of total capital.	(20%)<1<20%	(15%)<1<15%

Note 4 to the financial statements and the Statement of Compliance with Corporate Governance provide further information about most of these risks as well as the committees with responsibility for managing the key risks.

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DIRECTORS' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2017 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") 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 8.

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 70 and summarised below.

	2017 Shs'000	2016 Shs'000
Group profit before income tax	10,098,235	10,995,696
Income tax expense	(3,173,195)	(3,267,556)
Profit for the year	6,925,040	7,728,140
Non controlling interests	(475,229)	(554,201)
Profit attributable to owners of the Bank	6,449,811	7,173,939
Dividends	(726,966)	(692,435)
Retained profit for the year	5,722,845	6,481,504

The directors recommend the approval of a final dividend of Shs 726,965,772 (2016: Shs 692,434 ,899).

EQUITY AND RESERVES

The authorised issued share capital and reserves of the Group and Company at 31 December 2017 and matters relating thereto are set out in notes 31 and 32 to the financial statements. Additional shares issued in the year are as detailed on Notes 31 and 34. Full details of the Group and Company reserves and movements therein during the year are shown on pages 129 to 130.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment are shown at Note 22 to the financial statements.

DIRECTORS

The present membership of the Board is listed on page 10 to 13.

In accordance with Article No. 101 of the Bank's Articles of Association, Messrs Shaffiq Dharamshi and Irfan Keshavjee and Ms. Pamela Ager retire by rotation and, being eligible, offer themselves for re-election.

BUSINESS REVIEW

The East African banking industry continues to endure stress conditions given the subdued business environment. This has been accentuated by, inter alia, lack of credit demand from quality borrowers, the impact of interest rate capping in Kenya, uncertainties and slow down of investments due to the August 2017 General elections and repeat Presidential election. Customer confidence in the Kenyan and Ugandan banking sectors still remains weak following the closure of banks in late 2015 and 2016.

In Kenya, the full year adverse impact of the interest capping legislation, passed in September 2016, saw most banks report lower operating profits in 2017. This, coupled with increased provisions to cover rising NPL levels within the industry, resulted in the banking sector's aggregate year to date Q3, 2017 pre-tax profit reducing by a significant 14% compared to industry's profitability as at Q3, 2016.

BUSINESS REVIEW (Continued)

It is against this backdrop that the Bank continues to leverage its solid brand equity and market positioning credentials, thereby attracting steady deposit growth and entrenching its position as a leading Tier I bank in Kenya. In 2017, DTB's Group profit before tax registered a 8% drop in pretax profit of Shs 10.1 billion from Shs 11 billion registered in 2016. The Group's asset base however went up by 11% to stand at Shs 363 billion up from Shs 328 billion in the previous year. The asset growth was fueled by DTB Group's customer deposit base which rose by 12%, from Shs 238 billion in 2016 to Shs 266 billion at the end of 2017. The loan book for the DTB Group grew by 5%, to stand at Shs 196 billion, up from Shs 186 billion, a year earlier. The Group's investment in Government securities rose to Shs 112 billion in December 2017 from Shs 93 billion, a year earlier; the total Group operating income rose by 5% to Shs 25.7 billion, up from Shs 24.5 billion realised over the same period in the previous year.

FUTURE OUTLOOK

DTB's key focus, going forward, is evolve into a leading digitally- anchored payments and other financial services solutions provider, for an increasingly discerning and technology- driven customer base. The overall aim for DTB is to provide innovative financial intermediary solutions to suit our customers' entire life- cycle needs. As these solutions require multiple innovative approaches and tools, anchored on digital/ electronic platforms, DTB will continue investing significantly in its people, new technologies and innovation over the ensuing years.

PRINCIPAL RISKS AND UNCERTAINTIES

The Bank's activities expose it to a variety of financial risks including credit, liquidity, and market risks. The Bank's overall risk management policies are set out by the Board and implemented by management. These policies involve analysis, evaluation, acceptance and management of some degree of risk or a combination of risks. These risk management objectives and policies are outlined in detail in Note 4, from pages 94 to 108.

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

DTB is cognisant of its corporate citizenship and endeavors to positively impact the communities in its areas of operation. Below is a brief description of corporate social responsibility initiatives that the bank has undertaken:

Healthcare based initiatives

Healthcare is a crucial component of community development. Healthcare practitioners such as doctors and nurses impact the lives of patients who rely on them for medical advice, care and treatment. DTB partnered with the Aga Khan University's School of Nursing to directly sponsor five nurses and facilitate sponsorship of an additional five to undertake undergraduate courses in nursing and midwifery. Upon graduation, these nurses not only take up senior leadership positions within the health professional workforce but also contribute significantly to stopping the spread of non-communicable diseases such as diabetes, cardiovascular diseases, infectious diseases such as HIV/AIDS and Tuberculosis; and high levels of maternal and child deaths. Because they mostly return to serve people who have been alienated from the health system, their role combines that of the clinician, community organizer, advocate and educator. Lives depend on their abilities.

Education based initiatives

Access to quality education is a key economic driver. DTB was the first corporate entity to sponsor the "start a library" campaign under the Yetu Initiative. Yetu Initiative is a partnership between the Aga Khan Foundation and USAID which seeks to enhance the culture of community philanthropy in Kenya by strengthening the capacity of Kenyan Civil Society Organizations to fundraise to meet community needs. DTB's contribution facilitated the building and stocking of libraries in three public primary schools located in Nairobi and Mombasa Counties. Through these libraries, over 2000 pupils have been empowered to develop a reading culture which increases their academic skills.

DTB also partnered with the Aga Khan Academy in Mombasa by offering eight scholarships to needy students amounting to USD 210,000. Through these scholarships, the students get access to quality education which not only shapes their academic future but also nurture their talents. One of the success stories of this scholarship fund is Elias Okwara who graduated from the Aga Khan Academy in 2008. Elias proceeded to pursue further studies abroad and after a successful career working with Fortune 500 companies and government agencies, he returned to serve as the Academy's resource development manager where he is using his role to give back to the community.

Youth based initiatives

The youth are a primary resource for the community. By providing on-the job training opportunities, DTB plays a role in shaping their work ethics. The bank not only provides short-term internship opportunities for high school students but also has a robust graduate management trainee programme through which university graduates join the bank and are taken

DIRECTORS' REPORT (CONTINUED)

CORPORATE SOCIAL RESPONSIBILITIES (Continued)

through a 3-year intensive training programme that shapes their career lives. By instilling proper work ethics, the culture of hard work and responsibility, DTB contributes positively towards the overall socio-economic agenda of good morals and ethics at work.

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 auditors are 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 auditors are 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:

	Shareholding %	
	2017	2016
Aga Khan Fund For Economic Development S.A.	16.50%	17.32%
Habib Bank Limited	16.15%	11.97%
The Jubilee Insurance Company of Kenya Limited	9.94%	10.45%
	42.59%	39.74%

DIRECTORS' INTERESTS

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

Director	2017		2016	
	No of shares	Shareholding %	No of shares	Shareholding %
Nasim Devji	263,022	0.1%	263,022	0.1%
Jamaludin Shamji	10,496	0.0%	10,496	0.0%
Irfan Keshavjee	1,143	0.0%	1,143	0.0%

AUDITOR

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2018

By order of the Board



Stephen Kodumbe

Company Secretary

23 March 2018

Nairobi

This Directors' remuneration report sets out the remuneration arrangements for Diamond Trust Bank Kenya Limited Directors for the year ended 31 December 2017.

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
Abdul Samji	Chairman, Non-executive Director
Nasim Devji	Group CEO & Managing Director
Pamella Ager	Non-executive Director
Guedi Ainache	Non-executive Director
Shaffiq Dharamshi	Non-executive Director
Linus Gitahi	Non-executive Director
Rizwan Hyder	Non-executive Director
Moez Jamal	Non-executive Director
Irfan Keshavjee	Non-executive Director
Ismail Mawji	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 determined 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.

Managing Director Remuneration Policy

The remuneration of the Managing Director 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 Managing Director is set at a level which is considered appropriate to attract an individual 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 car, parking and telephone benefits. Travel and other reasonable expenses incurred in the course of performing her duties are reimbursed. These ensure the package is competitive.

DIRECTORS' REMUNERATION REPORT (CONTINUED)

Changes to Directors' Remuneration

There were no changes relating to the directors' remuneration made during the year (2016: 12.5% increase on the Managing Director's gross pay)

Directors' remuneration paid during the year

Non-executive Directors

Name	2017			2016		
	Fees	Sitting Allowance	Total	Fees	Sitting Allowance	Total
	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Abdul Samji	600	340	940	600	320	920
Pamella Ager	180	460	640	180	420	600
Guedi Ainache	133	220	353	-	-	-
Shafiq Dharamshi	waived	waived	waived	waived	waived	waived
Linus Gitahi	133	240	373	-	-	-
Rizwan Hyder	180	240	420	137	140	277
Moez Jamal	180	240	420	180	240	420
Irfan Keshavjee	180	460	640	180	480	660
Ismail Mawji	180	420	600	180	400	580
Jamaludin Shamji	180	480	660	180	240	420
Mwangazi Mwachofi	-	-	-	130	60	190
Amin Merali	-	-	-	165	240	405
	1,946	3,100	5,046	1,932	2,540	4,472

Contract of service – Managing Director

	Gross Pay	Bonus	Non Cash Benefits	Total
	Shs' 000	Shs' 000	Shs' 000	Shs' 000
2017				
Nasim Devji	61,989	waived	1,858	63,847
2016				
Nasim Devji	61,055	waived	1,894	62,949

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 IFRSs.

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 70 to 140, which comprise the consolidated statement of financial position at 31 December 2017 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 2017 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.

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 financial position of the Group and of the Bank as at the end of the financial year and of the profit or loss 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 and Bank profit or loss and cash flows.

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.

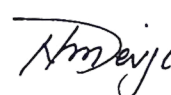
Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 23 March 2018.

Abdul Samji
Chairman



Nasim Devji
Managing Director



REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED

Report on the audit of the Consolidated and Separate financial statements

Our opinion

We have audited the accompanying Consolidated and Separate financial statements of Diamond Trust Bank Kenya Limited (the Bank) and its subsidiaries (together, the Group) set out on pages 70 to 140, which comprise the consolidated statement of financial position at 31 December 2017 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 2017 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.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Bank as at 31 December 2017, and of the financial performance and cash flows of the Group and the Bank 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 Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the 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.

Impairment of loans and advances to customers

See accounting policy Note 2 (i)– Significant accounting policies and disclosure Note 17 – Loans and advances to customers.

Key audit matter	How the matter was addressed
The group's loans and advances are carried at amortised cost in the consolidated and separate financial statements and are assessed for impairment at the reporting date. Impairment of loans and advances to customers is considered a key audit matter because the Directors make complex and subjective judgments over both timing of recognition of impairment and the estimation of the size of any such impairment. The judgement and assumptions applied in determining the impairment requires significant audit focus.	Our audit procedures in this area included, among others: - Testing the key controls over the credit grading and monitoring process, to assess if the credit grades allocated to counterparties were appropriate and loans were appropriately identified, on a timely basis, as impaired. - Performing credit assessment on various categories of loans to ascertain the reasonableness of the forecast of recoverable cash flows, realisation of collateral, and other sources of repayment for defaulted loans. We compared key assumptions to progress against business plans and our own understanding of the relevant industries and business environments. - Performing control assessments on the key management controls over the input of underlying data into the impairment model. - Assessing the overall reasonableness of the portfolio impairment balance with respect to the qualitative and quantitative changes in the underlying portfolio. - Assessing whether the consolidated financial statement disclosures appropriately reflect the Group and Bank's exposure to credit risk.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED (CONTINUED)

Information Technology	
Key audit matter	How the matter was addressed
The Bank's financial accounting and reporting systems are heavily dependent on complex systems. Significant reliance on IT systems presents a significant risk to the bank as the core banking system is considered complex due to the multiple significant functionalities and interdependence with other systems. The calculations, recording and financial reporting of transactions and balances recorded in the financial statements is highly dependent on IT automated system and processes. The possible financial implications of errors or fraud on the financial statements either directly or indirectly will usually be significant	Our audit procedures in this area included, among others: - General IT controls: we tested the governance and other higher controls operating over the information technology environment across the company, including system access and system change management, program development and computer operations. - Application controls: we tested the design and operating effectiveness of automated controls critical to financial reporting. For any identified deficiencies, we tested the design and effectiveness of compensating controls and, where necessary, extended the scope of our substantive audit procedures. - We considered the appropriateness of the access rights granted to applications relevant to financial accounting and reporting systems and the operating effectiveness of controls over granting, removal and appropriateness of access rights. - Where we identify the need to perform additional procedures, we place reliance on manual compensating controls, such as reconciliations between systems and other information sources or performing additional testing such as extending the size of our sample to obtain sufficient appropriate audit evidence over balances impacted.

Acquisition of Habib Bank Limited branch operations in Kenya	
See accounting policy Note 2 (b) – Significant accounting policies and disclosure Note 34-Acquisition of Habib Bank Limited (HBL) branch operations in Kenya	
Key audit matter	How the matter was addressed
The accounting for the acquisition of Habib Bank Limited involved the use of significant judgment and various valuation techniques to determine the fair value of the acquired net assets. We determined this to be a key audit matter due to the significant judgement involved and the magnitude of the transaction required significant audit focus.	Our audit procedures in this area included, among others: - Assessing of the accounting implication of the asset purchase agreement. - Testing the assumptions used in determination of fair value of the assets and liabilities acquired. - Involving experts in assessing the reasonableness of the tax assets and liabilities acquired or arising through the business combination. - Involving experts in the reasonableness of the fair value of assets and liabilities acquired. - Assessing the appropriateness of the disclosures in the financial statements.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED (CONTINUED)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Intergrated Report and Financial Statements, but does not include the consolidated and separate financial statements and our auditor's report there on.

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.

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 management and those charged with governance for the consolidated and separate financial statements

As stated on page 65, the directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act, 2015 and for such internal control as the Directors determine is necessary to enable the preparation of 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, 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 has no realistic alternative but to do so.

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

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

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 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.

REPORT OF THE INDEPENDENT AUDITOR

TO THE MEMBERS OF DIAMOND TRUST BANK KENYA LIMITED (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated and Separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and / or 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 and Separate financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

- i. In our opinion the information given in the report of the directors on pages 60 to 62 is consistent with the financial statements;
- ii. In our opinion the auditable part of the directors' remuneration report on pages 63 to 64 has been properly prepared in accordance with the Kenyan Companies Act, 2015;
- iii. Our audit report is unqualified.

The Engagement Partner responsible for the audit resulting in this independent auditor's report is CPA Joseph Kariuki

- P/2102.



KPMG Kenya

Certified Public Accountants

P.O.Box 40612 - 00100

Nairobi

Date: 23 March 2018

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Bank	
		2017	2016	2017	2016
		Shs'000	Shs'000	Shs'000	Shs'000
Interest income	5	34,628,790	33,812,876	25,633,393	24,803,939
Interest expense	6	(13,988,391)	(13,357,825)	(11,141,329)	(10,129,803)
Net interest income		20,640,399	20,455,051	14,492,064	14,674,136
Net fee and commission income	7	3,140,739	3,037,070	1,784,618	1,628,040
Foreign exchange income		1,596,970	1,745,734	1,039,379	1,266,222
Other operating income	8	387,621	213,738	322,127	169,714
Operating income		25,765,729	25,451,593	17,638,188	17,738,112
Operating expenses	9	(10,559,865)	(9,195,269)	(5,995,593)	(5,175,252)
Impairment loss on loans and advances	17	(4,150,698)	(4,197,342)	(2,660,069)	(2,807,354)
Profit from operations		11,055,166	12,058,982	8,982,526	9,755,506
Share of results of associate after tax	26	8,390	6,488	-	-
Finance costs	30(e)	(965,321)	(1,069,774)	(754,968)	(879,123)
Profit before income tax		10,098,235	10,995,696	8,227,558	8,876,383
Income tax expense	11(a)	(3,173,195)	(3,267,556)	(2,727,887)	(2,724,478)
Profit for the year		6,925,040	7,728,140	5,499,671	6,151,905
Profit attributable to:					
Owners of the Bank		6,449,811	7,173,939	5,499,671	6,151,905
Non controlling interests		475,229	554,201	-	-
		6,925,040	7,728,140	5,499,671	6,151,905
Earnings per share (Shs per share)					
Basic and diluted	12	23.73	26.94	20.23	23.10

The notes on pages 78 to 140 are an integral part of these financial statements

STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Group		Bank	
		2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Profit for the year		6,925,040	7,728,140	5,499,671	6,151,905
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translating foreign operations		194,166	(687,383)	-	-
<i>Items that will not be reclassified to profit or loss</i>					
(Loss)/gain on revaluation of land and buildings	22	(12,712)	1,202,512	-	1,075,810
Income tax relating to these items	24	5,826	(91,801)	-	(53,791)
Other comprehensive income for the year, net of tax		187,280	423,328	-	1,022,019
Total comprehensive income for the year		7,112,320	8,151,468	5,499,671	7,173,924
Total comprehensive income attributable to:					
Owners of the Bank		6,359,629	7,759,933	5,499,671	7,173,924
Non controlling interests		752,691	391,535	-	-
		7,112,320	8,151,468	5,499,671	7,173,924

The notes on pages 78 to 140 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

		Group		Bank	
	Note	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Assets					
Cash and balances with Central Banks	14	25,008,851	27,480,328	15,050,191	14,928,452
Government securities	15	112,481,802	92,677,832	84,911,214	74,513,801
Deposits and balances due from banking institutions	16	12,516,371	7,611,137	2,910,469	2,886,933
Loans and advances to customers	17	196,048,155	186,303,191	148,515,793	136,685,924
Corporate bond - at amortised cost	18	71,480	100,154	-	-
Amounts due from group companies	19	-	-	-	114,060
Other assets	20	2,551,615	2,887,984	1,656,356	2,155,595
Intangible assets - software costs	21	1,327,057	1,283,008	1,072,640	979,459
Property and equipment	22	6,716,249	6,738,194	5,020,237	5,072,986
Intangible assets - goodwill	23	173,372	173,372	-	-
Current income tax	11(c)	829,434	121,468	652,699	-
Deferred income tax	24	3,745,935	2,639,217	2,893,916	2,242,582
Investment securities- at fair value through OCI	25	1,797,617	-	1,797,617	-
Investments in subsidiaries and associates	26	35,462	28,616	5,600,406	4,544,026
Total assets		363,303,400	328,044,501	270,081,538	244,123,818
Liabilities					
Customer deposits	27	266,246,854	238,103,640	190,468,570	169,599,903
Deposits and balances due to banking institutions	28	20,503,993	17,575,802	18,785,686	16,147,224
Other liabilities	29	5,757,864	3,730,847	4,261,042	2,438,833
Borrowings	30	17,174,934	22,062,229	13,562,268	18,824,605
Current income tax	11(c)	-	695,434	-	681,444
Total liabilities		309,683,645	282,167,952	227,077,566	207,692,009
Shareholders' equity					
Share capital	31	1,118,409	1,065,284	1,118,409	1,065,284
Share premium	31	9,006,569	7,294,767	9,006,569	7,294,767
Retained earnings	32 (c)	35,934,013	30,682,722	30,794,732	25,993,139
Statutory loan loss reserve	32 (d)	1,357,750	860,779	-	-
Other reserves	32	226,088	433,325	1,357,296	1,386,184
Proposed dividend	13	726,966	692,435	726,966	692,435
Equity attributable to owners of the Bank		48,369,795	41,029,312	43,003,972	36,431,809
Non controlling interests		5,249,960	4,847,237	-	-
Total equity		53,619,755	45,876,549	43,003,972	36,431,809
Total liabilities and equity		363,303,400	328,044,501	270,081,538	244,123,818

The financial statements on pages 70 to 140 were approved and authorised for issue by the Board of Directors on 23 March 2018.

