2020

INTEGRATED REPORT

& FINANCIAL STATEMENTS

ENRICHING LIVES

John Otieno, joined DTB in the year 2000 as a tea boy and general cleaner.

Presently, John manages DTB's Migori Branch. Driven by unbridled passion and an unrelenting commitment to succeed, he has defied all odds and advanced his career immeasurably. John was promoted to the position of Branch Manager in 2017. DTB employees work within an enabling culture that rewards performance, provides opportunity for growth and belief in equal opportunities for all.

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About Our Cover

The theme of this year's Integrated Report depicts our brand essence- "Enriching Lives". In 2020, recognising the adage, "Water is Life", DTB sponsored a number of community-based projects centered on providing access to clean water. At St. Augustine Rapogi Mixed Primary School, DTB transformed the lives of students. Lack of clean, accessible water hampered hygiene for the students and required them to carry jerricans of water to school in addition to their school bags. The installation of a borehole not only supplied water to the primary school, but also the adjoining secondary school.

Scan here to view the cover story

ABOUT OUR INTEGRATED REPORT FOR THE YEAR 2020

Scope and Framework of Reporting

The Group's Integrated Report is produced and published annually and provides material information relating to the Group's strategy, governance, business model, operating context, material risk, stakeholder interests and financial performance covering the year 1 January 2020 to 31 December 2020.

This report is prepared in compliance with global practices and prudent accounting frameworks further guided by the principles and requirements contained in the Kenya Companies Act, 2019, Central Bank of Kenya (CBK) Prudential Guidelines, International Financial Reporting Standards (IFRS), the International Integrated Reporting Council's (IIRC's) Framework, the Capital Markets Authority (CMA) Code of Corporate Governance for Issuers of Securities to the Public 2015, the listing rules and the Kenya Companies Act of 2015. The report extends to beyond financial reporting and includes non-financial performance, opportunities, risks and initiatives undertaken during the reporting period.

The Report reinforces our commitment to remain a transparent, responsible institution.

Assurance

DTB Kenya 2020 financial statements were audited by KPMG Kenya, DTB Tanzania by KPMG Tanzania, DTB Uganda and Network Insurance Agency Limited by KPMG Uganda, DTB Burundi by KPMG Rwanda while Diamond Trust Bancassurance Intermediary Limited was audited by RSM Eastern Africa.

Target Audience and Materiality

This Report is primarily intended to address the information requirements of all stakeholders of the Group covering information about our value creation for other stakeholders such as the Group's staff, customers, investors, regulators and the society.

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

Statement of Board of Directors' Approval

The Board of Directors acknowledges its responsibility in ensuring integrity of the Integrated Report, which in the Board's opinion, addresses the activities, material issues, relationships and performance of the Group. This Report, together with the annual financial statements of the Group for the year ended 31 December 2020, were approved by the Board of Directors of DTB Kenya on 25 March 2021 and signed on its behalf by:

Linus Gitahi	Nasim Devji
Chairman	**Managing Director**

Forward-looking Statements and Disclaimer

The Integrated Report includes forward-looking statements which could have an impact on the future financial position and results of the Group. Forward-looking statements are not statements of fact, but statements made by the Group based on our current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance. No assurance can be given that forward-looking statements will be correct and undue reliance should not be placed on such statements. These statements, by their nature, involve risk and uncertainty, as they relate to events and depend upon circumstances that may or may not occur in the future. Factors that could cause actual future results to differ materially from those in the forward-looking statements include; but are not limited to, changes in (a) global and national economic conditions, (b) our trading environment, (c) future strategies as contained in our strategic priorities and plans included in the strategic trends, (d) interest rates, (e) credit conditions and the associated risks of lending, (f) actual cash collections, (g) gross and operating margins, (h) capital management and (i) competitive and regulatory factors.

The Group does not undertake to update or revise any of these forward-looking statements publicly, whether to reflect new information or future events or otherwise. The forward-looking statements have not been reviewed or reported upon by the Group's external auditor.

The Group does not assume responsibility for any loss or damage arising as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits, or consequential loss or damage.

Navigation Icons

Capitals

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

Manufactured
Our business structure and operational processes, physical and digital assets (including technology and channels) used in the production and delivery of products and services to our customers.

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

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

Intellectual
Our brand and franchise value, research and development innovation capacity, reputation and strategic partnerships.

Natural
Indirect sustainable impact on natural resources through financing activities and, more directly, the utilities we operate. Through our environmental initiatives, we endeavor to reduce the impacts to our ecosystem to enable a more sustainable future.

Covid-19

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

Stakeholders

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

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

Scan here to view this report on our website

The year 2020 marks the fifth year since the Group adopted integrated reporting. The intention of this report is to provide a clear and meaningful understanding of the Group's strategy, business model, governance, material risks, stakeholders' interests, performance, remuneration and prospects and how these factors lead to value creation. We welcome all related feedback which can be shared via email to dtbinvestorrelations@dtbafrica.com

WHO WE ARE

Who we are:

Diamond Trust Bank (DTB) is a leading East African commercial bank headquartered in Nairobi, Kenya and listed on the Nairobi Securities Exchange (NSE) since 1972. As one of Eastern Africa's leading and longest established banking groups, we understand the intricacies of the region's markets and provide a wide range of services in business and retail banking. To continue staying at the forefront of the industry, we are re-imagining banking. We are using innovation and digital technology to extend our reach, provide convenience and a better customer experience, as well as become more agile in creating tomorrow's solutions. The Group remains a purpose-driven institution with a tailored corporate culture to the local markets in which the Group operates in, driven towards a more customer-centric and innovative business operation.

As a bank, we play a key role in helping our customers to transition to a sustainable, and increasingly digitally-driven economy. We aspire to transform the lives of our customers by enabling them to adapt to an increasingly dynamic and disruptive world. We are committed to finding local, innovative and sustainable solutions for our customers to address the uniquely local challenges that they face. Our focus on the different business segments that we serve (local corporates, small and medium enterprises (SMEs) and individuals) and commitment to enhancing access and convenience for these customers through our physical banking networks and an array of innovative digital channels has propelled our growth in recent years. Digitalisation has enabled us to increase our regional footprint and reach out to our diverse customer segments, without expensive physical distribution networks. Through our digital products and channels, we have offered our customers a variety of efficient and reliable banking solutions to meet their everyday needs, such as obtaining an advance against their salaries, paying for their household utility bills or purchasing an airline ticket.

Our notable growth has been guided by our Corporate **VISION, MISSION** and **VALUES:**

VISION

Enabling people to advance with confidence and success.

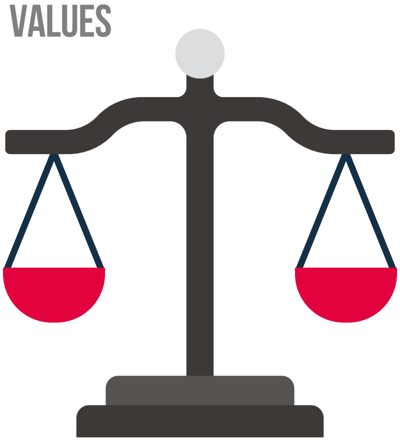
MISSION

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

WHAT DIFFERENTIATES DTB?

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

VALUES



Our values are the fundamental principles that define our culture and are brought to life in both our attitudes and our behavior; as we create value for our various stakeholders. Our values shape the way we operate and serve our customers. Deeply entrenched in us, these values enable us to perform our roles meaningfully and ethically, as well as interact with our customers through that special human element which creates enriched connections and build sustainable relationships.

Over time, we have invested in the most valuable anchor of our strategy - our people. By continuously enriching our peoples' skills, re-architecting ourselves to make technology and innovation our backbone and fostering a customer-centric culture. DTB aims to become the top-of-mind, go-to-financial partner, deeply embedded in the lifestyles of our customers.

Customer Centric - Deliver Great Experiences

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

Value People - Respect, Empower, Appreciate

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

Integrity - Be Ethical and Fair

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

Progressive - Innovate and Challenge

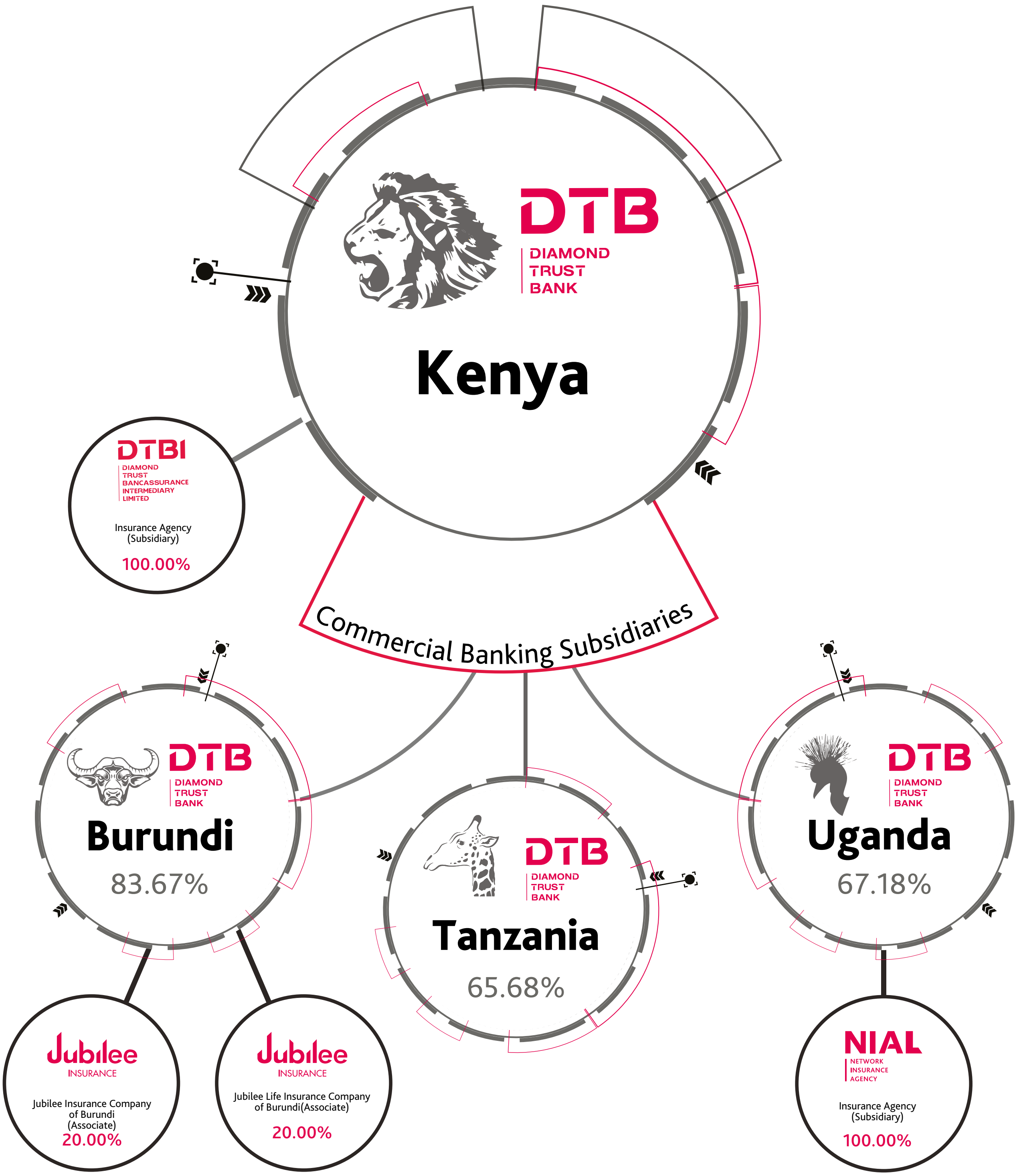
- We challenge our thinking to raise the bar
- We encourage our team members to question the status quo
- We innovate and adapt to change
- We positively impact and serve the communities in which we live

Excellence - Be Your Best

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

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

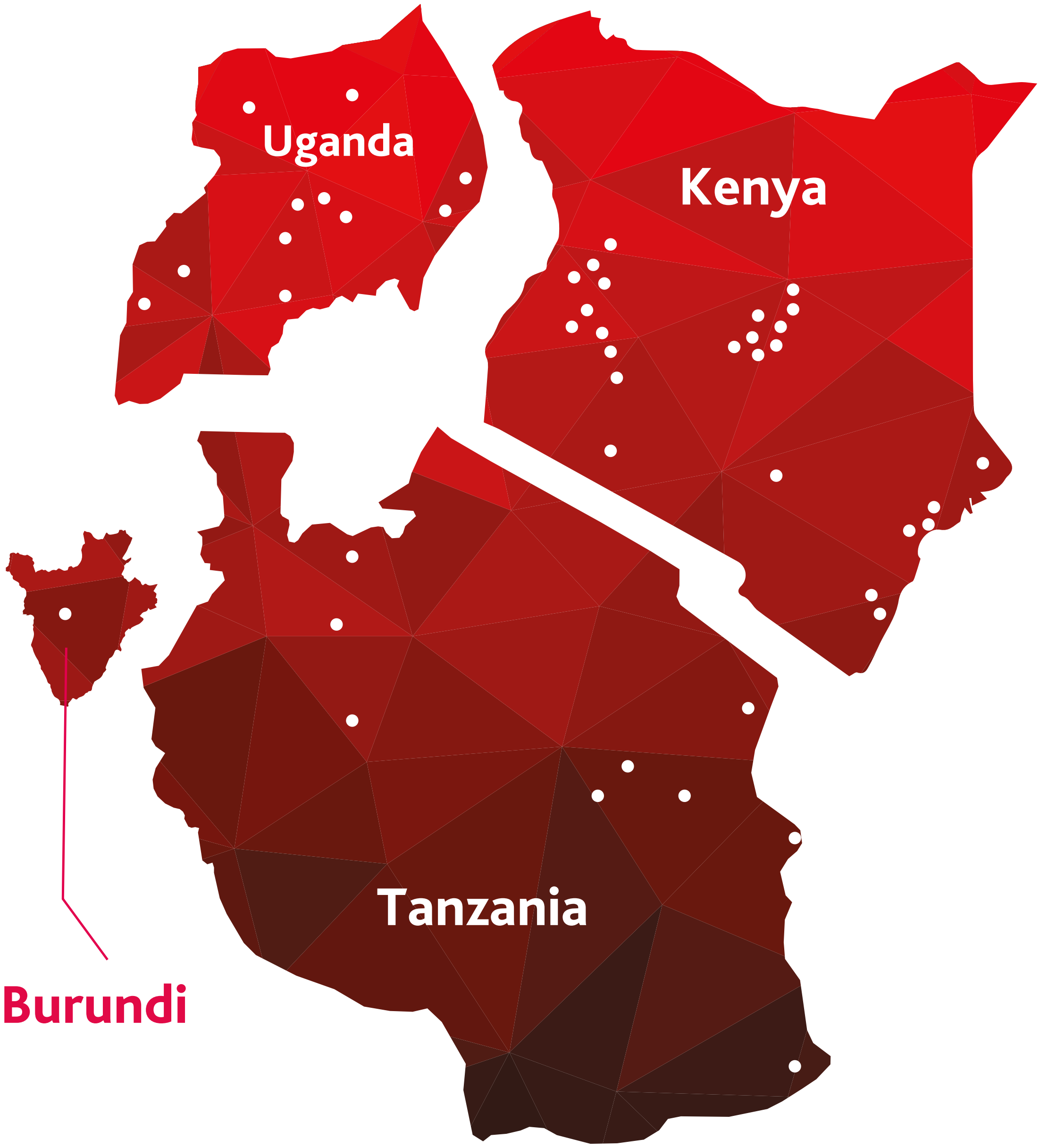
GROUP STRUCTURE



DTB OPERATES AS A **TIER I BANK** IN ITS **PRINCIPAL MARKETS** IN EAST AFRICA

OUR FOOTPRINT IN EAST AFRICA

Our customers are served through an extensive branch and self-service digital lobby network, ATMs, relationship managers and contact centre agents.



Visit https://dtbafrica.com to view a detailed list of our branches.

CUSTOMERS	EMPLOYEES	BRANCHES	ATMs
639,580	2,231	134	157

As at 31 December 2020

CORPORATE HISTORY & SIGNIFICANT MILESTONES

1946

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

1965

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

1972

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

1974

Diamond Trust House, Nairobi

1983

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

CORPORATE HISTORY & SIGNIFICANT MILESTONES (CONTINUED)

1986

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

1992

Nation Centre, Nairobi,

1995

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

1997

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

1999

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

Before

After

Corporate Rebranding. 2007

2007

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

2008

DTB Kenya 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.

2013

DTB Centre, Nairobi

2012 - 2016

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

2017

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

2018

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

2019

DTB Group continued to expand its digital channels suite through the enhancement of its digital channels (mobile banking and internet banking) As at September 2020, 88% of all customer transactions done in Kenya were conducted on non branch, mainly digital channels.

Macroeconomic impact:

The significant impact of the COVID-19 pandemic on individuals, communities, and organisations continues to unravel with most countries suffering a second wave of cases.

The financial services industry, arguably one of the key lubricants of the World Economy, has also been severely impacted by the economic impact the virus has had on lives and livelihoods across the Globe. The DTB Group, like all responsible corporate citizens across the World, has taken proactive action and implemented appropriate interventions to protect its key stakeholders: its employees, customers and the larger community it operates in.

The banking regulators in East Africa also responded proactively in creating an enabling environment for both banks and the general citizenry and businesses in the region to weather the severe economic effects of the crisis.

We outline some of the key measures the DTB Group implemented since March 2020 in response to the unprecedented crisis brought about by the pandemic.

Remodeling the Business, Pivoting to Digital:

Consumer behaviour has been reshaped quite significantly following the obligatory social distancing protocols, health hygiene standards and physical restrictions imposed to mitigate against the worst effects of the COVID-19 pandemic. The consequent, rapid use of alternative, digital channels by consumers to procure commodities and services has accelerated the adoption of new, digitally anchored production and delivery models by businesses no matter their scale or sector of operations. Businesses have pivoted to digital platforms and technologies almost overnight and reshaped their mode of operations. All this has taken place against a backdrop of customer demands for greater choice, transparency, and frictionless delivery in the products they receive. Innovative startups and non-traditional players are responding via new modes of competition. DTB has leveraged its digital channels and the Group's customers have responded accordingly as seen by the rapid uptake and use of electronic/ digital channels to conduct their transactions.

As at December 2020, DTB's customers across East Africa conducted 79% of transactions outside the traditional branch network, compared to 68% a year earlier. In Kenya alone, 88% of all customer transactions were conducted outside the branch banking halls in 2020.

DTB's Response:

Since March 2020, the Bank continues to proactively enforce precautionary and preventative measures to ensure the wellbeing and safety of our employees and customers. DTB has also been at the forefront of proactively engaging its customers to support them during this time of revenue contraction and economic disruption. As a responsible citizen, the Group has contributed to national programmes as well as supported local initiatives, aimed at providing relief measures to the wider community it operates in.

To our Community:

- Committed the equivalent of over KShs 100 million to COVID support in East Africa, of which KShs 50 million was contributed to the National Emergency Relief Fund in Kenya (which impacted over 30,000 families) and UShs 250 million to the National Response Fund in Uganda.
- Boreholes built in Mombasa and Migori counties of Kenya for sustainable and safe water supply.
- KShs 5 million committed towards feeding front-line workers in partnership with Serena Hotels for Kenyatta National Hospital and Mbagathi Isolation Facility in Nairobi.
- Contributed towards the set up of the Aga Khan University Hospital field hospital in Nairobi and Aga Khan Hospital Infectious Diseases Unit in Dar es Salaam.

To our Employees:

- Segregation of teams into different workspaces across the Group.
- Investment of KShs 33 million on staff protective equipment such as facemasks, hand sanitizers, thermometers and PPEs at DTB workplaces across East Africa.
- COVID-19 awareness and de-stigmatisation sessions targeting all employees.
- Partnered with healthcare providers to offer free COVID-19 testing of staff.
- Offered counseling services and psychological support to staff.

To our Customers:

- Repayment holidays granted for facilities valued at KShs 82 billion (37% of loan book) across the Group.
- Offered financial literacy training to over 120 customers.
- Waived charges on transfers from Bank account to mobile money wallets.
- Continued to pay our suppliers within 30 days from invoice for services rendered.
- Enhanced our mobile banking channel to support customers to transact remotely as we support efforts to 'flatten the curve' by introducing contact-free banking services.
- Applied health and hygiene and social distancing protocols in DTB premises across the region, providing a safe environment for customers amongst others.

To our Regulator:

The East African banking regulators announced various measures to support the banking industry of the region including:

- Provision of liquidity to partly fund distressed borrowers by lowering of the Cash Reserve Ratio requirement in Kenya and Tanzania.
- Ensuring affordable credit facilities by reducing the central bank benchmark lending rate in Tanzania and Uganda.
- Flexibility with regard to loan classification and provisioning requirements regarding loans, by all banking regulators in East Africa.
- The promotion of non-cash payments and digital channels by waiving charges from bank accounts to mobile money wallets, as well as transfers between banks through the mobile platform in Kenya and increase in transaction limits and balance amounts in Tanzania.

To our Shareholders:

- Engagement through a virtual AGM.
- Proved to have a resilient business model and balance sheet against downside risks.
- Showed execution of a sustainable strategy in times of crisis.

ENRICHING THE LIVES OF OUR CUSTOMERS

The pandemic revealed how even financial institutions that considered themselves ahead of the curve in digital banking adoption were still wedded to some level of analogue processes in their operating models. COVID-19 saw banks accelerate their digital transformation plans aimed at adapting to customers' fast evolving preferences and behaviours for a contact-less economy characterised by social distancing and remote engagement in accessing banking services. This has forced banks and other businesses to invest heavily in technology and innovation to keep up with the evolving landscape, to offer nimble and creative solutions to meet customer demands in adopting to the "new normal".

WhereWe Saw Opportunity to Enrich Lives

The Challenges for Banks

HOW TO ONBOARD NEW CUSTOMERS COMPLETELY DIGITALLY?

HOW TO DIGITALISE LENDING.

HOW TO INCREASE DIGITAL CHANNEL ADOPTION WITH SECURITY IN MIND, WHILE REDUCING RISKS AND COSTS.

HOW TO DIFFERENTIATE THE DIGITAL BANKING OFFERING AND MAKE IT ENRICHING FOR CUSTOMERS.

1. **Redefining customer experience:** In disruptive times, customers priorities and behaviours change. Banks can play a significant role in responding to their changing requirements and also in influencing customer experience. As customer preferences continue to shift to virtual interactions, DTB took a digital-first approach by accelerating our pipeline of new, digitally anchored products and services, including digital lending. Customer service journeys and experiences were redefined to pivot around the provision of end-to-end touchless banking services.

2. **Making data-driven decisions:** We saw an opportunity to analyse the wealth of data that we process, to predict consumer behaviour and tailor appropriate solutions for customers, as well as augment our operational efficiency. We enhanced our loan portfolio risk assessment and monitoring framework in light of the impact of COVID-19 on borrowers operating in various sectors. Armed with data and supported by risk analytics, we were able to proactively engage with our customers, whose businesses and livelihoods were distressed by the pandemic, and offer appropriate relief measures in the midst of the crisis.

3. **Broadening partnerships:**
Defining a 'New Normal' for Banks has implications across strategy, operating model and organisational design. We saw an opportunity for collaboration by entering into new and broadening existing partnerships and ecosystems with like-minded players. These partnerships have began to bear fruitful relationships which now provide enriched solutions to our customers in their everyday lives.

ENRICHING THE LIVES OF OUR CUSTOMERS

How we enriched our customers' lives:

In 2020, building on the initiatives of yesteryears and seizing the opportunities brought about by the COVID-19 pandemic, we have sought to enrich the lives of our customers through our digital offering in the following ways:

- **Using** *m24/7* mobile banking platform our customers can:
  - make seamless payments to settle their credit card balances.
  - worry less about security by authenticating transactions using leading biometrics such as facial recognition.
  - conveniently be informed of recent and upcoming transactions through in-app notifications.
  - confirm their beneficiary's name before sending money to another DTB customer.
  - effortlessly book fixed deposits directly from their phone promoting a convenient savings culture.
  - easily conduct foreign currency internal transfers denominated in USD, GBP and EUR.
  - comfortably send/ receive Western Union transfers directly on their phones.
  - send money to and from their DTB account effortlessly to third party mobile wallets, accounts at DTB and other banks.
- **Using** *i24/7* our internet banking platform, is a 'walk in the park' experience for our customers as they can:
  - pay their taxes real time on KRA's iTax portal.
  - no longer queue in long lines to pay bills to Kenya Power and Nairobi Water.
  - easily transfer foreign currency denominated in USD, GBP and EUR.
  - transact securely with a one-time pin sent on email every time they log in to the *i24/7* portal.
  - view accounts of related companies effortlessly on a single screen.
  - get a 360 view of all the products they subscribe to, without a hitch.

Bank 24/7 **account** – Our customers now benefit from the contact-less digital offering which uses Artificial Intelligence (AI) through facial recognition and Optical Character Recognition (OCR) when opening new accounts, eliminating the need for paperwork or a visit to the branch. This became even more relevant during the pandemic, especially considering the COVID-19 related social distancing protocols.

DTB Inua- Access to salary advances easily for employees of our business customers. Our customer's employees now have access to quick and seamless access to advances of their salaries at the touch of a screen. They can now worry less about any emergencies that may happen and cushions them against any tough economic conditions.

The various customer experience enrichment initiatives on our digital platforms will continue, through future version releases, in form of EPICs.

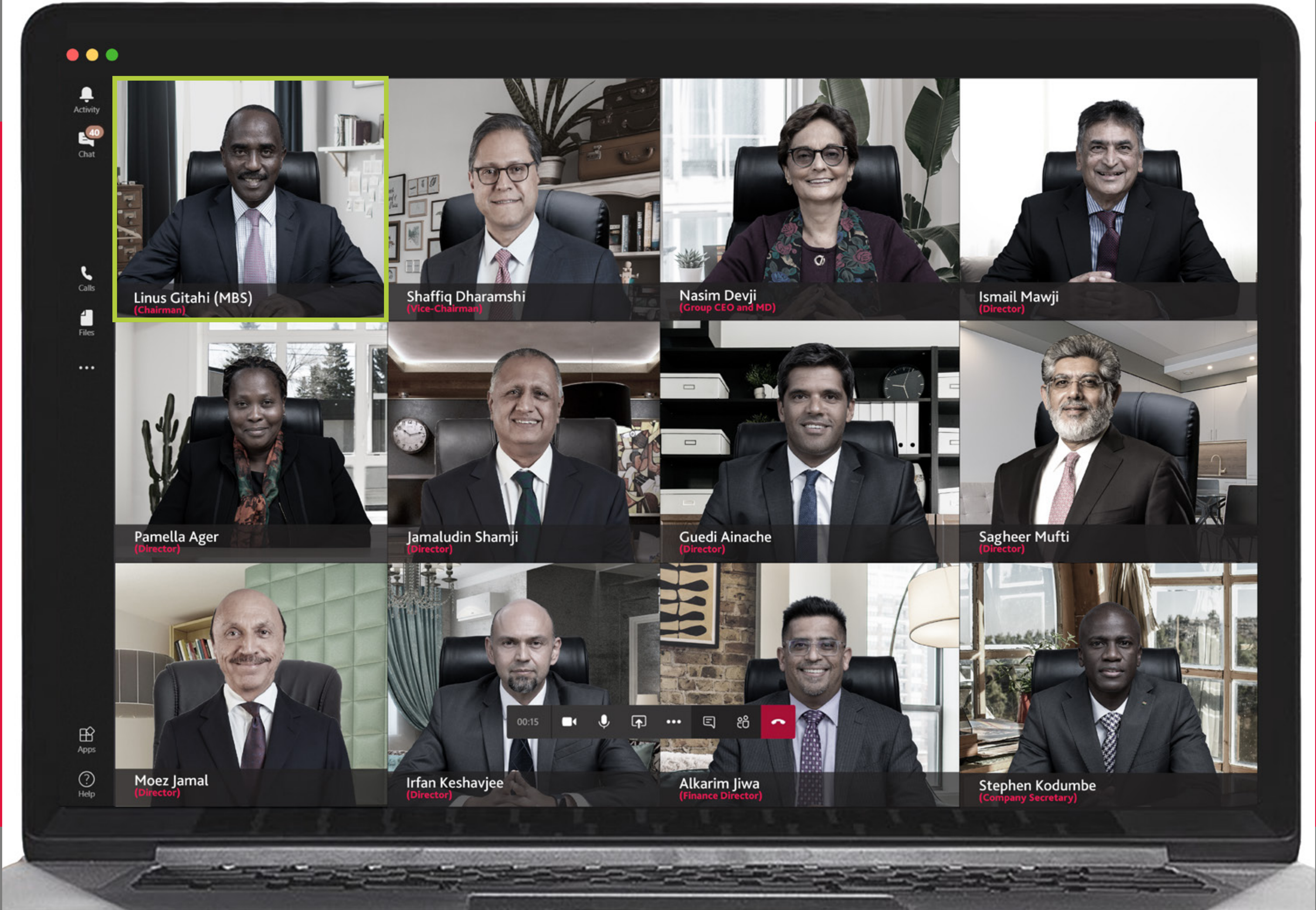
COVID-19 accelerated digitalisation of banking as consumer behaviour and expectations continue to evolve during the pandemic. This digital disruption accelerated by the emergence of a contact-less economy in the midst of the COVID-19 pandemic, made us seize the moment and take fundamental steps in our digitally anchored journey to enrich the lives of our customers.

2018

A section of deforested land in Lemek, Narok County in 2018 when DTB first visited the area. DTB partnered with an environmental conservation organisation to spread 1 million seedballs of indigenous trees to regenerate the environment.

TODAY

The previously deforested land with substantive vegetative cover after the germination and growth of the 1 million seedballs spread by DTB in 2018. This initiative enriched the lives of the local community by curbing soil erosion and reducing human-wildlife conflict.



DTB 2020 INTEGRATED REPORT AND FINANCIAL STATEMENTS

Mr. Linus Gitahi, MBS (Chairman)

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 and of Oxygene Communication Limited. In addition, he is a director of Simba Corp, Outspan Hospital and Medical College, Allianz Insurance (K) Limited and Kenya Association of Manufacturers. He previously served as the Chief Executive Officer of the Nation Media Group and prior to that was the Group Chief Executive Officer for GlaxoSmithKline in West Africa after having held diverse management positions with them. Mr. Gitahi is aged 58 years.

Mrs. Pamella 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 LLM 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 50 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 HBL Pakistan and Marcuard Family Office, Switzerland. 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 a member of the Institute of Directors (Kenya).
Mr. Jamal is aged 65 years.

Mr. Shaffiq Dharamshi (Vice-Chairman)

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 Vice-Chairman of the Boards of DTB Uganda and DTB Tanzania, as well as a director of the Boards of HBL Pakistan, Kyrgyz Investment and Credit Bank, Kyrgyzstan 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 56 years.

Mr. Jamaludin Shamji (Director)

Mr. Shamji was appointed to the Board in March 2010. He holds a B.A. (Hons.) 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 a Fellow of the Kenya Institute of Bankers and a prominent businessman based in Kisii. Mr. Shamji is 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 is a member of the Kisii County Public Private Partnership Committee, Kisii County Budget & Economic Forum Committee and Board of Directors - Kisii Teaching & Referral Hospital and the Institute of Directors (Kenya). Mr. Shamji is aged 58 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 50 years.

Mrs. Nasim Devji (Group Chief Executive Officer and Managing Director)

Mrs. Devji joined the 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, an Associate of the Institute of Taxation (United Kingdom) and a Fellow of the Kenya Institute of Bankers. She is also a member of the Institute of Directors (Kenya). 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 67 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 PROPARCO in East Africa in addition to having held diverse positions with PROPARCO and Credit Agricole Corporate and Investment Banking, both in Paris. Mr. Ainache is aged 45 years.