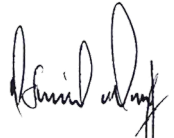
Abdul Samji
Chairman



Nasim Devji
Managing Director



Ismail Mawji
Director



Stephen Kodumbe
Company Secretary



The notes on pages 78 to 140 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	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 start of year		968,440	7,294,767	-	(27,970)	25,293,925	605,275	34,134,437	4,170,951	38,305,388
Profit for the year		-	-	-	-	7,173,939	-	7,173,939	554,201	7,728,140
Other comprehensive income		-	-	-	585,994	-	-	585,994	(162,666)	423,328
Transfer of excess depreciation		-	-	-	(6,518)	6,518	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	1,248	(1,248)	-	-	-	-
Statutory loan loss reserve		-	-	860,779	-	(860,779)	-	-	-	-
Legal reserve		-	-	-	7,313	(7,313)	-	-	-	-
Total comprehensive income		-	-	860,779	588,037	6,311,117	-	7,759,933	391,535	8,151,468
Transactions with owners in their capacity as owners:										
Bonus issue		96,844	-	-	-	(96,844)	-	-	-	-
Issue of additional shares to non controlling interests		-	-	-	-	-	-	-	505,584	505,584
Acquisition of interests from non controlling interests in Diamond Trust Bank Uganda Limited.	33	-	-	-	(126,742)	-	-	(126,742)	(186,244)	(312,986)
Unclaimed dividends previously written back to reserves surrendered to the Unclaimed Financial Assets Authority		-	-	-	-	(133,041)	-	(133,041)	-	(133,041)
Dividends:	13									
- Final for 2015 paid	13	-	-	-	-	-	(605,275)	(605,275)	(34,589)	(639,864)
- Proposed for 2016		-	-	-	-	(692,435)	692,435	-	-	-
Total transactions with owners, recognised directly in equity		96,844	-	-	(126,742)	(922,320)	87,160	(865,058)	284,751	(580,307)
At end of year		1,065,284	7,294,767	860,779	433,325	30,682,722	692,435	41,029,312	4,847,237	45,876,549

The notes on pages 78 to 140 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	Share capital Shs'000	Share premium Shs'000	Statutory loan losses 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 start of year		1,065,284	7,294,767	860,779	433,325	30,682,722	692,435	41,029,312	4,847,237	45,876,549
Profit for the year		-	-	-	-	6,449,811	-	6,449,811	475,229	6,925,040
Other comprehensive income		-	-	-	(90,182)	-	-	(90,182)	277,462	187,280
Transfer of excess depreciation		-	-	-	(33,448)	33,448	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	1,520	(1,520)	-	-	-	-
Statutory loan loss reserve		-	-	496,971	-	(496,971)	-	-	-	-
Legal reserve		-	-	-	6,511	(6,511)	-	-	-	-
Total comprehensive income		-	-	496,971	(115,599)	5,978,257	-	6,359,629	752,691	7,112,320
Transactions with owners in their capacity as owners:										
Issue of shares on acquisition of HBL Kenya assets and liabilities	31	53,125	1,711,802	-	-	-	-	1,764,927	-	1,764,927
Acquisition of interests from non controlling interests in Diamond Trust Bank Uganda Limited.	33	-	-	-	(91,638)	-	-	(91,638)	(309,275)	(400,913)
Dividends:										
- Final for 2016 paid	13	-	-	-	-	-	(692,435)	(692,435)	(40,693)	(733,128)
- Proposed for 2017	13	-	-	-	-	(726,966)	726,966	-	-	-
Total transactions with owners, recognised directly in equity		53,125	1,711,802	-	(91,638)	(726,966)	34,531	980,854	(349,968)	630,886
At end of year		1,118,409	9,006,569	1,357,750	226,088	35,934,013	726,966	48,369,795	5,249,960	53,619,755

The notes on pages 78 to 140 are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

	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 start of year		968,440	7,294,767	366,854	20,760,865	605,275	29,996,201
Profit for the year		-	-	-	6,151,905	-	6,151,905
Other comprehensive income		-	-	1,022,019	-	-	1,022,019
Transfer of excess depreciation		-	-	(2,831)	2,831	-	-
Deferred tax on transfer of excess depreciation		-	-	142	(142)	-	-
Total comprehensive income		-	-	1,019,330	6,154,594	-	7,173,924
Transactions with owners in their capacity as owners:							
Bonus issue	31	96,844	-	-	(96,844)	-	-
Unclaimed dividends previously written back to reserves surrendered to the Unclaimed Financial Assets Authority		-	-	-	(133,041)	-	(133,041)
Dividends:							
- Final for 2015 paid	13	-	-	-	-	(605,275)	(605,275)
- Proposed for 2016	13	-	-	-	(692,435)	692,435	-
Total transactions with owners, recognised directly in equity		96,844	-	-	(922,320)	87,160	(738,316)
At end of year		1,065,284	7,294,767	1,386,184	25,993,139	692,435	36,431,809

The notes on pages 78 to 140 are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	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 start of year		1,065,284	7,294,767	1,386,184	25,993,139	692,435	36,431,809
Profit for the year		-	-	-	5,499,671	-	5,499,671
Other comprehensive income		-	-	-	-	-	-
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	1,520	(1,520)	-	-
Total comprehensive income		-	-	(28,888)	5,528,559	-	5,499,671
Transactions with owners in their capacity as owners:							
Issue of shares on acquisition of HBL Kenya assets and liabilities	31	53,125	1,711,802	-	-	-	1,764,927
Dividends:							
- Final for 2016 paid	13	-	-	-	-	(692,435)	(692,435)
- Proposed for 2017	13	-	-	-	(726,966)	726,966	-
Total transactions with owners, recognised directly in equity		53,125	1,711,802	-	(726,966)	34,531	1,072,492
At end of year		1,118,409	9,006,569	1,357,296	30,794,732	726,966	43,003,972

The notes on pages 78 to 140 are an integral part of these financial statements

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2017

		Group		Bank	
	Note	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Cash flows from/(used in) operating activities					
Interest receipts		34,860,913	30,179,707	25,838,674	21,504,053
Interest payments		(13,978,997)	(12,274,604)	(11,184,103)	(9,129,020)
Net fee and commission receipts		3,140,739	3,091,066	1,784,618	1,682,036
Other income received		1,914,316	1,901,622	1,232,537	1,334,166
Recoveries from loans previously written off	17	150,079	72,195	20,221	13,305
Payments to employees and suppliers		(8,872,466)	(7,800,888)	(5,191,184)	(4,470,233)
Income tax paid	11 (c)	(5,601,625)	(3,949,992)	(4,637,482)	(3,148,222)
Cash flows from operating activities before changes in operating assets and liabilities		11,612,959	11,219,106	7,863,281	7,786,085
Changes in operating assets and liabilities:					
- cash reserve requirement		(795,224)	(2,320,502)	(1,066,589)	(2,117,086)
- Government securities		(19,040,677)	(42,022,834)	(10,961,562)	(37,043,922)
- loans and advances to customers		(12,517,540)	(12,699,976)	(13,274,992)	(13,546,501)
- Balances due from subsidiary companies		-	-	113,857	113,589
- customer deposits		20,764,779	43,457,323	13,324,513	42,370,414
- other assets		492,619	(412,125)	656,952	(321,482)
- other liabilities		1,868,011	(680,459)	1,719,699	(818,850)
Net cash from/(used in) operating activities		2,384,927	(3,459,467)	(1,624,841)	(3,577,753)
Cash flows used in investing activities					
Purchase of property and equipment	22	(965,191)	(1,388,113)	(458,109)	(891,102)
Purchase of intangible assets - software costs	21	(400,647)	(441,788)	(327,654)	(410,424)
Purchase of shares via rights issues		-	-	(1,056,380)	(1,151,558)
Net proceeds from sale of Government securities		(878)	(10,531)	(878)	(10,531)
Proceeds from sale of property and equipment		9,102	2,662	2,762	1,355
Dividend received		-	-	68,704	58,076
Net cash used in investing activities		(1,357,614)	(1,837,770)	(1,771,555)	(2,404,184)
Cash flows used in financing activities					
Proceeds from borrowings		379,682	10,301,532	-	10,279,284
Repayment of borrowings		(5,430,160)	(14,658,886)	(5,258,898)	(14,499,774)
Finance costs		(964,378)	(936,736)	(758,407)	(910,660)
Proceeds from additional shares issued to NCI		-	505,584	-	-
Unclaimed dividends surrendered to UFAA		-	(133,041)	-	(133,041)
Dividends paid to equity holders of the bank	13	(692,435)	(605,275)	(692,435)	(605,275)
Dividends paid to non controlling interests		(40,693)	(34,589)	-	-
Net cash from financing activities		(6,747,984)	(5,561,411)	(6,709,740)	(5,869,466)
Net decrease in cash and cash equivalents		(5,720,671)	(10,858,648)	(10,106,136)	(11,851,403)
Cash and cash equivalents at start of year		2,865,866	15,269,755	(7,097,656)	4,753,747
Cash and cash equivalents acquired from HBL		6,546,360	-	6,546,360	-
Translation difference		(901,629)	(1,545,241)	-	-
		8,510,597	13,724,514	(551,296)	4,753,747
Cash and cash equivalents at end of year	38	2,789,926	2,865,866	(10,657,432)	(7,097,656)

The notes on pages 78 to 140 are an integral part of these financial statements

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 Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 8. The shares of the Company are listed at the Nairobi Securities Exchange. Diamond Trust Bank Kenya Limited and its subsidiaries operate in Kenya, Tanzania, Uganda and Burundi through the subsidiaries Diamond Trust Insurance Agency, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited and Diamond Trust Bank Burundi SA 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 (IFRS) and IFRS Interpretations Committee (IFRIC) applicable to companies reporting under IFRS. 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.

2 Summary of significant accounting policies

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

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 of directors 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.

(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 2017, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2017. The nature and effects of the changes are as explained here in.

New standard or amendments	Effective for annual periods beginning on or after
Disclosure Initiative (Amendments to IAS 7)	1 January 2017
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	1 January 2017

Disclosure Initiative (Amendments to IAS 7)

The amendments in Disclosure Initiative (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The International Accounting Standards Board (IASB) requires that the following changes in liabilities arising from financing activities are disclosed (to the extent necessary): (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The IASB defines liabilities arising from financing activities as liabilities "for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities". It also stresses that the new disclosure requirements also relate to changes in financial assets if they meet the same definition.

The amendments state that one way to fulfil the new disclosure requirement is to provide a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Finally, the amendments state that changes in liabilities arising from financing activities must be disclosed separately from changes in other assets and liabilities.

The movement in long term borrowing is as disclosed on Note 30

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)

The amendments in Recognition of Deferred Tax Assets for Unrealised Losses clarify the following aspects:

-Unrealised losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.

-The carrying amount of an asset does not limit the estimation of probable future taxable profits.

NOTES TO THE FINANCIAL STATEMENTS (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)

Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (Continued)

-An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilisation of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

The standard was effective for annual periods beginning on or after 1 January 2017 with early application permitted. As transition relief, an entity may recognise the change in the opening equity of the earliest comparative period in opening retained earnings on initial application without allocating the change between opening retained earnings and other components of equity. The IASB has not added additional transition relief for first-time adopters.

The adoption of these changes did not have any impact on the financial statements of the Group.

Annual improvements cycle (2014-2016)

IFRS 12 Employee Benefits

Disclosure of Interests in Other Entities

Clarifies that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution.

The adoption of these changes did not have any impact on the financial statements of the Group.

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2017

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2017, and have not been applied in preparing these financial statements. The Group does not plan to adopt these standards early. These are summarised below;

Standard/ Interpretation	Effective date
IFRS 15 Revenue from Contracts with Customers	1 January 2018.
IFRS 9 Financial Instruments	1 January 2018.
IFRS 9 Financial Instruments (2014)	1 January 2018.
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018.
IFRS 16 Leases	1 January 2019.
IAS 28 Long-term Interests in Associates and Joint Ventures	1 January 2019.
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28).	To be determined

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 2017 (Continued)

IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures.

The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; identify the performance obligations in the contract; determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

The adoption of these changes will not have a significant effect to the amounts and disclosures of the Group's financial statements.

IFRS 9 Financial Instruments

The Bank early adopted the previous version of IFRS 9 dealing with classification and measurement of financial assets in 2012. On 29 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application permitted if, and only if, it is possible without the use of hindsight. The bank will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement including impairment changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

The new classification and measurement and impairment requirements will be applied by adjusting our Balance Sheet on 1 January 2018, the date of initial application, with no restatement of comparative period financial information.

Based on current estimates, the adoption of IFRS 9 is expected to result in incremental impairment provisions of between 1% to 2% from the provisions held as at 31 December 2017. The impact is primarily attributable to increases in the allowance for credit losses under the new impairment requirements.

NOTES TO THE FINANCIAL STATEMENTS (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 2017 (Continued)

IFRS 9 Financial Instruments (Continued)

Classification and measurement.

IFRS 9 introduces a principles-based approach to the classification of financial assets. Debt instruments, including hybrid contracts, are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) or amortized cost based on the nature of the cash flows of the assets and an entity's business model. These categories replace the existing IAS 39 classifications of FVTPL, available for sale (AFS), loans and receivables, and held-to-maturity.

Equity instruments are measured at FVTPL, unless they are not held for trading purposes, in which case an irrevocable election can be made on initial recognition to measure them at FVOCI with no subsequent reclassification to profit or loss.

For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9 other than the provisions relating to the recognition of changes in own credit risk for financial liabilities designated at fair value through profit or loss, as permitted by IFRS 9.

Impairment

Impairment Overall Comparison of the New Impairment Model and the Current Model

IFRS 9 introduces a new, single impairment model for financial assets that requires the recognition of expected credit losses (ECL) rather than incurred losses as applied under the current standard. Currently, impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after initial recognition of the asset and that loss event has a detrimental impact on the estimated future cash flows of the asset that can be reliably estimated. If there is no objective evidence of impairment for an individual financial asset, that financial asset is included in a group of assets with similar credit risk characteristics and collectively assessed for impairment losses incurred but not yet identified. Under IFRS 9, ECLs will be recognized in profit or loss before a loss event has occurred, which could result in earlier recognition of credit losses compared to the current model.

Under the current standard, incurred losses are measured by incorporating reasonable and supportable information about past events and current conditions. Under IFRS 9, the ECL model, which is forward-looking, in addition requires that forecasts of future events and economic conditions be used when determining significant increases in credit risk and when measuring expected losses. Forward-looking macroeconomic factors such as unemployment rates, inflation rates, interest rates, exchange rates, domestic borrowing, credit to private sector and gross domestic product will be incorporated into the risk parameters. Estimating forward-looking information will require significant judgment and must be consistent with the forward-looking information used by the Bank for other purposes, such as forecasting and budgeting.

Scope

Under IFRS 9, the same impairment model is applied to all financial assets, except for financial assets classified or designated as at FVTPL and equity securities designated as at FVOCI, which are not subject to impairment assessment. The scope of the IFRS 9 expected credit loss impairment model includes amortized cost financial assets, debt securities classified as at FVOCI, and off balance sheet loan commitments and financial guarantees which were previously provided for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets (IAS 37). The above-mentioned reclassifications into or out of these categories under IFRS 9 and items that previously fell under the IAS 37 framework were considered in determining the scope of our application of the new expected credit loss impairment 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 2017 (Continued)

IFRS 9 Financial Instruments (Continued)

Measurement of Expected Credit Losses

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs will be based primarily on the product of the instrument's probability of default (PD), loss given default (LGD), and exposure at default (EAD).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.
- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses based on the Central Bank of Kenya and banks policy on curing of loans.
- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Interest income is calculated on the gross carrying amount of the financial assets in Stages 1 and 2 and on the net carrying amount of the financial assets in Stage 3.

Assessment of Significant Increase in Credit Risk

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. The Bank has included relative and absolute thresholds in the definition of significant increase in credit risk and a backstop of 30 days past due. All financial instruments that are 30 days past due are migrated to Stage 2.

Definition of Default.

IFRS 9 does not define default but requires the definition to be consistent with the definition used for internal credit risk management purposes. However, IFRS 9 contains a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due. Under IFRS 9, the Bank will consider a financial asset as credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred or when contractual payments are 90 days past due. The Bank's write-off policy under IAS 39 is not expected to be materially different under IFRS 9.

NOTES TO THE FINANCIAL STATEMENTS (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 2017 (Continued)

IFRS 9 Financial Instruments (Continued)

Hedge Accounting

IFRS 9 introduces a new general hedge accounting model that better aligns hedge accounting with risk management activities. However, the current hedge accounting requirements under IAS 39 may continue to be applied until the IASB finalizes its macro hedge accounting project. The IFRS 9 Hedge accounting requirements will not have any significant impact on the Group as the bank does not have significant hedges.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration

This Interpretation applies to a foreign currency transaction (or part of it) when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income (or part of it).

This Interpretation stipulates that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

This Interpretation does not apply to income taxes, insurance contracts and circumstances when an entity measures the related asset, expense or income on initial recognition:

- (a) at fair value; or
- (b) at the fair value of the consideration paid or received at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability arising from advance consideration (for example, the measurement of goodwill applying IFRS 3 Business Combinations).

The amendments apply retrospectively for annual periods beginning on or after 1 January 2018, with early application permitted.

The adoption of these changes will not have a significant effect on the amounts and disclosures of the Group's financial statements as the material portion of the Group's non monetary assets and liabilities are in local currency.

IFRS 16: Leases

On 13 January 2016 the IASB issued IFRS 16 Leases, completing the IASB's project to improve the financial reporting of leases. IFRS 16 replaces the previous leases standard, IAS 17 Leases, and related interpretations.

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). The standard defines a lease as a contract that conveys to the customer ('lessee') the right to use an asset for a period of time in exchange for consideration. A Company assesses whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time. The standard eliminates the classification of leases as either operating leases or finance leases for a lessee and introduces a single lessee accounting model. All leases are treated in a similar way to finance leases.

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 2017 (Continued)

IFRS 16: Leases (Continued)

Applying that model significantly affects the accounting and presentation of leases and consequently, the lessee is required to recognise:

- a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A Company recognises the present value of the unavoidable lease payments and shows them either as lease assets (right-of-use assets) or together with property, plant and equipment. If lease payments are made over time, a Company also recognises a financial liability representing its obligation to make future lease payments.
 - b) depreciation of lease assets and interest on lease liabilities in profit or loss over the lease term; and
 - c) separate the total amount of cash paid into a principal portion (presented within financing activities) and interest (typically presented within either operating or financing activities) in the statement of cash flows
- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. However, compared to IAS 17, IFRS 16 requires a lessor to disclose additional information about how it manages the risks related to its residual interest in assets subject to leases.

The standard does not require a Company to recognise assets and liabilities for:

- (a) short-term leases (i.e. leases of 12 months or less) and;
- (b) leases of low-value assets

The new Standard is effective for annual periods beginning on or after 1 January 2019. Early application is permitted insofar as the recently issued revenue Standard, IFRS 15 Revenue from Contracts with Customers is also applied.

The adoption of these changes will affect the amounts and disclosures of the Group's financial statements to the extent of branches leased from third parties. The Group is yet to assess the impact of IFRS 16 on the financial statements.

IFRIC 23 Clarification on accounting for Income tax exposures

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. IFRIC 23 explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

An uncertain tax treatment is any tax treatment applied by an entity where there is uncertainty over whether that treatment will be accepted by the tax authority. If an entity concludes that it is probable that the tax authority will accept an uncertain tax treatment that has been taken or is expected to be taken on a tax return, it should determine its accounting for income taxes consistently with that tax treatment. If an entity concludes that it is not probable that the treatment will be accepted, it should reflect the effect of the uncertainty in its income tax accounting in the period in which that determination is made. Uncertainty is reflected in the overall measurement of tax and separate provision is not allowed.

NOTES TO THE FINANCIAL STATEMENTS (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 2017 (Continued)

IFRIC 23 Clarification on accounting for Income tax exposures (Continued)

The entity is required to measure the impact of the uncertainty using the method that best predicts the resolution of the uncertainty (that is, the entity should use either the most likely amount method or the expected value method when measuring an uncertainty). The entity will also need to provide disclosures, under existing disclosure requirements, about

- (a) judgments made;
- (b) assumptions and other estimates used; and
- (c) potential impact of uncertainties not reflected.

The adoption of these changes will not have a significant effect on the amounts and disclosures of the Group's financial statements.

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

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or Company meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or Company is recognised. The definition of a business is key to determining the extent of the gain to be recognised.

The effective date for these changes has now been postponed until the completion of a broader review.

(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 Insurance Agency Limited and Premier Savings and Finance Limited, made up to 31 December 2017.

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.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

Changes in ownership interests in subsidiaries without change of control

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

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

Investment in associates

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.

A listing of the Group's associates is shown in Note 26.

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).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(iii) Group companies (Continued)

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

Interest income and expense are recognised in the statement of profit or loss for all interest bearing investments measured at amortised cost using the effective interest method, in the period in which it is earned/ charged. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected age of the financial instrument or, when appropriate a shorter period to the net carrying amount of the financial asset or liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

(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.

(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. 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.

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.

2 Summary of significant accounting policies (Continued)

(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 assets

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 designated as at fair value through other comprehensive income (FVTOCI)	Equity investments
	Financial assets at amortised cost	Loans and advances to customers
		Deposits and balances due from banking institutions
		Government securities held to maturity
Financial liabilities	Financial liabilities at amortised cost	Customer deposits
		Deposits and balances due to banking institutions
		Other liabilities
		Borrowings
Off balance sheet financial instruments	Offbalance sheet financial instruments	Guarantees, acceptances and other financial facilities

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(i) *Financial assets at fair value through profit and loss (FVTPL)*

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. A financial asset is held for trading if:

- It has been acquired principally for the purpose of selling it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking.

(ii) *Equity investments designated as at fair value through other comprehensive income (FVTOCI)*

At initial recognition, the Group can make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI. Designation at FVTOCI is not permitted if the equity investment is held for trading.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the fair value reserve. Where the asset is disposed of, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is reclassified to retained earnings.

Dividends on these investments in equity instruments are recognised in the statement of profit or loss when the Group's right to receive the dividends is established in accordance with IAS 18 Revenue, unless the dividends clearly represent a recovery of part of the cost of the investment.

(iii) *Financial assets at amortised cost*

- Financial assets are measured at amortised cost if both of the following conditions are met:
- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets meeting these criteria are measured initially at fair value plus transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment, with interest revenue recognised on an effective yield basis in investment revenue.

Subsequent to initial recognition, the Group is required to reclassify financial assets from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(iv) *Derecognition of financial assets*

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group tests control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition).

2 Summary of significant accounting policies (Continued)**(j) Impairment and uncollectability of financial assets**

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is 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.

For loans and advances in particular, a provision for identified loan impairment is established if there is objective evidence that the bank will not be able to collect all amounts due according to the contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, including amounts recoverable from guarantees and collateral.

A provision for unidentified loan impairment is established to cover losses that are judged to be present in the lending portfolio at the reporting date, but which have not been specifically identified as such. This provision is based on available historical experience and experienced management's judgement.

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the statement of profit or loss. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the statement of profit or loss. Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(k) Financial liabilities

The Group measures financial liabilities initially at fair value (being issue proceeds net of transaction costs incurred). After initial recognition, financial liabilities including customer deposits, balances due to Central Banks and banking institutions and borrowings are measured at amortised cost using the effective interest method. Financial liabilities are derecognised when extinguished.

(l) 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.

(m) 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.

(n) Leases

Assets leased to customers under agreements, which transfer substantially all the risks and rewards of ownership, with or without ultimate legal title, are classified as finance leases. When assets are held subject to a finance lease, the present value of the lease payments, discounted at the rate of interest implicit in the lease, is recognised as a receivable. The difference between the total payments receivable under the lease and the present value of the receivable is recognised as the un-earned finance income, which is allocated to the accounting periods under the pre-tax net investment method to reflect a constant periodic rate of return.

Leaseshold land with periods of over 50 years have been included in property and equipment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2 Summary of significant accounting policies (Continued)

(o) 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.

(p) 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.

(q) 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.

(r) 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.

(s) 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.

(t) 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.

(u) 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.

2 Summary of significant accounting policies (Continued)

(v) 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.

(w) 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.

(x) 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.

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.

(i) Impairment losses on loans and advances

The Group regularly reviews its loan portfolios to assess impairment. In determining whether an impairment loss should be recorded in the statement of profit or loss, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Judgements may also change with time as new information becomes available. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. The nature and carrying values of the loans and advances are disclosed in Note 17.

(ii) 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.

(iii) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(h). The recoverable amounts from each cash generating unit have been determined based on value in use calculations. These calculations are based on financial budgets approved by the board covering a three year period. The discounts rates applied on the cashflows is based on the local currency lending rates for the respective countries where the subsidiaries are based. The carrying amount of the goodwill and the key assumptions made are set out in Note 23.

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.

4 Financial risk management (Continued)

Introduction (Continued)

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.

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 level 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(a) Credit risk management (Continued)

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 bank is managed by a centralised Credit Administration Department (CAD), reporting to the respective Risk Management function. CAD is also responsible for collateral/documents management including safe-keeping.

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

4 Financial risk management (Continued)

(a) Credit risk management (Continued)

The Group follows the guidelines of the Central Bank of Kenya or the regulators under their respective jurisdictions for the classification/write off procedures relating to problem loans.

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets that are past due or impaired				
Loans and advances are summarised as follows:				
Neither past due nor impaired	150,028,116	128,119,619	115,874,881	89,011,395
Past due but not impaired	44,024,481	60,391,401	31,178,803	49,922,706
Impaired	13,050,400	6,052,824	10,597,748	4,486,767
Gross	<u>207,102,997</u>	<u>194,563,844</u>	<u>157,651,432</u>	<u>143,420,868</u>
Less: Provision for impairment of loans and advances				
Identified impairment	(8,233,546)	(4,968,968)	(7,023,575)	(3,983,289)
Unidentified impairment	(2,821,296)	(3,291,685)	(2,112,064)	(2,751,655)
	<u>196,048,155</u>	<u>186,303,191</u>	<u>148,515,793</u>	<u>136,685,924</u>

All other assets apart from loans and advances are neither past due or impaired. Other assets mainly comprise investments in government securities, deposits in Central Banks and highly rated financial institutions and are therefore considered to carry little risk.

Loans and advances less than 90 days in arrears are not considered impaired unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Past due up to 30 days	26,457,973	38,148,636	18,458,617	33,374,766
Past due 31 - 60 days	8,624,516	12,914,484	4,955,571	10,816,353
Past due 61 - 90 days	8,941,992	9,328,281	7,764,615	5,731,587
Total	<u>44,024,481</u>	<u>60,391,401</u>	<u>31,178,803</u>	<u>49,922,706</u>

Collateral, other credit enhancements

Impaired loans and advances are backed by collateral in the form of cash, properties, motor vehicles and corporate and personal guarantees.

Loans and advances that are neither past due nor impaired

The Group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. Such loans would have demonstrated financial conditions, risk factors and capacity to repay that are acceptable. These exposures will normally be maintained largely within approved product programs and with no signs of impairment or distress. These exposures are categorised as normal accounts in line with the regulators' prudential guidelines.

Past due but not impaired

This category includes exposures that are over 1 day (1 - 90 days) past due, where losses may have occurred/ been incurred but have not been identified. These exposures are graded internally as normal (1-30 days) and watch (31-90 days) in line with the regulator's guidelines. Through the management information generated by the core banking application, management is able to monitor indications of impairments through internally designed limit management and past due monitoring systems.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(a) Credit risk management (Continued)

Impaired loans and advances

Impaired loans and securities are loans and securities for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan / securities agreement(s). These loans are graded in accordance with the regulator's prudential guidelines and are termed as non-performing loans.

Allowances for impairment

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The components of this allowance are identified loss component that relates to individually significant exposures, and a collective loan loss allowance in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

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) Concentrations 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 deposit portfolios were as follows:

Group	Gross loans and advances Shs'000		Credit commitments Shs'000		Customer deposits Shs'000	
At 31 December 2017						
Manufacturing	31,041,992	15%	908,105	8%	5,332,680	2%
Wholesale and retail trade	41,557,763	20%	2,679,885	24%	37,985,931	14%
Transport and communications	14,194,207	7%	266,956	2%	5,265,382	2%
Business and financial services	30,495,347	15%	307,282	3%	73,587,777	28%
Agriculture	9,394,220	5%	176,442	2%	1,663,937	1%
Building, construction and real estate	51,675,101	25%	5,739,945	51%	10,761,875	4%
Retail housing	724,036	0%	109,480	1%	-	0%
Tourism and hotels	17,770,254	8%	248,910	2%	1,882,195	1%
Individuals	8,172,186	4%	566,316	5%	116,132,947	44%
Others	2,077,891	1%	299,122	2%	13,634,130	4%
	<u>207,102,997</u>	<u>100%</u>	<u>11,302,443</u>	<u>100%</u>	<u>266,246,854</u>	<u>100%</u>
At 31 December 2016						
Manufacturing	23,147,323	12%	1,708,079	12%	6,077,903	3%
Wholesale and retail trade	38,211,779	20%	3,426,029	25%	22,149,689	9%
Transport and communications	16,189,077	8%	258,710	2%	5,401,278	2%
Business and financial services	36,258,179	18%	561,477	4%	64,696,407	27%
Agriculture	8,799,930	5%	158,594	1%	1,650,006	1%
Building, construction and real estate	47,778,817	24%	6,715,306	48%	12,129,029	5%
Retail housing	1,012,055	1%	78,430	1%	-	0%
Tourism and hotels	15,095,539	8%	392,356	3%	513,842	0%
Individuals	5,912,254	3%	528,398	4%	111,119,677	47%
Others	2,158,891	1%	46,907	0%	14,365,809	6%
	<u>194,563,844</u>	<u>100%</u>	<u>13,874,286</u>	<u>100%</u>	<u>238,103,640</u>	<u>100%</u>

4 Financial risk management (Continued)

(b) Concentration of risk (Continued)

Bank	Gross loans and advances Shs'000		Credit commitments Shs'000		Customer deposits Shs'000	
At 31 December 2017						
Manufacturing	23,058,577	15%	240,282	3%	4,262,936	2%
Wholesale and retail trade	28,160,473	18%	582,076	8%	20,014,512	11%
Transport and communications	10,019,851	6%	146,664	2%	4,713,733	2%
Business and financial services	26,843,137	17%	8,220	0%	59,506,044	31%
Agriculture	7,659,016	5%	132,658	2%	1,325,446	1%
Building, construction and real estate	40,052,272	25%	5,139,888	74%	9,457,637	5%
Retail housing	709,841	1%	109,480	2%	-	0%
Tourism and hotels	13,071,228	8%	139,401	2%	739,916	0%
Individuals	8,008,190	5%	376,772	5%	80,799,521	43%
Others	68,847	0%	156,626	2%	9,648,825	5%
	157,651,432	100%	7,032,067	100%	190,468,570	100%
At 31 December 2016						
Manufacturing	15,192,176	11%	1,247,828	11%	4,665,683	3%
Wholesale and retail trade	23,987,567	17%	2,480,400	22%	15,521,563	9%
Transport and communications	11,873,987	8%	204,775	2%	4,339,048	4%
Business and financial services	31,952,193	22%	76,500	1%	49,393,238	29%
Agriculture	6,637,201	5%	155,210	1%	1,236,282	1%
Building, construction and real estate	36,126,656	24%	6,158,847	56%	9,322,898	5%
Retail housing	1,000,286	1%	78,430	1%	-	0%
Tourism and hotels	10,887,623	8%	288,312	3%	425,322	0%
Individuals	5,580,470	4%	362,798	3%	75,371,152	44%
Others	182,709	0%	35,165	0%	9,324,717	5%
	143,420,868	100%	11,088,265	100%	169,599,903	100%

(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, in the Group's case. 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 and Compliance 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 Bank's exposure to price risk was limited to its investment in Government securities held at fair value through the profit and loss. This investment has subsequently been disposed in January 2018. A price movement of +/-5% in the price of the securities would not have had any significant impact on profit or equity.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest rate risk

Interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, i.e. the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

A substantial part of the Group's assets and liabilities are subject to floating rates, hence are re-priced simultaneously. However, the Group is exposed to interest rate risk as a result of mismatches on a relatively small portion of its fixed rate assets and liabilities. The major portion related to this risk is reflected in the banking book owing to investments in fixed rate treasury bonds. The overall potential impact of the mismatches on the earnings in short-term and economic value of the portfolio in the long-term is not material and is being managed within the tolerance limits approved by the Board.

The table below summarises the Group's exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates. The Group does not bear an interest rate risk on off balance sheet items.