Mr. Alkarim Jiwa (Finance Director)

Mr. Jiwa was appointed to the Board in September 2018 as the Finance Director. Mr. Jiwa joined the Bank in 1998 and was appointed to the position of Chief Finance Officer in 2001, a position he continues to hold to-date. In addition, he is responsible for the Procurement and Logistics and Property Services functions. He is also a director of Diamond Trust Bank Burundi S.A., the Bank's subsidiary in Burundi. Prior to joining the Bank, Mr. Jiwa worked for several years with an accountancy and audit firm in Nairobi, Kenya. He is a Fellow of the United Kingdom- based Association of Chartered Certified accountants and a member of the Institute of Certified Public Accountants of Kenya. He is also a member of the Institute of Directors (Kenya).
Mr. Jiwa is aged 51 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 70 years.

Mr. Sagheer Mufti (Director)

Mr. Mufti was appointed to the Board in January 2020. He is a professional banker with over 38 years' experience within the international financial industry. Mr. Mufti is currently the Chief Operating Officer for HBL Pakistan and is responsible for building a corporate culture based on operational excellence and technology capabilities for fulfilment of client services to the over 14 million customers served by HBL Pakistan in over 20 countries. Prior to that, he was the Chief Operating Officer for ADIB based in Abu Dhabi and also spent 34 years at Citi in different management and leadership roles where he led various enterprise transformation programmes and business redesign responsibilities regionally and globally. At the time he left Citi, Mr. Mufti was the Global Head of Anti-Money Laundering operations. Mr. Mufti holds a Masters in Business Administration from The George Washington University, Washington DC, USA. Mr. Mufti is aged 63 years.

Mr. Stephen Kodumbe (Company Secretary)

Mr. Kodumbe joined DTB Kenya in 2008 as the Manager, Legal Services and was appointed Company Secretary in August 2009. He 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). He is also currently pursuing qualification as a Certified Anti-Money Laundering Specialist (CAMS). Mr. Kodumbe is aged 44 years.

EXECUTIVE COMMITTEE

EXECUTIVE COMMITTEE (CONTINUED)

BACK ROW

Venkatramani Iyer
Head of Treasury

Nizar Tundai
Head of Technology

Peter Kimani
Head of Internal Audit

Azra Thobani
Head of Service Excellence

Naftali Mwangi
Head of Security, Fraud and Forensic Investigation

Nita Shah
Head of Credit Support

Hilda Gituro
Head of Risk & Compliance

Shibu Jacob
Head of Coast Region

Farouk Khimji
Head of Products & Marketing

George Otiende
Head of Branches & Alternate Channels

Suraj Shah
Head of Centralised Operations

Constance Macharia
Head of Credit

Lillian Ngala
Head of Human Resource

Shahzad Karim
Head of Corporate Banking

FRONT ROW

Gopa Kumar
Head of Retail Banking

Alkarim Jiwa
Finance Director

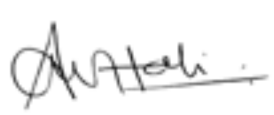
Nasim Devji
Group CEO and MD

Stephen Kodumbe
Company Secretary and Head of Legal & Debt Recovery

Kennedy Nyakomitta
Head of Business Development

DTB 2020 INTEGRATED REPORT AND FINANCIAL STATEMENTS

"I remain confident that as a responsible, ethical and long- term corporate citizen of East Africa spanning the last 75 years, we will continue to live by, and also live up to, the notion of creating positive impact, across multiple generations of the broader community of stakeholders we serve and of which we are proudly a part of."



Linus Gitahi

Chairman

25 March 2021

East Africa's Economic Overview and Outlook

Over the past year, we have been living in unprecedented times. The coronavirus (COVID-19) pandemic has swept the globe, leaving no community untouched. Sub-Saharan Africa, like other frontier geographies, has been particularly vulnerable, with under-developed healthcare systems and capacities under sustained risk of being unable to cope with the vagaries of the pandemic. Equally, the economic environment that characterises our region has been experiencing significant stress, with many livelihoods being adversely affected. The relatively sterling economic growth seen in Eastern Africa in recent years has been disrupted by the crisis. The World Bank estimates that Sub Saharan Africa's GDP contracted by 3.7% in 2020. Against this, the GDP of the four East African countries DTB is present in is estimated to have returned marginal growth last year. This speaks to the underlying resilience and potential of the sub-region.

The pandemic was indiscriminate, with its adverse effects sparing no economic sector or business segment. The aviation, tourism and hospitality, transport, real estate, manufacturing and trade sectors were hit the hardest due to severe contraction in demand and restrictions in movement. The ripple effects of this crisis hurt not only businesses, but also the people behind them- owners, employees, supply chain operators and other business partners.

Just as every crisis tests our resilience, it also creates new opportunities and reasons for hope. The East African economies are projected to return to the path of recovery and sustained growth in 2021 and beyond, with most GDP growth estimates for this year ranging between 2.0% (Burundi) and 6.9% (Kenya) in the four markets we are present in. While the rebound in private consumption and investment is expected to be slower than previously envisioned, exports volumes and receipts are expected to accelerate in line with the resurgence in economic activity across sectors.

Banking & Regulatory Environment and COVID-19 Impact

I would like to acknowledge the proactive and laudable steps taken by the banking regulators in East Africa, in response to the pandemic. They provided an enabling regulatory framework to the sub-region's banking industry that focused – ultimately - on limiting the damage to the livelihoods of those who matter the most, the common mwananchi.

Needless to say, the pandemic also tested the resilience of East Africa's banking sector in the face of an elevated (especially, credit) risk environment and subdued economic activity. In recent years, the industry's resilience has been augmented by the relatively healthy capital and liquidity levels built by players. In this vein, Shareholders should be assured in the knowledge that DTB has also leveraged on its core strengths built over the years to overcome, what we hope to be, the worst of the pandemic. Whilst 2021 and the years to follow are expected to remain difficult for banks and businesses and, more broadly, the regional (and, indeed, global) economies, it is this resilience that will pay off and enable banks, such as DTB, to not only survive during this time of the pandemic but also thrive - as engines of economic growth- post-pandemic.

Advancing in Our Journey to Best Practice

In my previous year's message, I spoke about two key transformational journeys your bank embarked on since 2019 - the revamping of, and benchmarking to global best practice, of the two key risk management frameworks central to any bank's operations: Credit Risk Management and Combating Financial Crime Risk Management. In 2020, DTB carried on with the operationalisation of the various workstreams under these two frameworks. This involved continuing to invest in our people - the custodians who are charged with implementing the best practices that these journeys are anchored on. It also meant that we continue investing in best- in- class technology and systems and in complying with the strengthened policy framework so that we always have the capacities and capabilities required to discharge the required mandates when it comes to combating Financial Crime and effective Credit Risk Management.

Reshaping Our Strategy-Being Digital to the Core

The race to digital banking became a sprint in 2020 following the rapid demand for contact-less engagement by customers during the pandemic. DTB's business strategy is focused on pivoting to this 'new normal', whilst remaining customer-centric. To adapt to this 'new normal' and to remain relevant going forward, DTB has been reshaping its business model, so that we are digital to the core. This calls for, first and foremost, rearchitecting our peoples' mindsets and skillsets so that they are completely aligned to this 'new normal'. The success of DTB's digital banking business strategy is also anchored on its solid technology platform, powered by its innovation culture, strengthened collaborations with new and existing partners and ecosystems and, lastly but perhaps most importantly, ignited by its passion to deliver exceptional customer experiences.

Whilst recognising that offering a digital experience to customers is an evolving journey, as we enter the third decade of the 21st century, DTB is confident that by leveraging on its strengths as an agile, adaptable and nimble player, we are well placed to effectively transform into a technology company with a banking license and continue to remain relevant in the East African business landscape.

Dividends

The year 2020 will go down in history as one of the most difficult ones faced by businesses around the world. Thankfully, DTB's underlying resilience, solid brand equity, established market presence and loyal customer base built over the years, have enabled your Bank to absorb the shocks brought about by the pandemic.

As the prudent measure, however, your Board has resolved not to propose any dividends, given the reduction in earnings in 2020. We remain confident, about the future. As the business environment improves, DTB will leverage on its many strengths, and we are confident of delivering a significantly improved performance and returns to shareholders going forward.

Appreciation

My colleagues on the Board join me in recognising and appreciating all of our over 2,200 employees, across Kenya, Tanzania, Uganda and Burundi, very ably led by our Group Chief Executive Officer and Managing Director, Ms. Nasim Devji, and her executive committee. Despite the hardships brought about by the COVID-19 pandemic, our employees - who are our biggest strength - continued to demonstrate their relentless commitment to DTB's purpose and to serving our customers. The dedication, tenacity and professionalism that our employees bring to the workplace every day is truly laudable.

Since its founding 75 years ago, DTB has grown into a leading, resilient and customer- focused financial services solution provider. This is largely due to the unwavering support, loyalty and business custom that we have continued to enjoy from our customers. We do not take this for granted and, in reciprocity, are working each day to deliver fulfilling experiences to each of our customers.

To my colleagues on the Board, I remain most grateful to them for the time, wisdom and counsel they continue to extend when executing their responsibilities.

It would be remiss of me if I did not thank you, our shareholders, for the trust, confidence and support you continue to give to DTB. As we exercise the fiduciary duty you have bestowed on us, we commit to delivering long- term value and building DTB into a fine institution, operating on best practice principles.

The pandemic is still not behind us. As we navigate through the attendant uncertainties that the year 2021 and beyond will bring, I remain confident that as a responsible, ethical and long-term corporate citizen of East Africa spanning the last 75 years, we will continue to live by, and also live up to, the notion of creating positive impact, across multiple generations of the broader community of stakeholders we serve and of which we are proudly a part of.

DTB 2020 INTEGRATED REPORT AND FINANCIAL STATEMENTS

Muhtasari na Mtazamo wa Kiuchumi wa Afrika Mashariki

Katika mwaka uliopita, tumekuwa tukiishi katika nyakati ambazo hazikutarajiwa. Janga la virusi vya korona (COVID-19) limepiga ulimwengu wote, bila kusaza jamii yoyote. Kusini mwa Jangwa la Sahara, kama maeneo mengine ya mipakani, hasa imekuwa hatarini, huku huduma za afya za zamani katika hatari iliyoendelea ya kutoweza kukabiliana na makali ya janga hili. Vilevile, mazingira ya kiuchumi ambayo ni sifa ya ukanda wetu yamekuwa yakipitia shinikizo kubwa huku hali ya maisha ya wengi ikiathirika vibaya. Ukuaji mzuri wa uchumi ulioshuhudiwa Afrika Mashariki ikilinganishwa na maeneo mengine katika miaka ya hivi majuzi umevurugwa na janga hili. Benki ya Dunia inakadiria kwamba mapato ya taifa Kusini mwa Jangwa la Sahara yalipungua kwa asilimia tatu nukta saba mwaka wa 2020. Kwa msingi huu, mapata ya taifa ya nchi nne za Afrika Mashariki ambapo DTB inafanya biashara inakadiriwa kuwa ilirejesha ukuaji mdogo mwaka jana. Hii inaashiria ustahimilivu uliopo na uwezo wa ukanda huu.iria ustahimilivu uliopo na uwezo wa ukanda huu.

Janga hili halikubagua, kwa athari zake mbaya halikuacha nyuma sekta yoyote ya uchumi au kitengo cha biashara. Sekta za usafiri wa ndege, utalii, usafiri, mali isiyohamishika, utengenezaji na biashara ziliathirika zaidi kutokana na kupungua kwa hitaji la bidhaa na kizuizi cha harakati. Athari iliyosambaa ya janga hili haikuathiri biashara pekee, bali pia watu wanaoendesha biashara hizo- wamiliki, wafanyakazi, watendaji katika mkondo wa usambazaji bidhaa na washirika wengine wa biashara.

Kama tu ambavyo janga lolote hufanyia ustahimilivu wetu majaribio, pia inaleta fursa mpya na sababu za kuwa na matumaini. Uchumi wa nchi za Afrika Mashariki unatarajiwa kurejelea njia ya urejesho na kuendelea kukua mwaka wa 2021 na baadaye, huku makadirio mengi ya ukuaji wa pato la taifa kwa mwaka huu ukiwa kati ya asilimia mbili (Burundi) na asilimia sita nukta tisa (Kenya) katika masoko manne tulipo kwa sasa. Ingawa kurejelea matumizi ya kibinafsi na uwekezaji kukitarajiwa kuwa kwa mwendo wa polepole kuliko ulivyotazamiwa, viwango vya bidhaa zinazouzwa katika mataifa ya nje na zinazopokewa nchini vinatarajiwa kupiga hatua kutokana na na kurejea tena kwa shughuli za kiuchumi katika sekta mbalimbali.

Mazingira ya Huduma za Benki na Udhibiti na athari ya COVID-19

Ningependa kutambua hatua tendi na za kusifika zilizochukuliwa na wadhibiti wa huduma za benki kuu Afrika Mashariki, katika kuitikia janga hili. Walitoa kiunzi cha uwezeshaji wa kiudhibiti kwa sekta ya huduma za benki katika ukanda huu ambacho – hatimaye - kiliangazia kupunguza uharibifu wa maisha ya wale ambao ni muhimu zaidi, mwananchi wa kawaida.

Isitoshe, janga hili lilijaribu ustahimilivu wa sekta ya huduma za benki za Afrika Mashariki ikikabiliwa na mazingira ya hataru kubwa (hasa ya kutoa mikopo) na shughuli za kiuchumi zilizogandamizwa. Katika miaka ya hivi majuzi, ustahimilivu wa sekta hii umepigwa jeki na mtaji mzuri na viwango vizuri vya mtiririko wa pesa taslimu vilivyowekwa na washikadau. DTB pia imetumia nguzo zake kuu zilizojengwa kwa muda wa miaka mingi kukabiliana na, kile tunachotumai kuwa ndicho janga mbaya zaidi kuwahi kutokea. Ingawa 2021 na miaka inayofuata inatarajiwa kusalia kuwa miaka migumu kwa benki na biashara, na kwa upana zaidi, uchumi wa kikanda (na bila shaka, wa kimataifa), ni ustahimilivu huu ambao utatufaidi na kuwezesha benki kama vile DTB, sio tu kuendelea kuwepo wakati huu wa janga bali pia kupiga hatua - kama injini za ukuaji wa kiuchumi-baada ya janga.

Kupiga hatua kuelekea Safari yetu ya Matendo Bora

Katika ujumbe wa mwaka jana, nilizungumzia safari mbili muhimu za kimabadiliko ambazo benki yako ilianza tangu 2019 - kuzinduliwa upya kwa na kufuata mfano wa matendo bora ya kimataifa, ya viunzi viwili vikuu vya udhibiti wa hatari ambavyo ni muhimu katika utendakazi wa benki yoyote: Udhibiti wa Hatari ya Mikopo na Udhibiti wa Hatari Kukabiliana na Uhalifu wa Kifedha. Mwaka wa 2020, DTB iliendelea kuweka utendakazi wa mikondo mbalimbali ya kazi chini ya viunzi hivi viwili. Hii ikihusisha kuendelea kuwekeza kwa watu wetu - wahifadhi ambao wamepewa jukumu la kutekeleza matendo bora ambayo ni msingi wa safari hizi. Pia ilimaanisha kwamba tuendelee kuwekeza katika teknolojia na mifumo bora na katika kutii kiunzi imara cha sera ili tuweze kuwa na uwezo kila mara na ujuzi unaohitajika ili kutoa wajibu unaohitajika ikija kwa kukabiliana na Uhalifu wa Kifedha na Udhibiti wa Hatari ya Mikopo kwa ufanisi.

Kugeuza mkakati wetu-kufanya mambo yote kidijitali

Mbio za kutoa huduma za benki kidijitali zilishika kasi mwaka wa 2020 kufuatia kuongezeka kwa hitaji la wateja kufanya shughuli bila kukaribiana wakati wa janga hili. Mkakati wa kibiashara wa DTB unalenga kuwa nguzo kwa 'hali hii mpya' huku ikisalia kumlenga mteja. Ili kuzoea hali hii mpya na kusalia kuwa faafu kuendelea mbele, DTB imekuwa ikifanyia muundo wake wa biashara mabadiliko, ili tufanye mambo yetu yote kidijitali. Hii inatoa mwito, kwanza kabisa kwa kubadilishwa kwa mtazamo na ujuzi wa watu wetu ili waweze kuoana kabisa na 'hali hii mpya'. Ufanisi wa mkakati wa kibiashara wa huduma za benki za kidijitali zinazotolewa na DTB pia umekitwa kwenye jukwaa lake thabiti la teknolojia, ikiendeshwa na utamaduni wake wa ubunifu, ushirikiano ulioimarishwa na washirika wapya na waliopo na mazingira na, mwisho na pengine kwa umuhimu zaidi, kwa kuchochewa na ari yake ya kutoa hali ya kipekee ya matumizi kwa wateja wake.

Huku tukitambua kwamba uzinduzi hali ya matumizi ya kidijitali kwa wateja ni safari inayoendelea kubadilika, huku tukiingia katika mwongo wa tatu wa karne ya ishirini na moja, DTB ina imani kwamba kwa kutumia uwezo wake kama mshikadau, inayeweza kukabiliana na mabadiliko na stahimilivu, tuko katika nafasi ya kujiimarisha kuwa kampuni yenye ufanisi ya teknolojia yenye leseni ya kutoa huduma za benki na kuendelea kusalia faafu katika mazingira ya biashara ya Afrika Mashariki.

Migao ya mapato

Mwaka wa 2020 utaingia katika kumbu kumbu ya vitabu vya historia kama moja ya miaka migumu zaidi ambayo biashara kote ulimwenguni ilikakumbana nayo. Tunashukuru kwamba, ustahimilivu uliopo wa DTB, usawa thabiti wa chapa, uwepo uliowekwa wa soko na idadi ya wateja wa dhati iliyokuzwa

katika miaka mingi, umewezesha Benki yako kustahimili mapigo yaliyoletwa na janga hili.

Kama hatua ya matumizi yafaayo, hata hivyo, Bodi yako imeamua kutopendekeza migao yoyote ya mapato kutokana na kupungua kwa mapato mwaka wa 2020. Tunasalia kuwa na ujasiri, kuhusu siku zijazo. Huku mazingira ya biashara yakiendelea kuboreka, DTB itatumia uwezo wake anuwai na tunaujasiri wa kutoa utendaji ulioboreshwa pakubwa na mapato kwa wenye hisa kuenda mbele.

Shukrani

Wenzagu katika Bodi wanajiunga nami katika kutambua na kushukuru wafanyakazi wetu wote zaidi ya elfu mbili mia mbili, nchini Kenya, Tanzania, Uganda na Burundi, chini ya uongozi mwema wa Afisa Mkuu Mtendaji na Mkurugenzi Mkuu wa DTB Group, Bi. Nasim Devji na kamati yake tekelezi. Licha ya ugumu ulioletwa na janga la korona, wafanyakazi wetu - ambao ndio nguzo yetu kuu - waliendelea kuonyesha hali ya kujitolea kwao bila kuchoka kwa malengo ya DTB na kuhudumia wateja wetu. Kujitolea huku, ushikilivu na kujiendesha kitaaluma ambao wafanyakazi wetu wanaleta katika mazingira ya kazi kila siku ni jambo la kusifiwa.

Tangu kuanzishwa kwake miaka sabini na tano iliyopita, DTB imekua mtoa huduma za suluhu za kifedha inayeongoza, stahimilivu na inayoangazia wateja. Hii imechangiwa pakubwa na usaidizi usiotetereka, uaminifu na desturi ya biashara ambayo tumeendelea kufurahia kutoka kwa wateja wetu. Tunathamini sana haya na kwa upande wetu, tunafanya kazi kila siku kutoa hali za kuridhisha za matumizi kwa kila mteja wetu.
Kwa wenzangu kwenye Bodi, ninawashuruku zaidi kwa muda, busara na ushauri wanaoendelea kutoa wanapotekeleza wajibu wao.

Sitawatendea haki iwapo nitakosa kuwashukuru nyie wenye hisa wetu, kwa uaminifu, ujasiri na usaidizi ambao mnaendelea kuipa DTB. Tukiendelea kutekeleza jukumu muhimu ambalo mmetutwika, tumejitolea kutoa thamani ya muda mrefu na kuendeleza DTB kama taasisi bora, inayoendeshwa kwa misingi ya matendo bora.

Bado hatujalishinda janga hili. Huku kukipambana na hali tete ambazo zitakuja mwaka wa 2021 na baadaye, ninasalia na imani kwamba kama shirika linalowajibika, lenye maadili na raia wa muda mrefu wa Afrika Mashariki kwa muda wa miaka sabini na tano, tutaendelea kuishi kulingana na, na pia kufikia dhana ya kuweka athari chanya, katika vizazi vingi vya mazingira pana ya washikadau ambao tunawahudumia na ambao tunajivunia kuwa sehemu yao.

Taarifa iliyoko hapa juu ni tafsiri ya Tafakari ya mwenyekiti ulioko ukurasa wa 24 - 25. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika,basi tafsriri ya Kiingereza ndiyo itakayo tawala.

The text set above is a Swahili translation of the Chairman's Reflections, which appears on pages 24 - 25. In the event of any dispute in the interpretation of the Swahili version, the English version shall be the authoritative version.

MANAGING DIRECTOR'S REFLECTIONS

"As East Africa continues on its march to a digital economy, DTB will strive to be at the forefront of offering appropriately tailored solutions which not only meet changing consumer expectations, but also provide enriched customer experiences, truly embedding ourselves in the lifestyles of our customers."

Nasim Devji
Managing Director
25 March 2021

Creating Sustainable Impact beyond Financial Services

In today's rapidly evolving and highly disruptive business environment, DTB remains committed to driving a successful, relevant and sustainable business model. This is what has anchored our position as a leading and relevant financial services provider in East Africa over the years. However, I wish to emphasise that DTB's agenda has, and will always, extend beyond just running a successful regional commercial banking franchise. As we play our part, in contributing to East Africa's long- term economic development, we are also cognisant of the impact our presence and contribution is having on improving the quality of lives of East Africans. We believe that growing a sustainable business model is about delivering long- term value to not only shareholders, but also to DTB's broader community. We identify this broader community as the various cluster of stakeholders- customers, employees, regulators as well as our suppliers and local communities around which we are centered.

In keeping with DTB's brand essence, the theme of this year's Integrated Report is about 'Enriching Lives'. We trust that as you go through the Report, we will be able to demonstrate how we have, in a meaningful way, impacted and enriched the lives of these stakeholders, in a year when lives and livelihoods have faced unprecedented uncertainty and disruption. This speaks to the Group's development- oriented ethos, under pinned by sustainable business practices, an innovative culture, enhanced risk management and solid corporate governance framework practised over the years. This is showcased in the various strategies, programmes and initiatives we have engaged in or continued in 2020, covering a host of diverse areas: deepening financial inclusion amongst the underserved and previously unbankable; promoting gender equality; engendering employee development; economically empowering our primary customer segment - SMEs - and others through responsible lending; contributing to building a sustainable environment, etc. The various measures taken in this respect in 2020 are further elaborated in this Report's Sustainability Review section, on pages 79-88.

Embedding Ourselves in the Lifestyles of Our Customers

DTB is focused on embedding itself in the lifestyles of our customers, through digital innovation and ecosystem partnerships. The pandemic accelerated the shift away from physical stores and in- person engagement to digital shopping and virtual interactions. In responding to this shift in consumer behaviour, DTB took several steps to anchor its role in East Africa's rising digital economy.

In Kenya and Uganda, DTB partnered with with a leading e-commerce provider in Sub - Saharan Africa – to enhance cashless payments on DTB's mobile and card payment platforms. DTB considers this as a strategic partnership, as it enabled us to dive into the e-commerce space at a crucial point in time, becoming the first flagship banking operator in East Africa to offer these services. This initiative enabled us to leverage DTB's revamped ***m24/7*** mobile banking app as well as the newly launched ***Bank 24/7*** digital account. Customers opened these digital accounts, remotely in under 5 minutes, providing a novel offering and experience to our existing and new customers.

With the growing utilisation of digital banking channels by its customers, DTB continued to enrich its suite of features offered on the ***m24/7*** mobile banking and ***i24/7*** internet banking channels. Many of these service features, outlined in more detail in the 'Empowering our Customers' section of this Integrated Report on pages 14-15, are first- to market.

The positive impact of these initiatives continue to be validated by our customers. Indeed, across East Africa, DTB's customers conducted 79% of transactions outside the traditional branch network, compared to 62% a year earlier. In Kenya alone, 88% of all customer transactions were conducted outside the branch banking halls in 2020. Whilst the role of traditional channels, such as branch banking, becomes less relevant, we are continuously reviewing and rationalising our branch networks in East Africa. In 2020, DTB Uganda reduced its branch network by three branches. In 2021 we will be looking at merging branches in close proximity locations in Kenya resulting in the closure of six branches, whilst in Uganda we plan to close a further five branches.

As East Africa continues on its march to a digital economy, DTB will strive to be at the forefront of offering appropriately tailored solutions which not only meet changing consumer expectations, but also provide enriched customer experiences, truly embedding ourselves in the lifestyles of our customers.

Supporting MSMEs, Sustaining the Economy

Micro, Small and Medium-sized Enterprises (MSMEs) - DTB's niche customer segment- have borne the brunt of the harsh, pandemic- induced economic conditions that have prevailed since much of last year. The Government of Kenya, through the National Treasury, selected DTB Kenya, as one of seven commercial banks subscribing to its inaugural Credit Guarantee Scheme. The Scheme aims to provide easier access to credit to MSMEs who are struggling to raise funding for working capital and asset purchase requirements, as they recover from the pandemic. Under this guarantee scheme, DTB is providing loans of up to KShs 5 million each to eligible MSMEs. In total, DTB has committed to extend credit of up to KShs 1.6 billion to such businesses in 2021.

We are excited to play our part, as inaugural participants to this Scheme, given our long history of supporting SMEs. We also continued to support various capacity building programmes targeting the SME segment. In 2020, through our ongoing partnerships with the Kenya Bankers Association and International Finance Corporation, we extended financial literacy programmes to select SMEs. We also partnered with Commonwealth Businesswomen Network (CBWN-K) Kenya to enable over 1,000 women and youth entrepreneurs from across the 47 counties in Kenya to showcase their products and services in a virtual, contact-free setting.

Navigating through COVID-19

The disruptive and destructive effects brought on by the COVID-19 pandemic required us to take the proactive, agile and, indeed, empathetic measures needed to help the various stakeholder groups we interact with to navigate the crisis.

Keeping our customers top of mind, we engaged with them, and especially for those who had borrowed from us, we granted repayment holidays given the very sudden and drastic cashflow constraints many of them were facing. In total, we restructured repayment terms covering 37% of our total loan portfolio of KShs 221 billion.

Over and above the debt relief measures granted, the safety and wellbeing of our employees and customers coming to our workplaces was also of paramount concern. We took the necessary measures to keep our workplaces safe and clean, taking cognisance of industry standards and protocols developed to fight the pandemic. Recognising that banking is an essential service, DTB tested and invoked its business continuity plans, and operationalised its Crisis Management Team (CMT), to ensure a seamless delivery of service to all our customers. This allowed us to keep our doors and e- channels open for our customers throughout the pandemic period.

We also cast our support to the broader community, DTB invested over KShs 100 million towards local community and national efforts to combat the effects of COVID-19. Details of these and other relief measures are more specifically outlined in this Integrated Report, on pages 12-13.

Whilst we are still wading through the crisis, the resolve, determination and resilience shown by all DTB employees, the stewardship and ongoing counsel provided by the Board and an enabling environment created by the regulators give us confidence and hope of emerging victorious in the battle against COVID-19. After all, history has also repeatedly shown that the human race exhibits its true and time-tested character of resilience and unrelenting hope in times of crises. This inspires us to look forward to a better tomorrow.

Business Performance

The outbreak of COVID-19 virus and its spread globally as a pandemic in 2020 has had a detrimental effect on business across the World. Not unlike other banking players, DTB Group has had to navigate through the resulting very challenging business environment, fraught with significantly elevated credit risk. Net interest income earnings came under pressure, following the lowering of yields during the year and subdued credit growth. Whilst income from foreign exchange trading improved, the loan commissions and transaction- based fee income suffered due to a slow down in business activity and new lending. In the face of pressure on revenues, the Group redoubled its focus on containing operating costs. Also, recognising the elevated credit risk environment, a thorough assessment was made of the credit portfolio and certain exposures were downgraded to non- performing category. The Group also took a prudent view on the time to recovery of non – performing accounts and collateral values held against these. Consequently the impairments against these non- performing accounts have been increased considerably.

Despite the difficult business environment, your Bank still managed to grow its Group asset base in 2020 by 10% to KShs 425 billion and after-tax profits of KShs 3.5 billion.

Anchored on the Group's underlying resilience, brand positioning, regional market presence, value offering and steadfast customer base, we remain optimistic about the Group's performance in 2021 and beyond.

Appreciation

My profound appreciation to each and every employee of DTB. Their passion, commitment, engagement, resilience and hard work have become the hallmarks of Team DTB. Despite the disruptive effect of the COVID-19 pandemic, Team DTB showed incredible resilience and infectious optimism in the face of adversity. The pandemic became personal to us in November last year, when we lost our Head of Credit, Millerangam Jayaraman. His 21-year long unstinted service to DTB has left an indelible mark across the Group, and he will forever be cherished by everyone at DTB and many of its stakeholders. Following Jayaraman's untimely demise, Constance Macharia joined Team DTB in February 2021, as Head of Credit, and all of us welcome her and wish her success and fulfilment as she takes on this role.

I would like to appreciate the Chairman, Vice-Chairman and members of the Board for their continued wisdom and counsel. A special thank you to our dedicated customers and suppliers who have stood by us through the challenging year. Much gratitude to our primary regulator, the Central Bank of Kenya, and all other regulators including those who regulate our subsidiary operations in East Africa for their support and guidance. To our shareholders, *asante sana* and we look forward to our collective effort in creating a lasting impact across our communities.

Kuweka Athari Endelevu mbali na Huduma za Kifedha

Katika ulimwengu wa leo wa biashara inayobadilika kwa haraka pamoja na mazingira yanayovurugika sana, DTB inasalia kujitolea ili kuendesha muundo wenye ufanisi, unaofaa na endelevu katika biashara.

Mikakati hii ndiyo imeweka msingi wa nafasi yetu kama mtoa huduma wa kifedha inayeongoza na anayefaa ukanda wa Afrika Mashariki katika muda wa miaka mingi. Hata hivyo, ningelipenda kusisitiza kwamba ajenda ya DTB imekuwa na itaendelea kuwa, kupiga hatua zaidi ya kuwa tu asasi yenye ufanisi katika kutoa huduma za kibiashara za benki katika ukanda. Huku tukichukua nafasi yetu katika kuchangia maendeleo ya kiuchumi ya muda mrefu Afrika Mashariki, pia tunatambua athari ambayo uwepo wetu na mchango wetu katika kuboresha maisha ya watu wa Afrika Mashariki.

Tunaamini kwamba kukuza muundo endelevu wa biashara unahusu kutoa thamani ya muda mrefu sio tu kwa wenye hisa, bali pia kwa jamii pana ya DTB. Tunaitambua jamii hii pana kama makundi mbalimbali ya washikadau-wateja, wafanyakazi, wadhibiti pamoja na wasambazaji wa bidhaa na huduma wetu na jamii ambayo imetuzingira.
Katika kuendeleza kiini cha chapa ya DTB, kauli mbiu ya Ripoti

Jumlishi ya mwaka huu inahusu 'Kuimarisha Maisha'. Tunaamini kwamba ukiendelea kupitia Ripoti hii, tutaweza kudhihirisha jinsi kwa njia ya maana zaidi, tumeweza kuathiri na kuimarisha maisha ya washikadau hawa, katika mwaka ambapo maisha na hali za maisha ya watu zilikabiliwa na hali tete na vurugu ambao haukutarajiwa.

Hii inaashiria maadili ya shirika yaliyokitwa kwenye maendeleo, na kuegemezwa kwenye mambo endelevu ya biashara, utamaduni wa ubunifu, udhibiti ulioimarishwa wa hatari na kiunzi thabiti cha utawala wa shirika ambao umedumishwa katika kipindi cha miaka mingi. Hii inadhihirishwa katika mikakati, mipango na miradi mbalimbali ambayo tumefanya au kuendeleza katika mwaka wa 2020, hii ikigusa nyanja anuwai: kufanya ujumuishaji wa kina wa kifedha miongoni mwa wahusika ambao hawajahudumiwa ipasavyo na ambao awali hawangeweza kutumia huduma za benki; kuhimiza usawa wa kijinsia; kuzingatia jinsia katika maendeleo ya wafanyakazi; kukiwezesha kiuchumi kitengo chetu msingi cha wateja na wengine kupitia kutoa mikopo inayofaa; kuchangia kukuza mazingira endelevu. Hatua mbambali zilizochukuliwa kuhusiana na huu mwaka wa 2020 zimeelezwa kwa kina katika sehemu ya Ukaguzi wa Uendelevu wa Ripoti hii, katika kurasa za 79-88.

Kujihusisha katika Mitindo ya Maisha ya Wateja Wetu

DTB inaangazia kujihusisha katika mitindo ya maisha ya wateja wetu, kupitia ubunifu wa kidijitali na ushirikiano katika mazingira ya kikazi. Janga la Korona limesababisha watu kubadilisha mtindo wa kuingia katika maduka halisi na kujihusisha ana kwa ana badala yake kugeukia ununuzi wa kidijitali na miingiliano kupitia mtandao. Katika kukabiliana na badiliko hili la tabia ya watumiaji, DTB ilichukua hatua ili kukita nafasi yake katika uchumi unaokua wa kidijitali ukanda wa Afrika Mashirika.

Nchini Kenya na Uganda, DTB ilishirikiana na mtoa huduma anayeongoza wa biashara za mtandaoni Kusini mwa Jangwa la Sahara - ili kuimarisha malipo yasiyofanywa kwa pesa taslimu kwenye majukwaa ya vifaa vya mtandaoni na kadi ya malipo ya DTB. Kupitia inazingatia hii kama ushirikiano wa kimkakati, kwa kuwa imetuwezesha kuingia katika uwanja wa biashara za mtandaoni wakati huduma hii ikiwa muhimu zaidi, ikiwa ndiyo mtoa huduma za benki wa kwanza Afrika Mashariki kutoa huduma hizi. Mpango huu ulituwezesha kuoanisha mipango ya rununu iliyoboreshwa ya ***m24/7*** ya DTB pamoja na akaunti ya kidijitali iliyozinduliwa upya ya ***Bank 24/7***. Wateja walifungua akaunti hizi za kidijitali, wakiwa mbali kwa muda wa chini ya dakika tano, ikitoa ofa mpya na hali mpya ya matumizi kwa wateja wetu waliopo na wapya.

Huku wateja wake wakiendelea kutumia mikondo ya huduma za benki za kidijitali, DTB iliendelea kuboresha anuwau ya huduma zake za vipengele zinavyotoa kwenye mikondo yake ya benki za simu ***m24/7*** na ***i24/7*** benki za mtandaoni. Vipengele vingi kati ya hivi vya huduma, vilivyobainishwa kwa kina katika sehemu ya 'Kuwawezesha Wateja wetu' ya Ripoti hii Jumlishi katika kurasa za 14-15, ni mapywa kwenye eneo letu.

Athari chanya ya mipango hii inaendelea kuidhinishwa na wateja wetu. Hakika, kote Afrika Mashariki, wateja wa DTB walifanya asilimia sabini na tisa ya miamala nje ya mtandao wa jadi wa tawi ikilinganishwa na asilimia sitini na mbili mwaka mmoja uliopita. Nchini Kenya pekee, asilimia themanini na nane ya miamala ya wateja ilifanywa nje ya tawi la vyumba vya benki mwaka wa 2020. Huku umuhimu wa nafasi ya mikondo ya jadi, kama vile huduma za benki katika matawi ukiendelea kudidimia, tunaendelea kukagua na kuweka taratibu zifaazo za mitandao yetu ya matawi ya Afrika Mashariki. Mwaka wa 2020, DTB Uganda ilipunguza mtandao wake wa matawi kwa matawi matatu. Mwaka wa 2021, tunanuia kuunganisha matawi ambayo yanakaribiana nchini Kenya hivyo kusababisha kufungwa kwa matawi sita, huku nchini Uganda tukipanga kufunga matawi mengine matano.

Huku Afrika Mashariki ikiendelea kupiga hatua kufikia uchumi wa kidijitali, DTB itajizatiti kuwa katika mstari wa mbele kutoa suluhu maalum zifaazo ambazo kando na kukidhi mahitaji ya matarajio yanayobadilika ya mteja, pia zinatoa hali iliyoimarishwa ya matumizi kwa wateja, hivyo kujihusisha kwa uhakika katika mitindo ya maisha ya wateja wetu.

Kusaidia MSME, Kuendeleza Uchumi

Biashara ndogo kabisa, Ndogo na za Wastani (MSMEs) - kitengo ambacho ndicho kitovu cha wateja wa DTB - kimepitia hali mbaya zaidi iliyosababishwa na janga - hali zilizoletwa za kiuchumi ambazo zimetawala tangu mwezi Machi mwaka jana. Serikali ya Kenya, kupitia Hazina ya Kitaifa, iliteua DTB Kenya kama moja ya benki saba za biashara zinazosajiliwa katika mpango wake wa kiuzinduzi wa Mdhamini wa Mikopo. Mpango huo unalenga kutoa ufikiaji rahisi wa mikopo kwa biashara ndogo ambazo zinatatizika kupata ufadhili ili kupata mtaji wa kufanyia kazi na mahitaji ya kununua rasilimali, huku zikipata nafuu kutokana na janga hili. Chini ya mpango huu wa dhamana, DTB inatoa mikopo ya hadi shilingi milioni tano kwa biashara ndogo zilizotimiza matakwa. Kwa jumla, DTB imejitolea kutoa mikopo ya hadi shilingi bilioni moja nukta sita kwa biashara kama hizo mwaka wa 2021.

Tunafurahi kuchukua nafasi yetu, kama washiriki waanzilishi wa Mpango huu, kutokana na historia yetu ndefu ya kutoa usaidizi kwa mabiashara. Pia tunaendelea kutoa msaada kwa mipango kadhaa ya kukuza uwezo inayolenga kitengo cha mabiashara. Mwaka wa 2020, kupitia ushirikiano wetu unaoendelea na Shirikisho la Wanabenki Kenya na Shirika la Kimataifa la Fedha, tumeendeleza mipango ya mafunzo ya kifedha kwa mabiashara teule. Pia tumeshirikiana na Mtandao wa Wanabiashara wanawake kutoka nchi za Madola (CBWN-K) ili kuwezesha zaidi ya wanawake na vijana elfu moja ambao ni wajasiriamali kutoka katika kaunti arobaini na saba za Kenya ili kuonyesha bidhaa na huduma zao katika muktadha wa kikao cha mtandao usio wa kukaribiana.

Kukabiliana na COVID-19

Athari za kivurugu na uharibifu zilizoletwa na janga la COVID-19 Athari za kivurugu na uharibifu zilizoletwa na janga la korona zilituhitaji kuchukua hatua tendi, kali na hakika za huruma ili kusaidia makundi mbalimbali ya washikadau tunaoingiliana nao kukabiliana na janga hilo.

Kwa kuwapa wateja wetu kipaumbele, tulizungumza nao na hasa wale tuliowapa mikopo, tuliwapa likizo la malipo kutokana na ugumu uliotokea kwa dharura kwenye mtiririko wa kifedha ambao walikumbana nao. Kwa jumla, tulibadilisha masharti ya kulipa mkopo uliojumuisha asilimia thelathini na saba ya jumla ya mikopo iliyochukuliwa ya shilingi bilioni mia mbili ishirini na moja.

Zaidi ya hatua za nafuu ya madeni iliyotolewa, usalama na ustawi wa wafanyakazi na wateja wetu waliokuja katika maeneo yetu ya kazi pia ulikuwa wasiwasi mkubwa. Tulichukua hatua zinazofaa kuweka maeneo yetu ya kazi salama na nadhifu, kwa kuzingatia viwango vya sekta na miongozo iliyowekwa ya kupambana na janga hili. Kwa kutambua kwamba huduma za benki ni huduma muhimu, DTB ilikadiria na kutekeleza mipango ya kuendeleza biashara yake, na ilianza kutumia Timu ya Udhibiti wa Majanga, ili kuhakikisha utoaji rahisi wa huduma kwa wateja wetu wote. Hii ilituwezesha kufungua milango yetu na mikondo ya mtandaoni kwa wateja wetu wote katika kipindi kizima cha janga.

Pia tulitoa msaada wetu kwa jamii pana ; DTB iliwekeza zaidi ya shilingi milioni mia moja kwa jamii za ndani na kwa jitihada za kitaifa za kupambana na athari za Korona. Maelezo ya kina ya hatua hizi na zingine za nafuu yamebainishwa mahususi katika Ripoti hii Jumuishi, katika kurasa 12-13.

Huku tukizidi kung'ang'ana kushinda janga hili, uamuzi, matamanio na ustahimilivu ulioonyeshwa na wafanyakazi wote wa DTB, kuwepo katika mstari wa mbele na ushauri unaoendelea kutolewa na Bodi na mazingira ya kuwezesha yaliyowekwa na wadhibiti yanatupa ujasiri na matumaini ya kuibuka washindi katika vita dhidi ya Korona. Isitoshe, mara kwa mara, historia imeonyesha kwamba binadamu huonyesha sifa zake za ukweli na iliyopita majaribio ya muda ya ustahimilivu na kutopungukiwa matumaini nyakati za janga. Hii inatupa motisha ya kutazamia mustakabali mwema.

Matokeo wa Biashara

Mlipuko wa virusi vya COVID-19 na kuenea kwake kimataifa Mlipuko wa virusi vya Korona na kusambaa kwake kimataifa kama janga tandavu mnamo mwaka wa 2020 umekuwa na athari mbaya zaidi kwa biashara kote ulimwenguni. Tofauti na washikadau wengine wa huduma za benki, DTB imelazimika kupambana na mazingira ya biashara yenye changamoto, kwa wasiwasi kutokana na hatari iliyokuwa ya juu ya mkopo. Jumla ya mapato ya riba yalikuwa katika shinikizo kubwa, kufuatia kupungua kwa mapato katika mwaka huo na kudidimizwa kwa ukuaji wa mikopo. Huku mapato kutokana na biashara za ubadilishanaji fedha za kigeni yakiongezeka, mapato ya kodi kutokana na mikopo na mapato ya ada za miamala yalipungua kutokana na kupungua kwa shughuli za biashara na utoaji mkopo mpya. Ikikabiliwa na shinikizo kwenye mapato, DTB ilizidisha angazio lake la kudhibiti gharama za uendeshaji. Pia, kwa kutambua mazingira ya kupanda kwa hatari ya utoaji mikopo, tathmini ya kina ilifanywa kwenye kapu la mikopo na hatari zingine zilishushwa hadhi hadi katika kategoria isiyo tendaji. DTB pia ilichukua mtazamo wa punguzo la matumizi kwenye muda wa urejeshaji wa- akaunti zisizofanya vyema na thamani za dhamana zilizoshikiliwa dhidi yao. Kutokana na hayo vurugu dhidi ya akaunti hizi zisizofanya vyema imeongezeka.
Licha ya mazingira magumu ya biashara, Benki yako bado iliweza kukuza rasilimali zake mwaka wa 2020 kwa asilimia kumi hadi shilingi bilioni ishirni na tano na faida ya baada ya ushuru ya shilingi bilioni tatu nukta tano.

Huku DTB ikiwa imekitwa kwenye ustahimilivu, nafasi ya chapa, uwepo wa soko kikanda, utoaji thamani na wateja thabiti, tunasalia na matumaini kuhusu utendaji wa Benki mwaka wa 2021 na mbele ya hapo.

Shukrani

Shukrani zangu za dhati kwa kila mfanyakazi wa DTB. Ari, kujitolea, kujihusisha, ustahimilivu na bidii yao imekuwa ni nguzo ya Timu ya DTB. Licha ya athari za kivurugu za janga la Korona, Timu ya DTB ilionyesha ustahimilivu wa aina yake na matumaini ya pamoja wakati wa janga. Janga hili lilitugusa sisi ilipofika mwezi Novemba mwaka jana tulipompoteza Mkuu wetu wa Mikopo, Millerangam Jayaraman. Huduma yake safi ya muda iliyodumu muda wa miaka ishirini na moja kwa DTB imeacha alama ya kipekee kwenye DTB nzima na itazidi kuenziwa na kila mtu katika DTB na washikadau wake wengi. Kufuatia kifo cha ghafla cha Jayaraman, Constance Macharia alijiunga na Timu ya DTB mnamo Februari 2021 kama Mkuu wa kitengo cha Mikopo na sote tunamtakia fanaka na ufanisi akichukua nafasi hii.
Ningependa kumshukuru Mwenyekiti, Naibu wa mwenyekiti na wanachama wa Bodi kwa busara na ushauri wanaoendelea kutoa. Shukrani spesheli kwa wateja na wasambazaji bidhaa na huduma wetu ambao wamesimama nasi katika mwaka uliokuwa na changamoto. Shukrani za dhati kwa mdhibiti mkuu, Benki kuu ya Kenya, na wadhibiti wengine wote ikiwa ni pamoja na wale wanaodhibiti matawi yetu ya utendakazi Afrika Mashariki kwa usaidizi na mwongozo wao. Kwa wenye hisa wetu, asante sana na tunatazamia kuweka jitihada za pamoja ili kuunda athari ya kudumu katika jamii zetu mbalimbali.

Taarifa iliyoko hapa juu ni tafsiri ya Tafakari ya Mkurugenzi Mtendaji ulioko ukurasa wa 28 - 29. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika,basi tafsriri ya Kiingereza ndiyo itakayo tawala.

The text set above is a Swahili translation of the Managing Director's Reflections, which appears on pages 28 - 29. In the event of any dispute in the interpretation of the Swahili version, the English version shall be the authoritative version.

FINANCE DIRECTOR'S REFLECTIONS

...as an indicator of DTB's market positioning, brand strength and customer loyalty, in 2020 the Group's total asset base crossed the KShs 400 billion mark, for the first time, rising by 10% during the year to close at KShs 425 billion.

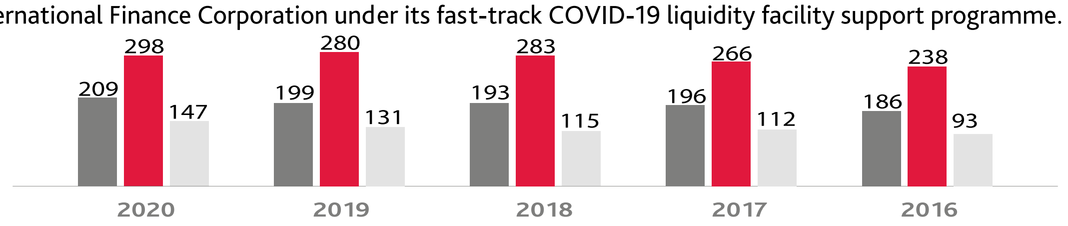
Alkarim Jiwa
Finance Director
25 March 2021

Operating Environment

The macro-economic backdrop in the four East African markets we operate in was extremely challenging, given the pervasive adverse impact of the COVID-19 pandemic on businesses and livelihoods. The GDP of the four East African countries we operate in saw a significant contraction, relative to the performance of previous years. The elevated credit risk environment and subdued business activity were prevalent across much of 2020 and, despite signs of some resurgence in economic activity in late 2020, are likely to continue into 2021. As was the case in geographies across the World, GDP growth rates were revised downwards in 2020. In East Africa, last year's economic growth was flat, a relatively better performance than other markets whose economies registered negative growth.

Sustained Asset and Deposit Growth Momentum

On a more positive note, and as an indicator of DTB's market positioning, brand strength and customer loyalty, in 2020 the Group's total asset base crossed the KShs 400 billion mark, for the first time, rising by 10% during the year to close at KShs 425 billion. This balance sheet growth momentum was supported by a 6% increase in customer deposits, which closed at KShs 298 billion at the end of 2020. DTB accessed lines of credit amounting to USD 90 million during the year, drawing on a senior loan facility from the African Development Bank of USD 40 million, as well as securing USD 50 million in fresh funding from the International Finance Corporation under its fast-track COVID-19 liquidity facility support programme.

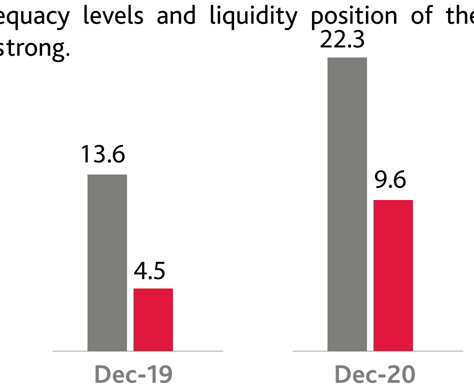


Impact of Elevated Credit Risk Environment on Earnings

Recognising the rapid and significant elevation in the credit risk environment as a consequence of the COVID-19 pandemic, DTB took a conservative approach and downgraded credit exposures whose quality had been impacted by the crisis. The non-performing loans ratio for the Group increased to 10.1% (6.6% in 2019). The key sectors driving this deterioration in asset quality were: Trade, Real Estate and Manufacturing sectors.

DTB was aggressive in assessing and increasing the impairments held against existing and new non-performing exposures. Consequently, the cost of risk increased to 3.4% in 2020 compared to 0.5% in the previous year. The consequent one-time effects of downgrading risk assets, and making impairments against these, led to the Group's Profit after Tax to drop by 51% to KShs 3.5 billion in 2020.

We responded to the external headwinds by leveraging extensively on the underlying resilience of DTB's balance sheet. As a testimony to this, the Group was able to absorb the shock of the heightened impairments during the year with both the capital adequacy levels and liquidity position of the Group remaining strong.



Lower Net Interest Margin

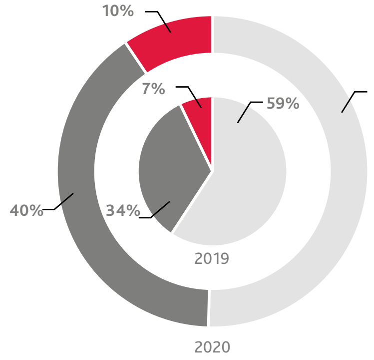
The Group's Net Interest Margin declined to 5.2% in 2020 compared to 5.9% in 2019. Whilst cost of funds reduced by 50 bps to 3.7% in 2020, compared to 4.2% in 2019, the reduction in yields on the Group's investment in Government Securities offset the gains made in the reduced cost of funds. During the year, the yield on the loan book was 9.5% in 2020 compared to 10.5% and the yield on Government securities was 8.9% in 2020 compared to 10.1% in 2019.

Underlying Cost Growth Well Contained

In the face of declining top-line revenues (due to narrowing margins, and dampened business activity) and the significant one time increases in loan loss allowance, we adopted a stringent cost management programme during the year. Whilst the overall cost base recorded a marginal increase of 4%, if the non-recurring operating costs are excluded, then the core operating expenditure base remained flat during the year. Consequently, the normalised cost income ratio also remained stable at 48%, the same level as 2019, despite contraction in revenue.

Core Non-Interest Income Growth Emerging

Sustained growth in the balance sheet and customer base, expansion of our emerging digital banking channels and a strong performance in foreign exchange dealing and treasury operations are starting to translate into better non-interest income. Overall fee income increased by 7% year on year and constituted 24% of total operating revenue.



Capital and Liquidity Remain Strong

DTB's capital adequacy and liquidity ratios continued to remain strong, with healthy buffers being maintained on both ratios over their regulatory requirements. DTB Kenya's total capital adequacy ratio is at 22.5% compared to the minimum Board requirement of 16.0% and regulatory requirement of 14.5%. The liquidity position stood at 56.3% in December 2020, against the regulatory limit of 20.0% and Board limit of 30.0%. All the banking subsidiaries of DTB Kenya also maintain more than adequate headroom over the regulatory and Board minimum capital adequacy and liquidity ratios. This is appropriate, given the tough macro-economic environment and heightened uncertainty likely to prevail in 2021.

Whilst we do not foresee any significant adverse deterioration in our capital adequacy ratios and liquidity levels, as a matter of prudence, given the reduction in net earnings in 2020, the Board has made a decision not to make any dividend payouts this year.

Captial Adequacy Ratio (Total cap/ TRWA)	2020	Minimum Requirement		2019
		Board	Regulatory	
Kenya	**22.5%**	16.0%	14.5%	20.9%
Tanzania	**20.9%**	15.5%	14.5%	23.1%
Uganda	**26.1%**	15.5%	14.5%	24.9%
Burundi	**58.9%**	15.5%	14.5%	56.9%

Liquidity Ratio	2020	Minimum Requirement		2019
		Board	Regulatory	
Kenya	**56.0%**	30.0%	20.0%	54.8%
Tanzania	**36.4%**	25.0%	20.0%	39.1%
Uganda	**39.4%**	25.0%	20.0%	50.7%
Burundi	**135.2%**	110.0%	100.0%	197.3%

Responsible Taxpayers

Our taxation expense reduced by 71% to KShs 1.1 bn, **lowering our normalised effective tax rate to 24%, with** the main drivers being: (i) reduction of the tax rate in Kenya from 30% applicable in 2019 to 25% in 2020 as part of the COVID relief measures by the Government, (ii) lower taxable profits (iii) nontaxable income. We will continue to optimise the tax position of our commercial operations. This philosophy considers the needs of all stakeholders, including shareholders, customers, tax authorities, regulators and wider society. We ensure that all taxes are paid in accordance with the legislative requirements of the countries in which we operate.

Outlook

Whilst the COVID-19 pandemic is still very much within our midst and the adverse effects of this unprecedented crisis are likely to linger in 2021 and beyond, we are cautiously optimistic of a rebound in the economic environment we operate in and the financial performance of your Bank. This outlook is based on our current assumptions of a revival in economic activity and no significant or unforeseen deterioration in the macroeconomic or credit environment. We forecast reasonably similar balance sheet growth in 2021. Our net interest margin is expected to be broadly similar in 2021, anchored on the expectation that whilst we will continue to make determined efforts to reduce cost of funds, the yield on interest earning assets will continue to come under competitive pressure. Non-interest income is forecast to grow, a reflection of our focus to diversify the revenue base as we expand our (mainly digital) product, service and channels offering. Costs will remain well controlled and we are targeting a gradual decline in the cost income ratio in 2021 and beyond. Given the after effects of the pandemic, we do not expect the credit loss ratio to reduce significantly. On a longer-term basis, we expect our return on equity and return on assets to improve significantly from current levels, as we implement our business strategy in a more enabling environment.

FIVE YEAR FINANCIAL REVIEW

	2020 SHS'000	2019 SHS'000	2018 SHS'000	2017 SHS'000	2016 SHS'000
Net interest income	19 ,307,871	20,078,388	21,009,651	20,640,399	20,455,051
Non-fund-based income	5,834,799	5,471,881	5,160,877	5,125,330	4,996,542
Gross operating income	25,142,670	25,550,269	26,170,528	25,765,729	25,451,593
Net operating profit before provisions	11,705,089	12,287,508	13,708,775	14,248,933	15,193,038
Charge for impairment of loans	(7,036,818)	(1,024,594)	(2,708,503)	(4,150,698)	(4,197,342)
Profit before income tax	4,668,271	11,262,914	11,000,272	10,098,235	10,995,696
Profit after tax and non-controlling interest	3,247,534	6,785,603	6,686,612	6,449,811	7,173,939
Total assets	425,054,034	386,230,186	377,719,314	363,303,400	328,044,501
Advances to customers (net)	208,592,888	199,089,371	193,074,357	196,048,155	186,303,191
Total deposits (customers and banks)	328,135,605	302,640,812	300,003,210	286,750,847	255,679,442
Shareholders' funds	61,970,587	58,850,841	53,657,050	48,369,795	41,029,312
Dividends for the year	-	754,926	726,966	726,966	692,435
Performance ratios					
Earnings per share - basic	Kshs. 11.61	Kshs 24.27	KShs 23.91	KShs 23.73	KShs 26.64
- diluted	Kshs. 11.61	Kshs 24.27	KShs 23.91	KShs 23.73	KShs 25.66
Dividend per share - basic	-	Kshs 2.70	KShs. 2.60	KShs. 2.60	KShs. 2.60
- diluted	-	Kshs 2.70	KShs. 2.60	KShs. 2.60	KShs. 2.48
Net loans to deposits	63.56%	65.78%	64.36%	68.37%	72.87%
Non-performing loans to total loans (before provisions)	10.06%	6.59%	6.04%	6.30%	3.10%
Return on average assets	0.87%	1.90%	1.91%	2.00%	2.60%
Return on average shareholders' funds	5.38%	12.06%	13.11%	14.43%	19.10%
Non-fund-based income to total income	23.20%	21.42%	19.72%	19.89%	19.60%
Number of branches	134	137	137	137	126
Number of employees	2,231	2,269	2,252	2,156	2,197
Expenditure on property and equipment	1,621,240	1,452,491	1,056,731	1,365,838	1,829,901
Other indicators (Bank only)					
Core capital to customer deposits	22.85%	22.29%	19.38%	18.56%	17.50%
Core capital to total risk weighted assets	20.75%	19.05%	18.70%	17.30%	16.20%
Total capital to total risk weighted assets	22.48%	20.91%	21.10%	19.00%	18.50%

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

KEY METRICS OF 2020

Financial (Group)

Profit Before Tax
2020: 4,668 Million
2019: 11,263 Million

Net Loans and Advances
2020: 208,593 Million
2019: 199,089 million

Customer Deposits
2020: 298,167 Million
2019: 280,187 million

Specific Provision Coverage Ratio
2020: 43.34%
2019: 33.20%

Shareholders' Funds
2020: 61,971 Million
2019: 58,581 million

Total Assets
2020: 425,054 Million
2019: 386,230 Million

Return on Equity
2020: 5.38%
2019: 12.06%

Non-performing Loan Ratio
2020: 10.06%
2019: 6.59%

Cost to Income
2020: 49.10%
2019: 46.58%

Non- Financial

Net Promoter Score in Kenya
2020: 46% (Great)
2019: 52% (Great)

Reams of Paper Used in Kenya
2020: 8,988
2019: 10,010

Investments in IT & Cybersecurity in Kenya
2020: 265 Million
2019: 559 Million

Employee Gender Ratio Across the Group (Female: Male)
2020: 49:51
2019: 48:52

31% Women Executives Across the Group

2 out of 4 Female CEOs Across the Group

81% Young People Across the Group

People below the age of 40 years

over 100 Million shillings Invested in COVID-19 Staff Protective and Preventative Equipment Across the Group

83% OF RETAIL CUSTOMERS SUBSCRIBED TO MOBILE BANKING

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE

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

The Directors have a fiduciary duty to act with care and skill and to exercise their powers and perform their functions as Directors in the best interest of the Bank. Each Director has attested that he/she undertakes to:
• act in good faith towards the Bank;
• avoid as far as possible and, as a minimum, declare any conflict between his/her other interests and the interests of the Bank.
• place the interest of the Bank and its depositors above all other interests.

Board of Directors

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

The Board works with the framework to:

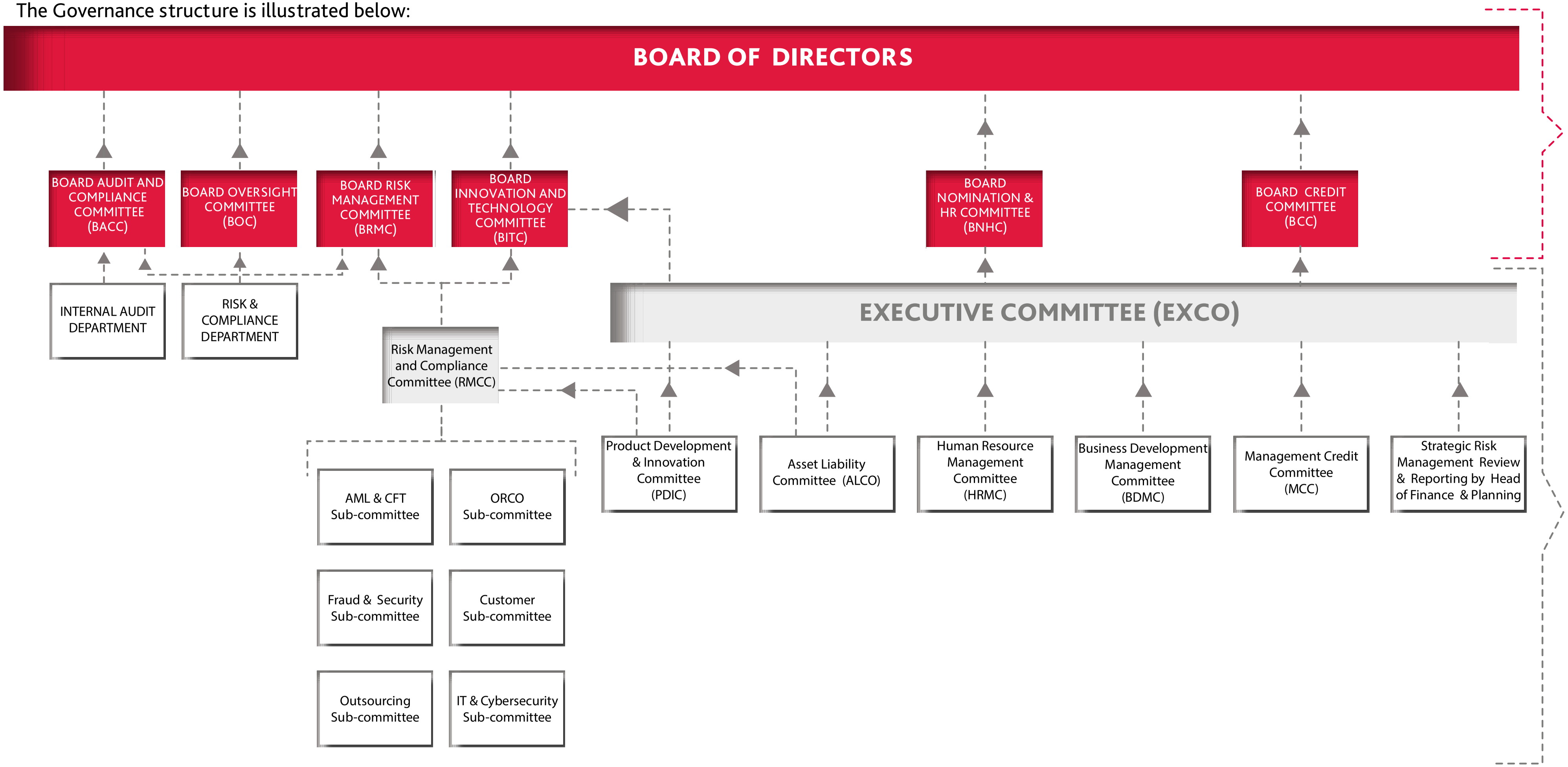
1. Review the strategic direction of the Group and adopting business plans proposed by management for the achievement of the strategic direction set.
2. Approve specific financial and non-financial objectives and policies proposed by management.
3. Review processes for the identification and management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

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

Corporate Governance Framework Structure

The Board is ultimately responsible for ensuring that its approved strategy is implemented and that the Group's purpose is fulfilled. The Board also recognises its responsibility to ensure that risks are adequately identified, measured, managed and monitored and that good governance is maintained. The Board discharges its duty through policies and frameworks and is supported in the discharge of its mandate by 6 Board committees.