Group	Up to 1 month Shs'000	1-3 month Shs'000	3-12 month Shs'000	1-5 month Shs'000	Over 5 years Shs'000	Non- interest sensitive Shs'000	Total Shs'000
At 31 December 2017							
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	25,008,851	25,008,851
Government securities	9,870,847	20,372,394	68,445,702	13,792,859	-	-	112,481,802
Deposits and balances due from banking institutions	4,354,025	2,245,761	932,390	92,838	-	4,891,357	12,516,371
Loans and advances to customers	28,265,699	164,874,507	953,350	815,966	-	1,138,633	196,048,155
Corporate bond	-	-	71,480	-	-	-	71,480
Investment securities- at fair value through OCI	-	-	-	-	-	1,797,617	1,797,617
Other assets	-	-	-	-	-	1,597,417	1,597,417
Total financial assets	42,490,571	187,492,662	70,402,922	14,701,663	-	34,433,875	349,521,693
FINANCIAL LIABILITIES							
Customer deposits	130,850,580	59,642,978	54,872,990	2,410,606	-	18,469,700	266,246,854
Deposits and balances due to banking institutions	18,497,986	12,195	929,682	-	-	1,064,130	20,503,993
Borrowings	-	4,125,095	13,031,379	-	-	18,460	17,174,934
Other liabilities	-	-	-	-	-	5,157,751	5,157,751
Total financial liabilities	149,348,566	63,780,268	68,834,051	2,410,606	-	24,710,041	309,083,532
Interest sensitivity gap	(106,857,995)	123,712,394	1,568,871	12,291,057	-	9,723,834	40,438,161
At 31 December 2016							
Total financial assets	42,421,520	184,250,444	49,072,385	7,945,605	-	32,631,063	316,321,017
Total financial liabilities	76,296,104	56,732,068	74,829,957	1,409,469	-	71,467,771	280,735,369
Interest sensitivity gap	(33,874,584)	127,518,376	(25,757,572)	6,536,136	-	(38,836,708)	35,585,648

4 Financial risk management (Continued)

(c) Market risk management (Continued)

(ii) Interest rate risk (Continued)

Bank	Up to 1 month Shs'000	1-3 month Shs'000	3-12 month Shs'000	1-5 month Shs'000	Over 5 years Shs'000	Non- interest sensitive Shs'000	Total Shs'000
At 31 December 2017							
FINANCIAL ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	15,050,191	15,050,191
Government securities	7,588,427	17,242,906	54,408,004	5,671,877	-	-	84,911,214
Deposits and balances due from banking institutions	2,910,469	-	-	-	-	-	2,910,469
Loans and advances to customers	92,730	148,043,945	379,118	-	-	-	148,515,793
Investment securities- at fair value through OCI	-	-	-	-	-	1,797,617	1,797,617
Other assets	-	-	-	-	-	1,198,736	1,198,736
Total financial assets	10,591,626	165,286,851	54,787,122	5,671,877	-	18,046,544	254,384,020
FINANCIAL LIABILITIES							
Customer deposits	102,953,602	52,026,198	35,342,612	146,158	-	-	190,468,570
Deposits and balances due to banking institutions	17,959,248	-	826,438	-	-	-	18,785,686
Borrowings	-	7,243,858	6,318,410	-	-	-	13,562,268
Other liabilities	-	-	-	-	-	3,971,317	3,971,317
Total financial liabilities	120,912,850	59,270,056	42,487,460	146,158	-	3,971,317	226,787,841
Interest sensitivity gap	(110,321,224)	106,016,795	12,299,662	5,525,719	-	14,075,227	27,596,179
At 31 December 2016							
Total financial assets	13,145,922	161,098,590	34,666,424	5,289,782	-	16,698,920	230,899,638
Total financial liabilities	49,118,473	48,164,334	52,700,756	375,314	-	56,250,371	206,609,248
Interest sensitivity gap	(35,972,551)	112,934,256	(18,034,332)	4,914,468	-	(39,551,451)	24,290,390

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	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
+ 5% movement	1,450	670	1,224	655
- 5% movement	(1,450)	(670)	(1,224)	(655)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(c) Market risk management (Continued)

(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 by the Board.

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 in the next page, summarises the Group's and Bank's exposure to foreign currency exchange rate risk at 31 December 2017. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

Group	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHERS Shs'000	TOTAL Shs'000
At 31 December 2017					
FINANCIAL ASSETS					
Cash and balances with Central banks	2,771,090	304,073	489,628	74,787	3,639,578
Deposits and balances due from banking institutions	10,056,740	901,967	1,213,878	274,532	12,447,117
Other assets	51,984	335	1,400	104	53,823
Loans and advances to customers	97,385,225	18,421	2,997,319	50	100,401,015
Investment securities- at fair value through OCI	1,797,617	-	-	-	1,797,617
Total financial assets	112,062,656	1,224,796	4,702,225	349,473	118,339,150
FINANCIAL LIABILITIES					
Customer deposits	73,779,462	3,115,342	3,021,948	209,609	80,126,361
Deposits and balances due to banking institutions	18,428,117	15,358	8,101	75,457	18,527,033
Other liabilities	348,371	2,195	1,020	1,109	352,695
Borrowings	17,156,474	-	-	18,460	17,174,934
Total financial liabilities	109,712,424	3,132,895	3,031,069	304,635	116,181,023
Net balance sheet position	2,350,232	(1,908,099)	1,671,156	44,838	2,158,127
Net off balance sheet position	(494,222)	1,842,535	(1,778,855)	41,904	(388,638)
Overall net position	1,856,010	(65,564)	(107,699)	86,742	1,769,489
At 31 December 2016					
Total financial assets	98,997,108	1,366,243	3,959,976	330,265	104,653,592
Total financial liabilities	97,101,834	2,958,686	3,128,559	400,712	103,589,791
Net balance sheet position	1,895,274	(1,592,443)	831,417	(70,447)	1,063,801
Net off balance sheet position	(2,868,791)	999,470	(768,882)	119,214	(2,518,989)
Overall net position	(973,517)	(592,973)	62,535	48,767	(1,455,188)

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 2017					
FINANCIAL ASSETS					
Cash and balances with Central banks	384,280	72,688	320,349	638	777,955
Deposits and balances due from banking institutions	1,739,043	406,933	588,742	174,719	2,909,437
Other assets	3,236	-	-	-	3,236
Loans and advances to customers	65,107,850	18,361	2,912,687	-	68,038,898
Investment securities- at fair value through OCI	1,797,617	-	-	-	1,797,617
Total financial assets	69,032,026	497,982	3,821,778	175,357	73,527,143
FINANCIAL LIABILITIES					
Customer deposits	33,876,309	2,396,684	2,277,637	180,033	38,730,663
Deposits and balances due to banking institutions	18,281,314	15,195	2,365	75,457	18,374,331
Other liabilities	115,159	-	-	-	115,159
Borrowings	13,562,268	-	-	-	13,562,268
Total financial liabilities	65,835,050	2,411,879	2,280,002	255,490	70,782,421
Net balance sheet position	3,196,976	(1,913,897)	1,541,776	(80,133)	2,744,722
Net off balance sheet position	(765,976)	1,845,623	(1,633,374)	99,460	(454,267)
Overall net position	2,431,000	(68,274)	(91,598)	19,327	2,290,455
At 31 December 2016					
Total financial assets	58,097,575	1,285,752	3,517,927	862,565	63,763,819
Total financial liabilities	56,969,106	2,243,132	2,567,918	370,279	62,150,435
Net balance sheet position	1,128,469	(957,380)	950,009	492,286	1,613,384
Net off balance sheet position	(1,913,199)	1,025,697	(723,830)	194,104	(1,417,229)
Overall net position	(784,730)	68,317	226,179	686,390	196,155

Currency risk sensitivity analysis

At 31 December 2017, 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	
	2017 Shs'million	2016 Shs'million	2017 Shs'million	2016 Shs'million
+ 5% movement	60.2	(50.9)	76.7	6.8
- 5% movement	(60.2)	50.9	(76.7)	(6.8)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(d) Liquidity risk management

Liquidity risk is the risk that the Group will be unable to meet cash flow obligations as they become due, because of an inability to liquidate assets, or to obtain adequate funding.

At management level, ALCO has the responsibility for the formulation and management of the overall strategy and oversight of the asset liability management function. At Board level and, through its sub-committee, BRMC reviews the strategy adopted by ALCO and provides direction on a periodic basis.

The Group follows a comprehensive liquidity risk management policy and procedures duly recommended by the ALCO, reviewed by the BRMC and approved by the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of the Group's liquidity under normal and crisis situation (stress testing).

The 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	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
At 31 December 2017						
FINANCIAL ASSETS						
Cash and balances with Central Banks	18,922,129	2,992,733	2,988,117	105,863	9	25,008,851
Government securities	9,975,611	21,091,273	77,597,129	18,577,195	-	127,241,208
Deposits and balances due from banking institutions	8,284,387	3,514,572	947,654	-	-	12,746,613
Loans and advances to customers	17,431,701	25,182,627	73,206,785	75,106,613	42,540,136	233,467,862
Corporate bond - held to maturity	-	-	41,592	91,047	-	132,639
Investment securities- at fair value through OCI	-	-	-	-	1,797,617	1,797,617
Other assets	1,595,296	851	1,270	-	-	1,597,417
Total financial assets	56,209,124	52,782,056	154,782,547	93,880,718	44,337,762	401,992,207
FINANCIAL LIABILITIES						
Customer deposits	134,407,686	61,308,943	59,082,669	3,096,145	18,399,678	276,295,121
Deposits and balances due to banking institutions	19,864,055	-	953,521	3,692	-	20,821,268
Borrowings	-	521,744	6,795,378	10,224,650	1,339,826	18,881,598
Other liabilities	5,154,080	71	3,600	-	-	5,157,751
Total financial liabilities	159,425,821	61,830,758	66,835,168	13,324,487	19,739,504	321,155,738
Net liquidity gap	(103,216,697)	(9,048,702)	87,947,379	80,556,231	24,598,258	80,836,469
At 31 December 2016						
Total financial assets	56,652,947	60,583,904	106,112,725	90,471,063	46,072,741	359,893,380
Total financial liabilities	149,654,727	53,114,268	67,264,136	21,994,021	1,684,213	293,711,365
Net liquidity gap	(93,001,780)	7,469,636	38,848,589	68,477,042	44,388,528	66,182,015

4 Financial risk management (Continued)

(d) Liquidity risk management (Continued)

Bank	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000

At 31 December 2017

FINANCIAL ASSETS

Cash and balances with Central Bank of Kenya	10,391,694	2,769,399	1,881,318	7,780	-	15,050,191
Government securities	7,598,525	17,595,700	62,031,697	9,711,680	-	96,937,602
Deposits and balances due from banking institutions	1,668,715	1,251,883	-	-	-	2,920,598
Loans and advances to customers	11,925,119	19,417,572	59,184,674	52,095,568	32,987,150	175,610,083
Other assets	1,198,736	-	-	-	-	1,198,736
Investment securities- at fair value through OCI	-	-	-	-	1,797,617	1,797,617
Total financial assets	32,782,789	41,034,554	123,097,689	61,815,028	34,784,767	293,514,827

FINANCIAL LIABILITIES

Customer deposits	106,665,863	53,151,678	39,382,955	617,521	-	199,818,017
Deposits and balances due to banking institutions	17,968,940	-	844,824	-	-	18,813,764
Borrowings	-	341,018	6,594,295	7,357,597	297,238	14,590,148
Other liabilities	3,971,317	-	-	-	-	3,971,317
Total financial liabilities	128,606,120	53,492,696	46,822,074	7,975,118	297,238	237,193,246
Net liquidity gap	(95,823,331)	(12,458,142)	76,275,615	53,839,910	34,487,529	56,321,581

At 31 December 2016

Total financial assets	35,302,552	51,789,618	75,245,501	61,508,738	34,547,403	258,393,812
Total financial liabilities	119,014,563	45,460,708	46,222,204	17,991,955	607,674	229,297,104
Net liquidity gap	(83,712,011)	6,328,909	29,023,297	43,516,783	33,939,730	29,096,708

NOTES TO THE FINANCIAL STATEMENTS (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 bank's Risk & Compliance function.

(f) 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).

		Group		Bank	
		2017	2016	2017	2016
		Shs'000	Shs'000	Shs'000	Shs'000
Level 1	Government securities	15,474	201,941	15,474	201,941
Level 2	Land and buildings	3,702,585	3,686,195	3,452,719	3,448,340
Level 2	Investment securities at FVOCI	1,797,617	-	1,797,617	-
		<u>5,515,676</u>	<u>3,888,136</u>	<u>5,265,810</u>	<u>3,650,281</u>

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.

4 Financial risk management (Continued)**(f) Fair values of financial assets and liabilities (Continued)**

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.

(g) Capital management

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

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

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

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

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

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

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

a. Core capital to Total risk weighted assets (TRWA) ratio	10.50%
b. Core capital to deposits ratio	8.00%
c. Total capital to TRWA ratio	14.50%

The Bank maintains an internally set and Board-approved Board minimum CAR requirement of 1% over and above the CBK prescribed minimum of Core capital/TRWA ratio of 11.5% and Total capital to TRWA ratio of 15.5%.

As at 31 December 2017, the bank's capital ratios are above the enhanced minimum capital requirements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4 Financial risk management (Continued)

(g) Capital management (Continued)

The Bank's total regulatory capital is divided into two tiers:

1. Tier 1 capital (core capital): share capital, share premium plus retained earnings.
2. Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments and statutory loan reserve. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

During the year, the Group and bank have complied with requirements of the regulators; Central Bank of Kenya, Bank of Tanzania, Bank of Uganda, Banque de la Republique du Burundi, the Capital Markets Authority as well as the Nairobi Securities Exchange.

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

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Tier 1 Capital	48,147,761	41,267,596	36,039,001	29,720,081
Tier 1 + Tier 2 Capital	54,606,090	48,664,930	38,790,383	33,904,199
Risk-weighted assets				
On-balance sheet	206,915,373	196,075,787	155,455,549	143,240,377
Off-balance sheet	1,158,277	22,031,359	22,557,980	17,591,794
Operational and market risk	26,735,888	22,548,456	26,025,107	22,390,599
Total risk-weighted assets	234,809,538	240,655,602	204,038,636	183,222,770
Basel ratio				
Tier 1 (CBK minimum - 10.5%)	20.5%	17.1%	17.3%	16.2%
Tier I + Tier II (CBK minimum - 14.5%)	23.3%	20.2%	19.0%	18.5%

The capital adequacy ratios for the subsidiaries are summarised below;

	2017	2016
Tier 1		
DTB Tanzania - Bank of Tanzania (BOT) minimum - 12.5%;	19.2%	19.7%
DTB Uganda - Bank of Uganda (BOU) minimum - 12.5%	25.0%	18.4%
DTB Burundi - Banque de la Republique du Burundi minimum - 12.5%	59.1%	55.9%
Tier I + Tier II		
DTB Tanzania (BOT) minimum - 14.5%;	24.9%	26.2%
DTB Uganda - (BOU) minimum -14.5%	29.9%	23.1%
DTB Burundi - Banque de la Republique du Burundi minimum - 14.5%	62.0%	58.1%

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
5 Interest income				
Loans and advances	22,651,861	23,917,030	16,837,147	17,412,241
Government securities	11,744,676	9,598,968	8,694,690	7,203,226
Placements and bank balances	232,253	296,878	101,556	188,472
	34,628,790	33,812,876	25,633,393	24,803,939

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
6 Interest expense				
Customer deposits	13,497,804	12,942,194	10,659,671	9,777,307
Deposits due to banking institutions	490,587	415,631	481,658	352,496
	<u>13,988,391</u>	<u>13,357,825</u>	<u>11,141,329</u>	<u>10,129,803</u>
7 Net fee and commission income				
Fee and commission income	3,284,531	3,169,417	1,928,410	1,751,563
Inter-bank transaction fees	(143,792)	(132,347)	(143,792)	(123,523)
Net fees and commissions	<u>3,140,739</u>	<u>3,037,070</u>	<u>1,784,618</u>	<u>1,628,040</u>
8 Other operating income				
Rental income	43,798	48,759	43,277	48,244
Commission from insurance business	247,227	146,708	117,515	53,996
(Loss)/ gain on sale of property and equipment	(3,249)	(639)	1,379	(1,133)
Other	99,845	18,910	159,956	68,607
	<u>387,621</u>	<u>213,738</u>	<u>322,127</u>	<u>169,714</u>
9 Operating expenses				
Operating expenses include:				
Staff costs - current year	4,014,339	3,847,869	2,448,213	2,349,677
- Prior years provisions reversed	-	(380,000)	-	(380,000)
Total staff costs (Note 10)	4,014,339	3,467,869	2,448,213	1,969,677
Depreciation (Note 22)	982,200	883,552	570,146	528,586
Amortisation of software costs (Note 21)	354,847	269,211	222,187	176,433
Operating lease rentals	775,915	692,307	385,090	317,646
Auditors' remuneration	19,357	17,586	8,050	7,347
Other expenses	4,413,207	3,864,744	2,361,907	2,175,563
	<u>10,559,865</u>	<u>9,195,269</u>	<u>5,995,593</u>	<u>5,175,252</u>
10 Staff costs				
Salaries and allowances				
- current year	3,498,142	3,359,044	2,254,456	2,170,067
- Prior years provisions reversed	-	(380,000)	-	(380,000)
Contribution to defined contribution retirement scheme	94,311	85,852	92,702	84,253
National Social Security Fund contribution	112,568	109,854	2,627	2,677
Others including insurance and training expenses	309,318	293,119	98,428	92,680
	<u>4,014,339</u>	<u>3,467,869</u>	<u>2,448,213</u>	<u>1,969,677</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
11 Income tax expense				
a Tax charge				
Current income tax	4,199,844	4,396,943	3,304,839	3,590,490
Over provision of income tax in previous year	(1,619)	(158,737)	(1,500)	(100)
Deferred income tax (Note 24)	(1,026,013)	(1,031,960)	(575,272)	(860,725)
Under/(over) provision of deferred tax credit in previous year (Note 24)	983	61,310	(180)	(5,187)
	3,173,195	3,267,556	2,727,887	2,724,478

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	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Profit before income tax	10,098,235	10,995,696	8,227,558	8,876,383
Tax calculated at the statutory tax rate of 30% (2016: 30%)	3,029,471	3,298,709	2,468,268	2,662,915
Tax effect of:				
Income not subject to tax	(419,722)	(239,980)	(26,086)	(22,963)
Expenses not deductible for tax purposes	143,167	137,115	211,503	89,813
Deferred tax inherited from HBL	75,882	-	75,882	-
Overprovision of current income tax in previous year	(1,619)	(158,737)	(1,500)	(100)
Under/(over) provision of deferred tax credit in previous year	983	61,310	(180)	(5,187)
Final tax on investment income	345,033	169,139	-	-
Income tax expense	3,173,195	3,267,556	2,727,887	2,724,478
c) Tax payable /(receivable)				
At 1 January				
Payable	695,434	291,958	681,444	239,276
Receivable	(121,468)	(6,206)	-	-
	573,966	285,752	681,444	239,276
Income tax charge	4,199,844	4,396,943	3,304,839	3,590,490
Prior year overprovision	(1,619)	(158,737)	(1,500)	(100)
Tax paid	(5,601,625)	(3,949,992)	(4,637,482)	(3,148,222)
At 31 December	(829,434)	573,966	(652,699)	681,444
Comprising of:				
Tax payable	-	695,434	-	681,444
Tax receivable	(829,434)	(121,468)	(652,699)	-
	(829,434)	573,966	(652,699)	681,444

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	
	2017	2016	2017	2016
Profit attributable to shareholders (Shs thousands)	6,449,811	7,173,939	5,499,671	6,151,905
Weighted average number of ordinary shares in issue (thousands)	271,855	266,321	271,855	266,321
Earnings per share (Shs per share) - basic and diluted	23.73	26.94	20.23	23.10

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2017. As detailed under Note 31 and 34, the bank issued 13,281,105 shares to Habib Bank Limited on 1 August 2017 as consideration for the acquisition of its Kenyan branch assets and liabilities. There were no potentially dilutive shares outstanding at 31 December 2017.