In 2020, the Board operationalised an enhanced Governance structure which reflected the various committees that have existed as well as those newly set up at Board and Management level. The Governance structure is illustrated below:



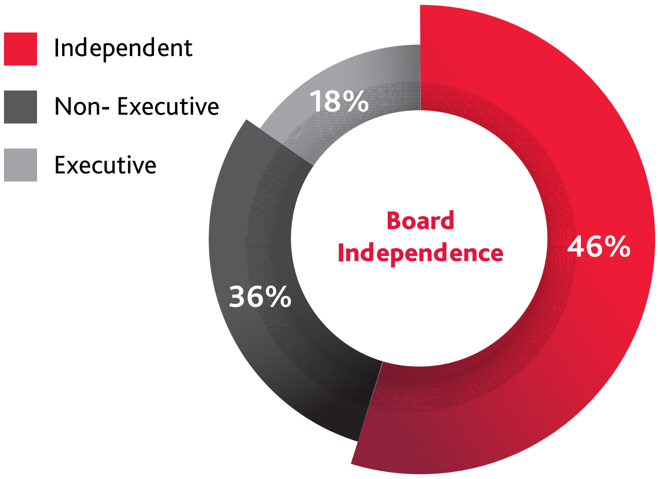
As part of its Corporate Governance Framework, the Bank has in place a Corporate Governance Policy, Board Charter and Code of Ethics and Conduct, which define *inter alia* the role of the Board and how its powers and responsibilities are exercised as well as the role of the Chairman and the Managing Director (Chief Executive Officer), having regard at all times to principles of good corporate governance, international best practice and applicable laws. The provisions of the said Corporate Governance Policy, Board Charter and Code of Ethics and Conduct are informed by the requirements, amongst others, of the Banking Act, CBK Prudential Guidelines, the CMA Code and the Capital Markets Authority Regulations. Each year, the regulators in Kenya as well as in the countries in the region in which the Group operates, have continued to enhance the regulatory and risk management guidelines. The Group continuously embraces the changes and remains at the forefront in adopting best practices in corporate governance and risk management in the rapidly evolving banking landscape.

Separation of Functions of Chairman and Chief Executive Officer

As part of its commitment to good corporate governance, the Board has ensured that the functions of the Chairman and the Chief Executive Officer are not exercised by the same individual. Furthermore, the roles and responsibilities of the Chairman and the Chief Executive Officer of the Bank are separate and distinct. There is clear division of responsibility with the Chairman having the primary duty of chairing the Board of the Bank and the Chief Executive Officer having the primary duty of running the day-to-day business of the Bank.

Board Independence

The Bank's Corporate Governance Policy, which is aligned to the CBK Prudential Guidelines and the CMA Code, provides that at least one third of the Board should be independent whereas the non- executive Directors should not be less than three-fifths of the Directors in order to enhance accountability in the decision-making process. The Bank is compliant with these requirements and the independent and non- executive Directors together constitute over 80% of the Board. Directors are considered independent where they are not part of the management, have not served on the Board for a period of more than nine years and are free of any business or other relationship that could materially interfere with their ability to make objective assessment of matters presented before the Board and to act in the best interest of the Bank and its stakeholders generally.



Annual Review of Board of Independence

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

Role of the Board

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

Areas of Focus in 2020:

- Governance
- Strategy Development
- Responding to COVID-19 Induced Crisis
- Compliance Excellence through adoption of Global Best Practices Across Key Risk Management Frameworks
- Kenya Banking Sector Charter Compliance
- Business & Operations Review
- Financial Performance
- Feedback from Board Committees
- Directors' Training
- Shareholder Engagement

Board

BACC

- Internal Control Environment.
- Internal and External Audit.
- Credible financial reporting.
- Compliance with regulatory provisions, internal policies and procedures.

BCC

- Oversaw credit risk management framework.
- Large credit approvals.
- Credit portfolio monitoring given the elevated credit risk environment.
- Oversaw remediation of distressed exposures with an emphasis on relief measures to borrrowers impacted by the pandemic.

BITC

- Ensured promotion of an ethical IT governance and management culture.
- Oversaw IT risk management framework.
- Reviewed budgets and utilisation of approved funding for ICT related investments.
- Reviewed various innovation-related initiatives.

BNHRC

- Proposed new nominees to the Board.
- Reviewed Board mix in terms of skills and expertise.
- Oversaw key HR initiatives including succession planning and staff development.
- Recommended executive directors and senior management remuneration.

BOC

- Oversaw the Bank's combatting financial crime risk management transformation journey to best practice.
- Ensured Bank's commitments to CBK to augment its AML/ CFT framework are met.

BRMC

- Oversaw risk governance and management framework for all non-credit related risks.
- Reviewed Bank's ICAAP and forward-looking capital plans.
- Monitored management's activation of the Bank's Business Continuity Plan (BCP) adapted in response to the pandemic.

Board Charter

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

- Board and Governance structure including composition,tenure and succession planning;
- Mandate, role, responsibilities and practices of the Board;
- Code of Conduct and Ethics;
- Regulating the manner in which the business of the Bank is conducted;
- Maintain adequate capital base;
- Conflict of Interest and Board independence;
- Promulgate policies and actions with a long-term view to support environmental and social sustainability;
- Board processes; and
- Board evaluation and effectiveness.

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

Directors' Appointment

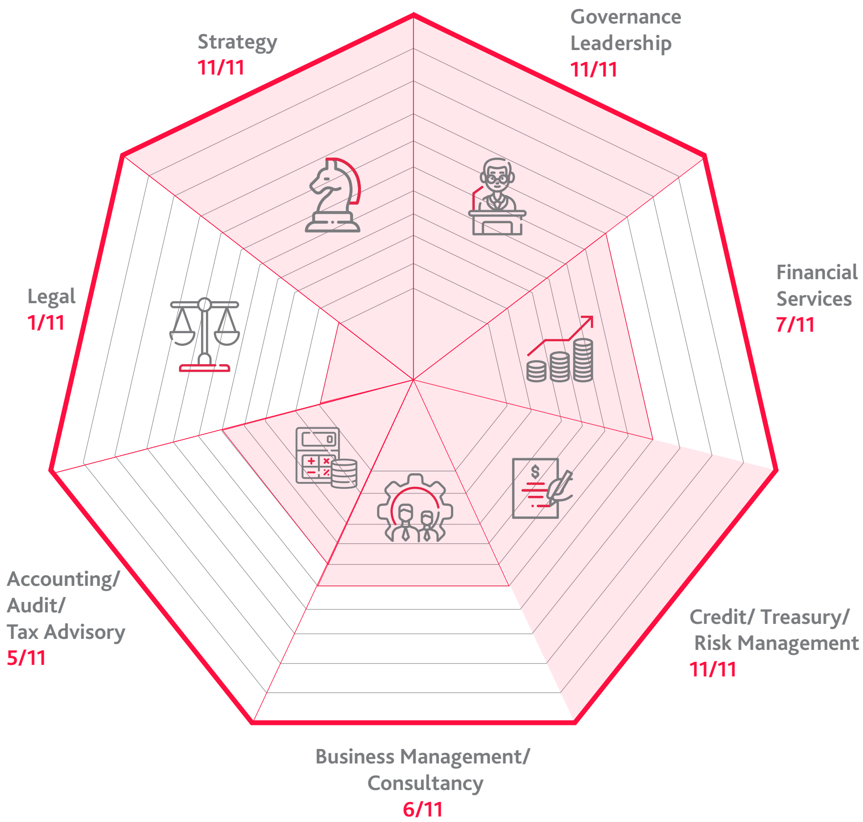
Candidates proposed for appointment to the Board are nominated by the Board Nomination and Human Resource Committee ("BNHRC"), which is chaired by an independent Director. In identifying suitable candidates, the BNHRC follows the formal process laid out in the Board Appointment and Diversity Policy.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

Directors Skills, Experience and Diversity

The Board currently comprises of 11 members, including two female directors. Each Director is expected to be aligned to the Group's vision, mission and values as well as bring to the Board their own unique strengths. Directors are appointed on the basis of integrity, leadership qualities and sound judgement. In addition, the Group seeks to have a Board that brings a right mix of individuals with a variety of appropriate skills, knowledge and experience and who jointly have the overall collective competence to deal with the current and emerging issues and effectively guide management in ensuring the optimal Group performance. We also recognise that diversity is not limited to gender or any other personal attributes.

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

Board Skills



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

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

Board Audit and Compliance Committee (BACC)

Chaired by Ismail Mawji

Members

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

The BACC comprises of five non-executive Directors, all of whom are independent. It is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, strengthening the control environment and the effectiveness of the internal and external auditing functions. In addition to advising the Board on best practice, the BACC also monitors management's compliance with relevant local legislation, regulations and guidelines issued by regulatory bodies, as well as the Bank's laid-down policies and procedures.

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

(a) The external reporting of financial information including correct application of accounting requirements.
(b) Internal control environment of the Bank including governance of financial and accounting risks
(c) The internal audit and external audit functions, including an assessment of the independence adequacy andeffectiveness 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 year- end Board meetings. The shareholders appoint/ reappoint the external auditor at each AGM of the Bank.

Board Credit Committee (BCC)

Chaired by Jamaludin Shamji

Skills mix

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

Members

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

The BCC comprises of five non-executive Directors, three of whom are independent. Its primary purpose is to oversee and monitor the credit function and the credit risk management framework of the Bank. The BCC also ensures that the overall credit framework is robust, professionally and effectively managed for business growth and in compliance with internal policy and external and statutory regulations. It formally meets at least once every quarter.

Board Innovation & Technology Committee (BITC)

Chaired by Sagheer Mufti

Skills mix

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

Members

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

The BITC comprises of five non- executive Directors, two of whom are independent. Its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's IT risk management framework as well as monitor the implemention of the Bank's various innovation related initiatives.

Board Nomination and Human Resource Committee (BNHRC)

Chaired by Pamella Ager

Skills mix

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

Members

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

The BNHRC, which comprises of five directors, is responsible for proposing new nominees for consideration for appointment as Directors, assessing the performance and effectiveness of Directors and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise required. The BNHRC is also mandated to oversee all human resources matters on behalf of the Board and recommend to the full Board the remuneration and incentives for the executive Directors and senior management.

Board Oversight Committee (BOC)

Chaired by: Shaffiq Dharamshi

Skills mix

Strategy	8
Governance Leadership	8
Financial Services	7
Credit/ Treasury/ Risk Management	8
Business Management/ Consultancy	4
Accounting/ Audit/ Tax Advisory	4

Members

- Ismail Mawji
- Guedi Ainache
- Moez Jamal
- Jamaludin Shamji
- Sagheer Mufti
- Nasim Devji
- Alkarim Jiwa

The BOC comprises eight Directors, six of whom are non- executive. Its responsibilities include providing oversight for the steps required to be taken by management and the Bank to enhance and improve the Bank's capabilities, systems and processes to better prevent money laundering and ensure effective surveillance of transactions and related customer activities and to ensure the Bank's Anti- Money Laundering, Combating Financing of Terrorism and Sanctions framework and practices are enhanced so that these comply with applicable local laws and regulations as well as best practices.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Board Risk Management Committee (BRMC)

Chaired by Guedi Ainache

Skills mix

4 Strategy	4 Governance Leadership	3 Financial Services
4 Credit/ Treasury/ Risk Management	2 Business Management/ Consultancy	1 Accounting/ Audit/ Tax Advisory

Members

- Moez Jamal
- Shaffiq Dharamshi
- Jamaludin Shamji

The BRMC comprises four non-executive Directors, one of whom is independent. Its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's risk management framework except for credit risk management which is reviewed by the BCC. It is also charged with setting out the nature, role, responsibility and authority of the risk management function of the Bank and defines the scope of the risk management work and ensures that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Bank is exposed to from time to time.

Directors Retirement by Rotation and Re-Election

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

Board Tenure

The Board Appointment and Diversity Policy provides that a non- executive Director shall be appointed for a term of three 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 70 years. The shareholders may however, at such AGM, vote to retain the member in office until such time as the member attains the age of 72 years, in the event such member will have offered themselves for re-election.

Meetings of The Board

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

#	Board Member	Designation	Meetings Attendance Record (1 January 2020 to 31 December 2020)							
			AGM	BACC	BCC	BITC	BNHRC	BOC	BRMC	Board
1	Linus Gitahi Last elected in May 2019	Chairman (Independent)	1/1	-	-	-	-	-	-	5/5
2	Shaffiq Dharamshi Last elected in May 2017	Vice Chairman	1/1	-	4/5	-	3/4	3/4	4/5	4/5
3	Nasim Devji	Managing Director (Executive)	1/1	-	-	-	-	4/4	-	5/5
4	Alkarim Jiwa	Finance Director (Executive)	1/1	-	-	-	-	4/4	-	5/5
5	Pamella Ager Last re-elected in May 2017	Non- Executive Director (Independent)	1/1	4/4	5/5	-	4/4	-	1/1	5/5
6	Guedi Ainache Last re-elected in May 2019	Non- Executive Director (Independent)	1/1	4/4	-	4/4	-	4/4	5/5	5/5
7	Moez Jamal Last re-elected in May 2018	Non- Executive Director	1/1	-	-	4/4	-	3/4	4/5	4/5
8	Irfan Keshavjee Last re-elected in May 2017	Non- Executive Director (Independent)	1/1	4/4	5/5	4/4	4/4	-	1/1	5/5
9	Ismail Mawji Last re-elected in May 2019	Non- Executive Director (Independent)	1/1	4/4	5/5	-	4/4	4/4	-	5/5
10	Sagheer Mufti*	Non- Executive Director	1/1	2/3	-	3/3	-	1/1	-	5/5
11	Jamaludin Shamji Last re-elected in May 2018	Non- Executive Director	1/1	-	5/5	4/4	4/4	4/4	5/5	5/5

**Appointed in January 2020*

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 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.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Induction and Continuous Professional Development

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

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

Annual Performance Evaluation

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

The Board's performance is evaluated based on:
- Group strategic objectives
- Risk governance
- Board constitution and skills
- Executive management and succession
- Board interaction and support

The annual evaluation for the year 2020 was facilitated by an external party, the Institute of Directors (Kenya). The results of the evaluation were reviewed and discussed by the full Board and the overall finding was that the Board had the right mix of skills and experience and was well positioned to achieve the Bank's objectives and address any emerging challenges. The results of the evaluation are submitted to the CBK in the first quarter of the year in line with the regulatory requirement.

Board Remuneration

The Board has in place a Board Remuneration Policy. The said Policy provides that each non- executive Director shall receive a fixed monthly fee as a member of the Board and sitting allowance for every meeting attended. They shall not be covered by the Bank's incentive programmes and shall not receive any performance-based remuneration. The fees and sitting allowances are determined by the Board and approved by the shareholders at the AGM of the Bank on a pre- or post- facto basis. The remuneration of all Directors is subject to regular monitoring to ensure the levels of remuneration and compensation are appropriate. Details of the fees for the non-executive Directors and remuneration of the executive Directors, paid in 2020, are set out in the Directors Remuneration Report on page 109-111.

Internal Control Systems

The Bank has well defined written policies and procedures to ensure that best practices are followed in conducting the day-to-day operations, financial reporting and implementing strategic action plans approved by the Board. A well-structured organisation chart ensures that there is adequate segregation of duties. Structures and systems have been defined in the Bank's policies and procedures to facilitate complete, accurate and timely execution of transactions, operations and commitments and the safeguarding of assets. The Bank's business performance trends, forecasts and actual performance against budgets and prior periods are closely monitored and regularly reported to the Board and senior management. Financial information is prepared using appropriate accounting policies, which are applied consistently. To assist management in fulfilling its mandate and to ensure compliance with the laid-down policies and procedures, various committees have been established. The roles, responsibilities and composition of some of the key management committees are given below:

Executive Committee (EXCO)

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

Product Development and Innovation Committee (PDIC)

PDIC assists management in the determination and implementation of new products from conceptualisation to go to market. PDIC meets at least once every six weeks.

Human Resource Management Committee (HRMC)

The principal objective of HRMC is the review and recommendation of appropriate policies regarding staff incentives, remuneration, compensation & benefits, promotions, recruitment, training & development, succession planning, staff appraisal and any other strategic functions. The HRMC meets at least once every quarter.

Management Credit Committee (MCC)

The MCC assists in the oversight of the Credit Risk Management Framework, review and approval of credit appications, credit strategy, Policies, Procedures, Monitoring, Reporting and that the lending operations are in line with the Board approved limits and regulatory requirements. The MCC meets at least once every month.

Asset Liability Committee (ALCO)

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

Business Development Management Committee (BDMC)

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

Risk Management Compliance Committee (RMCC)

Reports to the BRMC and assists the Board in its oversight role by implementing the risk management framework with a view to ensuring operational and financial resilience. RMCC supports the Board in policy formulation and setting of limits. RMCC, on behalf of the Board, provides oversight of the effectiveness of the risk management and compliance policies, procedures, systems, controls and assurance arrangements designed to identify, assess, manage, monitor, prevent and/or detect financial crime. Oversight of the consolidated supervision framework covering the subsidiaries (DTBU, DTBT and DTBB) risk management frameworks. RMCC meets at least once every six weeks.

Operational Risk Sub-Committee (ORCO)

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

Customer Sub-Committee

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

Outsourcing Sub-Committee

The Outsourcing Committee meets once every quarter. The Outsourcing Committee reviews the outsourcing business case, operational risks associated with outsourcing arrangements, evaluating the materiality of all existing and prospective outsourcing based on the framework approved by the Board and ensuring that effective risk management policies and practices are in place to manage the risk in outsourcing activities. The sub committee meets at least once every quarter.

AML & CFT Sub-Committee

Assists the BRMC and the RMCC in fulfilling their respective oversight responsibilities with regard to combating financial crime, including money laundering, terrorist financing, sanctions and bribery and corruption. The Sub-Committee meets once every month.

IT & Cyber Security Sub-Committee

The IT & Cyber Security Sub-Committee has oversight of the IT and Cyber Security Risk Management Framework, policies, procedures, processes and change management processes.

The committee reviews the adequacy of the IT and cyber security programs including practices and methodologies used to identify, assess and mitigate IT & Cyber risk across the Bank. The Sub-Committee meets at least once a month.

Fraud and Security Sub-Committee

The Fraud & Security Sub-Committee has oversight of the Fraud Risk Management Framework, policies and implementation of internal controls to deter fraud. The Sub-Committee has oversight of the Fraud risk assessment, identification and understanding of the potential impact of fraud and misconduct risks on the Bank. The Sub-Committee assists in the evaluation of the design and operational effectiveness of the anti-fraud programs and controls to prevent, detect, respond and deter fraud and misconduct. The Sub-Committee meets at least once a month.

The Company Secretary

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

Shareholders' Responsibilities

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

Directors' Shareholding

At the end of year 2020, none of the Directors, held shares in their individual capacity that were more than 1% of the Bank's total equity. The details of the Directors' shareholding in the Bank are disclosed in the Directors' report on page 106-108.

Conflict 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, professional interest or public interest. In this context, all Directors, senior management and employees must avoid any situation which might give rise to a conflict, real or perceived, between their personal interest and that of the Bank. Any of the Directors, senior management or employees who consider that they may have a conflict of interest, or a material personal interest, in any matter concerning the Bank is immediately required to declare the potential conflict of interest for review, as per the terms of the Bank's Code of Conduct and Ethics. Any of the Directors, senior management or employees with a material personal interest in any matter being considered during any Board or Committee meeting will not, as the case may be, vote on the matter or be present when the matter is being discussed and considered.

Business transactions with the Directors or their related parties are disclosed on page 235-237.

Code of Conduct and Ethics Policy

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

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Whistleblowing Policy

The Board has an established Whistle Blowing Policy (accessible via the Bank's website) which:

- sets out the obligations and commitmens of the Board, Management and Employees to upholding the highest levels of integrity and observance of the rule of law and the Bank's policy and procedure framework;
- provides a definition of who a whistle blower is, protection and remedies for whistle blowers, dispute resolution mechanism, voluntary disclosure programme, reporting channels and procedures, timely disclosure on findings and resolution and data retention;
- is consistent with the commitments made in the Board Charter and Code of Conduct and Ethics; and provides stakeholders with

  a secure, confidential and anonymous channel to report information that requires Management's and the Boards' attention on compliance, ethical and governance matters.

IT & Cybersecurity Policy Framework

The policies on IT and Data Protection, as approved by the Board, set the framework for:

- prudent procurement practices in relation to IT assets and resources;
- an access control and user rights framework to ensure adequate security is maintained for all data held with clear responsibilities and accountabilities for systems use;
- the creation of an enabling environment for relevant infrastructure implementation and future development needs;
- Responsible data management and protection;
- Best-in-class cyber security monitoring;
- IT literacy and professional skills development for all staff and especially for those charged with the administration of IT systems;
- development of fit-for-purpose IT systems and applications, providing the foundation for the innovation and digital strategies of DTB.

The policies are administered by management with periodic reports and updates to the Board of Directors for consideration and guidance.

Data Privacy and Protection of Personal Information

We endeavour to process personal data responsibly and ethically. We use a large number of systems and applications to support key business processes and operations. As a result, we often need to reconcile multiple data sources, including customer data sources, to reduce the risk of error. Along with other organisations, we also need to meet external/regulatory obligations such as the Kenya Data Protection Act, 2019 and endeavour to meet the General Data Protection Regulation ('GDPR'). A data protection officer has been appointed in Kenya to guide on various matters touching on privacy. A data protection policy framework has also been developed for use internally.

Procurement Policy

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

- providing fair opportunity to prospective vendors and bidders;
- procuring of items that meet the Bank's pre-set standards;
- obtaining a conflict of interest declaration from any Director or employee of the Bank by virtue of having an interest in any company, or in any person, with which/ whom the Bank wishes to do business with, as well as ensuring that where a conflict of interest exists the relevant director or employee is not in any way involved in the procurement process
- ensuring accountability in all procurement transactions and subjecting the same to regular independent audits;
- ensuring that there are channels for whistleblowing;
- upholding the anti-bribery and anti-corruption regulatory framework and policies of the Bank;
- conducting Supplier Due Diligence and obtaining Conflict of Interest declarations for all material procurements in line with the compliance standards and the Group's ethics framework.
- ensuring alignment to the Bank's strategic plans hence ensuring prudent allocation of resources to enhance stakeholder value.

Relations with Shareholders

The Board recognises and respects the rights of the Bank's shareholders. It further ensures that all the shareholders are treated equitably. The Board recognises the importance of good communication and the equitable provision of information to all shareholders. Investor briefings, the AGM as well as shareholders' circulars and the detailed integrated reports and financial statements are used to communicate with the shareholders. The Bank always gives its shareholders due notice of the AGM as defined in its Articles of Association and in compliance with the Companies Act, 2015. In addition, the Board communicates with the shareholders and investors electronically through the Bank's website. The shareholders are accordingly encouraged to visit the Bank's website for information on the Bank and to be able to view integrated reports and financial statements of the Bank. They are also encouraged to attend (in 2020, virtually) and participate in the scheduled AGMs of the Bank. The Company Secretary, supported by the Shares Registrar, is responsible for managing communication with the shareholders and they are always accessible to the shareholders either through correspondence or at the Bank's registered office.

Shares Registry

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

Shareholding Structure

The distribution of issued share capital of the Bank as at 31 December 2020 was as follows:

Range (Shares)	No. of Shareholders	No. of Shares held	% Shareholding
Up to 500	3,460	651,775	0.23
501-5,000	4,084	8,243,546	2.95
5,001- 10,000	1,583	10,386,355	3.71
10,001- 100,000	1,945	46,523,977	16.64
100,001- 1,000,000	184	46,355,929	16.58
Over 1,000,000	21	167,440,638	59.89
Total	**11,277**	**279,602,220**	**100.00**

Shareholders' Profile

Criteria	No. of Shareholders	No. of Shares held	% Shareholding
Local Individuals	5,589	33,390,916	11.94
Local Institutions	768	89,278,081	31.93
Foreign Individuals	2,259	25,340,673	9.06
Foreign Institutional	21	116,285,352	41.59
East African Individuals	2,599	12,718,573	4.55
East African Institutions	41	2,588,625	0.93
Total	**11,277**	**279,602,220**	**100.00**

Top 10 Shareholders of the Bank

The ten largest shareholders of the Bank and their respective holdings as at 31 December 2020 were as follows:

Name	No. of Shares	% Shareholding
Aga Khan Fund for Economic Development S.A.	46,130,236	16.50
Habib Bank Limited	45,159,849	16.15
The Jubilee Insurance Company of Kenya Limited	27,809,139	9.95
Stanbic Nominees Ltd A/C NR1873738	8,075,039	2.89
Acacia Partners L.P.	7,369,920	2.64
Standard Chartered Nominee A/C KE004667	7,100,900	2.54
The Diamond Jubilee Investments Trust (U) Limited	3,838,436	1.37
Tropical Veterinary Services Limited	2,807,200	1.00
Kenya Inland Ports Enterprises Limited	1,871,612	0.67
PDM (Holdings) Limited	1,859,613	0.67
Total	**152,021,944**	**54.38**

Share Trading Policy

The Policy prohibits Directors, management and employees of the Bank from dealing in the securities of the Bank or any related company when they have or may be perceived as having relevant unpublished price sensitive information., Directors, management and employees are required to adhere and refer to the Share Trading Policy for details on permissible trading activity within the stipulated Share Trading Window (24 hours after any price sensitive information is published or made public and shall remain open up to a maximum period of 14 calendar days) to avoid inadvertent insider trading exposure.

The Board is happy to report that during the year 2020, there were no known or identified instances of insider trading by the Directors, Management or employees of the Bank outside the Share Trading Policy requirments.

Going Concern Statement

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

Statement on Governance Audit

The Board subjected the Bank to an annual governance audit for the year 2020. The governance audit was conducted by a competent and recognised 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 the said auditor's opinion, from an aggregate perspective, the Board has established, implemented and overseen an effective governance framework and control environment, consistent with the legal and regulatory requirements, internal policies and good governance practices in the interest of shareholders and other stakeholders

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 53 - 69 and has been published on the Bank's website www.dtbafrica.com, as part of its commitment to transparency and accountability.

CMA code of corporate Governance Reporting Template

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	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	FA	Yes. The Board Charter is in place. The Board Charter is reviewed annually, and more frequently when found necessary, to align the same with the then prevailing legislation and regulations governing the Company as well as best practice, as part of the Board and the Company's commitment to good corporate governance. The current 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	FA	Yes. The Board Charter and Corporate Governance Policy distinguish the responsibilities of the Board from those of management. The current Board Charter and Corporate Governance Policy have been published on the Company's website.	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	FA	Yes. The Corporate Governance Policy and Board Charter provide 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. The Company has also adopted the requirements of the Kenya Banking Sector Charter, which is a commitment by all institutions in the banking sector to entrench a responsible and disciplined banking sector cognisant of, and responsive to, the unique socio economic realities of the Kenyan populace. The said Charter came into effect on 1 March 2019.	Board Charter; Corporate Governance Policy. The Board members have also independently signed a resolution committing to implement the provisions of the Kenya Banking Sector Charter.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Appli-cation	Application or Explanation - Note 3 & 4	Source of Information
		A	INTRODUCTION				
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	FA	At inception, a check list on the Company's status of compliance with the requirements of the Code was prepared by management for review and implementation by the Board. The said implementation was then tracked on a quarterly basis to ensure full compliance with the requirements of the Code. During implementation, the Internal Audit Department and Company Secretary ensured that the status of such implementation was reported to the Board Audit and Compliance Committee ("BACC"), the Board Nomination and Human Resource Committee ("BNHRC") and the Board. The Board has also mandated the management to undertake annual governance audits to confirm that the Company is applying sound governance practices.	Corporate Governance Report for the year 2019
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	FA	Yes.	Board Charter; Corporate Governance Policy.
6	A or E	A.6	Does the Company strategy promote sustainability of the Company?	2.3.6	FA	Yes.	The Company's 2021-2025 Business Strategy and Operating Budget.
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	FA	Yes	Terms of Reference of the Board Audit and Compliance Committee ("BACC"), Board Credit Committee ("BCC"), Board Oversight Committee ("BOC"), Board Innovation and Technology Committee ("BITC"), Board Nomination and Human Resource Committee ("BNHRC") and Board Risk Management Committee ("BRMC").

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		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	FA	BNHRC in place. Three of the current five members thereof are independent and non-executive. The remainder members are also non- executive directors.	BNHRC Terms of Reference ("ToR").
9	M	B.2	Is the Chairperson of the Nomination Committee an independent director?	2.2.3	FA	Yes.	BNHRC ToR; This has been disclosed in the Governance Report within the Integrated Report.
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	FA	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	FA	Yes. There are currently eleven directors which is within the limits prescribed by the Company's Articles of Association, Board Charter and the Appointment and Diversity Policy.	Articles of Association; Board Charter; Board 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	FA	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	FA	Yes.	This has been disclosed in the Director Profiles within the Integrated Report on pages 20-21.
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	FA	Yes.	Board Charter; Corporate Governance Policy.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Manda-tory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		B	BOARD OPERATIONS and CONTROL				
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	FA	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	FA	Yes. Five of the eleven Directors are independent and non- executive directors.	This has been disclosed in the Governance Report within the Integrated Report on page 38.
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	FA	Yes. The requirement for the Board to annually assess the independence of the independent directors is contained in the Board Appointment and Diversity Policy. The said independence is consequently evaluated annually by the BNHRC and the findings then tabled to the Board for its consideration.	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	FA	Yes. The requirement is enshrined in the Board Appointment and Diversity Policy and is evaluated annually and more frequently when necessary.	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	FA	Yes. Nine of the current eleven directors are Non-Executive Directors.	This has been disclosed in the Governance Report within the Integrated Report on page 38 and page 45.
20	M	B.13	How does the Board ensure a smooth transition of Board members?	2.1.8	FA	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 at the Annual General Meeting. Compliance with this requirement is governed by the provisions of the Board Charter, the Corporate Governance Policy and the Board Appointment and Diversity Policy.	Articles of Association; Board Appointment and Diversity Policy; Board Charter; Corporate Governance Policy.

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		B	BOARD OPERATIONS and CONTROL				
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	FA	Yes.	BACC ToR; This has been disclosed in the Governance Report within the Integrated Report on page 41.
22	M	B.15	Are the functions of the Chairperson and the Chief Executive Officer exercised by different individuals?	2.3.3	FA	Yes.	Corporate Governance Policy; Board Charter; This has been disclosed in the Governance Report within the Integrated Report on page 38.
23	M	B.16	Is the Chairman of the Board a non-executive Board member?	2.3.4	FA	Yes.	This has been disclosed in the Governance Report within the Integrated Report on page 45.
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	FA	Yes.	Corporate Governance Policy; Board Charter; This has been disclosed in the Governance Report within the Integrated Report on page 45.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		B	BOARD OPERATIONS and CONTROL				
25	M	B.18	Has the Board adopted a policy on managing conflict of interest?	2.3.8	FA	Yes.	Code of Ethics and Conduct; Policy for dealing with Related Party Transactions; Conflicts Register; This has been disclosed in the Governance Report within the Integrated Report on page 49.
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	FA	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	FA	Yes.	Corporate Governance Policy; This has been disclosed in the Governance Report within the Integrated Report on page 49.
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	FA	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 on pages 79-88.