13 Dividends per share

At the Annual General Meeting to be held on 24 May 2018, a final dividend in respect of the year ended 31 December 2017 of Shs 2.60 per share amounting to a total of Shs 726,965,772 is to be proposed. The total dividend for the year is Shs 2.60 per share (2016: Shs 2.60), amounting to a total of Shs 726,965,772 (2016: Shs 692,434,899).

Payment of dividends is subject to withholding tax at a rate of 5% for shareholders who are citizens of East Africa Partner States and 10% for all other shareholders.

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
14 Cash and balances with Central Banks				
Cash in hand	7,632,063	5,903,563	4,888,042	3,940,380
Balances with Central Banks				
-Unrestricted balances	1,675,731	6,728,321	329,743	2,222,255
-Restricted balances (Statutory Minimum Reserve)	15,701,057	14,848,444	9,832,406	8,765,817
	25,008,851	27,480,328	15,050,191	14,928,452

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 5.25 % (2016: 5.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

15 Government securities

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
-At amortised cost				
Treasury bills	79,116,543	80,349,340	62,780,731	66,670,188
Treasury bonds	33,349,785	12,126,551	22,115,009	7,641,672
Total Government securities	112,466,328	92,475,891	84,895,740	74,311,860
-At fair value through profit and loss				
Treasury bonds	15,474	201,941	15,474	201,941
Total	112,481,802	92,677,832	84,911,214	74,513,801

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15 Government securities (Continued)

The maturity profile of Government securities is as follows:

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Included in cash and cash equivalents	1,469,754	198,647	-	-
Less than 1 year	97,219,189	84,533,580	79,239,337	69,224,019
1-5 years	13,792,859	7,945,605	5,671,877	5,289,782
	112,481,802	92,677,832	84,911,214	74,513,801

16 Deposits and balances due from banking institutions

Due from other banks	12,516,371	7,611,137	2,910,469	2,886,933
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All deposits due from banking institutions are due within 91 days.

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
17 Loans and advances to customers				
Loans and advances	200,879,492	187,222,307	151,427,927	136,079,331
Finance leases	6,223,505	7,341,537	6,223,505	7,341,537
Gross loans and advances	207,102,997	194,563,844	157,651,432	143,420,868
Less: Provision for impairment				
Identified impairment	(8,233,546)	(4,968,968)	(7,023,575)	(3,983,289)
Unidentified impairment	(2,821,296)	(3,291,685)	(2,112,064)	(2,751,655)
Net loans and advances	196,048,155	186,303,191	148,515,793	136,685,924

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

	Group		Bank	
	Identified Impairment Shs'000	Unidentified impairment Shs'000	Identified Impairment Shs'000	Unidentified impairment Shs'000
Year ended 31 December 2016				
At start of year	2,820,579	2,489,253	2,061,470	1,880,713
Provision for loan impairment	3,880,744	881,705	2,259,322	870,942
Loans written off during the year as uncollectible	(1,203,792)	-	(25,008)	-
Release of provision no longer required	(459,080)	(53,335)	(312,495)	-
Translation difference	(69,483)	(25,938)	-	-
At end of year	4,968,968	3,291,685	3,983,289	2,751,655
Year ended 31 December 2017				
At start of year	4,968,968	3,291,685	3,983,289	2,751,655
Provision for loan impairment	5,347,541	173,596	3,791,244	-
Loans written off during the year as uncollectible	(1,901,582)	-	(743,791)	-
Release of provision no longer required	(640,792)	(660,290)	(490,645)	(660,290)
Acquired from Habib Bank Limited	483,478	20,699	483,478	20,699
Translation difference	(24,067)	(4,394)	-	-
At end of year	8,233,546	2,821,296	7,023,575	2,112,064

17 Loans and advances to customers (Continued)

	Identified Impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
Charge to statement of profit or loss (Group)			
Year ended 31 December 2016			
Provision for loan impairment	3,880,744	881,705	4,762,449
Release of provision no longer required	(459,080)	(53,335)	(512,415)
Net increase in provision	3,421,664	828,370	4,250,034
Amounts recovered previously written off	(72,195)	-	(72,195)
Loans written off through the statement of profit or loss	19,503	-	19,503
Net charge to the statement of profit or loss	3,368,972	828,370	4,197,342
Year ended 31 December 2017			
Provision for loan impairment	5,347,541	173,596	5,521,137
Release of provision no longer required	(640,792)	(660,290)	(1,301,082)
Net increase in provision	4,706,749	(486,694)	4,220,055
Amounts recovered previously written off	(150,079)	-	(150,079)
Loans written off through the statement of profit or loss	80,722	-	80,722
Net charge to the statement of profit or loss	4,637,392	(486,694)	4,150,698

	Identified Impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
Charge to statement of profit or loss (Bank)			
Year ended 31 December 2016			
Provision for loan impairment	2,259,322	870,942	3,130,264
Release of provision no longer required	(312,495)	-	(312,495)
Net increase in provision	1,946,827	870,942	2,817,769
Amounts recovered previously written off	(13,305)	-	(13,305)
Loans written off through statement of profit or loss	2,890	-	2,890
Net charge to statement of profit or loss	1,936,412	870,942	2,807,354
Year ended 31 December 2017			
Provision for loan impairment	3,791,244	-	3,791,244
Release of provision no longer required	(490,645)	(660,290)	(1,150,935)
Net increase in provision	3,300,599	(660,290)	2,640,309
Amounts recovered previously written off	(20,221)	-	(20,221)
Loans written off through statement of profit or loss	39,981	-	39,981
Net charge to statement of profit or loss	3,320,359	(660,290)	2,660,069

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 2017, was Group: Shs 4.8 billion, Bank: Shs 3.6 billion (2016 - Group: Shs 1.0 billion, Bank: Shs 0.5 billion).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17 Loans and advances to customers (Continued)

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

	Group and Bank	
	2017	2016
	Shs'000	Shs'000
Gross investment in finance leases:		
Not later than 1 year	785,350	463,295
Later than 1 year and not later than 5 years	6,778,306	7,606,785
Later than 5 years	-	96,199
	7,563,656	8,166,279
Unearned future finance income on finance leases	(1,340,151)	(824,742)
Net investment in finance leases	6,223,505	7,341,537
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	710,782	438,352
Later than 1 year and not later than 5 years	5,512,723	6,807,208
Later than 5 years	-	95,977
Net investment in finance leases	6,223,505	7,341,537

	Group	
	2017	2016
	Shs'000	Shs'000
18 Corporate bond at amortised cost	71,480	100,154

Diamond Trust Bank Tanzania in May 2015 subscribed to a five years (5) unsecured bonds (Corporate Bond) issued by Eastern and Southern Africa Development Bank (PTA Bank). The corporate bond is maturing in May 2020.

	Bank	
	2017	2016
	Shs'000	Shs'000
Subordinated debts to Diamond Trust Bank Uganda	-	57,030
Subordinated debts to Diamond Trust Bank Tanzania	-	57,030
	-	114,060

The balances due from group companies relate to 7.5 year and 6.5 year loans issued in 2010 and 2011 respectively to Diamond Trust Bank Uganda and Diamond Trust Bank Tanzania respectively, to enhance their capital base. The debts are redeemable on maturity and bear interest at a rate referenced to the six months libor. The debts were fully repaid by end of 2017.

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
20 Other assets				
Uncleared effects	864,537	1,077,277	761,228	921,590
Deposits and prepayments	954,198	739,609	457,620	385,127
Others	732,880	1,071,098	437,508	848,878
	2,551,615	2,887,984	1,656,356	2,155,595

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
21 Intangible assets-software costs				
At start of year	1,283,008	595,492	979,459	386,186
Additions	400,647	441,788	327,654	410,424
Acquired from Habib Bank Limited (Note 34)	164	-	164	-
Transfer from property and equipment (Note 22)	12,166	520,016	-	359,282
Amortisation charge for the year	(354,847)	(269,211)	(222,187)	(176,433)
Write offs/disposal	(13,082)	-	(12,450)	-
Translation difference	(999)	(5,077)	-	-
At the end of year	1,327,057	1,283,008	1,072,640	979,459
Cost	2,751,119	2,621,038	2,006,957	1,882,941
Accumulated amortisation	(1,424,062)	(1,338,030)	(934,317)	(903,482)
Net book amount	1,327,057	1,283,008	1,072,640	979,459

22 Property and equipment

(a) Group

At 1 January 2016

Year ended 31 December 2016

	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
Opening net book amount	304,791	2,198,089	843,176	31,746	1,497,970	742,995	5,618,767
Translation difference	(204)	(3,951)	(20,596)	(446)	(22,409)	(16,978)	(64,584)
Additions	-	-	129,784	40,645	542,056	675,628	1,388,113
Transfer from work in progress	365,920	(294,181)	37,111	-	449,366	(558,216)	-
Transfer to intangible assets (Note 21)	-	-	-	-	-	(520,016)	(520,016)
Revaluation	418,511	784,001	-	-	-	-	1,202,512
Disposals	-	-	(10,568)	(366)	(40,523)	-	(51,457)
Disposals - accumulated depreciation	-	-	8,499	366	39,546	-	48,411
Depreciation charge	(3,814)	(82,967)	(178,342)	(24,364)	(594,065)	-	(883,552)
Closing net book amount	1,085,204	2,600,991	809,064	47,581	1,871,941	323,413	6,738,194
At 31 December 2016							
Cost or valuation	1,085,204	2,600,991	1,663,583	153,328	4,786,853	323,413	10,613,372
Accumulated depreciation	-	-	(854,519)	(105,747)	(2,914,912)	-	(3,875,178)
Net book amount	1,085,204	2,600,991	809,064	47,581	1,871,941	323,413	6,738,194
At 31 December 2016							
Cost	432,479	1,998,632	1,663,583	153,328	4,786,853	323,413	9,358,288
Revaluation surplus	652,725	602,359	-	-	-	-	1,255,084
Cost or valuation	1,085,204	2,600,991	1,663,583	153,328	4,786,853	323,413	10,613,372

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Property and equipment (Continued)

(a) Group (Continued)

Year ended 31 December 2017

	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
Opening net book amount	1,085,204	2,600,991	809,064	47,581	1,871,941	323,413	6,738,194
Acquired from HBL (Note 34)	-	-	34,934	6,898	18,465	-	60,297
Translation difference	(1,100)	(5,617)	(3,939)	(668)	(4,725)	56	(15,993)
Additions	-	35,819	104,661	7,402	447,176	370,133	965,191
Transfer from work in progress	-	-	64,682	-	74,183	(138,865)	-
Transfer to intangible assets (Note 21)	-	-	-	-	-	(12,166)	(12,166)
Revaluation	-	(12,712)	-	-	-	-	(12,712)
Disposals	-	-	(6,504)	(10,992)	(190,035)	-	(207,531)
Disposals - accumulated depreciation	-	-	2,213	10,905	170,051	-	183,169
Depreciation charge	(18,724)	(47,825)	(184,996)	(21,344)	(709,311)	-	(982,200)
Closing net book amount	1,065,380	2,570,656	820,115	39,782	1,677,745	542,571	6,716,249
At 31 December 2017							
Cost or valuation	1,084,104	2,618,481	1,816,831	178,577	5,035,008	542,571	11,275,572
Accumulated depreciation	(18,724)	(47,825)	(996,716)	(138,795)	(3,357,263)	-	(4,559,323)
Net book amount	1,065,380	2,570,656	820,115	39,782	1,677,745	542,571	6,716,249
At 31 December 2017							
Cost	432,381	2,031,228	1,816,831	178,577	5,035,008	542,571	10,036,596
Revaluation surplus	651,723	587,253	-	-	-	-	1,238,976
Cost or valuation	1,084,104	2,618,481	1,816,831	178,577	5,035,008	542,571	11,275,572

22 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 2016							
Opening net book amount	302,228	2,079,490	297,979	21,326	832,423	462,985	3,996,431
Additions	-	-	86,254	6,881	342,392	455,575	891,102
Transfers from work in progress/reclassification	365,920	(294,181)	(23,532)	-	220,180	(268,387)	-
Transfers to intangible assets (Note 21)	-	-	-	-	-	(359,282)	(359,282)
Revaluation	395,734	680,076	-	-	-	-	1,075,810
Write off - accumulated depreciation	-	-	-	-	-	-	-
Disposals	-	-	(10,568)	-	(38,951)	-	(49,519)
Disposals - accumulated depreciation	-	-	8,499	-	38,531	-	47,030
Depreciation charge	(3,683)	(77,244)	(89,301)	(15,204)	(343,154)	-	(528,586)
Closing net book amount	1,060,199	2,388,141	269,331	13,003	1,051,421	290,891	5,072,986
At 31 December 2016							
Cost or valuation	1,060,199	2,388,141	584,086	84,240	2,696,453	290,891	7,104,010
Accumulated depreciation	-	-	(314,755)	(71,237)	(1,645,032)	-	(2,031,024)
Net book amount	1,060,199	2,388,141	269,331	13,003	1,051,421	290,891	5,072,986
At 31 December 2016							
Cost	430,251	1,909,738	584,086	84,240	2,696,453	290,891	5,995,659
Revaluation surplus	629,948	478,403	-	-	-	-	1,108,351
Cost or valuation	1,060,199	2,388,141	584,086	84,240	2,696,453	290,891	7,104,010

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 Property and equipment (Continued)

(b) Bank (Continued)

Year ended 31 December 2017

Opening net book amount	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
Additions	1,060,199	2,388,141	269,331	13,003	1,051,421	290,891	5,072,986
Acquired from Habib Bank Limited (Note 34)	-	4,379	27,274	-	208,736	217,720	458,109
Transfers from work in progress/reclassification	-	-	34,934	6,898	18,465	-	60,297
Revaluation	-	-	54,855	-	62,668	(117,523)	-
Write off - accumulated depreciation	-	-	-	-	-	-	-
Disposals	-	-	(1,881)	(1,942)	(12,354)	-	(16,177)
Disposals - accumulated depreciation	-	-	1,838	1,942	11,388	-	15,168
Depreciation charge	(18,724)	(36,315)	(87,216)	(9,455)	(418,436)	-	(570,146)
Closing net book amount	1,041,475	2,356,205	299,135	10,446	921,888	391,088	5,020,237

At 31 December 2017

Cost or revaluation	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
Accumulated depreciation	1,060,199	2,392,520	749,912	100,687	3,038,756	391,088	7,733,162
Net book amount	(18,724)	(36,315)	(450,777)	(90,241)	(2,116,868)	-	(2,712,925)
At 31 December 2017	1,041,475	2,356,205	299,135	10,446	921,888	391,088	5,020,237
Cost	430,251	1,914,117	749,912	100,687	3,038,756	391,088	6,624,811
Revaluation surplus	629,948	478,403	-	-	-	-	1,108,351
Cost or valuation	1,060,199	2,392,520	749,912	100,687	3,038,756	391,088	7,733,162

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 2016 by independent valuers Redfeam Valuers Limited, Let Consultants Limited and Construction, Aménagement, Réhabilitation et Décoration 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

22 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 2016 by independent valuers Redfearn Valuers Limited, Let Consultants Limited and Construction, Aménagement, Réhabilitation et Décoration 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		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Cost	2,520,336	2,471,840	2,464,119	2,339,989
Accumulated depreciation	(221,746)	(192,463)	(184,294)	(159,663)
Net book amount	2,298,590	2,279,377	2,279,825	2,180,326

23 Intangible assets - goodwill

	Group	
	2017	2016
	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.

Based on the above, the Group does not consider the goodwill impaired.