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		B	BOARD OPERATIONS and CONTROL				
29	A or E	B.22	Has the Board developed an annual work-plan to guide its activities?	2.6.3	FA	Yes.	Board Work Plan and Board Calendar.
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	FA	Yes. An evaluation of the Board, CEO and the Company Secretary was undertaken by an external consultant for year 2020	Annual Evaluation Policy; Board Evaluation undertaken by Institute of Directors (Kenya), which operates independently and has no affiliation with the Company.
31	A or E	B.24	Has the Board established and applied a formal induction programme for in-coming members?	2.7.1	FA	Yes.	Induction Policy. There is a formal induction for all New Directors. Induction for the directors.
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	FA	Yes.	The directors participated in knowledge sharing on corporate governance and other areas impacting on the banking sector to the extent of 12 hours for the year 2020.
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	FA	Yes.	Board Remuneration Policy. BNHRC ToR as this function has been assigned to the BNHRC.
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	FA	Yes.	Board Remuneration Policy.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		B	BOARD OPERATIONS and CONTROL				
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	FA	Through continuous review of the legislative and regulatory framework and compliance checks by 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 organised a legal and compliance audit to be carried out on a periodic basis?	2.10.3	FA	Yes.	A legal and compliance audit was carried out for the year 2020 as recommended by the Code.
37	A or E	B.30	Has the Board subjected the Company to an annual governance audit?	2.11.1	FA	Yes.	An extract of the Governance Auditors opinion is contained on page 52 of the Integrated Report.

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		C	RIGHTS of SHAREHOLDERS				
38	M	C.1	Does the governance framework recognise the need to equitably treat all shareholders, including the minority and foreign shareholders?	3.0 Overview, 3.2.1	FA	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 facilitate the effective exercise of shareholders' rights?	3.1.1	FA	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 facilitate shareholders participation at the AGM?	3.1.1	FA	By communicating the Agenda for the AGM in advance as set out in the Articles of Association, ensuring the AGM is conducted in a convenient manner 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	FA	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 and corporate governance?	3.1.1, 3.4.1	FA	Yes.	Integrated Reports, shareholder circulars, Media Publications, the Company's website and social media platforms, and the Nairobi Securities Exchange website.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

Statement of compliance with Corporate Governance (continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		D	ETHICS AND SOCIAL RESPONSIBILITY				
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	FA	Yes.	Board Charter; Corporate Citizenship Policy; Corporate Governance Policy; Corporate Social Responsibility Policy; Stakeholder Management Policy.
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	FA	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	FA	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	FA	By complying with requirements of legislation, regulation and the Company's Articles of Association on public notices to and communications with stakeholders.	Integrated Reports, shareholder circulars, Media Publications, the Company's website and social media platforms, and the Nairobi Securities Exchange website.
47	M	D.5	Has the Board established a formal dispute resolution process to address internal and external disputes?	4.3.1	FA	Yes.	There are formal internal dispute resolution processes and complaints channels. This is also covered in the Board Charter and the Corporate Governance Policy as well as the Company's contracts with external professionals and service providers, as deemed appropriate.

Statement of compliance with Corporate Governance (continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		E	THICS 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, fairness and transparency) underpinning good governance and sustainability?	5.1.1	FA	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	FA	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	FA	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 of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		E	ETHICS AND SOCIAL RESPONSIBILITY				
51	A or E	E.4	Does the Board incorporate ethical and sustainability risks and opportunities in the risk management process?	5.2.1	FA	Yes.	Code of Ethics and Conduct; Enterprise 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	FA	Through a Governance Audit by a competent recognised professional accredited for that purpose by ICPSK.	Governance Audit Report; This is disclosed in the Integrated Report on pages 36-69.
53	A or E	E.6	Has the Company established and implemented a whistle blowing policy?	5.2.5	FA	Yes.	Whistle Blowing Policy. A copy of the said Policy is available on the Company's Website.
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	FA	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	FA	Yes.	Corporate Citizenship Policy; Corporate Social Responsibility Policy; and Social and Environmental Management 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	FA	Yes. This is monitored by the Compliance Department which reports to the BACC.	Corporate Citizenship Policy; Social and Environmental Management Policy This is disclosed in the Integrated Report on pages 79-88 under the sustainability review.

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		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 factual presentation?	6.1, 6.1.1a	FA	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	FA	Yes.	The Board statement on its responibilities is disclosed in the Integrated Report on page 112. Disclosure on the independence of the external auditor is contained on page 113. The determination of such independence is as per the legislation and regulations and Guidelines governing the affairs of the Company.
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	FA	Yes.	The process is outlined in the BACC ToR and the Procurement Procedures. In addition, the appointment, continuation in office and or replacement of external auditors from time to time is governed by the legislation, regulations and guidelines governing the affairs of the Company touching specifically on the appointment of and the need to ensure continued independence of the external auditor. In addition, the external auditor's independence is confirmed in the Post-audit report on an annual basis and for the year 2020 the same is found on page 113 of the Integrated Report. The external auditors also hold a minimum of two meetings a year with the BACC to the exclusion of management.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		F	ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL				
60	M	F.4	Do the shareholders formally appoint the external auditor at the AGM through a formal and transparent process?	6.1.3	FA	Yes.	Notification of any proposed appointment is always contained in the relevant AGM Notice circulated to shareholders at least 21 days prior to the AGM. Such proposal is then deliberated upon at the general meeting and put to a vote in accordance with the Company's Articles of Association.
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	FA	Yes.	The Integrated Report is prepared on an integrated basis as disclosed on page 4.
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	FA	Yes.	This is comprised within the Enterprise Risk Management Framework as summarised on pages 96-103 of the Integrated Report.
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	FA	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.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		F	ACCOUNTABILITY, RISK MANAGEMENT AND INTERNAL CONTROL				
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	FA	Yes.	Enterprise 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 on pages 96-103
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	FA	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	FA	Yes.	This is disclosed in the Integrated Report on page 41.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		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	FA	Yes.	This is covered by inter alia the Legal and Company Secretarial Manual and Shares Procedure 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	FA	Yes.	This is disclosed in the Integrated Report on pages 41-44.
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	FA	Yes.	This is disclosed in the Integrated Report on pages 6-7.
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	FA	Yes.	This is disclosed in the Integrated Report on page 46 and page 49.
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	FA	Yes.	The necessary disclosures on the Board Charter, Whistleblowing Policy, Code of Ethics and information on resignation of directors, as applicable, are made on the Company's Website, which is publicly available.
72	A or E	G.6	Does the Board disclose the management discussion and analysis as required in 7.1.1?	7.1.1	FA	Yes.	This is disclosed, as appropriate, within the Integrated Report.

STATEMENT OF COMPLIANCE WITH CORPORATE GOVERNANCE (CONTINUED)

CMA code of corporate Governance Reporting Template (Continued)

No.	Mandatory or 'apply or explain'	Part No.	Question	Kenya Code Reference	Application	Application or Explanation - Note 3 & 4	Source of Information
		G	TRANSPARENCY and DISCLOSURE				
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	FA	Yes.	This is disclosed in the Integrated Report as more particularly highlighted hereinabove.
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	FA	Yes.	This is disclosed in the Integrated Report as more particularly highlighted hereinabove.
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	FA	Yes.	This is covered for all commercial banking subsidiaries.
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	FA	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	FA	Yes.	This is disclosed in the Integrated Report on pages 235-237.
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	FA	Yes.	This is disclosed in the Integrated Report on pages 52-69.

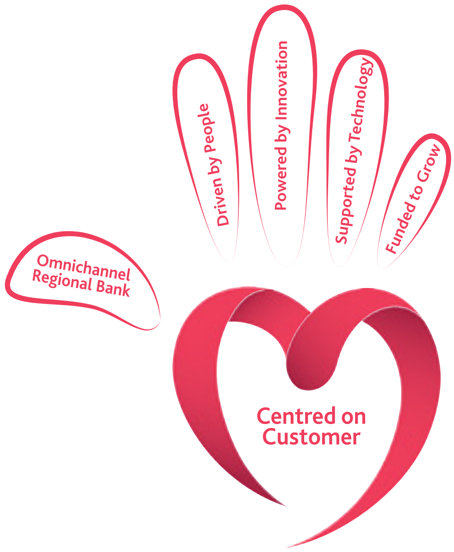
"I was able to quickly access funding from DTB to pay my suppliers and keep my stores open amidst a global pandemic!" Esther Wanjoga, CEO of FeetFirst.

DTB VISION 2020

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

Whilst a number of intended targets under *DTB Vision 2020* have been achieved, DTB is now looking to build on this foundation with a new business strategy-*DTB Strategy 2030*.

DTB Strategy 2030 is under review and modification to take into account the changing environment and customer behaviour, including the ongoing effects of the unexpected COVID-19 pandemic and the post-pandemic business landscape. Once finalised and approved, it will be anchored on how DTB will contribute to the improvement in the quality of lives of customers – those that it is currently serving, as well as those that are under-served. It will also require DTB to continue investing significantly in its people, new skills, and technologies (Big Data analytics, Artificial Intelligence (AI), robotics, cloud computing, etc) and innovation.



DTB Vision
2020

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. DTB has augmented the capability of its IT assets to shorten the 'time-to-market' period for products and services and enable 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 on the bank's widespread footprint of branches and continuing expansion of digital channels well positions DTB to acquire higher business volumes, specifically relating to transactional banking services and attracting sustainable deposits.

ALIGNING OUR STRATEGY TO VALUE CREATION THROUGH OUR CAPITALS

It is positioned to create value by enriching the lives of our customers, arguably our most important stakeholder, as well as other stakeholders in a sustainable and impactful way. Our business model involves extending our offerings through multiple channels, to be truly an omnichannel bank for our customers. This involves a high investment in inputs, such as technology, which together with our traditional branch distribution network and, increasingly, our digital channels, form a key component of our manufactured capital.

Apart from building a strong technology foundation, our business model also requires us to invest in and develop our human capital, as well as intellectual capital, to continuously innovate our offerings and improve our process efficiencies to add to our

ability to be responsive and timely. Furthermore, energy, paper and water use have the most significant impact on the environment, and DTB has made the management thereof the focus of its environmental stewardship initiatives.

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

Strategic Link / Capital	Inputs	Outputs	Impact
Human Capital (Strategic link: Driven by People) Our human capital goes beyond our staff complement; it also covers their health, safety and well-being, expertise, experience, innovative capacity, as well as their engagement. Our key priority is to future-proof our people by equipping them with the necessary skills and tools so that they can stay ahead of the curve in this rapidly disruptive era of digital adoption and transformation. People are at the heart of our operations. We provide an enabling workplace environment to attract, retain and grow young and fresh minds, as well as develop a highly skilled workforce that leads to creation of value. Over the years, their passion, dedication and commitment have empowered us to reach new heights, propelling our institution to become the leading bank in the region. Our people define our success.	• Group Headcount: 2,231, of which 98% are permanent. • 81% of the complement are young professionals (<40 years). • 74% of employees are University graduates. • KShs 33 million invested in preventative and precautionary COVID-19 related protocols and initiatives, focused on the safety of all our employees and customers across East Africa.	• 142 new employees (11%) hired across the Group. • Staff force comprising of 81% youth (<40 years).	• Career growth linked to our values, strategy and growth (70 staff promoted). • Average Length of Service: 12 Years of senior leadership team across East Africa. • 49% female staff with 31% of EXCO consisting of women, across the Group.
Manufactured Capital (Strategic link: Innovation, Omnichannel & Powered by Technology) Manufactured capital includes our investments in brick and mortar branch locations, agency banking network, digital platforms, the servers and other IT hardware infrastructure we rely on for our IT delivery capability, equipment and supplies we use in our office premises combined with human and intellectual capital enable us to create long-term value.	• 134 Branches in East Africa. • 13 Digital Lobbies in East Africa. • 157 ATMs in East Africa. • Tier III Data Centre in Kenya. • Best in class IT SOC Centre. • Continuous investments in digital platforms. • IT hardware and software investments of Kshs 265 million in Kenya. • 2,152 locations in East Africa with DTB POS machines of which 867 onboarded in 2020.	• 27 million mobile banking transactions done on the mobile banking platform across East Africa. • 79% of transaction done outside the Group's branch network (Kenya- 88%). • Continued growth in revenue streams through revamped digital products and platforms across the Group. • 99.88% IT networks uptime. • Tier III data centre with dual-powered servers, storage, network links and other IT components.	• Convenient access to banking services provided to customers. • 24/7/365 service availability through our digital channels. • Expanded reach, leading to customer acquisition • Stability of IT networks and systems. • Out of the total retail customer base subscribed to mobile banking, 75% of customers are actively using it across the Group.
Social and Relationship Capital (Strategic link: Centred on Customer) Our journey is one built upon the relationships we have created and nurtured with our stakeholders – our Customers, our Employees, our Regulators, our Shareholders, our Community and our Environment. We co-operate with all our stakeholders in order to create sustainable value, and to help achieve objectives in a mutually beneficial way. These relationships, through which we hope to create a better tomorrow, for ourselves and all our stakeholders, make up our social and relationship capital.	• 639,580 customers in East Africa. • Investment of over KShs 100 million to combat the effects of COVID-19 through application of health and safety protocols. • 2.5% decline in payment to suppliers from 2019. • 4.3% increase in staff remuneration from 2019. • Leveraged DTB's relationship with Kenya Mortgage Refinancing Company (KMRC) to provide affordable low-cost housing to DTB customers. • Subscription to the Credit Guarantee Scheme sponsored by the National Treasury in Kenya, providing SMEs with easier access to credit.	• Contributed KShs 50 million to the National Emergency Relief Fund and committed a further KShs 67 million invested in providing relief towards COVID-19 across the Group. • Over 30,000 families across East Africa benefited from the COVID-19 relief support provided during the year. • Over 120 East African MSME customers underwent virtual Financial Literacy Training programmes in 2020 in Kenya.	• Transparency in pricing of products and services through public disclosures in line with Kenya Banking Sector Charter pillar. • Meaningful contribution to the socio-economic well-being of East African communities. (Refer to How We Distribute Value no page 77 for more details). • Continued growth in revenue streams through revamped digital products and platforms.
Financial Capital (Strategic link: Funded to Grow) Our financial capital includes our monetary resources, which are obtained through our business activities and from external sources. Funding mechanisms, such as equity, debt and term deposits are the main sources of our financial capital.	• Core (Tier I) Capital of KShs 64 Billion. • Customer Deposits: 298 Billion. • Subordinated debt of KShs 4.8 Billion. • Long term senior loans of KShs 15 Billion.	• Growth in net loans and advances by 4.8% from KShs 199 billion to KShs 209 billion. • Equity growth by KShs 3.8 billion sourced through 2020 retained earnings. • Maintained strong liquidity level of 56.0% in 2020.	• Growth in Capital Adequacy Ratio • Reduction in cost of funds. • Core capital/ Total risk weighted assets- 21.2% (Dec 2020) vs 19.7% (Dec 2019) . • Total capital/ Total risk weighted assets- 22.9% (Dec 2020) vs 21.6% (Dec 2019) .
Natural Capital Our indirect impact on natural resources through our financing activities and, more directly, the utilities we require to operate. Through our environmental initiatives, we aim to reduce the impacts of our operations on the ecosystem and pave the way towards a more sustainable way of doing business.	• Strategic partnership with Agence Française de Développement (AFD) to finance energy efficient and renewable energy projects under the SUNREF facility at concessional interest rates. • Application of Social and Environmental Management Systems (SEMS) for funding activities.	• Financing of 16 projects under the AFD SUNREF green financing lines in Kenya and Uganda. • 10% reduction of paper reams used in 2020. • Recycled over 2.4 tonnes of waste paper generated from DTB Kenya's Head Office, up from 1 tonne in 2019.	• Continued commitment to environmental conservation. • Cost reduction in materials and energy usage. • Influencing our borrowers to be more sustainable in their operation through the continued application of Social and Environmental Management Systems (SEMS).

DTB 2020 INTEGRATED REPORT AND FINANCIAL STATEMENTS

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS- OUR BUSINESS MODEL

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

Customers

Who they are:

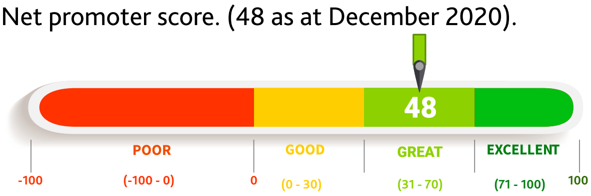
- Individuals: from children all through to high net-worth individuals across all ages.
- Businesses: sole proprietors, small and medium enterprises and corporates.
- Banks: Local, regional and international financial institutions.

Needs and Expectations:

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

How we measure our performance:

- Net promoter score. (48 as at December 2020).



- Complaints management and response within seven working days.
- Granular tracking of customer experience and feedback and regular reporting to the EXCO.

Employees

Who they are:

- 2,231 employees across East Africa.
- 49% women and 51% men.
- 81% of employees are young people across the Group (under 40 years).

Needs and Expectations:

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

How we measure our performance:

- Open employee engagement.
- Feedback sessions organised by the Head of Human Resources.
- Feedback obtained from the Intranet- an internal portal accessible by all staff.
- A diverse and inclusive workforce.
- Offering internal employees priority during recruitment of more responsible or new positions.

Community

Who they are:

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

Needs and Expectations:

- Offering relief and contributing towards combating the effects of COVID-19.
- With the changing demographics and a move towards contactless economy during the pandemic, the community wants appropriate financial intermediary solutions, digital banking channels, products and services.
- To adapt to the disruptive environment, by offering of financial literacy knowledge sessions.
- Adhering to global and local environmental, social and governance frameworks.
- Responsible and ethical business practices that engender trust and build solid, mutually beneficial relationships.
- Use of DTB's resources to promote socio-economic development and environmental conservation to build a thriving society.

How we measure our performance:

- Prioritising local business for sourcing of the procurements from local geographies.
- Contribution towards the United Nations SDGs detailed from page 79-88 in our Sustainability Report.
- Over 120 East African MSME customers underwent virtual Financial Literacy Training programmes in 2020 in Kenya.

Regulators

Who they are:

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

Needs and Expectations:

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

How we measure our performance:

- Collaborative relationships with the National Treasury in Kenya through the SME focused Credit Guarantee Scheme and access to affordable housing mortgage initiative through KMRC.
- High compliance culture with no payments of fines or penalties for any regulatory breaches.

HOW WE CREATE VALUE FOR OUR STAKEHOLDERS- OUR BUSINESS MODEL

Shareholders

Who they are:

- 11,277 shareholders.
- 80% of total number of shareholders are East African.

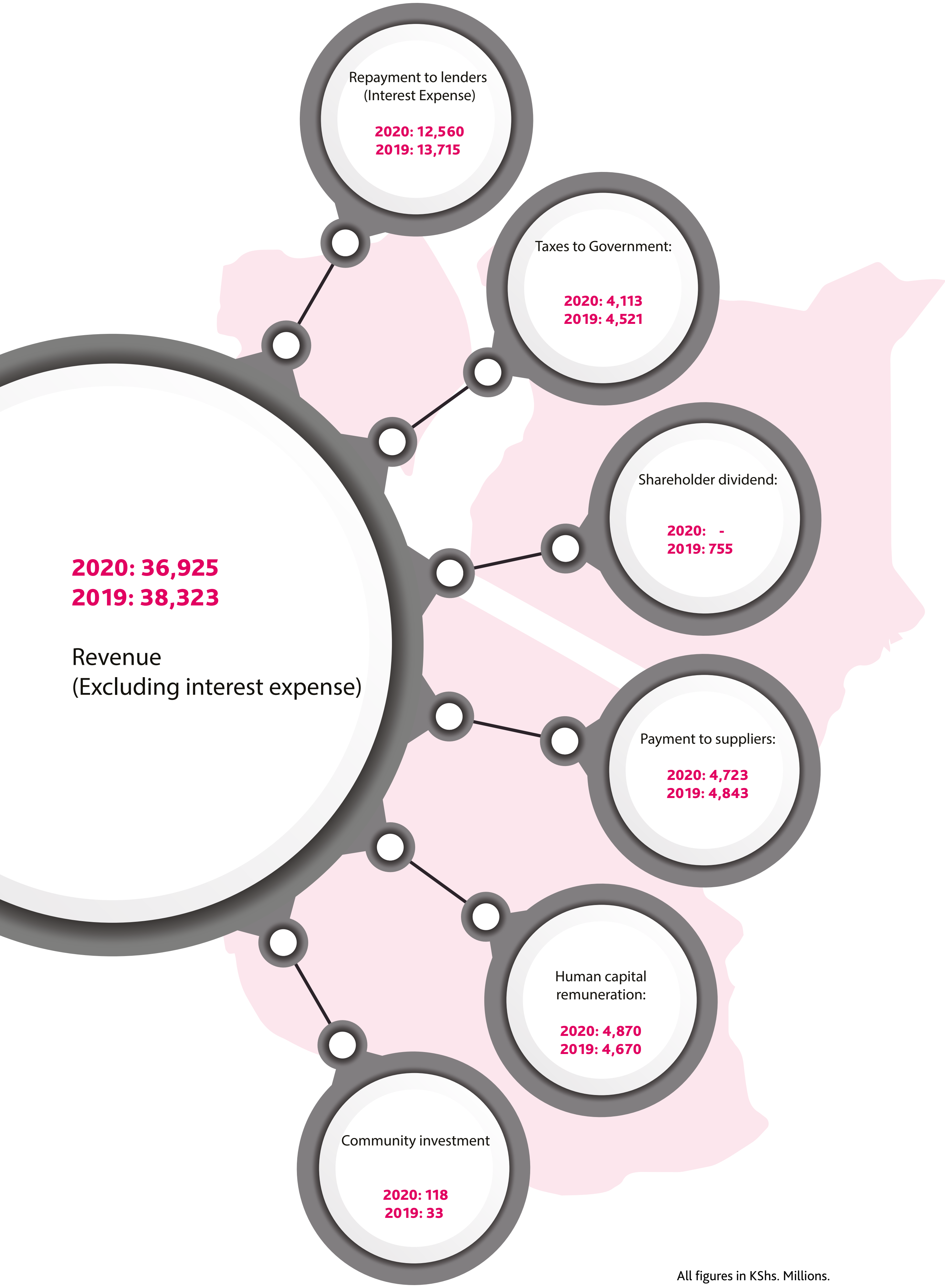
Needs and Expectations:

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

How we measure our performance:

- Provide sustainability and resilience in a tough operating environment.
- Open engagement virtually and physically through Annual General Meetings (AGMs), investor relations forums etc.

HOW WE DISTRIBUTE VALUE



All figures in KShs. Millions.

Access to clean water results in flourishing livelihoods. By sponsoring the installation of waterpoints across Migori County and boreholes in Mombasa, we are directly enriching the well-being of these communities.

SUSTAINABILITY REVIEW

Overview

DTB's approach to sustainability involves connecting directly with people and making a lasting impact on their lives. DTB gives careful consideration to the impact of our business activities on the interests of our stakeholders— customers, employees, the larger community and shareholders. We strive to create sustainable social and economic value by delivering delightful and lasting experiences to all those we interact with.

Based on this fundamental aspiration, our vision focuses on enabling people across the stakeholder groups to advance with confidence and success. It is all about how we use our ability to deliver innovative solutions to improve the quality of lives and livelihoods of all East Africans.

To achieve this vision, our determination to grow and manage our operations in a responsible and ethical way remains critical. This vision is based upon the pillars of responsible and ethical business practices using innovative and transformative ways to provide solutions and deliver impact.

It starts with embedding an ethical culture cascading across all levels at DTB, ensuring that there is a commitment to best practice, underpinned by policies that are known and understood by everyone within the Bank. We also aim to have every member of our staff understand the importance of promoting environmental and social issues for better and continued long-term growth of the business.

OUR LONGER-TERM AGENDA AND BRAND ESSENCE IS TO ENRICH LIVES, AND BY EXTENSION, LIVELIHOODS OF ALL OUR VARIOUS STAKEHOLDER GROUPS.

How we approach sustainability:

The Board of Directors ensures that the sustainability agenda is always at the heart of our overall corporate strategy. Our approach to sustainability is anchored on the Sustainable Development Goals (SDGs) set by the United Nations to end poverty, protect the planet and ensure that all people enjoy peace and prosperity as part of the 2030 Agenda for Sustainable Development. The UN SDGs continue to guide and inform our commitment to sustainable business practices. We have included references to the goals to which we have aligned our efforts in each of the topics in this section of the Integrated Report again this year.

The Bank continues to track progress in 10 of the 17 UN SDGs.

Financial Inclusion

DTB continues its commitment to improving the quality of lives of its customers- those that it is currently serving as well as those that are underserved, or even unbanked. This involves the development of inclusive financial products and services which, we believe, are crucial to achieving economic and societal progress. We strive to improve access to affordable financial services across the various customer segments: individuals, SMEs, micro-entrepreneurs and other underserved segments of the market by offering innovative, convenient, low-cost, digitally-anchored channels, products and services. We appreciate that financial inclusion is a key catalyst in the eradication of inequality and the empowerment of both the financially served as well as the underserved by providing choices, convenience and access to financial products and services. In the past 10 years, we have seen our customers become more digitally empowered, allowing them to take advantage of our digital channels and benefit from increased access, convenience and faster response times. Consequently, apart from leveraging our traditional channels such as branch banking, we continue to invest in technology so as to extend our reach through our digital channels to the fast-evolving digital ecosystem embraced by East Africans. Various innovative banking initiatives aimed at bringing banking services – both physically and digitally -to the currently served as well as the underserved communities across the region, allows us to provide access and drive down costs and pass on resultant convenience and savings respectively to our customers. We continue to digitalise our banking services and solutions so that our customers can conduct banking services anytime and anywhere. Digitalisation also allows us to expand our reach beyond the confines of our physical footprint whilst responding to the demands of a 'touchless or contactless economy'.

Bank 24/7

We enriched customer experience around onboarding and opening bank accounts in 2020, moving away from traditional form filling, to a **fully contact-less, digital experience to open accounts in under 5 minutes.** The technology is anchored on Artificial Intelligence (AI) through facial recognition and Optical Character Recognition (OCR) capabilities. This was a critical and well appreciated service to introduce, particularly during the pandemic, to enable contact-free customer engagement.

DTB Inua

Through this salary advance solution, DTB has enabled employees of organisations to support their households, especially at a time of economic vulnerabilities arising from the COVID-19 pandemic.

We realise that salary advances are giving workers a valuable lifeline for managing their expenses, by allowing workers to access a portion of their earned wages before payday, *DTB Inua* helps them secure much-needed liquidity.

Enabling financial security through first-time home ownership

One powerful antidote to combatting poverty is to economically empower society by creating a solid base of first-time home owners. The impact of this initiative cannot be overstated, given the financial security and wealth creation butterfly effect it has on families spanning generations. DTB has adopted a notion of affordable, low-cost, housing as part of its priorities. This also aligns with the Government of Kenya's 'Big Four Agenda' to enable marginalised segments of society to have access to shelter through affordable housing. To give traction to this key agenda item, DTB has invested in Kenya Mortgage Refinance Company (KMRC), a special purpose vehicle sponsored by the Government of Kenya to provide access to long term mortgage funding, with a particular emphasis on low cost housing.

Gender Equality

According to the World Economic Forum's Global Gender Gap Report 2020, gender parity can have a large impact on the survival and prosperity of societies around the world. Gender balance at all levels of an organisation is a key indicator of its approach to gender equality. Companies with a more diverse staff complement have greater returns and lower risk profiles, according to research. Increased participation of women at all levels in the workplace also leads to better and more balanced business decisions for companies and, by extension, higher positive impact on the communities in which the companies operate.

DTB has made great strides in being an equal opportunity employer. The Group's employee gender balance exemplifies this, with **the current ratio of female to male employees sitting at 49:51,** with DTB Uganda at 54:46. **31% of the executive management across the four Group banks comprises of women.** Of the DTB franchises in East Africa, Kenya and Burundi are steered by women CEOs. Furthermore, in Tanzania, 33% of our branch managers are women. The journey to increasing women representation at the Bank has been a rewarding one, which has seen an upward trajectory of the overall gender ratio from 44% in 2015 to 49% presently. Achieving 50:50 gender parity is an important sustainable goal for DTB and the Bank aims to achieve this threshold by 2022.

DTB further subscribes to the Women Empowerment Principles (WEPs) developed by the United Nations Entity for Gender Equality and the Empowerment of Women, also known as UN Women. WEPs are a set of principles that guide businesses on how to empower women in the workplace, and in the community. In 2020, DTB applied the fifth principle (Enterprise Development, Supply Chain and Marketing Practices) by supporting an online exhibition organised by the Commonwealth Businesswomen Network Kenya (CBWN-K). CBWN-K works on advancing this SDG and women's economic empowerment within Commonwealth member states. Their mission is to strengthen and build women-owned businesses and advance women through talent, training and trade. The exhibition sponsored by **DTB, enabled over 1,000 women and youth entrepreneurs from across the 47 counties in Kenya to showcase their products and services at no cost.** The virtual trade show involved exhibitors from all sectors to virtually meet and exchange information, introduce new products, services & trends, interact online with buyers, generate revenue and increase their brand and product awareness. As a signatory to the WEPs and as part of its women economic empowerment and gender equality agenda, DTB supported this initiative and intends to deepen its involvement in this area in the future.

Staff members from DTB Tanzania mark international Women Day 2020 by teaming up with customers for a walk to advocate for gender equality.

Ensure Availability and Sustainable Management of Water and Sanitation and Healthy Living for All

The Kenyan Ministry of Education research outcomes show that a girl can lose 156 learning days, equivalent to almost 24 weeks out of 144 weeks of learning due to lack of menstrual hygiene products. **This represents approximately 17% of their learning time at school.**

In response, on International Women's Day 2020, DTB launched the #AchieveMoreGirl initiative to support vulnerable girls access quality menstrual health products. The initiative was informed by the prevalent menstrual hygiene management challenge that persists across East Africa and other markets for low-income women and girls.

DTB made a long-term commitment to invest KShs 50 Million over the next 5 years to support over 30,000 schoolgirls access quality menstrual health products. #AchieveMoreGirl is in line with DTB's commitment as a signatory of the Women's Empowerment Principles (WEPs). DTB Tanzania also collaborated with the Rotary e-Club to donate birthing kits to expecting mothers from underprivileged communities in Dar es Salaam and its surroundings. The birthing kits provided an infection-free childbirth process, which was critical particularly during the tough economic conditions during the COVID-19 pandemic.

Safe and readily available water is an important artefact of DTB's sustainability agenda, whether it is used for drinking, domestic use, food production or recreational purposes. Improved water supply and sanitation, and better management of water resources, have helped contribute greatly to poverty reduction. Water scarcity in East Africa has been an issue for decades, as only a small percentage of the region's land is optimal for agriculture, and the year-round climate is predominantly arid.

The target of the SDG is tracked by improved water source that is located on premises, available when needed, and free from fecal and priority chemical contamination. Given the evident need, DTB played a responsible role by investing in two boreholes in Mombasa, a borehole and 40 water points in Migori, Kenya. **The boreholes and waterpoints have collectively impacted over 5,500 households by providing sustainable access to safe water.**

Employee Development

Employee growth and development remains at the forefront of DTB's mission to ensuring that our staff excel and are well equipped for the rapidly evolving and disruptive world that we are living in today. Past and ongoing investments in this area have resulted in an increase of skilled and experienced professionals who excel in customer-centric service delivery, branch and alternate channels operations, credit origination and risk management, innovation and information security.

We continue to actively invest in our Graduate Management Trainee programme, with an annual intake of over 20 university graduates across the Group. Middle management capacity is also continuously being bolstered to ensure that there is a broad array of skill sets across the Group, as well as appropriate talent which can be promoted to senior management as part of succession planning.

We have teams of fire marshals and Occupational Health and Safety (OHS) officers at all DTB workplaces, charged with the responsibility of overseeing the implementation of OHS matters. These staff who take on the responsibility of ensuring the safety of their colleagues at the workplace are trained annually to effectively discharge their mandate.

We did not allow career growth and professional development to take a back seat in 2020, regardless of the many demands and emergencies we faced during the pandemic. During the year, each and every DTB employee had the opportunity to attend at least one training session. Our Human Resources team was also actively engaged in ensuring all our employees felt safe at work as well as provided external counseling from professionals to ensure the most important part of our wellbeing- our mental health- was catered for. The Bank further expanded the scope of its employees' insurance cover to include COVID-19 related treatment that our staff would require. DTB further ensured that all its staff across the Group were working in a protected and hygienic environment, through investments of KShs 33 million in preventative and protective equipment against COVID-19.