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% (2016: 30%). The movement on the deferred tax account is as follows:

Deferred tax asset	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	2,639,217	1,735,405	2,242,582	1,430,461
Acquired from Habib Bank Limited (Note 34)	75,882	-	75,882	-
Charged through the statement of profit or loss	1,026,013	1,031,960	575,272	860,725
Charged through other comprehensive income	5,826	(91,801)	-	(53,791)
Understatement of deferred tax in previous year	(983)	(61,310)	180	5,187
Translation difference	(20)	24,963	-	-
At end of the year	3,745,935	2,639,217	2,893,916	2,242,582

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 2016

	1.1.2016	Prior year under statement/ translation	Charged through OCI	Charged to profit or loss	31.12.2016
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities					
Unrealised foreign exchange gain	(6,087)	-	-	3,437	(2,650)
Revaluation surplus	(8,799)	-	(91,801)	(17,316)	(117,916)
	<u>(14,886)</u>	<u>-</u>	<u>(91,801)</u>	<u>(13,879)</u>	<u>(120,566)</u>
Deferred income tax assets					
Property and equipment	30,129	-	-	82,279	112,408
Provisions for loan impairment	1,542,537	(36,347)	-	1,035,878	2,542,068
Provisions for gratuity and staff bonus	177,625	-	-	(93,931)	83,694
Investment credit carried forward	-	-	-	21,613	21,613
	<u>1,750,291</u>	<u>(36,347)</u>	<u>-</u>	<u>1,045,839</u>	<u>2,759,783</u>
Net deferred income tax asset	<u>1,735,405</u>	<u>(36,347)</u>	<u>(91,801)</u>	<u>1,031,960</u>	<u>2,639,217</u>

	1.1.2017	Acquired from HBL	Prior year under statement/ translation	Charged through OCI	Charged to the statement of profit or loss	31.12.2017
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities						
Unrealised foreign exchange gain	(2,650)	-	-	-	(379)	(3,029)
Revaluation surplus	(117,916)	-	-	5,826	46,024	(66,066)
	<u>(120,566)</u>	<u>-</u>	<u>-</u>	<u>5,826</u>	<u>45,645</u>	<u>(69,095)</u>
Deferred income tax assets						
Property and equipment	112,408	-	-	-	31,589	143,997
Provisions for loan impairment	2,542,068	75,882	(1,003)	-	659,124	3,276,071
Provisions for staff bonus	83,694	-	-	-	17,794	101,488
Investment credit carried forward	21,613	-	-	-	271,861	293,474
	<u>2,759,783</u>	<u>75,882</u>	<u>(1,003)</u>	<u>-</u>	<u>980,368</u>	<u>3,815,030</u>
Net deferred income tax asset	<u>2,639,217</u>	<u>75,882</u>	<u>(1,003)</u>	<u>5,826</u>	<u>1,026,013</u>	<u>3,745,935</u>

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24 Deferred income tax (Continued)

Bank

Year ended 31 December 2016

	1.1.2016	Prior year under -statement	Charged though OCI	Charged to profit or loss	31.12.2016
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Property and equipment	79,638	-	-	69,416	149,054
Revaluation reserve	(20,169)	-	(53,791)	-	(73,960)
Provisions for loan impairment	1,200,079	5,187	-	880,480	2,085,746
Other provisions	177,000	-	-	(93,727)	83,273
Unrealised foreign exchange gain	(6,087)	-	-	4,556	(1,531)
Net deferred tax asset	1,430,461	5,187	(53,791)	860,725	2,242,582

Year ended 31 December 2017

	1.1.2017	Acquired from HBL	Prior year under -statement	Charged though OCI	Charged to profit or loss	31.12.2017
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax assets/ (liabilities)						
Property and equipment	149,054	-	-	-	-	149,054
Revaluation reserve	(73,960)	-	-	-	39,205	(34,755)
Provisions for loan impairment	2,085,746	75,882	180	-	519,916	2,681,724
Other provisions	83,273	-	-	-	17,649	100,922
Unrealised foreign exchange gain	(1,531)	-	-	-	(1,498)	(3,029)
Net deferred tax asset	2,242,582	75,882	180	-	575,272	2,893,916

Group and Bank

25 Investments securities- at fair value through OCI

	2017	2016
	Shs'000	Shs'000
	1,797,617	-

In November 2017, The Group reclassified loan and advances to Kenya Airways from loans and receivables to available for sale investment securities. This followed the decision by Kenya Airways, through a reorganization exercise, to convert the loan payable to the bank into equity shares.

Group

26 Investments in subsidiaries and associates

	2017	2016
	Shs'000	Shs'000

Associate - Jubilee Insurance Company of Burundi S.A.

At start of year	28,616	24,077
Share of results after tax	8,390	6,488
Translation	(1,544)	(1,949)
At end of year	35,462	28,616

26 Investments in subsidiaries and associates (Continued)

The cost of the investment in the subsidiaries and the associates are listed below together with the interests held.

		Beneficial Ownership	Group		Bank	
			2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
Subsidiaries	2017	2016				
Diamond Trust Bank Tanzania Limited	65.68%	65.68%	-	-	2,058,576	2,058,576
Diamond Trust Bank Uganda Limited	67.18%	61.71%	-	-	3,026,081	1,969,701
Diamond Trust Bank Burundi S.A.	67.33%	67.33%	-	-	484,611	484,611
Diamond Trust Insurance Agency Limited	100%	100%	-	-	2,000	2,000
Premier Savings and Finance Limited	100%	100%	-	-	29,137	29,137
			-	-	5,600,405	4,544,025
Associates						
Services and Systems Limited	40%	40%	1	1	1	1
Jubilee Insurance Company of Burundi S.A.	20%	20%	6,079	6,079	-	-
Total investments in subsidiaries and associates			6,080	6,080	5,600,406	4,544,026

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.

The total non-controlling interest at 31 December 2017 is Shs 5,249,960,000 (2016: Shs 4,847,237,000), of which Shs. 2,584,759,000 is for Diamond Trust Bank Tanzania Limited, Shs.2,331,954,000 for Diamond Trust Bank Uganda Limited and Shs.333,248,000 is attributable to Diamond Trust Bank Burundi SA. Transactions with non-controlling interests during the year are as detailed under Note 33.

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 TO THE FINANCIAL STATEMENTS (CONTINUED)

26 Investments in subsidiaries and associates (Continued)

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	
	2017	2016	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets	52,400,676	46,301,608	43,709,766	40,691,349	2,807,871	2,648,723
Liabilities	44,869,328	39,433,867	36,603,833	35,040,420	1,787,516	1,649,065
Shareholders funds	7,531,348	6,867,741	7,105,933	5,650,929	1,020,355	999,658
Total liabilities and equity	52,400,676	46,301,608	43,709,766	40,691,349	2,807,871	2,648,723

Summarised statement of profit or loss

Total operating income	4,299,787	3,849,045	3,526,746	3,516,895	228,077	292,543
Profit before tax	1,346,236	1,439,201	380,747	484,902	86,320	164,494
Income tax expense	(415,394)	(440,809)	21,362	(55,130)	(13,436)	(20,609)
Profit for the year	930,842	998,392	402,109	429,772	72,884	143,885
Total profit allocated to non-controlling interests	319,465	342,648	131,960	164,560	23,804	46,993
Dividends paid to non-controlling interests	40,693	34,589	-	-	-	-

Summarised Statement of cash flows

Cash generated from operations	4,127,239	(266,386)	(27,936)	1,203,428	(64,565)	(355,178)
Net cash used in investing activities	(347,123)	(234,349)	(210,357)	(278,440)	(16,255)	(14,280)
Net cash generated from financing activities	(391,339)	(50,832)	1,207,795	1,000,460	-	-
Net increase in cash and cash equivalents	3,388,777	(551,567)	969,502	1,925,448	(80,820)	(369,458)
Cash and cash equivalents at start of year	3,922,121	4,703,632	6,363,646	5,610,427	(322,245)	201,949
Exchange differences in cash and cash equivalents	(412,214)	(229,944)	(289,369)	(1,172,216)	(92,040)	(154,736)
Cash and cash equivalents at end of year	6,898,684	3,922,121	7,043,779	6,363,659	(495,105)	(322,245)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	Group		Bank	
	2017 Shs'000	2016 Shs'000	2017 Shs'000	2016 Shs'000
27 Customer deposits				
Current and demand deposits	88,307,547	70,129,916	60,657,697	49,513,844
Savings accounts	26,201,123	23,426,777	12,584,871	10,181,507
Fixed and call deposit accounts	151,738,184	144,546,947	117,226,002	109,904,552
	266,246,854	238,103,640	190,468,570	169,599,903
28 Deposits and balances due to banking institutions				
Deposits due to banking institutions	18,785,138	15,366,518	18,414,976	15,653,093
Current account balances due to banking institutions	1,718,855	2,209,284	370,710	494,131
	20,503,993	17,575,802	18,785,686	16,147,224
29 Other liabilities				
Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	413,349	83,085	357,809	36,073
Accrued expenses	609,546	984,694	463,401	833,268
Revenue collected on behalf of Revenue Authorities	631,257	534,496	-	-
Unearned income on funded and non funded income	424,321	574,590	135,096	208,049
Refundable deposits	175,792	162,559	154,629	141,396
Other payables	3,503,599	1,391,423	3,070,547	1,140,487
	5,757,864	3,730,847	4,261,042	2,438,833
30 Borrowings				
a Subordinated debt				
<i>i International Finance Corporation (IFC)</i>				
At start of year	5,387,554	5,539,322	4,451,720	4,787,041
Accrued interest	231,137	259,360	245,134	230,843
Paid during the year	(620,548)	(597,744)	(589,191)	(569,679)
Translation difference	190,023	186,616	31,721	3,515
	5,188,166	5,387,554	4,139,384	4,451,720
<i>ii DeutscheInvestitions-undEntwicklungsgesellschaft (DEG)</i>				
At start of year	1,277,746	1,183,569	-	-
Additions during the year	-	-	-	-
Net movement in interest	48,716	50,138	-	-
Translation difference	14,278	44,039	-	-
	1,340,740	1,277,746	-	-
Total - Subordinated debt	6,528,906	6,665,300	4,139,384	4,451,720

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Borrowings (Continued)

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
b Senior loan				
<i>i IFC</i>				
At start of year	647,377	1,214,077	647,377	1,214,077
Accrued interest	16,608	30,860	16,608	30,860
Paid during the year	(589,553)	(594,673)	(589,553)	(594,673)
Translation difference	5,084	(2,887)	5,084	(2,887)
	79,516	647,377	79,516	647,377
<i>ii DEG</i>				
At start of year	3,606,924	3,698,187	2,603,332	2,593,012
Accrued interest	97,699	102,020	99,911	102,314
Paid during the year	(947,153)	(255,725)	(625,392)	(95,192)
Translation difference	26,885	62,441	21,659	3,198
	2,784,355	3,606,923	2,099,510	2,603,332
<i>iii Societe de Promotion et de Participation pour la Cooperation Economique S.A (PROPARCO)</i>				
At start of year	3,102,490	3,093,919	3,102,490	3,093,919
Accrued interest	126,222	123,328	126,222	123,328
Paid during the year	(693,821)	(114,609)	(693,821)	(114,609)
Translation difference	23,063	(148)	23,063	(148)
	2,557,954	3,102,490	2,557,954	3,102,490
<i>iv) Agence Francaise Development (AFD)</i>				
At start of year	512,497	-	512,497	-
Additions in the year	516,584	512,350	-	512,350
Accrued interest	22,450	-	15,289	-
Paid during the year	(11,297)	-	(11,297)	-
Translation difference	(279)	147	3,627	147
	1,039,955	512,497	520,116	512,497
Total - Senior loans	6,461,780	7,869,287	5,257,096	6,865,696
c Trade Finance				
<i>i ICICI Bank Limited</i>				
At start of year	4,913,381	5,463,181	4,913,381	5,463,181
Additions during the year	-	4,861,826	-	4,861,826
Accrued interest	160,531	176,898	160,531	176,898
Paid during the year	(5,120,626)	(5,587,181)	(5,120,626)	(5,587,181)
Translation difference	46,714	(1,343)	46,714	(1,343)
	-	4,913,381	-	4,913,381

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Borrowings (Continued)	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
c Trade Finance (Continued)				
ii Standard Chartered Bank London				
At start of year	-	2,597,649	-	2,597,649
Additions during the year	4,129,000	2,348,191	4,129,000	2,348,191
Accrued interest	37,813	59,753	37,813	59,753
Paid during the year	-	(5,009,739)	-	(5,009,739)
Translation difference	(1,025)	4,146	(1,025)	4,146
	4,165,788	-	4,165,788	-
iii Sumitomo Mitsui Banking Corp				
At start of year	1,558,795	758,052	1,558,795	758,052
Additions during the year	-	1,544,417	-	1,544,417
Accrued interest	16,863	9,194	16,863	9,194
Paid during the year	(1,584,995)	(757,686)	(1,584,995)	(757,686)
Translation difference	9,337	4,818	9,337	4,818
	-	1,558,795	-	1,558,795
iv Citibank N.A. Nairobi				
At start of year	1,035,013	2,569,701	1,035,013	2,569,701
Additions during the year	-	1,012,500	-	1,012,500
Accrued interest	9,300	37,707	9,300	37,707
Paid during the year	(1,049,133)	(2,581,028)	(1,049,133)	(2,581,028)
Translation difference	4,820	(3,867)	4,820	(3,867)
	-	1,035,013	-	1,035,013
Total - Trade finance	4,165,788	7,507,189	4,165,788	7,507,189
d Administered funds				
Bank of Uganda	18,460	20,453	-	-
Total - Borrowings	17,174,934	22,062,229	13,562,268	18,824,605

Description of Borrowings

(i) Subordinated debts

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited has two sets of long-term subordinated debts facilities amounting to US\$ 40 million (2016: US\$ 43.3 million) raised from the International Finance Corporation (IFC). These facilities comprise of:

- US\$ 20 million unsecured facility issued in July 2013, with a tenure of 7 years. Outstanding balance as at 31 December 2017 was US\$20 million.
- US\$ 20 million unsecured facility issued in March 2015, with a tenure of 8 years. Outstanding balance as at 31 December 2017 was US\$20 million.

Diamond Trust Bank Tanzania Limited

In June 2014, Diamond Trust Bank Tanzania Limited received a subordinated debt facility of US\$ 5 million from IFC for a period of 7 years, and an additional 7 year subordinated debt facility of US\$ 7.5 million from DEG, received in September 2014.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30 Borrowings (Continued)

Description of Borrowings (Continued)

(i) Subordinated debts (Continued)

Diamond Trust Bank Uganda Limited

In August 2014, Diamond Trust Bank Uganda Limited received a subordinated debt facility of US\$ 5 million from IFC for a period of 7 years, and an additional 10 year subordinated debt facility of US\$ 5 million from DEG, received in September 2014.

The above subordinated debt facilities were obtained to enhance the respective entity's capital base. The debt obligation of the respective entity ranks ahead of the interest of holders of equity and is redeemable on maturity. These notes bear interest at rates referenced to the six months Libor.

(ii) Senior loans

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited had sourced two long-term senior loans (ten years and six and a half years respectively) from the International Finance Corporation (IFC), in 2011 and 2008. One of the facilities was fully repaid in 2017. The exposure as at 31 December 2017 stood at US\$ 0.7 million (2016 US\$ 6.3 million).

The bank also has a 7 year loan from Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a 7 year loan from Proparco and a further 11 year loan from Agence Francaise de Development (AFD). The total exposure at year end was US\$ 47.8 million (2016 US\$ 60 million)

Diamond Trust Bank Uganda Limited

In December 2013, Diamond Trust Bank Uganda Limited received a loan of US\$ 10 million from DEG for a period of 8 years. On 11 May 2017, the Bank received USD 5 million from Agence Française de Développement (AFD) for 11.2 years.

The above facilities bear interest at rates referenced to the six months Libor.

(iii) Trade finance

The trade finance borrowing relate to funds sourced to finance trade transactions. These facilities have a tenure of up to one year and will mature in 2017. The interest rates are 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 2016, DTB Uganda drew down Shs 24 million. This loan is for a period of 7 years at zero interest rate.

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
(e) Finance costs				
Subordinated debts	397,166	376,524	245,134	233,097
Senior loans	316,363	297,186	258,042	254,129
Trade finance borrowings	221,216	361,189	221,216	361,189
Amortised appraisal fees	30,576	34,875	30,576	30,708
	965,321	1,069,774	754,968	879,123

31 Share capital and reserves

a) Share capital and Share premiums

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000
1 January 2017	266,321	1,065,284	7,294,767
Share issue	13,281	53,125	1,711,802
1 January and 31 December 2017	279,602	1,118,409	9,006,569

The total authorised number of ordinary shares is 300,000,000 (2016: 300,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2017 are 279,602,220 (2016 - 266,321,115) and are fully paid.

On 1 August 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). The Bank issued 13,281,105 shares to Habib Bank Limited as the consideration for the net assets acquired.

32 Other reserves

Consolidated statement of changes in other reserves	Notes	Revaluation surplus Shs'000	Translation reserve Shs'000	Other reserves Shs'000	Total Shs'000
Year ended 31 December 2016					
At start of year		385,440	(187,407)	(226,004)	(27,971)
Revaluation gain		1,202,512	-	-	1,202,512
Deferred tax on revaluation of land and buildings		(91,801)	-	-	(91,801)
Excess depreciation		(6,518)	-	-	(6,518)
Deferred tax on transfer of excess depreciation		1,248	-	-	1,248
Translation adjustment	(i)	-	(524,717)	-	(524,717)
Legal reserve	(ii)	-	-	7,313	7,313
Increase in interest in Diamond Trust Bank Uganda Limited		-	-	(126,741)	(126,741)
At end of year		1,490,881	(712,124)	(345,432)	433,325
Year ended 31 December 2017					
At start of year		1,490,881	(712,124)	(345,432)	433,325
Revaluation gain		(12,712)	-	-	(12,712)
Deferred tax on revaluation of land and buildings		5,826	-	-	5,826
Excess depreciation		(33,448)	-	-	(33,448)
Deferred tax on transfer of excess depreciation		1,520	-	-	1,520
Translation adjustment	(i)	-	(83,296)	-	(83,296)
Legal reserve	(ii)	-	-	6,511	6,511
Increase in interest in Diamond Trust Bank Uganda Limited		-	-	(91,638)	(91,638)
At end of year		1,452,067	(795,420)	(430,559)	226,088

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

32 Other reserves (Continued)

- (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.