Empowering Micro, Small and Medium Enterprises

Offering a lifeline to businesses impacted by the pandemic

The COVID-19 pandemic has adversely changed the global economic landscape. In Kenya, Micro, Small and Medium-sized Enterprises (MSMEs) have borne the brunt of these harsh economic conditions adversely. The grim economic outlook necessitated the development of strong measures to support MSMEs' survival during and beyond the pandemic. The banking sector proved its resilience and played a key role in anchoring the economy. Additionally, the National Treasury and Central Bank of Kenya took a proactive role in Kenya to bolster the economy through a Credit Guarantee Scheme targeting Micro, Small and Medium sized Enterprises.

DTB, along with six other banks, have subscribed to the guarantee scheme. The Government, through the Public Finance Management Regulations (2020), set up an initial KShs 3 billion guarantee facility.

DTB is providing loans of up to KShs 5 million each to MSMEs to help their working capital requirements and cushion the businesses from the impacts of COVID-19. DTB has committed to extend credit of up to KShs 1.6 billion in aggregate to Kenyan MSME businesses in 2021, under this scheme.

During the pandemic, we recognised that our customers needed financial advise to be able to survive the effects of the COVID-19 pandemic on their business and livelihoods. This in mind, DTB Kenya continued its financial literacy training curriculum, in partnership with Kenya Bankers Association (KBA) and the International Finance Corporation (IFC), for targeted (existing and prospective) micro, small and medium enterprise (MSME) operators from across the country.
Over 120 business owners benefited from this virtual capacity development programme last year.

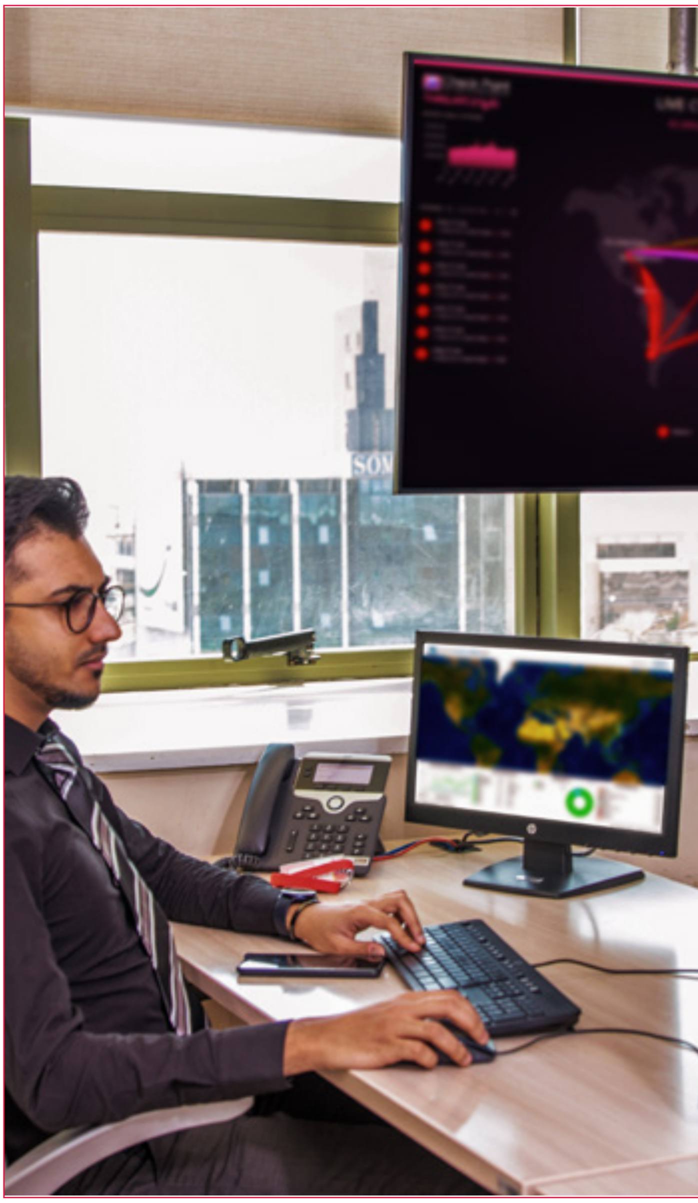
The financial literacy initiatives were aimed at:

- Providing training on entrepreneurship, financial and human resource management, business and strategic planning, operations and value chain management, marketing and business communication and the socio-economic roles of MSMEs.
- Educating on the various financial products and financial services offerings of the Bank to ensure optimal use of the available banking services and products offered by the Bank.

Strengthen the Means of Implementation and Revitalise the Global Partnership for Sustainable Development

Technology

Goal 17 of the SDGs explicitly talks about a 'global partnership for development', and has targets specifically related to multi-stakeholder collaboration. One of the targets of this SDG is to fully operationalise the technology bank and science, technology and innovation capacity-building mechanism for least developed countries and enhance the use of enabling technology, in particular, information and communications technology.



At DTB, we continue our investments in secure and resilient systems, which are available around the clock. In 2020, our IT networks uptime stood at 99.88% which was a key enabler given the ongoing shift towards a more digital economy. We continue to conduct quarterly and annual reviews on the processing, recovery and restoration capacities, bandwidth and storage to ensure the Bank can handle the growing volumes of customer transactions. The investments in technology that DTB has made over the years have resulted in a solid foundation for driving innovation. On the back of this, the Bank launched a number of new and revamped channels and automation capabilities (Refer to page 14-15 on Enriching the Lives of Our Customers). These included: the enhancement of the Bank's mobile banking platform- ***m24/7*** online banking platform- ***i24/7***, enhanced (integrated) e-statements. According to the World Retail Banking Report 2020 by Capgemini and Efma, 57% of consumers prefer banking digitally in the COVID-19 era.

Resonating with this evolving trends, DTB also saw a growth in use of digital channels, so much so that we now consider them the primary source of banking. **88% of all transactions are done outside our banking halls**, with mobile banking being the lead digital channel. We expect that this number will increase in 2021, given the change in customer behaviour and preference to more digitally anchored platforms.

One of the speed bumps that come with digital evolution is the risk of elevated cybercrime. We have enabled all our customers who have access to smartphones to utilise leading biometrics, such as facial recognition and touch ID authentication capability when conducting transactions on ***m24/7***. These measures have not only resulted in convenience to our customers, but also ramped up our defence against cyberattacks.

We also follow a layered approach to cybersecurity to ensure readiness to address evolving challenges that may arise through continuous proactive, vulnerability assessments, penetration testing of systems, training and awareness of the staff. Our in-house certified ethical hackers test the resilience of our cybersecurity infrastructure as well as undertake and monitor attempted cyber-attacks on a continuous basis.

Responsible Consumption and Production

We are cognisant of the fact that our activities, as well as those of the entities that we finance, could have a social and environmental impact. Accordingly, we have made a conscious effort to ensure effective social and environmental management practices in all our activities, products and services. As part of our initiative to align key business operations with our sustainability objective, we have in place 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.
- Ensuring that our customers understand the policy commitments made in this area.

It further provides guidelines on how we assess the social and environmental risks before the lending due diligence process to ensure the activities do not negatively impact on the surrounding communities and environment.
The Bank's officials conduct site visits to sensitise customers on the need for SEMS compliance. DTB also goes out of its way to ensure customers understand the requirements of the policy and to ensure that clients sign SEMS forms before any disbursement of a facility can be processed. Sustainability review of projects that the Bank has financed is done to ensure they have the required environmental clearances before commencement.

DTB's paper recycling initiative, launched in 2019, targets the wastepaper that it generates from its operations in Kenya. **In 2020, the Bank continued the programme and saw a collection of 2.4 tonnes of waste paper which has since been recycled.** This initiative is expected to ramp up in the ensuing years with at least five tonnes of used papers being targeted for recycling annually.

Environment

DTB has been pursuing initiatives that cater to the environment directly, such as the planting of trees and greening spaces and others that have an indirect impact, such as recycling paper and using less paper by opting for digital alternatives. We pursue efforts to improve human welfare through the protection and restoration of nature, ensuring the needs of the people are met without compromising the needs of generations in the future. We have a strong commitment to environmental conservation.

At DTB, we believe in making an impact that matters. Our operations and employees continuously work to create positive environmental change and enabling individuals and institutions to invest in environmental sustainability.
The Bank promotes a green environment by procuring energy efficient lighting with motion sensors, technology that increasingly allows paperless transactions and, as mentioned above, recycling of used paper. With the quantity of paper used in Kenya **declining continuously over the last four years from 12,396 reams of paper in 2016 to 8,988 reams in 2020.**

Arid land in the Mara North area of Narok County where DTB planted 1,000,000 trees in 2018.

Follow up visit to Narok County where the 1,000,000 trees DTB planted have grown enabling community residents by preventing soil erosion and reducing human-wildlife conflict.

DTB's fight against poaching

Poaching is a persistent global problem with a profound long-term adverse effect on the East African region. The international demand for ivory and rhino horn is fuelling catastrophic declines in the elephant and rhino populations in Kenya, Tanzania and throughout Africa. As is the case for many countries in Africa, in Kenya wildlife crime has evolved over time and presents new challenges for wildlife conservation. Kenya's estimated 33,000 elephants and 1,010 rhinos, in addition to a mosaic of other wildlife, are concentrated not only in national parks, but scattered throughout the country across officially protected areas, private ranches, county council territories, and both communal and private lands. In 2020, DTB became a signatory to the United for Wildlife Financial Taskforce to combat the devastating impact of the illegal trade of wildlife. **DTB does not knowingly facilitate or tolerate financial flows that are derived from illegal trade of wildlife and associated corruption.**

Our partnership with Agence Française de Développement (AFD) in Kenya and Uganda to finance green energy projects for customers in the two countries. The credit line enables us to promote our sustainable development agenda by providing eligible customers with access to credit at concessionary rates; equally important it provides our eligible borrowers the opportunity to benefit from SUNREF's (AFD's green credit line) technical evaluation and concessional financing of their projects. Thus far, 16 eligible projects have been financed by DTB Kenya and DTB Uganda, **promoting the adoption of efficient energy and renewable energy solutions by DTB's customers.**

SUSTAINABILITY REVIEW (CONTINUED)

Ethics, Integrity and Confidentiality

Over time, DTB has invested in the most valuable anchor of our strategy, our people. Immediately they are onboarded, our employees are introduced to policies that define the culture at DTB and the importance we place on ethical practices. This is in keeping with one of the Bank's core values: Integrity, through which DTB commits to adhering steadfastly to high moral principles and professional standards, knowing that the Bank's success depends on its customers' trust. DTB Kenya has committed to the adoption of the banking sector charter tenets to transform areas of fairness, transparency, financial literacy and financial access.

To ensure that DTB's staff operate in an ethical manner, the Bank has appropriately tailored comprehensive policies and procedures which are in place. Some of the key policies and related documents which underpin the framework are:

- The Code of Ethics and Professional Conduct
- The Whistle-Blowing Policy
- The Gift Policy
- The Anti-Fraud Policy
- Declaration of Secrecy
- Anti-Bribery and Anti-Corruption Policy

These policies are accessible by all staff through an internal digital repository system.

In order to ensure awareness of and compliance with the Corporate governance and ethical business and the other above-mentioned practices framework, DTB ensures continuous training for its staff periodically on anti-bribery and anti-corruption and undertakes an enterprise risk review on an annual basis. Signed declarations are also obtained from newly recruited staff at the time of onboarding as well as from existing staff, on an annual basis, confirming their compliance with the Bank's policies and procedures which are reviewed periodically to incorporate new areas of risk.

DTB has zero tolerance to any form of financial crime including bribery, corruption and collusion. It relies heavily on trust and confidence from its investors and the public. Comprehensive Combating Financial Crime and Know Your Customer (KYC) policies and procedures are in place which fully incorporate the requirements of the prudential guidelines issued by DTB's regulators and the Proceeds of Crime and Anti-Money Laundering Act.

Promoting an ethical culture

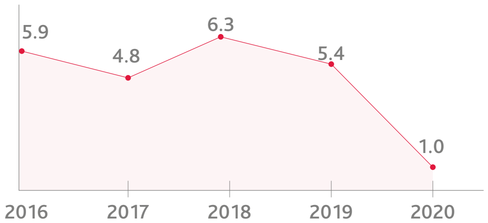
We align with the UN Global Compact principles of human rights, labour, anti-corruption and environmental conservation.
Our Procurement team engages with vendors ethically, with integrity and with respect, following the guidelines of the Code of Conduct and Conflict of Interest Policies, which are signed annually by all DTB employees. On an annual basis, the Bank conducts a due diligence and conflict of interest declaration on suppliers of all material outsourcing activities in a bid to ensure all procurement is done in line with the compliance standards and the Group's ethics framework. This also mitigates the Bank against third party or vendor risks as part of the Bank's vendor risk management practices.
Our procurement procedures and practices are aimed at supporting local business partners whilst observing the highest levels of business ethics, conduct and transparency. We endeavor to use local vendors as much as possible so as to subsidise and help grow our economic environment. Oversight of the procurement function is provided by the Outsourcing Sub-Comittee and a tender committee, governed by the CBK's prudential guidelines and our internal policies and procedures.
These policies and procedures subscribe to principles of openness, integrity and fairness in implementing the Group's procurement practices. Details on this can be read on Page 50 under our procurement policy within the statement of compliance with corporate governance section of this report.

OPERATING ENIVIRONMENT

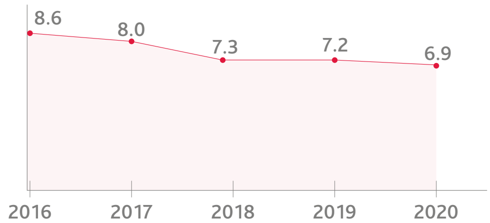
DIAMOND
TRUST
BANK
KENYA
LIMITED

Key Macro- Economic Highlights

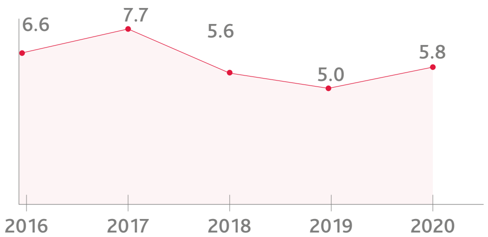
Real GDP Growth (%):



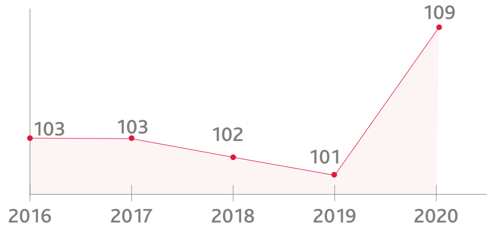
Average 91-Day T-bill :



Annual Average Inflation:



Exchange Rate (USD/KES):



Source: CBK

Performance Highlights (December 2020)

	KShs. Millions
Total Revenue:	26,409
Total Deposits:	207,984
Total Assets:	312,189
PBT:	3,824

Customers:	252,997
Employees:	1,027
Branches:	69
ATMs:	67

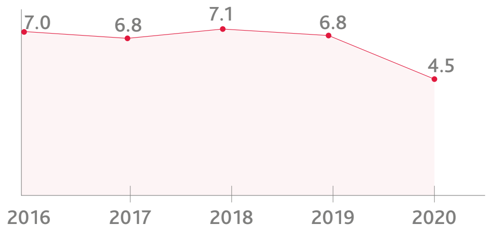
Refer to **pages 18 - 19** for DTB Kenya's Board of Directors

OPERATING ENIVIRONMENT (CONTINUED)

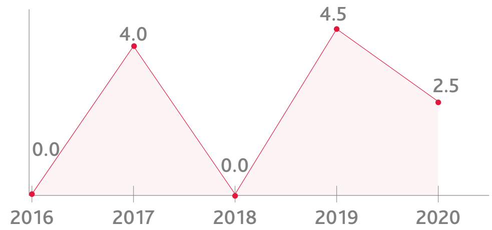
DIAMOND TRUST BANK TANZANIA LIMITED

Key Macro- Economic Highlights

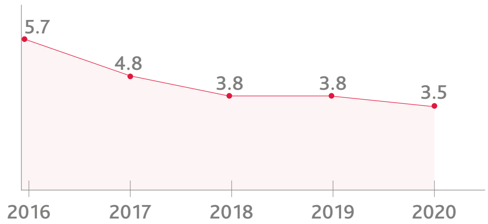
Real GDP Growth (%):



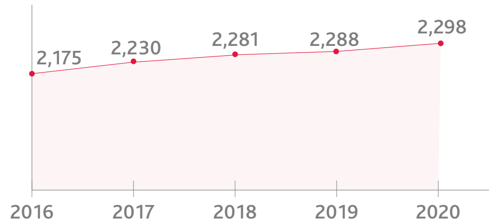
Average 91-Day T-bill:



Annual Average Inflation:



Exchange Rate (USD/TZS):



Source: BoT

Performance Highlights (December 2020)

	KShs. Millions
Total Revenue:	5,399
Total Deposits:	49,913
Total Assets:	63,107
PBT:	664

Customers:	221,022
Employees:	531
Branches:	28
ATMs:	39

Board of Directors


Karim Wissanji
Chairman


Shaffiq Dharamshi
Vice-Chairman


Uday Bhasin
Director


Nasim Devji
Director


Ravneet Chowdhury
Chief Executive Officer


Zulobia Dhalla
Director


Zahir Jiwani
Director

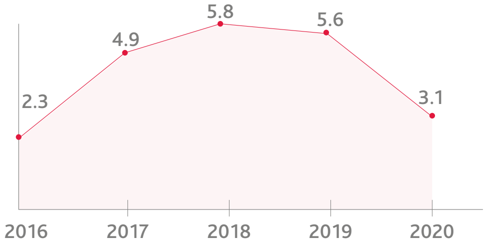

Muzaffer Khawaja
Director


Xavier Lucas
Director

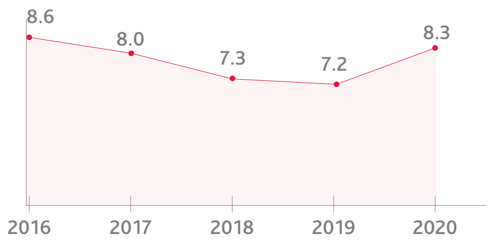
DIAMOND
TRUST
BANK
UGANDA
LIMITED

Key Macro- Economic Highlights

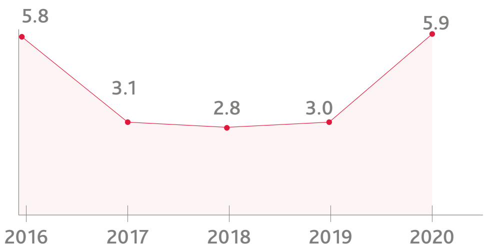
Real GDP Growth (%):



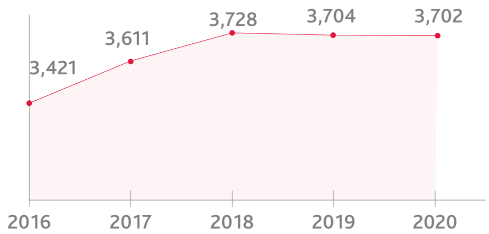
Average 91-Day T-bill:



Annual Average Inflation:



Exchange Rate (USD/UGX):



Source: BoU

Performance Highlights (December 2020)

	KShs. Millions
Total Revenue:	5,364
Total Deposits:	38,326
Total Assets:	52,878
PBT:	437

Customers:	162,749
Employees:	626
Branches:	33
ATMs:	51

Board of Directors


Azim Kassam
Chairman


Shaffiq Dharamshi
Vice-Chairman


Nasim Devji
Director


Jane Kabbale
Director


Kenneth Kitariko
Director


Dalal Murtuzaali
Director


Varghese Thambi
Managing Director

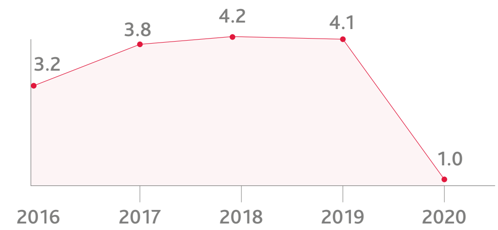

Mbabazi Emejiet
Executive Director & Company Secretary


Maina Kariuki
Executive Director

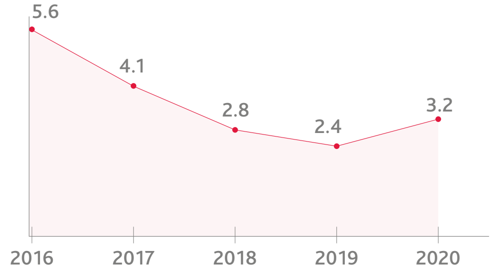
DIAMOND
TRUST
BANK
BURUNDI
LIMITED

Key Macro- Economic Highlights

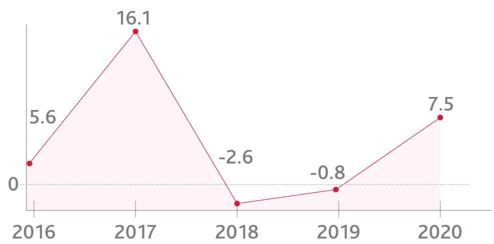
Real GDP Growth (%):



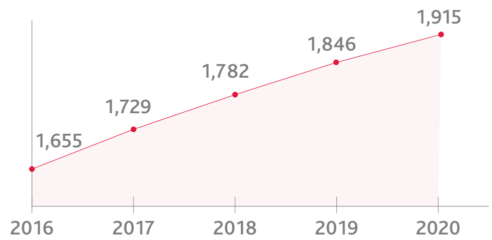
Average 91-Day T-bill:



Annual Average Inflation:



Exchange Rate (USD/BIF):



Source: BRB

Performance Highlights (December 2020)

	KShs. Millions
Total Revenue:	364
Total Deposits:	2,129
Total Assets:	3,720
PBT:	105

Customers:	2,812
Employees:	47
Branches:	4

Board of Directors


Shafiq Jiwani
Chairman


Nasim Devji
Vice-Chairperson


Alkarim Jiwa
Director


Xavier Lucas
Director


Jamaludin Shamji
Director


Ida Marie Mabushi
Managing Director

By providing menstrual hygiene products to girls who cannot afford them, DTB is playing a major role in ensuring that they stay in school. The Bank is also helping them protect their reproductive health. DTB announced a commitment to invest KShs 50 Million over the next five years on an initiative to support over 30,000 schoolgirls access quality hygiene products. In 2020, the programme distributed nearly 3,000 sanitary packages across seven counties in Kenya, impacting 34 target groups.

MATERIAL MATTERS

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

Identify: We identify matters that may impact the execution of our strategy. This is a group-wide effort taking into account input from all business and support units, and incorporating feedback from stakeholders.

Prioritise: From the list of identified matters, we prioritise those that most significantly impact our ability to successfully execute our strategy and deliver long-term value to our stakeholders.

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

Monitor: Assess the material matters continuously to ensure that our strategy remains relevant. Important matters are managed as part of our business and operational processes.

COVID-19 Impact on Credit Risk

Apart from the tragic loss of human life worldwide, the COVID-19 pandemic crisis has also adversely affected economic activity. Supply chains have been heavily disrupted and business have suffered from severe demand contraction.

Impact

This has resulted in businesses experiencing cashflow constraints, with borrowers facing real risks of defaulting on obligations. The consequent elevated credit risk environment has spared virtually no economic sector, with tourism and hospitality, aviation, trade, manufacturing and real estate (and their supply chains) being hit the hardest.

There has been a significant increase in the non-performing loan portfolios and impairment levels, adversely affecting earnings in 2020, with a likelihood of some of these effects being carried over into 2021.

Response

Governments- Following the declaration of COVID -19 as a global pandemic and the intensification of measures intended to contain the spread of the infection, Governments across the region came up with various fiscal and monetary measures to mitigate the impact on households and businesses. Some of the measures include reduction in corporate and personal taxation rates Value Added Tax (VAT), deferment of tax payments, waiver of penalty and interest upon voluntary disclosure in Uganda amongst other measures.

Regulators- Reviewed Prudential Guidelines requirements on loan classifications and provisioning and made them more enabling for banks to provide moratorium holidays for borrowers facing cashflow crisis. Regulators also took other measures such as provision of liquidity to partly fund distressed borrowers by lowering of the Cash Reserve Ratio requirement, reduction in central bank lending rate amongst other measures.

DTB response:

To cushion its customers, DTB has granted loan relief and restructured loans to enable them manage their personal needs, day- to- day capital working capital requirements and deal with the stresses caused to their businesses following the outbreak of COVID-19.

- The Group granted repayment holidays on facilities valued at KShs 82 billion (37% of loan book) as at year end.
- Enhanced credit monitoring of the portfolio.
- In recognition of the elevated credit risk environment, DTB also reviewed its credit portfolio and classified augmented its impairment levels against non-performing loans. Consequently, the Cost of Risk across the Group in 2020 increased to 3.4% compared to 0.5% in 2019.

Data Governance

DTB is subject to confidentiality obligations and existing in-country legislation for protection of privacy rights. In 2019, Kenya and Uganda enacted specific data protection laws setting out more elaborate rules for protection of personal data. The legislation outlines the rights of data subjects, principles of data protection, lawful bases for processing of personal data and obligations of the Group entities in collection and processing of personal data about them.

Impact

Failure to accurately collect and maintain data, protect it from unauthorised disclosures and interference with its availability exposes the Group to the risk of loss or unavailability of data and data integrity issues. This could also result in regulatory censure, legal liability and reputational damage, including the risk of substantial fines meant to strengthen data protection rights of customers and increase the accountability for DTB in its management of data.

Response

Respecting customers' privacy remains a top priority for DTB. The Bank has adopted an approach based on compliance with the European Union's General Data Protection Regulation (GDPR)- the global gold standard on data protection and privacy- with each market aligning their programme with existing in-country legislative requirements.

DTB has additionally implemented the below measures to ensure integrity and confidentiality of personal data:

- Governance framework- the Bank has implemented policies and procedures, which comprise data protection principles and requirements, such as confidentiality, the need-to-know principle, or access rights requests;
- Employee training and awareness- a training for all employees on the implications of privacy laws for the Bank has been successfully undertaken;
- Identity Access Management (IAM) –the Bank authenticates users of accounts, applications and systems and restricts access rights and permissions to the absolute minimum necessary to perform routine, authorised activities and to ensure that only the right people have access to personal data.
- Data Loss Prevention (DLP) tool – the Bank is rolling out of a Data Loss Prevention (DLP) tool in 2021 to ensure that data is not lost, misused, or accessed by unauthorised users;
- Review and remediation of vendor contracts – the Bank has reviewed and remediated vendor contracts that involve the processing of personal data and has obtained vendor declarations with respect to compliance with data protection legislation.

Digital Disruption

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

Impact

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

Response

DTB is on course to embrace a new "digital at the core" strategy, embedded into its corporate business strategy. In recent years, the Bank has launched a number of digital initiatives including a revamped mobile banking and online banking platform which offered enriched value propositions to its customers.

Cybercrime, Fraud and Theft

Fraudsters tend to prey on unexpected events or challenges. When normality becomes disrupted, they see an opportunity they can exploit. The growing adoption of digital channels due to the COVID-19 pandemic, has increased the risk and incidents of cybercrime globally. While there are numerous threats aimed at bank systems and their customers, one of the biggest threats, and, often one of the hardest to detect, is that originated by, or done in collaboration with, malicious and compromised staff.

Impact

Cybersecurity has become a paramount concern for the banking sector, leading to increased investments in cybersecurity technology assets, processes and skills enhancement.

Response

Continuous heavy investments in cybersecurity infrastructure, people skills and continuous awareness to identify and neutralise threats, prevent data breaches and other forms of cyber-attacks. The Bank carries out enhanced penetration tests on its systems using in-house ethical hackers and externally sourced skilled experts. It will continue to bolster its cyber-defence to reduce the risk of cyberattacks.

RISK MANAGEMENT FRAMEWORK

Enterprise Risk Management (ERM)

The COVID-19 pandemic has required that management remain in a state of preparedness to address emerging issues and effectively absorb future shocks. The Group has put in measures to ensure resilience, learn, evolve and adapt to the "new normal". In 2020, DTB focused on mitigating the risks and managing the disruption caused by the COVID-19 pandemic as well as the heightened exposure to cyber threats as more customers and businesses move to the digital platforms. The Group has also recognised that some changes in customer behavior may be permanent and thus the need to accelerate digital transformation. DTB continues to develop its capability to respond to emerging opportunities, manage existing and emerging risks effectively whilst ensuring resilience. Effective ERM management remains a core function within the Group.

Risk and Compliance Management

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

The Board of Directors has instituted a culture of compliance and risk management which is articulated through the Group's Code of Conduct, values, policies, procedures, training and the risk appetite statement. The Board provides oversight on the management of risks and approves the strategies, policies and appetite statements that govern DTB's operations. The Board draws its powers, roles and responsibilities from the Board Charter whose tenets are summarised on page 39 of this report. The role of the Board and Board Committees are further detailed in the respective Board- approved Terms of Reference (TORs) as summarised on Page 41-44. The Board of Directors has exclusive responsibility for fundamental strategic decisions. The Board of Directors has delegated operative risk management to the respective board committees. The board committees are supported in this role by the management committees. The Head of Risk & Compliance reports independently to the respective Board Committees on the effectiveness of the tools used to mitigate risk. The Head of Risk & Compliance is also a member of all the management committees. The roles and responsibilities of the Board and management committees are more specifically covered under the Internal Controls Section.

Internal Controls

The Board reviews the Group's internal control policies and ensures that appropriate controls are in place. The Directors responsibility for the Group's internal control systems, includes taking reasonable steps to ensure that adequate systems are being maintained. Internal control systems are designed to meet the particular needs of the Group, and the risks to which it is exposed with procedures and processes intended to provide effective internal financial and operational control. The Board has put in place a comprehensive ERM framework to identify all key risks, measure these risks, manage the risk positions and determine capital allocations. ERM is integrated in the overall management monitoring and reporting structure. The Group's performance is reported quarterly to the Board and includes an analysis of performance against budget and prior periods. The financial information is prepared using appropriate accounting policies which are applied consistently. The DTB Group operates three lines of defence against the risks that could adversely affect DTB. The structure adopted reflects best practice in the market with clear roles and responsibilities in terms of the management of risk.

Governance

Board of Directors
Board Committees
Management Committees

Accountable for the overall oversight and responsible for ensuring:
- Adequate Board and Senior Management Oversight
- Adequate Policies, Procedures and Limits
- Adequate Risk Monitoring and Management Information Systems
- Internal Controls.

1st line of defence	2nd line of defence	3rd line of defence
Business Owners	Risk & Compliance Management	Internal Audit
Responsible and accountable for the day to day identification, control and management of risks in their functional areas so as to stop loss or risk materialising as they provide products and services to customers. Accountable for the operationalisation of strategies in a way that limits risk whilst also ensuring compliance with regulation, policy and procedures.	Engage continuously with 1st line to ensure that processes and controls are working as expected. Provide oversight and training on risk management strategies. Assist 1st line to Identify, review and track to closure any existing and emerging risk issues. Monitor and report on risks & compliance with regulation, policies, processes. Monitor controls against the early warning indicators and board approved limits.	Review and provide independent and objective assurance to the board and senior management on the overall effectiveness of the internal control framework at both 1st line and 2nd line. Provide an advisory role to management.

External Audit Assurance

Regulation, Stakeholders, Operating Environment

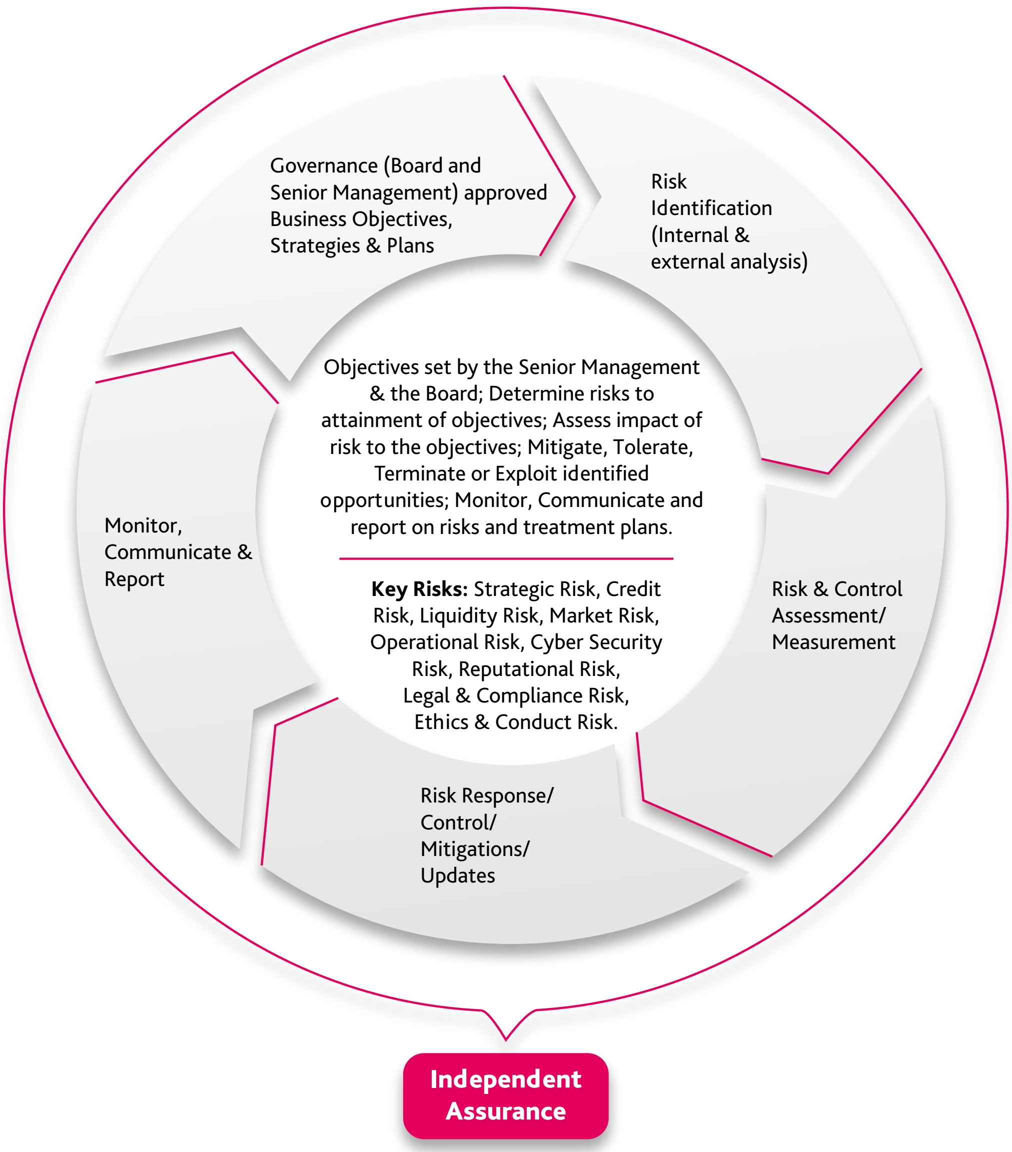
Consolidated Supervision and Combined Assurance

DTB uses a combined assurance model when undertaking reviews across the subsidiary banks. Combined assurance is a process whereby internal control functions (Compliance, Risk and Internal Audit) work together and combine activities with the objective of communicating their findings to management and the Board. Compliance with Group's standards is supported by a programme of on-site annual reviews undertaken by both the Internal Audit and the Risk & Compliance Department. The results of the reviews are tabled to the management and respective board committees of the subsidiary to which they relate, with summaries submitted to the management, risk and audit committees at the Group. The oversight and compliance cover DTB and its subsidiaries: Diamond Trust DTB Uganda (DTBU); Diamond Trust DTB Tanzania (DTBT), Diamond Trust DTB Burundi (DTBB) and Diamond Trust Bank Bancassurance Intermediary (DTBI). Collaboration between Risk, Compliance and Internal Audit has been entrenched in the annual work plans approved by the Board.

RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk Management Process

The Risk Management Framework is illustrated below:



Articulation of Risk

The Board has clearly articulated the extent of DTB's willingness to take risk. The risk is derived from the DTB's objectives, strategy and business plans. The Enterprise Risk Appetite Statement (ERAS) guides the overall approach, including policies, controls and systems, through which risk appetite is established, communicated and monitored. The ERAS demonstrates the implicit link between risk and strategy. In doing so, it defines the risk limits and tolerances around those limits. The ERAS also clarifies the action required in the event of a breach of risk limits and risk tolerance. Finally, it specifies the roles and responsibilities of the officers that are responsible for the implementation of the ERAS and forms a fundamental component of the Enterprise Risk Management Framework.

Risk Overview

Strategic Risk - The risk of failing to achieve business objectives		
Risk	**Implication**	**Mitigant**
External Risks	-Market Changes: Volatility in the global economy continues in the face of lockdowns. -Competition: Risk of new disruptive business models which can impact market share.	-DTB has built significant capital buffers as a cushion to ensure resilience in its operations. In the wake of the pandemic, DTB continues to simulate various scenarios to determine the unexpected but likely plausible adverse economic impacts of the COVID-19 pandemic to its capital base and CARs and adequacy of its contingency plans. Based on the stressed results DTB does not anticipate any breach of the statutory (CBK prescribed) capital adequacy ratios. -DTB reviews its strategic risks i.e. governance, operational, competitive, financial and reputational risks to ensure that it has adequate strategies to mitigate both anticipated and unanticipated risks. -Further to the stress tests conducted, DTB issued a profit warning during the pandemic due to anticipated increase in loan provisioning. The anticipated reduction in profit for 2020, has an eventual impact in reducing shareholder equity. -DTB continues its digital transformation strategy noting that digital business will play a key role in future growth.
Internal Risks	Inappropriate risk mitigation strategies to treat risk -Failure to identify potential risks -Poor planning for the risk -Poor strategies implemented to help mitigate or halt the risk.	DTB has specific strategies to address: -Regulatory risks. -Financial risks: Cash flow, Capital and Pricing. -Human Capital: Knowledge, Staffing, Skills, Ethics & Conduct, Training and Awareness. -Technology Risk: Data & Systems; Proprietary Systems; Regulatory Actions. -Resilience: Disaster & Crisis Management. -Third Party Relationship Risk: Reputation & Vendor Management.

Credit Risk: Credit risk is the risk that a borrower or debtor may default on obligations under a credit agreement. The Board Credit Committee (BCC) has oversight of credit through the Management Credit Committee (MCC). The MCC continuously reviews the credit strategy, credit policies and procedures, monitors credit risk, credit risk appetite, write offs, debt recovery, provisions, stress tests and changes in the operating environment. The MCC reports on any exceptions identified, insider lending, credit portfolio, all facilities approved during the period under review. Financial governance is applied through pricing and provisioning models, regulatory reporting and the internal capital adequacy assessment process (ICAAP). Integrated risk management is applied across all stages of the credit life cycle. The credit framework elements comprise:

Area of focus for year 2021 remains on adequately managing the impact of the pandemic on borrowing customers.

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

RISK MANAGEMENT FRAMEWORK (CONTINUED)

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

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

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

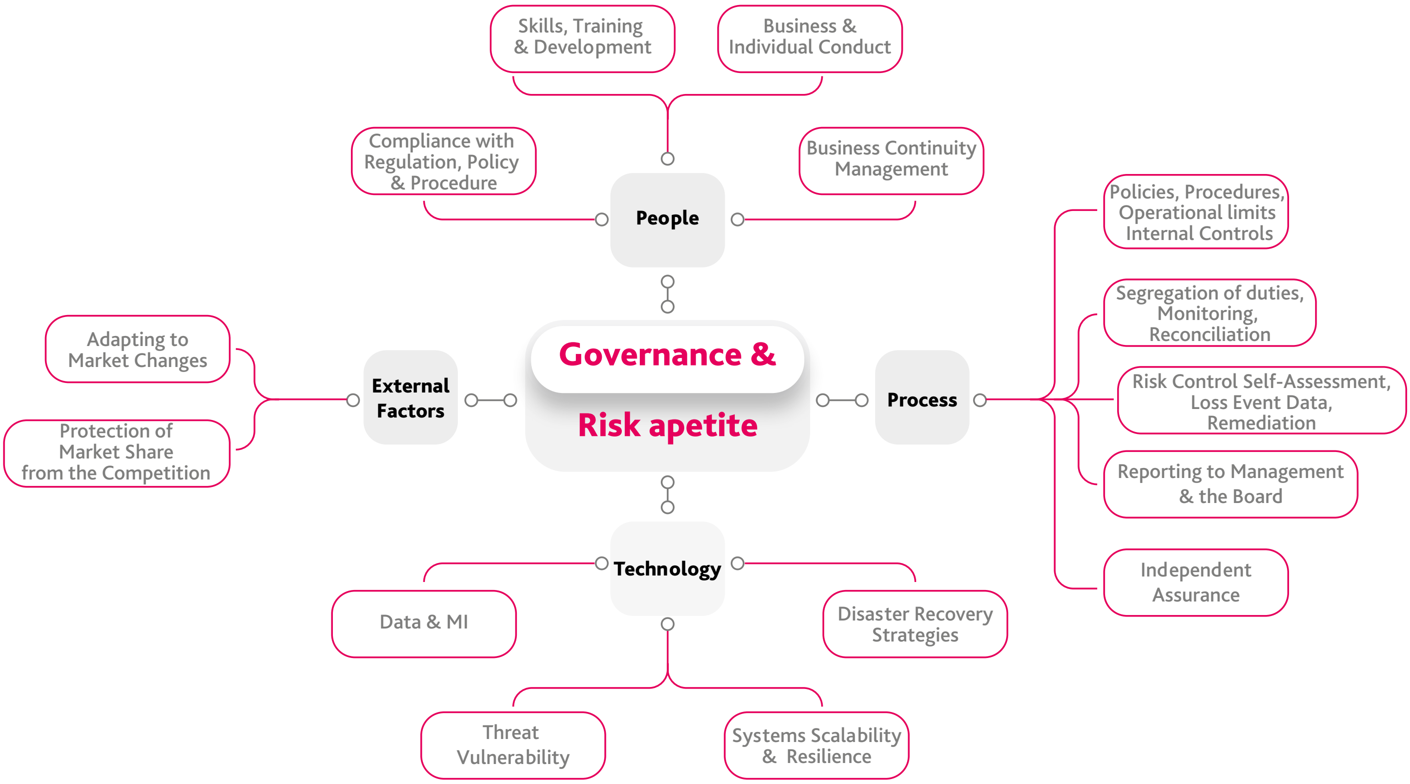
Risk	Implication	Mitigant
Not having enough liquid assets on hand when deposits need to be withdrawn or other commitments come due	Lack of a forward-looking framework to project future cash flows from assets, liabilities and items not on the balance sheet.	-DTB has a framework for identifying, monitoring and conducting risk analysis / stress testing based on extreme and hypothetical situations. -DTB maintains liquid assets to serve as a cushion in case of a possible shortfall. -DTB Contingency Funding Plan has been revised to factor in the COVID pandemic. -DTB has enhanced the stress tests programme to include scenarios and parameters to take account of the COVID-19 impact. -The stress test results are regularly reported to senior management and board of directors through the various committees as well as the regulator. -Continuous monitoring of risk appetite limits and proper reporting of the same to management.

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

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

Risk	Implication	Mitigant
The different types of market risks include interest rate risk, currency risk (exchange risk), country risk	-Noting that the risk affects the entire market, it cannot be diversified in order to be mitigated but can be hedged for minimal exposure. -Interest rate risk arises from unanticipated fluctuations in the interest rates due to monetary policy measures undertaken by the Central Bank. -Currency risk due to a decline in the value of the return accruing to an investor owing to the depreciation of the value of the domestic currency. -Macro variables such as political stability, level of fiscal deficit, regulatory environment that are outside the control of a financial market can impact the level of return due to an investment.	-DTB ensures that it manages concentration risk through board approved limits that ensure diversification and mitigate against the risk of entirely or substantially investing in one sector. -DTB structures its investments as per the horizon of its liabilities.

Operational Risk: Operational risk seeks to identify why a loss happened and at the broadest level includes the breakdown by four causes: people, processes (including policies and procedures), systems and external factors. DTB recognises that operational risk is a fundamental element that is inherent in all our DTB products, systems, activities and processes. The Board through the Board Risk Management Committee (BRMC), issues policies that guide management on appropriate strategies of operational risk mitigation. The Head of Risk & Compliance provides independent assurance to the BRMC of the implementation of the said policies. The Operational Framework which is continuously reviewed and refreshed comprises the following elements:



Some key areas of focus are detailed below:

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

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

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

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

2021 Outlook

DTB will continue to review its business environment and ensure it can adapt and upgrade its systems timely to ensure compliance with existing and new regulatory actions. DTB continues to enhance its risk management frameworks as and when required to ensure resiliency as well as remain relevant in the 'new normal'. Emphasis on risk and control self-assessments, integration of social and environmental risk management into business processes as well as effective management of emerging risks remain critical. As DTB continues its digital journey through expanded use of technology and data, DTB remains cognisant of cybercrime and other technology related risks.

Sheila Bundi joined DTB in the year 2009 as a front officer attending to Westgate Branch's telephone lines and respond to basic customer queries.

Currently, Sheila heads DTB Kenya's contact centre which covers the whole country. Her ambition and passion for customer experience and has seen her consistently grow and leverage her passion to do what she loves, offering unique delightful experiences both to customers and to colleagues.

DIRECTORS AND STATUTORY INFORMATION

DIRECTORS	Linus Gitahi	Chairman
	Shaffiq Dharamshi	Vice Chairman
	Nasim Devji	Group Chief Executive Officer and Managing Director
	Pamella Ager	
	Guedi Ainache*	
	Moez Jamal**	
	Alkarim Jiwa	Finance Director
	Irfan Keshavjee	
	Ismail Mawji	
	Jamaludin Samji	
	Sagheer Mufti***	
	*French**Swiss***Pakistani	

COMPANY SECRETARY Stephen Kodumbe

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

AUDITOR
KPMG Kenya
Cerified Public Accountants
8th Floor, ABC Towers
Wayaki Way
P.O. Box 40612-00100
NAIROBI

DIRECTORS ' REPORT

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020 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" or "DTB").

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 105.

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 117 and summarised below.

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	4,668,271	11,262,914	3,824,363	9,279,305
Income tax expense	(1,139,645)	(3,994,322)	(778,423)	(3,564,314)
Profit for the year	3,528,626	7,268,592	3,045,940	5,714,991
Non controlling interests	(281,092)	(482,989)	-	-
Profit attributable to owners of the Bank	3,247,534	6,785,603	3,045,940	5,714,991
Dividends	-	(754,926)	-	(754,926)
Retained profit for the year	**3,247,534**	**6,030,677**	**3,045,940**	**4,960,065**

The directors do not recommend approval of a dividend payout in the year. (2019: Shs 754,925,994).

EQUITY AND RESERVES

The authorised and issued share capital and reserves of the Group and Company at 31 December 2020 and matters relating thereto are set out in Note 32 to 33 to the financial statements. No additional shares were issued in the year. Full details of the Group and Company reserves and movements therein during the year are shown on pages 120 to 123 and pages 227 to 229.

PROPERTY, PLANT AND EQUIPMENT

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

DIRECTORS

The present membership of the board is listed on page 105. In accordance with articles No. 101 of the Bank's Articles of Association, Messrs Shafiq Dharamshi and Irfan Keshavjee and Ms. Pamela Ager retire by rotation and, being eligible, offer themselves for re-election.

In accordance with the Board Appointment and Diversity Policy, Mr. Ismail Mawji, who will have attained the age of 70 years as at the date of the Annual General Meeting, retires and, being eligible, offers himself for re-election as a director.

BUSINESS REVIEW

The banking industry weathered shocks arising from the prevailing economic slowdown induced by the COVID-19 pandemic. The stifled business climate in 2020 continued to be a challenge for the banking industry in spite of the various regulatory measures effected to mitigate the effects of the pandemic. Despite the banking industry's resilience, in light of the asset quality deterioration, banks took a conservative view regarding credit expansion, and thus the limited growth momentum in the private sector credit. DTB is sufficiently capitalised to stay afloat and support its stakeholders through the COVID-19 storm.

In 2020, DTB's Group profit after tax registered a 51% decline to Shs 3.5 billion compared to Shs 7.3 billion registered in 2019. Credit loss allowance charges increased driven by collectively assessed credit impairment charges for the expected impact of COVID-19. The Group's asset base went up by 10% to stand at Shs 425.1 billion up from Shs 386.2 billion in the previous year with the loans growing by 5% and the investment in Government securities expanding by 12% fueled by the growth in Deposits from Shs 280 billion to Shs 298 billion.

CORONAVIRUS (COVID-19)

The disruptive impacts of the COVID-19 pandemic caused major disruptions to community health and economic activity with virtually all industries facing challenges associated with the economic conditions resulting from efforts to address it globally. The Group's customers are not an exception to the ravaging impact of the pandemic. As a result, the Group initiated various measures to cushion itself and the stakeholders from the effects of the pandemic. Most notable is customer loan restructures through loan repayment deferral on principal or principal plus interest for agreed moratorium periods. The Group is committed to work with customers impacted by COVID-19 to restructure loans and, where necessary, provide an extension to loan repayment deferrals for a further period whilst also remaining focused on responsible credit decision making.

Regulators and governments have implemented various fiscal and monetary measures to mitigate the impact on households and businesses. The measures implemented range from reduced tax measures for individual and businesses to liquidity initiatives to strengthen the banking system.

On reporting, the pandemic increased the estimation uncertainty in the preparation of the financial statements. The Group has made various accounting estimates for future events in the financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 and that the Group believes are reasonable under the circumstances. While pervasive across the financial statements, the estimation uncertainty is predominantly related to expected credit losses where the Group recognised a credit loss allowance charge of Shs 7.0 billion pre-tax in the year ended 31 December 2020. Refer to pages 12 to 13 for a detailed review of COVID-19 impact and response by the Group.

FUTURE OUTLOOK

Diamond Trust Bank Kenya Limited (DTB) embarked on the development of its new business strategy - *DTB Strategy 2030* – which will leverage on the strong foundation already built by the Bank.

DTB Strategy 2030, will seek to position the Bank as a premier, digitally- driven SME Bank in East Africa.

DTB Strategy 2030 will reinforce the Bank's core values to transform the lives of communities it operates in, through innovation and financial inclusion. It will seek to expand the Bank's digital, analytics and innovation capabilities by offering enhanced customer experiences through traditional / analogue channels as well as digital ecosystems. This will be targeted to its core client segments – SMEs and local corporates – as well as the middle class and affluent retail customer base. To drive the Bank's financial inclusion mandate, *DTB Strategy 2030* will also consider setting up ecosystems which serve new SME communities and high value micro - enterprises through digital micro-lending and other banking services. The strategy also considers the setting up of partnerships through which youth and student customers could be acquired to grow the Bank's presence in the mass market segment.

PRINCIPAL RISKS AND UNCERTAININITIES

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 156 to 199.

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

CORPORATE SOCIAL RESPONSIBILITIES

As a corporate citizen, Diamond Trust Bank Kenya Limited (DTB) seeks to undertake initiatives which benefit the communities and environment it operates in. The sustainability report under pages 79 to 88 details the activities the Group has undertaken in the year.

DIRECTORS ' REPORT (CONTINUED)

RELEVANT AUDIT INFORMATION

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

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

SUBSTANTIAL SHAREHOLDING

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

	Shareholding %	
	2020	**2019**
Aga Khan Fund For Economic Development S.A.	16.50%	16.50%
Habib Bank Limited	16.15%	16.15%
The Jubilee Insurance Company of Kenya Limited	9.95%	9.95%
	42.60%	**42.60%**

DIRECTORS' INTERESTS

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

	2020		2019	
Director	**No of shares**	**Shareholding %**	**No of shares**	**Shareholding %**
Nasim Devji	263,022	0.1%	263,022	0.1%
Irfan Keshavjee	1,143	0.0%	1,143	0.0%
Alkarim Jiwa	60	0.0%	60	0.0%

TERMS OF APPOINTMENT OF THE AUDITOR

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

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

APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 25 March 2021.

By order of the Board

Stephen Kodumbe
Company Secretary
25 March 2021
Nairobi

DIRECTORS' REMUNERATION REPORT

This Directors' remuneration report sets out the remuneration arrangements for Diamond Trust Bank Kenya Limited Directors for the year ended 31 December 2020.

Information not subject to Audit

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

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

Details of Directors

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

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

Remuneration Policy for the Non-Executive Chairman and Non-Executive Directors

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

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

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

Executive Directors Remuneration Policy

The remuneration of Executive Directors including, but not limited to, the related contract terms and monthly pay are set by the Board Nomination and Human Resource Committee. The salary for the Executive Directors is set at a level which is considered appropriate to attract individuals with the necessary experience and ability to oversee the business. The salary is paid in cash, net of applicable income tax and other statutory deductions. This is subject to annual review. Judgement is used but consideration is given to a number of internal and external factors including responsibilities, market positioning, inflation and company performance. Other benefits provided include medical cover and other non-cash benefits such as motor vehicle and telephone benefits. Travel and other reasonable expenses incurred in the course of performing their duties are reimbursed. These ensure the package is competitive.

Changes to remuneration for Non-Executive directors

The directors' remuneration during the year increased to Shs 24 million from Shs 21 million in 2019 so as to align their remuneration package with market levels.

Changes to remuneration for Non-Executive directors (Continued)

Statement of voting at the general meeting on Directors' remuneration

In the last AGM held on 25th June 2020, the shareholders unanimously passed a resolution to approve the Directors' remuneration report and the Directors' remuneration policy.

Information subject to audit (Auditable part)

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

Directors' remuneration paid during the year

Non -Executive Directors

Name	2020 Fees Shs '000	2020 Sitting Allowance Shs '000	2020 Total Shs '000	2019 Fees Shs '000	2019 Sitting Allowance Shs '000	2019 Total Shs '000
Linus Gitahi	3,690	950	4,640	1,928	810	2,738
Shaffiq Dharamshi	Waived	Waived	Waived	Waived	Waived	Waived
Pamella Ager	1,320	2,020	3,340	1,200	1,120	2,320
Guedi Ainache	1,320	1,480	2,800	1,200	1,240	2,440
Moez Jamal	1,323	820	2,143	1,210	890	2,100
Irfan Keshavjee	1,320	1,640	2,960	1,200	1,100	2,300
Ismail Mawji	1,320	1,570	2,890	1,200	1,260	2,460
Jamaludin Shamji	1,320	1,910	3,230	1,200	1,310	2,510
Sagheer Mufti*	1,233	780	2,013	-	-	-
Abdul Samji**	-	-	-	3,013	866	3,879
Rizwan Hyder***	-	-	-	476	-	476
	12,846	**11,170**	**24,016**	**12,627**	**8,596**	**21,223**

* Sagheer Mufti was appointed to the Board on 28th January 2020

* * The amounts include remuneration from the Bank and its subsidiaries in Tanzania and Uganda. Abdul Samji retired from the Board at the 2019 AGM held on 23 May 2019.

*** Rizwan Hyder retired from the Board at the 2019 AGM held on 23 May 2019.

Contract of service – Executive directors

	Gross Pay Shs' 000	Bonus Shs' 000	Retirement benefits Shs' 000	Non Cash Benefits Shs' 000	Total Shs' 000
2020					
Nasim Devji	61,109	-	2	1,863	62,974
Alkarim Jiwa	42,025	-	3,570	1,344	46,939
	103,134	**-**	**3,572**	**3,207**	**109,913**
2019					
Nasim Devji	61,109	-	2	1,862	62,973
Alkarim Jiwa	42,023	-	3,570	1,691	47,284
	103,132	**-**	**3,572**	**3,553**	**110,257**

Approval of the Directors' remuneration report

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

By order of the Board

Stephen Kodumbe
Company Secretary

25 March 2021
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation and presentation of the Group and Bank financial statements of Diamond Trust Bank Kenya Limited (the Bank) and its subsidiaries (together, the Group) set out on pages 117 to 237, which comprise the consolidated statement of financial position at 31 December 2020 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 2020 and the statement of profit or loss, statement of other comprehensive income, statement of changes in equity and statement of cash flows of the Bank for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the information identified as subject to audit in the Directors' Remuneration Report.

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

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

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

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

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

Approval of the financial statements

The financial statements, as indicated above, were approved and authorised for issue by the Board of Directors on 25 March 2021.

Linus Gitahi
Chairman

Nasim Devji
Managing Director

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

Report on the audit of the consolidated and separate financial statements

Opinion

We have audited the consolidated and separate financial statements of Diamond Trust Bank Kenya Limited (the Group and Bank) set out on pages 117 to 237 which comprise the Group and Bank statements of financial position as at 31 December 2020, and the Group and Bank statements of profit or loss, the Group and Bank statements of other comprehensive income, the Group and Bank statements of changes in equity and the Group and Bank statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Diamond Trust Bank Kenya Limited as at 31 December 2020, and of its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Kenyan Companies Act, 2015.

Basis for opinion

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

Key audit matters

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

Loss allowance on loans and advances to customers at amortised cost in the consolidated and separate financial statements

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

— Note 2 (i) – Summary of significant accounting policies, (page 138 – 142)

— Note 3 (iv) – Critical accounting estimates and judgements in applying accounting policies, *Determination of Significant Increase in Credit Risk* (page 155)

— Note 4 – Financial risk management, *Credit risk management* (page 157 – 186)

— Note 18 – Loans and advances to customers (page 206 –208)

The key audit matter	How the matter was addressed
Subjective estimate The measurement of expected credit losses ("ECL") on loans and advances to customers, involves significant judgement and estimates. The key areas where we identified greater levels of management judgement in the Group's and Bank's ECL assessment and therefore increased levels of audit focus are: — Model estimations – inherently judgemental modelling is used to estimate ECL which involves determining probabilities of default ("PD"), loss given default ("LGD"), and exposures at default ("EAD"). The PD model is a key driver of complexity in the Group's and Bank's ECL modelling approach. — Significant increase in credit risk ("SICR") – for certain sectors, the criteria selected to identify a significant increase in credit risk is a key area of judgement within the Group's and Bank's ECL calculation as these criteria determine whether a 12 month or lifetime credit loss is recorded.	Our procedures in this area included: — Obtaining an understanding of the credit management processes and the key systems, applications and controls used in the determination of the ECL and assessing the relevant general IT and applications controls. This included assessing the design and operating effectiveness of the key controls over the staging criteria and challenging the accuracy of the key inputs and assumptions into the IFRS 9 impairment models. This was performed by; • Selecting a sample of outstanding loans from the Group's and Bank's loan book and evaluating whether significant facilities are correctly staged, classified and valued based on IFRS 9 principles as well as regulatory considerations; • For a sample of key data inputs and assumptions applied in the determination of ECL, assessing the accuracy of economic forecasts and challenging PD assumptions applied by involving our specialists in the reperformance of the economic forecasts and PDs;

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

Loss allowances on loans and advances at amortised cost in the consolidated and separate financial statements – continued

The key audit matter	How the matter was addressed
— Economic scenarios – IFRS 9, *Financial Instruments* ("IFRS 9") requires the Group and Bank to measure ECLs on a forward-looking basis reflecting a range of future economic conditions. Management judgement is applied to determining the forward-looking information in the economic scenarios and the probability weightings applied to them especially when considering the current uncertain economic environment as a result of COVID-19. We determined that the loss allowances on loans and advances to customers to be a key audit matter due to the high degree of estimation uncertainty and significant judgement applied by management in the determination of the ECL.	• Evaluating the appropriateness of the Group's and Bank's assessment of SICR criteria used by assessing the qualitative and quantitative factors used by management in their evaluation of the classification into stages 1, 2 and 3; • Assessing the appropriateness of parameters used in the statistical models in respect of Probability of Default (PDs), Loss Given Default (LGDs), and Exposure at Default (EADs) by considering local economic conditions, and; • Evaluating management's basis for establishing stage 3 loss allowances in terms of the Group's and Bank's policies and in terms of the requirements of IFRS 9. This included challenging reasonability of management assumptions on cashflows projections and time to realization for a sample of the facilities. — Making use of our internal financial risk modelling specialists to: • Assess the Group's and Bank's methodology for determining the economic scenarios used in the forward-looking information and the probability weightings applied to the scenarios. • Assess the key economic variables used in the determination of ECL, including agreeing a sample of economic variables to external sources, as well as the overall reasonableness of the economic forecasts by comparing the Group's and Banks' forecasts to reputable, external sources of macroeconomic forecasts. • Assessing the Group's and Bank's adjustments to the macroeconomic overlay model(s) to incorporate the impact of economic uncertainty. — Assessing the adequacy of the disclosures related to the loss allowances on loans and advances to customers in the financial statements in accordance with IFRS 9.

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the *Diamond Trust Bank 2020 Integrated Report & Financial Statements* but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report 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 the directors for the consolidated and separate financial statements

As stated on page 112, the directors are responsible for the preparation of consolidated and separate financial statements that give a true and fair view in accordance with IFRSs, and in the manner required by the Kenyan Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

– Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

– Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Bank's internal control.

– Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

– Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and Bank to cease to continue as a going concern.

– Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

– Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

(i) The information given in the report of the directors on pages 106 to 108 is consistent with the consolidated and separate financial statements; and

(ii) The auditable part of the directors' remuneration report on page 110 has been properly prepared in accordance with the Kenyan Companies Act, 2015.

The signing partner responsible for the audit resulting in this independent auditor's report is CPA Joseph Kariuki - P/2102.

KPMG Kenya

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

25 March 2021

GROUP AND BANK STATEMENTS OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
Interest income	5	31,089,802	32,851,113	22,368,833	24,455,264
Interest expense	6	(11,781,931)	(12,772,725)	(9,364,811)	(10,674,906)
Net interest income		**19,307,871**	**20,078,388**	**13,004,022**	**13,780,358**
Net fee and commission income	7	2,947,120	3,244,166	1,586,208	1,723,010
Foreign exchange income		2,325,543	1,830,399	1,681,597	1,139,278
Other operating income	8	562,136	397,316	772,725	323,637
Operating income		**25,142,670**	**25,550,269**	**17,044,552**	**16,966,283**
Operating expenses	9	(12,344,122)	(11,901,874)	(6,810,216)	(6,697,462)
Net loss allowance (charge)/credit on loans and advances	18	(7,036,818)	(1,024,594)	(5,292,619)	42,257
Profit from operations		**5,761,730**	**12,623,801**	**4,941,717**	**10,311,078**
Share of results of associate after tax	27(b)	38,687	6,530	-	-
Finance costs	31(e)	(1,228,378)	(1,367,417)	(999,290)	(1,031,773)
Gain/(loss) on modified assets		96,232	-	(118,064)	-
Profit before income tax		**4,668,271**	**11,262,914**	**3,824,363**	**9,279,305**
Income tax expense	11	(1,139,645)	(3,994,322)	(778,423)	(3,564,314)
Profit for the year		**3,528,626**	**7,268,592**	**3,045,940**	**5,714,991**
Profit attributable to:					
Owners of the Bank		3,247,534	6,785,603	3,045,940	5,714,991
Non controlling interests	27(c)	281,092	482,989	-	-
		3,528,626	**7,268,592**	**3,045,940**	**5,714,991**
Earnings per share (Shs per share)					
Basic and diluted	12	11.61	24.27	10.89	20.44

The notes on pages 125 to 237 are an integral part of these financial statements.