Bank statement of changes in reserves

	2017	2016
Revaluation surplus	Shs'000	Shs'000
At start of year	1,386,184	366,854
Transfer of excess depreciation	(30,408)	(2,831)
Deferred tax on transfer of excess depreciation	1,520	142
Revaluation surplus	-	1,075,810
Deferred tax on revaluation surplus	-	(53,791)
At end of year	1,357,296	1,386,184

The revaluation surplus represents solely the surplus on the revaluation of leasehold land and buildings net of income tax and is 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.

33 Transactions with non-controlling interests

Diamond Trust Bank Uganda Limited

On 26 April 2016, Diamond Trust Bank Kenya Limited acquired an additional 4.74% stake in Diamond Trust Bank Uganda Limited (DTBU) by taking up the rights of some shareholders who renounced their rights at a consideration of Shs 312,985,000. The Group increased its shareholding to 61.71% from 56.97% before the rights issue at 31 December 2016. The carrying amount of the net assets the group acquired was Shs 186,244,000.

In December 2017, Diamond Trust Bank Kenya Limited acquired an additional 5.63% stake in Diamond Trust Bank Uganda Limited (DTBU) by taking up the rights of the other shareholders who renounced their rights at a consideration of Shs 400,913,000. The Group now holds 67.34% from 61.71% before the rights issue at 31 December 2017. The carrying amount of the net assets the group acquired was Shs 309,275,000

The effect of changes in the ownership interest of DTBT and DTBU in equity attributable to owners of the bank in 2017 and 2016 is summarised as follows:

33 Transactions with non-controlling interests (Continued)

	Group	
	2017	2016
	Shs'000	Shs'000
Carrying amount of non-controlling interests acquired	309,275	186,244
Consideration paid for the interests	(400,913)	(312,985)
Excess of consideration paid recognised in parent's equity	(91,638)	(126,741)

34 Acquisition of Habib Bank Limited (HBL) branch operations in Kenya

On 1 August 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). The completion of the transaction, among others, increased DTB's market share, augmented its capital base, enhanced its operational leverage and diversified its presence through correspondent relationships in additional geographical areas that include some of the most promising growth frontier markets in Asia within the markets where HBL has operations. This transaction also supports the consolidation of the banking sector in line with the policy statements by the Central Bank of Kenya and the National Treasury of the Government of Kenya.

i) Consideration transferred-Equity instruments issued

The bank issued 13,281,105 shares to Habib Bank Limited as the consideration for the net assets acquired. The fair value of the ordinary shares issued was based on the listed weighted average share price of the Company for a period of six months up to 31 July 2017 of Shs 132.89 per share amounting to Shs 1,764,926,043.

ii) Acquisition-related costs

The Group incurred acquisition-related costs of Shs 57,207,066 on legal fees and due diligence costs. These costs have been accounted for under operating expenses in 2017 (Shs 2,718,218) and 2016 (Shs 54,488,848).

iii) Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

	Shs'000
Cash and balances with Central Banks	662,813
Deposits and balances due from banking institutions	6,091,347
Loans and advances to customers	2,673,712
Other assets and prepaid expenses	46,154
Property and equipment	60,297
Intangible Assets	164
Deferred income tax	75,882
Deposits and balances due to banking institutions	(207,800)
Customer deposits	(7,586,928)
Other liabilities	(102,510)
Total identifiable net assets acquired	1,713,131
Net asset value negotiated	1,824,691
Receivable from HBL	(111,560)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

34 Acquisition of Habib Bank Limited (HBL) branch operations in Kenya (Continued)

iv) Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	Valuation technique
Loans and advances	Contractual amounts due less any impairment provision
Property and equipment	Depreciated replacement cost. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Deposits and balances due from banking institutions	Contractual amounts due less any impairment provision

v) Negative goodwill (bargain on acquisition)

Negative goodwill arising from the acquisition has been recognised as follows.

	Shs'000
Net assets value negotiated	1,824,691
Consideration of equity shares issued	1,764,927
Bargain purchase on acquisition	59,764

The bargain purchase is included in other income

35 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	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Contingent liabilities				
Acceptances and letters of credit	16,114,877	10,634,012	13,549,963	8,953,835
Guarantees and performance bonds	16,532,373	14,242,777	14,202,735	12,194,968
	32,647,250	24,876,789	27,752,698	21,148,803

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank 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.

35 Off balance sheet financial instruments, contingent liabilities and commitments (Continued)

	Group		Bank	
	2017	2016	2017	2016
Commitments	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn credit lines and other commitments to lend	10,972,578	13,874,286	7,032,067	11,088,265
Foreign exchange forward contracts	4,185,644	4,089,388	3,448,363	3,116,017
Foreign exchange spot transactions	1,314,359	1,973,930	787,607	1,470,773
Operating lease rentals (i)	3,113,910	2,949,737	1,450,380	1,490,976
Capital commitments	77,396	191,175	-	117,164
	19,663,887	23,078,516	12,718,417	17,283,195

(i) Operating lease rentals are analysed as follows:

Not later than 1 year	755,169	612,463	378,847	324,757
Later than 1 year and not later than 5 years	2,031,808	1,935,632	1,071,533	1,046,537
Later than 5 years	326,933	401,642	-	119,682
	3,113,910	2,949,737	1,450,380	1,490,976

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.

36 Business segments information

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 insurance agency in Kenya. The assets and profit of the agency 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 insurance agency, Diamond Trust Insurance Agency Limited.

The Group did not have any single customer who represented more than 10% of its revenues.

36 Business segments information (Continued)

The following is the segment information:

a) Financial summary

At 31 December 2017

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000	Consolidation adjustments Shs'000	Group Shs'000
Interest income from external customers	25,630,250	4,727,210	4,027,803	243,527	34,628,790		34,628,790
Other income from external customers	3,198,096	1,033,320	872,097	21,817	5,125,330		5,125,330
Total income from external customers	28,828,346	5,760,530	4,899,900	265,344	39,754,120		39,754,120
Share of results of associate after tax	-	-	-	8,390	8,390		8,390
Inter-segment income	27,245	-	27,975	-	55,220	(55,220)	-
Total income	28,855,591	5,760,530	4,927,875	273,734	39,817,730		39,762,510
Interest expense from external customers	(11,086,109)	(1,462,315)	(1,402,701)	(37,267)	(13,988,392)		(13,988,392)
Other expenses – external	(5,221,943)	(2,006,532)	(1,851,024)	(143,319)	(9,222,818)		(9,222,818)
Inter-segment expenses	(52,077)	(32,614)	29,471	-	(55,220)	55,220	-
Finance costs	(754,967)	(48,033)	(162,321)	-	(965,321)		(965,321)
Depreciation and amortisation	(792,351)	(236,696)	(294,670)	(13,330)	(1,337,047)		(1,337,047)
Impairment losses	(2,660,069)	(629,676)	(867,455)	6,502	(4,150,698)		(4,150,698)
Total expenses	(20,567,516)	(4,415,866)	(4,548,700)	(187,414)	(29,719,496)		(29,664,276)
Segment profit before tax	8,288,075	1,344,664	379,175	86,320	10,098,234		10,098,234
Income tax expense	(2,765,727)	(415,394)	21,362	(13,436)	(3,173,195)		(3,173,195)
Segment profit after tax	5,522,348	929,270	400,537	72,884	6,925,039		6,925,039
Segment assets	270,512,088	52,400,676	43,709,766	2,807,871	369,430,401	(6,127,001)	363,303,400
Segment liabilities	227,122,817	44,869,328	36,603,833	1,787,516	310,383,494	(699,849)	309,683,645

36 Business segments information (Continued)

At 31 December 2016

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000	Consolidation adjustments Shs'000	Group Shs'000
Interest income from external customers	24,810,473	4,256,240	4,452,784	293,379	33,812,876		33,812,876
Other income from external customers	3,089,498	935,558	894,323	77,163	4,996,542		4,996,542
Total income from external customers	27,899,971	5,191,798	5,347,107	370,542	38,809,418		38,809,418
Share of results of associate after tax	-	-	-	6,488	6,488		6,488
Inter-segment income	16,408	-	26,426	-	42,834	(42,834)	-
Total income	27,916,379	5,191,798	5,373,533	377,030	38,858,740		38,815,906
Interest expense from external customers	(10,086,969)	(1,342,753)	(1,856,638)	(77,999)	(13,364,359)		(13,364,359)
Other expenses – external	(4,481,429)	(1,753,396)	(1,680,394)	(120,753)	(8,035,972)		(8,035,972)
Inter-segment expenses	(49,368)	(32,614)	39,148	-	(42,834)	42,834	-
Finance costs	(879,123)	(44,566)	(146,085)	-	(1,069,774)		(1,069,774)
Depreciation and amortisation	(705,037)	(195,419)	(240,209)	(12,098)	(1,152,763)		(1,152,763)
Impairment losses	(2,807,354)	(383,849)	(1,004,453)	(1,686)	(4,197,342)		(4,197,342)
Total expenses	(19,009,280)	(3,752,597)	(4,888,631)	(212,536)	(27,863,044)		(27,820,210)
Segment profit before tax	8,907,099	1,439,201	484,902	164,494	10,995,696		10,995,696
Income tax expense	(2,751,008)	(440,809)	(55,130)	(20,609)	(3,267,556)		(3,267,556)
Segment profit after tax	6,156,091	998,392	429,772	143,885	7,728,140		7,728,140
Segment assets	244,456,925	46,301,608	40,691,349	2,648,723	334,098,605	(6,054,104)	328,044,501
Segment liabilities	207,728,051	39,433,867	35,040,420	1,649,065	283,851,403	(1,683,451)	282,167,952

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36 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 2017					
Property and equipment	458,109	299,118	188,492	19,472	965,191
Intangible assets- software	315,204	49,071	23,211	711	388,197
	773,313	348,189	211,703	20,183	1,353,388
At 31 December 2016					
Property and equipment	891,102	216,671	268,805	11,535	1,388,113
Intangible assets- software	410,424	18,618	10,002	2,744	441,788
	1,301,526	235,289	278,807	14,279	1,829,901

(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 2017					
Interest income					
Loans and advances	16,834,004	3,035,005	2,591,945	190,907	22,651,861
Government securities	8,694,690	1,611,841	1,385,862	52,283	11,744,676
Placement and bank balances	73,581	80,364	77,971	337	232,253
	25,602,275	4,727,210	4,055,778	243,527	34,628,790
Interest expense					
Customer deposits	10,635,569	1,445,604	1,388,843	27,788	13,497,804
Deposits due to banking institutions	453,683	15,139	12,286	9,479	490,587
	11,089,252	1,460,743	1,401,129	37,267	13,988,391
Net interest income	14,513,023	3,266,467	2,654,649	206,260	20,640,399
Non interest income					
Fee and commission income	1,902,133	710,787	626,171	19,163	3,258,254
Foreign exchange income	1,039,379	321,248	234,353	1,990	1,596,970
Other income	256,584	1,285	11,573	664	270,106
	3,198,096	1,033,320	872,097	21,817	5,125,330

36 Business segments information (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 2016					
Interest income					
Loans and advances	17,418,775	2,895,673	3,387,135	215,447	23,917,030
Government securities	7,203,226	1,300,411	1,018,081	77,250	9,598,968
Placement and bank balances	162,046	60,156	73,994	682	296,878
	<u>24,784,047</u>	<u>4,256,240</u>	<u>4,479,210</u>	<u>293,379</u>	<u>33,812,876</u>
Interest expense					
Customer deposits	9,754,365	1,292,183	1,826,557	69,089	12,942,194
Deposits due to banking institutions	326,070	50,570	30,081	8,910	415,631
	<u>10,080,435</u>	<u>1,342,753</u>	<u>1,856,638</u>	<u>77,999</u>	<u>13,357,825</u>
Net interest income	<u>14,703,612</u>	<u>2,913,487</u>	<u>2,622,572</u>	<u>215,380</u>	<u>20,455,051</u>
Non interest income					
Fee and commission income	1,682,036	692,969	645,714	70,347	3,091,066
Foreign exchange income	1,266,222	235,551	237,717	6,244	1,745,734
Other income	141,240	7,038	10,892	572	159,742
	<u>3,089,498</u>	<u>935,558</u>	<u>894,323</u>	<u>77,163</u>	<u>4,996,542</u>

37 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 2017 and 31 December 2016 were as follows

Bank

	2017			2016		
	In Shs	In US\$	In GBP	In Shs	In US\$	In GBP
Assets						
Government securities	11.08%	-	-	11.57%	-	-
Deposits with banking institutions	-	3.75%	-	-	3.71%	-
Loans and advances to customers	13.10%	7.63%	9.5%	13.14%	8.50%	8.54%
Amounts due from group companies	-	4.50%	-	0.00%	3.80%	-
Liabilities						
Customer deposits	6.31%	3.29%	1.37%	6.49%	2.02%	1.87%
Deposits due to banking institutions	5.90%	2.83%	-	2.74%	2.79%	-
Subordinated debts	-	5.60%	-	-	4.58%	-
Senior loans	-	4.25%	-	-	3.49%	-
Trade finance	-	4.20%	-	-	3.44%	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

38 Analysis of cash and cash equivalents as shown in the statement of cash flows

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with the central banks (Note 14)	25,008,851	27,480,328	15,050,191	14,928,452
Cash reserve requirement	(15,701,057)	(14,848,444)	(9,832,406)	(8,765,817)
Government securities maturing within 91 days at the point of acquisition	1,469,754	198,647	-	-
Deposits and balances due from banking institutions (Note 16)	12,516,371	7,611,137	2,910,469	2,886,933
Deposits and balances due to banking institutions (Note 28)	(20,503,993)	(17,575,802)	(18,785,686)	(16,147,224)
	<u>2,789,926</u>	<u>2,865,866</u>	<u>(10,657,432)</u>	<u>(7,097,656)</u>

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.

39 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 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	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
(a) Group Companies				
Amounts due to:				
Other group companies	-	-	594,631	653,921
Interest expense incurred	-	-	24,508	19,399
Amounts due from:				
Other group companies	-	-	5,704	119,918
Interest income received	-	-	25,595	6,938

39 Related party transactions (Continued)

(b) Directors

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Loans to directors:				
At start of year	3,842	13,741	2,597	13,231
Advanced during the year	5,193	3,850	1,503	618
Repaid during the year	(4,262)	(13,722)	(63)	(11,252)
Translation adjustment	(17)	(27)	-	-
At end of year	4,756	3,842	4,037	2,597
Interest income earned from directors loans	387	177	223	117
Deposits by directors:				
At start of year	715,832	385,009	671,273	335,627
Net movement during the year	216,440	333,827	123,729	335,646
Translation adjustment	(1,624)	(3,004)	-	-
At end of year	930,648	715,832	795,002	671,273
Interest paid on directors' deposits	63,572	22,827	62,970	47,058

(c) Other disclosures

Advances to other related parties

- Advances to companies related through control by a common shareholder, controlled by directors or their families	2,551,466	3,125,935	2,339,075	2,567,674
- Advances to employees	1,574,183	1,506,188	1,273,282	1,229,294
- 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	451,077	335,937	274,531	311,307
- Interest income earned from related companies and employees	393,471	372,837	328,721	290,170

Deposits with other related parties

- Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families	7,937,081	6,212,131	4,268,739	3,253,411
- Deposits by employees	374,068	277,276	319,168	257,079
- Interest expense incurred on deposits by related companies and employees	475,739	323,386	235,434	252,655

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39 Related party transactions (Continued)

	Group		Bank	
	2017	2016	2017	2016
	Shs'000	Shs'000	Shs'000	Shs'000
Key management compensation				
Salaries and other short-term employment benefits	799,522	734,644	469,315	473,948
Termination benefits	28,023	23,498	17,103	15,083
	827,545	758,142	486,418	489,031
Director's remuneration				
-fees for services as a director	14,765	8,987	5,046	4,772
-other emoluments (included in key management compensation above)	106,410	107,658	63,847	62,949
	121,175	116,645	68,893	67,721

Visit our state-of-the-art Digital Lobbies



- *Lavington Curve* • *The Hub, Karen* • *Garden City Mall*
- *The Oval, Westlands* • *Nation Centre* • *Two Rivers Mall* • *Diamond Plaza*
- *Nyali Shopping Centre*

KENYA

Expanded Branch Network

DTB opened four new branches in 2017 at the Two Rivers Mall, Rivaan Centre and Riverside Drive in Nairobi and one in Eldoret along Kago Street. DTB also opened a branch in Nyeri County within the first quarter of 2018 bringing the total number of branches to 68 across Kenya. Further to this, DTB opened new digital lobbies situated at Nation Centre, Lavington Curve and Diamond Plaza making a total of eight digital lobbies across the country. The lobbies are accessible 24/7 with state-of-the-art machines that deliver best in-class service to our growing tech-savvy customer base.



Staff and customers cut a cake to mark the opening of the Riverside Branch



Staff and customers cut a cake to mark the opening of the Two Rivers Branch

Award-Winning Bank

DTB continues to excel with more accolades each year. In 2017, DTB won a total of ten awards from the Think Business Banking Awards, Investment Awards, Banker Africa Awards, KBA Sustainable Finance Catalyst Awards, and the Institute of Customer Experience (ICX) Awards.

- Best Bank in Customer Satisfaction (Winner Think Business Banking Awards)
- Best Bank in Asset Finance (Winner Think Business Banking Awards)
- Best Bank in Product Innovation (1st runner up Think Business Banking Awards)
- Best Bank in SME Banking (2nd Runner Up Think Business Banking Awards)
- Best Bank in Retail Banking (2nd Runner Up Think Business Banking Awards)
- The Custodian Service Award (Think Business Investment Awards)
- Most Innovative Company 2016-2017 (Think Business Investment Awards)
- Best Bank in Product Innovation (Banker Africa Awards)
- Best Bank in Sustainable Finance in Micro, Small and Medium Sized Companies (KBA)
- Creativity Award for Customer Service Week (ICX)



Gopa Kumar and Farouk Khimji accept the Innovation Award from Banker Africa.



The DTB team pick up the Sustainable Finance award at the Catalyst Awards

DTB Launches Masterpass QR

DTB and Mastercard rolled out a new and iconic person to merchant digital payment solution that lets customers pay for goods and services from their mobile phones. Masterpass QR is a fast, secure and convenient digital payment service that will provide an alternative to cash payments in the Kenyan market. The service which is currently available on the DTB mobile banking app allows customers to make in-store purchases by scanning the QR code displayed at the retail and merchant outlets on their smartphones, or by entering a merchant identifier into the app in their feature phones. All users of this unique solution will not only be able to use Masterpass in Kenya but also at any location where Masterpass QR is accepted globally.



DTB Group CEO and MD Nasim Devji with Mastercard VP Chris Bwakira and Kopo Kopo CEO Ken Kinyua at the Masterpass QR Launch.



DTB Head of Products & Innovation, Farouk Khimji, demonstrates the ease and convenience of Masterpass QR during the launch.

DTB Leads in Bancassurance

DTB was recognised by Bancassurance partners Jubilee Insurance for being the top bank in Bancassurance sales having hit premiums of over Shs 500 million. Staff who sold the insurance product were awarded by Jubilee Insurance in October 2017.



Lilian Otsyeno from DTB Kitengela Branch gets an award for Bancassurance sales

Gopa Kumar gets awarded by Nasim Devji (DTB Group CEO and MD) and Patrick Tumbo (Jubilee CEO) for his contribution in Bancassurance sales.



2017 HIGHLIGHTS (CONTINUED)

M-Kenya Daima initiative

The Kenya Bankers Association (KBA) led the M-Kenya Daima initiative during the election period in Kenya in 2017. KBA asked all banks to reinforce positive patriotic messages to all staff, customers, and other stakeholders. DTB held a “Peace Day” where staff came together to pray for a peaceful nation.



The Service Excellence team shows their patriotism during the M-Kenya Daima initiative

DTB Shines at Interbank Games

DTB participated in the interbank games organised by the Kenya Institute of Bankers where the DTB team emerged 2nd in lawn tennis and 4th in football and basketball. DTB also had teams participating in athletics, volleyball, table tennis, snooker, darts, chess, scrabble and checkers. Overall, DTB emerged 7th out of the 49 banks participating in Kenya.



DTB Sports Team

Drive for Show Golf Tournament

DTB sponsored the Drive for Show golf tournament at the Vetlab Sports Club in partnership with Long Drive Kenya and Total Golf Solutions. The tournament was conducted in order to raise funds to be able to send the national Kenyan golf team to Mexico to participate in the International Long Drive Challenge.



The DTB team welcomes golfers to the Drive for Show event at Vetlab Sports Club.

Mater Heart Run 2017

DTB partnered with the Mater Misericordiae Hospital for the annual Mater Heart Run to support children with heart ailments from an economically disadvantaged background. The Mater Heart Run is one of the main fundraising avenues for the cardiac program and helped over 15,000 children in 2017. DTB has continuously supported the cause over the years by donating, sponsoring, and sending staff to participate in the run.



DTB Staff at the Mater Heart run

DTB Staff Donate Towards Hunger Strife

DTB staff came together to raise funds as well as donations in kind to go towards helping those affected by the hunger strife in Kenya in 2017. DTB management matched the donation of all staff, and together, DTB was able to donate 205 bales (almost 5 tonnes) of maize flour to support fellow Kenyans. Staff visited the affected area in Magadi in March 2016 to hand over the donation.



DTB staff donate maize flour to the affected during the hunger strife in Magadi area

2017 HIGHLIGHTS (CONTINUED)

DTB Partners with Western Union to Promote Reading

DTB partnered with Western Union through Books Abroad, a UK based Non-Governmental Organization, to distribute reading materials to Kenyan Schools. Through this initiative, funded by the Western Union Foundation, DTB was able to distribute text books and other reading materials to over 200 schools and resource centers across the country. This initiative has not only boosted the reading culture in schools but also helped some schools to setup their own libraries.



Kennedy Nyangweso, Head of Money Transfer Services at DTB, donates books to Visa Oshwal Primary school.



The DTB MTS team with senior officials from Western Union

Celebrating 14Years of Western Union Services

DTB celebrated 14 years of Western Union services at the bank in April 2017. The event coincided with the visit of senior Western Union officials to DTB whose mission was to discuss ways of enhancing the relationship and increasing business. Western Union money transfer services were introduced at DTB in April 2013 and the bank has since processed over 2.9 million transactions worth over 60 billion since inception. DTB has since become one of the leading Western Union agents in the region and has been able to connect people through fast, seamless, reliable and convenient money transfers.

UGANDA

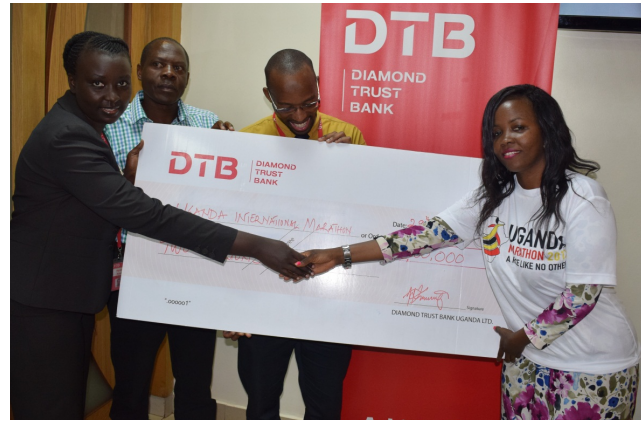


DTBU joins Interswitch

DTBU made a strategic decision to join Interswitch in effort to provide its customers and those of other banks greater convenience and access to banking services. The Interswitch ATM service will link DTB customers to over 500 ATM locations all over Uganda.

Uganda Marathon 2017

Diamond Trust Bank Uganda extended its sponsorship to Uganda International Marathon; an organization that is in charge with organizing the Masaka Marathon. All proceeds went to help Orphans and Community projects in Masaka.



DTBU gets insurance License

DTBU received a license from the Insurance Regulatory Authority (IRA) to sell insurance products. This follows the passing of the Financial Institutions Amendment Bill 2016 into law.

DTB now open at UIA One Stop Centre

DTBU opened its 38th Branch at the Uganda Investment Authority one stop Centre at TWED plaza, Lumumba Avenue. The occasion was graced by the Uganda Investment Authority ED, Mrs. Jolly Kaguhangire who welcomed DTBU and promised unconditional support.



DTB in blood donation drive

In response to the Uganda's Nationwide blood shortage, DTBU in partnership with the Uganda Blood Transfusion services (UBTS) Organized blood donation drive to help cancer patients, accident victims, mothers among others.

TANZANIA

DTB Tanzania Launch the Community Account

DTB Tanzania launched a Community Account in November 2017 targeting NGO's. The account has no monthly charges, can be opened in local currency or US dollars, and offers interest for amounts of TSH. 5 million or USD. 50,000. A feature of the Community Account is also to facilitate salary payments to all employees of the NGO that has the account.



Expanded Branch Network

DTB Tanzania opened two new branches in 2017, bringing the total number of branches to 28 in the country. The Uhuru branch was opened first along Uhuru Street in the Kariokoo area, with the aim of being the branch for the SME's that operate within the Kariokoo Business District. The Mlimani Branch was later opened in the new wing of the Mlimani City Shopping Complex and is a branch that will be opened 7 days a week with extended hours for banking.



DTBT Partners with Embassy of PRC

DTB Tanzania in partnership with the Embassy of the People's Republic of China hosted an event as part of the Chakarika campaign aimed at enabling SME's achieve their financial goals through the DTB Current Account. The main objective of the event was to provide investment guidance to the Chinese-Tanzanian business community in accordance with Tanzanian investment, tax, and legal regulations.



Staff Blood Donation Drive

The DTB Tanzania staff came together to donate blood towards the National Blood Transfusion Service (NBTS) headquartered at The Muhimbili National Hospital (MNH) in Dar es Salaam, Tanzania. This initiative was to assist with the blood shortage in the national blood bank causing delays in blood transfusion services. Together, DTB Staff donated over 26 pints of blood, enough to service over 75 infants.



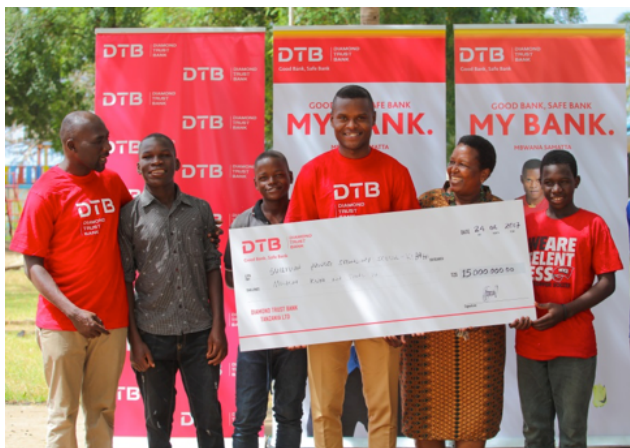
The Kerege Medical Camp

DTB partnered with the Rotary Club Oyster Bay to set-up a camp at Karege with doctors from the Hubert Kariuki Hospital and Muhimbili University of Health and Allied Sciences. The camp was set up to provide the citizens of Karege with health care services with experts from different fields of medicine at hand. There were approximately 2,000 people who attended the camp to get health care and information.



DTB Provides Scholarships to Orphans

DTB Tanzania provided scholarships worth TZS. 15 million to five orphans from Kurasini Children's Home for the second year running. The children are schooling at the Sullivan Provost Secondary School in Kibaha and have been doing well with good grades and discipline. The Bank has made a four-year commitment to settle the tuition fees of the five boys whereas staff members have made a personal commitments to provide the boys with pocket money, school uniforms, and transport.



2017 HIGHLIGHTS (CONTINUED)

CUSTOMER CENTRIC APPROACH

DTB's customer centric approach is at the very core of its operations. The bank's values of Excellence and Customer Focus are key drivers of customer centricism at DTB.

2016 was a crucial year; DTB redefined its customer service proposition across the Group. The Service Excellence department was formed and tasked with the overall responsibility of positioning DTB to become a world class service provider. This was in line with DTB's Vision 2020, whose five pillars focus on the customer at the center of it all. From the onset, the Service Excellence team endeavored itself to entrench a customer-centric culture across the group. When asked to elaborate further on her vision for her team, Azra Thobani, the Head of Service Excellence in DTB Kenya said, "I would like to see each member of staff at DTB become a 'service champion' irrespective of the team they serve in."

Customer Experience is all about a customer's journey and interactions with an organization's products and services. It is more emotional than it is rational, and therefore requires a proactive approach. Customer service on the other hand, is an aspect of customer experience associated with the help and advice provided to customers who are using a product or service. DTB's aim remains to provide exceptional customer service which will lead to best-in-class customer experience.

A number of initiatives under DTB's Vision 2020 have been instrumental in enhancing the Customer Experience. These are:

- Innovative 24/7 digital lobbies which aim to deliver quick, convenient service to our growing tech savvy customer base thereby enhancing their digital experience.
- A 24/7 contact center that caters to customer needs at any time of the day or night. It serves as a one-stop-shop for queries, complaints, and compliments.
- Social media channels, including Facebook, Twitter and Instagram, which allows DTB to engage, listen and attend to customers 24/7.
- Alternate channels of banking such as mobile banking, internet banking and agency banking that offer more convenience to customers. DTB's mobile and internet banking platforms are user friendly and available at the touch of a button 24/7. Agency banking on the other hand has enabled the bank reach the unbanked, as well as deliver banking services closer to existing customers.
- Branches that operate from 8am to 8pm, as well as 7 days a week to provide longer banking hours to customers.

The DTB Group undertook two main service related initiatives in 2017 with the aim of creating a memorable experience for its customers. The first service-related initiative of 2017 took place on March 31st, and was dubbed "Service Excellence Friday". This day saw staff across the group appreciate their external and internal customers through gifts, letters and by going an extra mile to assist. The objective was to ingrain the notion of service excellence in staff daily routines.



DTB Kenya's Service Excellence Team accepts the "Creativity Award" during ICX's 2017 Customer Service Week gala dinner.

DTB also participated in the global Customer Service Week celebrations which were held from 2nd - 6th October 2017. Customer Service Week is an international celebration of the importance of customer service and of the people who serve and support customers on a daily basis. In Kenya, the Institute of Customer Experience (ICX Kenya) is the professional body mandated to drive performance and professionalism in the service sector. DTB Kenya officially became a member of ICX Kenya in June 2016. Throughout the Customer Service Week, the Group engaged in various initiatives aimed at appreciating customers, staff, and the community at large. It was through these initiatives that DTB Kenya managed to bag the "Creativity Award" during the 2017 Customer Service Week Awards. This award was in recognition of DTB's innovative and exclusive customer appreciation initiatives throughout the Customer Service Week.



Nasim Devji offers cupcakes to a customer at DTB Centre Branch.

The DTB Burundi team visited customers' at their premises and appreciated them with a DTB-branded bags and goodies.



DTB Tanzania staff donned in cultural attire during the Customer Service Week 2017.

DTB Kenya was awarded the Most customer-centric Bank, for the second time in a row, during the 2017 Think Business Banking Awards. This award seeks to recognize the Bank with the best overall customer experience; while specifically focusing on product offering, innovation and customer satisfaction. This award was guided by an independent customer satisfaction survey, commissioned by Think Business Limited and conducted by Infotrak Research & Consulting, an independent market research firm. In addition to a comprehensive assessment of the aforementioned parameters, the study also included independent customer interviews at banks' branches across Nairobi, Mombasa, Kisumu, Nakuru and Eldoret, and targeted 2,500 respondents.

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE FIFTY SECOND ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF DIAMOND TRUST BANK KENYA LIMITED WILL BE HELD AT THE LAICO REGENCY HOTEL, CRYSTAL BALLROOM, NAIROBI, ON THURSDAY, 24 MAY 2018 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the minutes of the Fifty- first Annual General Meeting held on 25 May 2017.
2. To receive, consider and adopt the Audited Consolidated Financial Statements for the year ended 31 December 2017 together with the reports of the Directors and the Auditor thereon.
3. To approve payment of a final dividend of 65% on the Issued and Paid-up Share Capital to the shareholders registered in the Company's books as at 25 May 2018, to be made on or about 25 June 2018, as recommended by the Board.
4. To elect Directors:
 - (a) Mr. Shaffiq Dharamshi retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - (b) Mr. Irfan Keshavjee retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers himself for re-election.
 - (c) Mrs. Pamela Ager retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers herself for re-election.
5. To elect members of the Board Audit and Compliance Committee.

In accordance with the provisions of Section 769 of the Companies Act, 2015, the following Directors, being members of the Board Audit and Compliance Committee, be elected to continue to serve as members of the said Committee:

 - (a) Mr. Ismail Mawji
 - (b) Mrs. Pamela Ager
 - (c) Mr. Guedi Ainache'
 - (d) Mr. Linus Gitahi
 - (e) Mr. Irfan Keshavjee
6. To approve the Directors' Remuneration Report for the year ended 31 December 2017 as provided in the Audited Consolidated Financial Statements, and to authorise the Directors to fix the Directors' remuneration for the year 2018.
7. To re-appoint KPMG Kenya, as the Company's Auditor.

NOTICE OF THE ANNUAL GENERAL MEETING (CONTINUED)

8. To note the Auditor's remuneration for the year 2017, and to authorise the Directors to fix the Auditor's remuneration for the year 2018.
9. To transact any other business of which due notice has been received.

By Order of the Board



Stephen Kodumbe

Company Secretary

26 March 2018

Notes:

1. Every member of the Company is entitled to attend and vote at the above meeting and any adjournment thereof or in the alternative to appoint a proxy to attend and vote on his/her/its behalf. A proxy need not be a member of the Company. To be valid, a Proxy Form must be duly completed by a member and returned to the Company Secretary, Diamond Trust Bank Kenya Limited, DTB Centre, Mombasa Road, P.O Box 61711, City Square 00200, Nairobi, Kenya so as to reach him not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
2. In the case of a member being a corporation, the Proxy Form must be under the Common Seal or under the hand of an officer or Attorney duly authorised in writing.
3. Copies of this Notice, the Proxy Form and the Integrated Report can be viewed and or downloaded from our website www.dtbafrica.com. Printed copies are also available, upon request, from the Company Secretary, Diamond Trust Bank Kenya Limited, DTB Centre, Mombasa Road, P.O Box 61711, City Square 00200, Nairobi, Kenya.

Juma & Natasha with the inside scoop about the Bank



@DTBduo



DTB duo



@Dtb_duo

*I/We (in block letters)

of P.O. Box

being a *member/members of **DIAMOND TRUST BANK KENYA LIMITED**

hereby appoint

of P.O. Box

or failing *him/her

of P.O. Box

as *my/our proxy, to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at the Laico Regency Hotel, Crystal Ballroom, Nairobi, on Thursday, 24 May 2018 at 11.00 a.m., and at any adjournment thereof.

Dated this day of 2018

Signature(s)/Seal:

*Delete whichever is not applicable

Important Notes

1. If you are unable to attend this meeting personally, this Proxy Form should be completed and returned to the Company Secretary, Diamond Trust Bank Kenya Limited, P.O. Box 61711, City Square 00200, Nairobi, Kenya, so as to reach him not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
2. The person appointed as proxy need not be a shareholder of the Company.
3. In the case of a member being a corporation, the proxy form must be under the Common Seal or under the hand of an officer or attorney duly authorised.

www.dtbafrica.com

FOLD HERE

AFFIX POSTAGE
STAMP HERE

The Company Secretary
Diamond Trust Bank Kenya Limited
P.O. Box 61711, City Square 00200
Nairobi, Kenya

DIAMOND TRUST BANK KENYA LIMITED

FOLD HERE



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