GROUP AND BANK STATEMENTS OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	Group		Bank	
		2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Profit for the year		**3,528,626**	**7,268,592**	**3,045,940**	**5,714,991**
Other comprehensive income					
Items that may be subsequently reclassified to profit or loss					
Exchange differences on translating foreign operations		1,293,597	(96,995)	-	-
Net gain/(loss) from changes in fair value of Government securities		43,767	(4,368)	-	-
Items that will not be reclassified to profit or loss					
Net loss from changes in fair value of equity investments	26	(260,478)	(334,569)	(260,478)	(334,569)
Income tax relating to these items	25	(13,663)	1,313	-	-
Other comprehensive income for the year, net of tax		**1,063,223**	**(434,619)**	**(260,478)**	**(334,569)**
Total comprehensive income for the year		**4,591,849**	**6,833,973**	**2,785,462**	**5,380,422**
Total comprehensive income attributable to:					
Owners of the Bank		3,874,672	6,369,472	2,785,462	5,380,422
Non controlling interests		717,177	464,501	-	-
		4,591,849	**6,833,973**	**2,785,462**	**5,380,422**

The notes on pages 125 to 237 are an integral part of these financial statements.

GROUP AND BANK STATEMENTS OF **FINANCIAL POSITION** AS AT 31 DECEMBER 2020

	Note	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
Assets					
Cash and balances with Central Banks	15	25,983,424	27,218,903	14,831,865	18,238,378
Government securities	16	147,119,743	130,925,571	111,118,568	98,180,149
Deposits and balances due from banking institutions	17	19,945,900	8,320,531	10,667,900	1,557,300
Loans and advances to customers	18	208,592,888	199,089,371	154,998,068	149,501,314
Corporate bond - at amortised cost	19	-	18,029	-	-
Other assets	20	2,666,410	2,439,622	1,475,884	1,433,481
Intangible assets - software costs	21	721,250	1,421,566	397,282	1,114,729
Property and equipment	22	6,436,930	6,030,321	4,288,886	4,602,783
Intangible assets - goodwill	23	173,372	173,372	-	-
Right of use asset	24	3,640,987	3,430,300	1,867,738	1,919,046
Current income tax	11(c)	1,237,081	851,554	557,959	140,488
Deferred income tax	25	7,168,949	4,726,025	4,979,763	3,297,177
Equity investment - at fair value through OCI	26	1,258,198	1,518,389	1,252,570	1,513,048
Investments in subsidiaries and associates	27	108,902	66,632	5,752,702	5,752,702
Total assets		**425,054,034**	**386,230,186**	**312,189,185**	**287,250,595**
Liabilities					
Customer deposits	28	298,166,604	280,186,953	207,984,496	199,489,226
Deposits and balances due to banking institutions	29	29,969,001	22,453,859	27,063,578	21,549,148
Other liabilities	30	4,243,587	3,479,417	1,994,949	1,893,221
Borrowings	31	19,798,455	11,356,847	18,521,027	9,741,233
Lease liabilities	24	4,562,255	4,237,765	2,593,221	2,576,389
Total liabilities		**356,739,902**	**321,714,841**	**258,157,271**	**235,249,217**
Shareholders' equity					
Share capital	32	1,118,409	1,118,409	1,118,409	1,118,409
Share premium	32	9,006,569	9,006,569	9,006,569	9,006,569
Retained earnings	33 (c)	51,002,806	47,483,370	43,231,351	40,156,523
Statutory loan loss reserve	33 (d)	789,473	1,062,649	-	-
Other reserves	33	53,331	(575,081)	675,585	964,951
Proposed dividend	13	-	754,926	-	754,926
Equity attributable to owners of the Bank		**61,970,588**	**58,850,842**	**54,031,914**	**52,001,378**
Non controlling interests	26	6,343,544	5,664,503	-	-
Total equity		**68,314,132**	**64,515,345**	**54,031,914**	**52,001,378**
Total liabilities and equity		**425,054,034**	**386,230,186**	**312,189,185**	**287,250,595**

The financial statements on pages 117 to 237 approved and authorised for issue by the Board of Directors on 25 March 2021 and signed on its behalf by:

Linus Gitahi
Chairman

Nasim Devji
Managing Director

Ismail Mawji
Director

Stephen Kodumbe
Company Secretary

The notes on pages 125 to 237 are an integral part of these financial statements

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

	Note	Share capital Shs'000	Share premium Shs'000	Statutory loan loss reserve Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Attributable to equity holders of the Bank Shs'000	Non controlling interests Shs'000	Total Shs'000
At 1 January 2020		**1,118,409**	**9,006,569**	**1,062,649**	**(575,081)**	**47,483,370**	**754,926**	**58,850,842**	**5,664,503**	**64,515,345**
Profit for the year		-	-	-	-	3,247,534	-	3,247,534	281,092	3,528,626
Other comprehensive income		-	-	-	627,138	-	-	627,138	436,085	1,063,223
Transfer of excess depreciation		-	-	-	(37,678)	37,678	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	3,701	(3,701)	-	-	-	-
Statutory loan loss reserve		-	-	(273,176)	-	273,176	-	-	-	-
Legal and public investment reserve		-	-	-	35,251	(35,251)	-	-	-	-
Total comprehensive income		**-**	**-**	**(273,176)**	**628,412**	**3,519,436**	**-**	**3,874,672**	**717,177**	**4,591,849**
Transactions with owners in their capacity as owners:										
Dividends:										
- Final for 2019 paid	13	-	-	-	-	-	(754,926)	(754,926)	(38,136)	(793,062)
- Proposed for 2020	13	-	-	-	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**-**	**(754,926)**	**(754,926)**	**(38,136)**	**(793,062)**
At end of year		**1,118,409**	**9,006,569**	**789,473**	**53,331**	**51,002,806**	**-**	**61,970,588**	**6,343,544**	**68,314,132**

The notes on pages 125 to 237 are an integral part of these financial statements.

GROUP STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital	Share premium	Statutory loan loss reserve	Other reserves	Retained earnings	Proposed dividend	Attributable to equity holders of the Bank	Non controlling interests	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2019		**1,118,409**	**9,006,569**	**890,768**	**(156,295)**	**41,621,919**	**726,966**	**53,208,336**	**5,238,296**	**58,446,632**
Profit for the year		-	-	-	-	6,785,603	-	6,785,603	482,989	7,268,592
Other comprehensive income		-	-	-	(416,131)	-	-	(416,131)	(18,488)	(434,619)
Transfer of excess depreciation		-	-	-	(33,019)	33,019	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	-	2,303	(2,303)	-	-	-	-
Statutory loan loss reserve		-	-	171,881	-	(171,881)	-	-	-	-
Legal and public investment reserve		-	-	-	28,061	(28,061)	-	-	-	-
Total comprehensive income		**-**	**-**	**171,881**	**(418,786)**	**6,616,377**	**-**	**6,369,472**	**464,501**	**6,833,973**
Transactions with owners in their capacity as owners:										
Dividends:										
- Final for 2018 paid	13	-	-	-	-	-	(726,966)	(726,966)	(38,294)	(765,260)
- Proposed for 2019	13	-	-	-	-	(754,926)	754,926	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**(754,926)**	**27,960**	**(726,966)**	**(38,294)**	**(765,260)**
At end of year		**1,118,409**	**9,006,569**	**1,062,649**	**(575,081)**	**47,483,370**	**754,926**	**58,850,842**	**5,664,503**	**64,515,345**

The notes on pages 125 to 237 are an integral part of these financial statements.

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

	Note	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At 1 January 2020		**1,118,409**	**9,006,569**	**964,951**	**40,156,523**	**754,926**	**52,001,378**
Profit for the year and other comprehensive income		-	-	-	3,045,940	-	3,045,940
Net loss from changes in fair value of equity investments		-	-	(260,478)	-	-	(260,478)
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	1,520	(1,520)	-	-
Total comprehensive income		**-**	**-**	**(289,366)**	**3,074,828**	**-**	**2,785,462**
Transactions with owners in their capacity as owners:							
Dividends:							
- Final for 2019 paid	13	-	-	-	-	(754,926)	(754,926)
- Proposed for 2020	13	-	-	-	-	-	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**-**	**(754,926)**	**(754,926)**
At end of year		**1,118,409**	**9,006,569**	**675,585**	**43,231,351**	**-**	**54,031,914**

The notes on pages 125 to 237 are an integral part of these financial statements.

BANK STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At 1 January 2019		**1,118,409**	**9,006,569**	**1,328,408**	**35,167,570**	**726,966**	**47,347,922**
Profit for the year		-	-	-	5,714,991	-	5,714,991
Other comprehensive income		-	-	(334,569)	-	-	(334,569)
Transfer of excess depreciation		-	-	(30,408)	30,408	-	-
Deferred tax on transfer of excess depreciation		-	-	1,520	(1,520)	-	-
Total comprehensive income		**-**	**-**	**(363,457)**	**5,743,879**	**-**	**5,380,422**
Transactions with owners in their capacity as owners:							
Dividends:							
- Final for 2018 paid	13	-	-	-	-	(726,966)	(726,966)
- Proposed for 2019	13	-	-	-	(754,926)	754,926	-
Total transactions with owners, recognised directly in equity		**-**	**-**	**-**	**(754,926)**	**27,960**	**(726,966)**
At end of year		**1,118,409**	**9,006,569**	**964,951**	**40,156,523**	**754,926**	**52,001,378**

The notes on pages 125 to 237 are an integral part of these financial statements.

GROUP AND BANK STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2020

		Group		Bank	
		2020	2019	2020	2019
	Note	Shs'000	Shs'000	Shs'000	Shs'000
Cash flows generated from/ (used in) operating activities					
Interest receipts		31,913,946	31,954,019	23,013,346	23,504,634
Interest payments		(12,095,626)	(12,713,528)	(9,625,101)	(10,594,906)
Net fee and commission receipts		3,174,342	3,716,696	1,586,208	1,723,010
Other income received		2,902,374	1,756,810	1,899,958	1,395,893
Recoveries from loans previously written off	18	287,618	298,416	105,822	29,911
Payments to employees and suppliers		(9,593,223)	(9,512,514)	(5,270,545)	(5,501,385)
Income tax paid	11 (c)	(4,112,683)	(4,521,364)	(2,878,480)	(3,549,727)
Cash flows from operating activities before changes in operating assets and liabilities		**12,476,748**	**10,978,535**	**8,831,208**	**7,007,430**
Changes in operating assets and liabilities:					
- cash reserve requirement		1,838,631	540,986	1,597,105	344,803
- Government securities		(8,755,990)	(17,117,326)	(13,031,827)	(11,392,439)
- loans and advances to customers		(17,080,314)	(6,786,109)	(11,564,364)	(2,232,482)
- customer deposits		17,528,316	(2,646,570)	8,755,560	(6,650,284)
- other assets		(226,788)	267,711	(42,403)	366,946
- other liabilities		764,170	(603,444)	101,728	(684,498)
Net cash generated from/ (used in) operating activities		**6,544,773**	**(15,366,217)**	**(5,352,993)**	**(13,240,524)**
Cash flows (used in)/ generated from investing activities					
Purchase of property and equipment	22	(1,420,013)	(770,316)	(229,879)	(395,243)
Purchase of intangible assets - software costs	21	(201,227)	(682,175)	(130,640)	(627,769)
Purchase of shares (Equity Investments)		-	(55,341)	-	(50,000)
Proceeds from sale of investment in Government securities		(20,754)	39,425	(20,754)	14,274
Proceeds from sale of property and equipment		12,272	7,189	6,313	3,977
Dividend received		-	-	569,500	65,806
Net cash (used in)/ generated from investing activities		**(1,629,722)**	**(1,461,218)**	**194,540**	**(988,955)**
Cash flows generated from/ (used in) financing activities					
Proceeds from borrowings		10,135,000	1,744,109	10,135,000	2,033,300
Repayment of borrowings		(1,925,069)	(5,133,493)	(1,417,781)	(2,761,797)
Payments for principal and interest portions of the lease liability	24(ii)	(766,366)	(819,392)	(367,886)	(340,915)
Finance costs		(770,594)	(958,750)	(644,248)	(716,333)
Dividends paid to equity holders of the bank	13	(754,926)	(726,966)	(754,926)	(726,966)
Dividends paid to non controlling interests		(38,136)	(38,294)	-	-
Net cash generated from/ (used in) financing activities		**5,879,909**	**(5,932,786)**	**6,950,159**	**(2,512,711)**
Net increase/ (decrease) in cash and cash equivalents		**10,794,960**	**(22,760,221)**	**1,791,706**	**(16,742,190)**
Cash and cash equivalents at start of year		(1,921,617)	21,375,217	(12,053,598)	4,688,592
Effect of exchange rate fluctuations		1,670,554	(536,613)	-	-
		(251,063)	**20,838,604**	**(12,053,598)**	**4,688,592**
Cash and cash equivalents at end of year	37	**10,543,897**	**(1,921,617)**	**(10,261,892)**	**(12,053,598)**

The notes on pages 125 to 237 are an integral part of these financial statements.

NOTES

1. General information

Diamond Trust Bank Kenya Limited (the "Company"/''Bank'') and its subsidiaries (together the "Group") provide banking, insurance agency and other related services to the general public. The Company is incorporated in Kenya under the Kenyan Companies Act, 2015 and is domiciled in Kenya. The address of its registered office is as disclosed on page 105. The shares of the Company are listed on the Nairobi Securities Exchange. Diamond Trust Bank Kenya Limited and its subsidiaries operate in Kenya, Tanzania, Uganda and Burundi through the subsidiaries Diamond Trust Insurance Agency, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited and Diamond Trust Bank Burundi S.A. respectively.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented by the statement of financial position, and the profit and loss by the statement of profit or loss in these financial statements.

(a) Basis of preparation

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

Basis of measurement

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

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

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

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

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

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

Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the Board to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

2. Summary of significant accounting policies (Continued)

(a) Basis of preparation(Continued)

Changes in accounting policy and disclosures

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

The Group has adopted the following new standards and amendments during the year ended 31 December 2020, including consequential amendments to other standards with the date of initial application by the Group being 1 January 2020. The nature and effects of the changes are as explained herein.

New standard or amendments	Effective for annual periods beginning on or after
Definition of a Business (Amendments to IFRS 3)	1 January 2020
Definition of Material (Amendments IAS 1 and IAS 8)	1 January 2020
Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
Revised Conceptual Framework for Financial Reporting	1 January 2020

Definition of a Business (Amendments to IFRS 3)

The amended definition of a business requires an acquisition to include an input and a substantive process that together significantly contribute to the ability to create outputs. The definition of the term 'outputs' is amended to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. The amendments will likely result in more acquisitions being accounted for as asset acquisitions.

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

Definition of Material (Amendments to IAS 1 and IAS 8)

The IASB has made amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information. In particular, the amendments clarify:

- that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information, and that an entity assesses materiality in the context of the financial statements as a whole, and
- the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The adoption of this standard did not have a material impact on the Group's financial statements.

Interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the profit or loss account.

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

Revised Conceptual Framework for Financial Reporting

The IASB has issued a revised Conceptual Framework which will be used in standard-setting decisions with immediate effect. Key changes include:

- increasing the prominence of stewardship in the objective of financial reporting
- reinstating prudence as a component of neutrality
- defining a reporting entity, which may be a legal entity, or a portion of an entity
- revising the definitions of an asset and a liability
- removing the probability threshold for recognition and adding guidance on derecognition
- adding guidance on different measurement basis, and
- stating that profit or loss is the primary performance indicator and that, in principle, income and expenses in other comprehensive income should be recycled where this enhances the relevance or faithful representation of the financial statements.

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)

Revised Conceptual Framework for Financial Reporting (Continued)

No changes will be made to any of the current accounting standards. However, entities that rely on the Framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under the accounting standards will need to apply the revised Framework from 1 January 2020. These entities will need to consider whether their accounting policies are still appropriate under the revised Framework.

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

(ii) New standards, amendments and interpretations in issue but not yet effective for the year ended 31 December 2020

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2020 and earlier application is permitted; however, the Group has not early adopted them in preparing these consolidated financial statements. These are summarised below;

Standard/ Interpretation	Effective date
Sale or Contribution of Assets between an Investor and its Associate or Company (Amendments to IFRS 10 and IAS 28)	To be determined
COVID-19-related Rent Concessions (Amendments to IFRS 16)	1 June 2020
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	1 January 2023
Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)	1 January 2022
Reference to the Conceptual Framework (Amendments to IFRS 3)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	1 January 2022
IFRS 17 Insurance Contracts (issued in May 2017)	1 January 2023
Annual Improvement cycle (2018–2020) - various standards	1 January 2022

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

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

The effective date of the amendments has yet to be set by the IASB; however, earlier application of the amendments is permitted.

The directors of the Group anticipate that the application of these amendments may have an impact on the Group's financial statements in future periods should such transactions arise.

COVID-19-related Rent Concessions (Amendments to IFRS 16)

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

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

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

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 2020

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

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

The amendments could affect the classification of liabilities, particularly for entities that previously considered management's intentions to determine classification and for some liabilities that can be converted into equity.

They must be applied retrospectively in accordance with the normal requirements in IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors.* In May 2020, the IASB issued an Exposure Draft proposing to defer the effective date of the amendments to 1 January 2023.

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

Property, Plant and Equipment: Proceeds before intended use (Amendments to IAS 16)

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

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

Reference to the Conceptual Framework (Amendments to IFRS 3)

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

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendment to IAS 37 clarifies that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

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

IFRS 17 Insurance Contracts

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

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

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 2020

IFRS 17 Insurance Contracts (Continued)

the coverage period.

The standard allows a choice between recognising changes in discount rates either in the statement of profit or loss or directly in other comprehensive income. The choice is likely to reflect how insurers account for their financial assets under IFRS 9. An optional, simplified premium allocation approach is permitted for the liability for the remaining coverage for short duration contracts, which are often written by non-life insurers. There is a modification of the general measurement model called the 'variable fee approach' for certain contracts written by life insurers where policyholders share in the returns from underlying items. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the CSM. The results of insurers using this model are therefore likely to be less volatile than under the general model. The new rules will affect the financial statements and key performance indicators of all entities that issue insurance contracts or investment contracts with discretionary participation features.

The Standard is effective for annual reporting periods beginning on or after 1 January 2022, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied.

The Group does not have significant insurance contracts and the Directors do not anticipate that the application of the Standard in the future will have an impact on the Group's financial statements.

Annual improvement cycle (2018 – 2020) – various standards

The following improvements were finalised in May 2020:

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

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

(b) Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the abilty 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 2020.

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.

2. Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

Business combinations (Continued)

If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.
All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the Group companies are eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank.

Investment in associates

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

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

Investment in subsidiaries

Investments in the subsidiaries (details of which are disclosed in Note 27) are stated in the Bank's statement of financial position at cost less loss allowance where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

(C) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Bank's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are transactions denominated or that require settlement, in a foreign currency.
These are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

At the end of each reporting period, non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in Kenya Shillings using exchange rates prevailing at the end of the reporting period. Income and expenses for each statement of profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are reported as 'exchange differences on translation of foreign operations' and are recognised as other comprehensive income and accumulated in the translation reserve in shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of profit or loss as part of the gain or loss on sale.

2. Summary of significant accounting policies (Continued)

(d) Interest income and expense

Effective interest rate

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

– the gross carrying amount of the financial asset; or

– the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than purchased or originated credit-impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit loss (ECL). For purchased or originated credit impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including ECL. The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

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

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

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

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

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

Presentation

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

– interest on financial assets and financial liabilities measured at amortised cost

– interest on debt instruments measured at FVOCI

– the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense; and

– the effective portion of fair value changes in qualifying hedging derivatives designated in fair value hedges of interest rate risk.

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

– financial liabilities measured at amortised cost; and

– the effective portion of fair value changes in qualifying hedging derivatives designated in cash flow hedges of variability in interest cash flows, in the same period as the hedged cash flows affect interest income/expense.

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

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

2. Summary of significant accounting policies (Continued)

(e) Fees and Commision income

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

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

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

(f) Property and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Repairs and maintenance expenses are charged to the statement of profit or loss in the year in which they are incurred.

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

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

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

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

(g) Intangible assets – software costs

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

2. Summary of significant accounting policies (Continued)

(h) Intangible assets – goodwill

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

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

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

(i) Financial instruments

Initial recognition and initial measurement of financial assets

The Group recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument. Financial asset (except for certain trade receivables) is measured at initial recognition at its fair value plus, for financial assets not subsequently measured 'at fair value through profit or loss' transaction costs that are directly attributable to the acquisition of the financial asset. The Group's Trade receivables that do not have a significant financing component (determined in accordance with IFRS 15- *Revenue from Contracts with Customers*) are not initially measured at fair value, rather they are initially measured at their transaction price. The Group initially recognises loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the Group becomes a party to the contractual provisions of the instrument.

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

Classification and measurement of financial assets

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

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

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

a. the Group's business model for managing the financial assets and

b. the contractual cash flow characteristics of the financial asset.

Amortized cost

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

a. the financial asset of the Group is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and

b. the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Amortized cost (Continued)

Any of the Group's Financial assets that do not meet the conditions stated above, are required to be subsequently measured at fair value through profit or loss except for investments in equity instruments not held for trading that are elected at initial recognition to be measured at fair value through other comprehensive income. Financial assets of the Group that meets the condition in (b) above but do not meet the condition in (a) above, may meet the criteria to be measured at fair value through other comprehensive income. Because both conditions (the business model test and the contractual cash flows characteristics test) must be met for amortized cost measurement, the order in which the tests are performed is irrelevant for the Group.

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

	Class as defined by IFRS 9 and as determined by the group	Subclasses
Financial assets	Financial assets at fair value through profit and loss (FVTPL)	Government securities held for trading
	Investments as at fair value through other comprehensive income (FVTOCI)	Equity investments Government securities acquired for both holding and selling
	Financial assets at amortised cost	Loans and advances to customers
		Deposits and balances due from banking institutions
		Government securities held to collect contractual casflows Cash and balances with Central Banks Corporate bond Other assets
Financial liabilities	Financial liabilities at armortised cost	Customer deposits
		Deposits and balances due to banking institutions
		Other liabilities
		Borrowings
Off-balance sheet financial instruments	Off-balance sheet financial instruments	Guarantees, acceptances and other financial facilities

Business model assessment for amortized cost measurement

For amortized cost measurement, the Group's financial assets are held within a business model whose objective is to hold financial assets in order to collect the contractual cash flows.

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

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Fair value through other comprehensive income (FVTOCI)

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

a. the Group's financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

b. the contractual terms of the Group's financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Designation of equity instruments as at FVTOCI

At initial recognition, the Group may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3- *Business Combinations* applies. The Group's financial asset is held for trading if:

a. it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term;

b. on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking; or

c. it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

The election by the Group to designate an investment in an equity instrument at FVTOCI is made on an instrument-by-instrument (i.e. share-by-share) basis. If the election is made, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognised in profit or loss, with all other gains and losses (including those relating to foreign exchange) recognised in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. However, the Group may transfer the cumulative gain or loss within equity as a reserve movement.

Business model assessment for FVTOCI measurement

Fair value through other comprehensive income measurement financial assets must be held within the Group's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

The Group may hold financial assets in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets. In this type of business model, the Group's key management personnel have made a decision that both collecting contractual cash flows and selling financial assets are integral to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model.

For example, the objective of the Group's business model may be to manage everyday liquidity needs, to maintain a particular interest yield profile or to match the duration of the financial assets to the duration of the liabilities that those assets are funding. To achieve such an objective, the Group will both collect contractual cash flows and sell financial assets.

Compared to the Group's business model whose objective is to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective instead of being only incidental to it. However, there is no threshold for the frequency or value of sales that must occur in this business model because both collecting contractual cash flows and selling the Group's financial assets are integral to achieving its objective.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Fair value through profit or loss (FVTPL)

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

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

Financial assets of the Group classified as at FVTPL are measured at fair value. Gains and losses that arise as a result of changes in fair value are recognised in profit or loss, except for those arising on hedging instruments that are designated in effective cash flow hedges or hedges of a net investment in a foreign operation.

Gains and losses that arise between the end of the last annual reporting period and the date an instrument is derecognised do not constitute a separate 'profit/loss on disposal'. Such gains and losses will have arisen prior to disposal, while the item is still being measured at FVTPL, and should be recognised in profit or loss when they occur.

Business model assessment

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

1. The stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
2. How the performance of the portfolio is evaluated and reported to the Group's management;
3. The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
4. Compensation of business managers – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
5. The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realized.

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

Contractual cash flows characteristics test

Financial assets of the Group that are debt instruments to be measured at amortized cost or fair value through comprehensive income, their contractual terms must give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. For the purposes of applying this requirement, principal is the fair value of the financial asset at initial recognition, however that principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The assessment as to whether contractual cash flows are solely payments of principal and interest is made in the currency in which the financial asset is denominated.

Contractual cash flows that are solely payments of principal and interest on the principal amount outstanding are consistent with a basic lending arrangement. In a basic lending arrangement, consideration for the time value of money and credit risk are typically the most significant elements of interest.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Contractual cash flows characteristics test (Continued)

However, in such an arrangement, interest can also include consideration for other basic lending risks (for example, liquidity risk) and costs (for example, administrative costs) associated with holding the financial asset for a particular period of time. In addition, interest can include a profit margin that is consistent with a basic lending arrangement. In extreme economic circumstances, interest can be negative if, for example, the holder of a financial asset either explicitly or implicitly pays for the deposit of its money for a particular period of time (and that fee exceeds the consideration that the holder receives for the time value of money, credit risk and other basic lending risks and costs). However, contractual terms that introduce exposure to risks or volatility in the contractual cash flows that is unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. An originated or an acquired or purchased financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

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

Principal' is the fair value of the Group's financial asset on initial recognition. 'Interest' is consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the Group's financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group considers:

1. Contingent events that would change the amount and timing of cash flows;
2. Leverage features;
3. Prepayment and extension terms;
4. Terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
5. Features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

The Group holds a portfolio of fixed rate loans for which the Group has the option to propose to revise the interest rate at periodic reset dates. These reset rights are limited to the market rate at the time of revision. The borrowers have an option to either accept the revised rate or redeem the loan at par without penalty. The Group has determined that the contractual cash flows of these loans are solely payments of principal and interest because the option varies the interest rate in a way that makes its consideration for the time value of money, credit risk, other basic lending risks and costs associated with the principal amount outstanding.

Reclassification of financial assets

The Group reclassifies financial assets when it changes its business model for managing financial assets. Investments in equity instruments that are designated as at FVTOCI at initial recognition are not reclassified.

Reclassifications are expected to be very infrequent. Such changes are determined by the Group's senior management as a result of external or internal changes and must be significant to the Group's operations and demonstrable to external parties. Accordingly, a change in Group's business model will occur only when the Group either begins or ceases to perform an activity that is significant to its operations; for example, when the Group has acquired, disposed of or terminated a business line.

The following are not considered to be changes in the Group's business model:

- a change in intention related to particular financial assets (even in circumstances of significant changes in market conditions);
- a temporary disappearance of a particular market for financial assets; or
- a transfer of financial assets between parts of the Group with different business models.

When the Group's financial asset converts into a different financial asset during the instrument's life, the Group considers whether the original asset should continue to be recognised or whether, on conversion, the old instrument is derecognised and a new one is recognised.

If the Group reclassifies its financial assets, it applies the reclassification prospectively from the reclassification date, defined as the first day of the first reporting period following the change in business model that results in the Group reclassifying financial assets. The reclassification applies prospectively from the reclassification date and therefore previous recognised gains, losses (including impairment gains or losses) or interest are not restated. Changes in the objective of the Group's business model are usually effected before the reclassification date.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Measurement at the date of reclassification

When the Group's financial asset is reclassified from amortized cost to FVTOCI (or vice versa) the measurement of expected credit losses will not change as both classification categories apply the same impairment approach. However, the presentation and disclosure of the loss allowance will differ. If the Group's financial asset is reclassified out of FVTOCI to amortized cost measurement, for presentation purposes, a loss allowance would be recognised as an adjustment to the gross carrying amount of the financial asset from the reclassification date. If the Group's financial asset is reclassified out of amortized cost to FVTOCI measurement, for presentation purposes, a loss allowance would be derecognised (and thus would no longer be recognised as an adjustment to the gross carrying amount) but instead would be recognised as an accumulated impairment amount (of an equal amount) in other comprehensive income and would be disclosed from the reclassification date.

If the Group reclassifies a financial asset from amortized cost to FVTPL, it discloses as a separate line item in its statement of comprehensive income any gain or loss arising from a difference between the previous carrying amount and its fair value on reclassification. Similarly, if the Group reclassifies a financial asset from FVTOCI to FVTPL, it discloses as a separate line in its statement of comprehensive income any gain or loss arising from reclassifying the previously recognised amount in other comprehensive income to profit or loss.

Impairments of financial asset

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

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

- Financial assets that are debt instruments;
- Lease receivables;
- Loan and advances to customers
- Other Loans and receivables
- Financial guarantee contracts issued; and
- Loan commitments issued.

No loss allowance is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for the following, for which they are measured as 12-month ECL:

- Debt investment securities that are determined to have low credit risk at the reporting date; and other financial instruments (other than lease receivables) on which credit risk has not increased significantly since their initial recognition
- Loss allowances for lease and other receivables are always measured at an amount equal to lifetime ECL.

The Group considers a debt security to have low credit risk when their credit risk rating is equivalent to the globally understood definition of 'investment grade'. In the case of the Group, debt instruments of AAA, AA, A and BBB grade qualify as low credit risk. 12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

Stage 1: Assets that are performing. If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition, the Group recognise a loss allowance at an amount equal to 12-month expected credit losses. This amount of credit losses is intended to represent lifetime expected credit losses that will result if a default occurs in the 12 months after the reporting date, weighted by the probability of that default occurring.

Stage 2: Assets that have significant increases in credit risk. In instances where credit risk has increased significantly since initial recognition, the Group measures a loss allowance at an amount equal to full lifetime expected credit losses. That is, the expected credit losses that result from all possible default events over the life of the financial instrument. For these debt instruments, interest income recognition will be based on the Effective Interest Rate (EIR) multiplied by the gross carrying amount.

Stage 3: Credit impaired. For debt instruments that have both a significant increase in credit risk plus observable evidence of impairment.

The Group's policy for classification of financial assets into stages 1, 2 and 3 are shown below;

Stage	Description	Criteria (Quantitative)	Criteria (Qualitative)	Criteria (Others)
Stage 1: Performing	12-Month ECL	•Interest and principal repayment up to date. • Repayment of principal and interest is less than 30 days past due on loans and advances. • Significantly positive loan to value and solvency ratio.	• If credit risk is low as of the reporting date or the credit risk has not increased significantly since initial recognition.	
Stage 2: (Watch Lists)	Lifetime ECL – Loans that have witnessed significant increase in credit risk	• Repayment of principal and interest is past due for more than 30 days, but less than 90 days. • Consistent drop in turnover figures for 2 months. • Drop in ratings (internal or external) by 2 notches. • Significant decline in the value of the collateral, third party guarantees or credit enhancements. • Significant changes in internal price, external market indicators (e.g. credit default swaps prices for the borrower), rates or terms of existing financial instrument, credit and affordability scores. • Decrease in estimated future cash flows of the instrument/ cash flow difficulty of the customer.	• Negative/Bad report from Credit Risk Management System (CRMS) and Credit Bureaus. • Failure to submit Audited Financial Statement more than a year after the reporting date. • Report of management squabbles /trade union dispute /issues of unpaid salaries. • Adverse changes in business, financial and economic conditions. • Breaches of covenant/contract. • Delay by customer in providing perfection documents. • Underperforming instruments.	• Evidence of misapplication of loan proceeds by customer. • Litigations likely to have material impact. • Profit warnings.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Measurement of ECL (Continued)

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

Significant increase in credit risk (SICR)

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

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

Quantitative criteria

The quantitative criteria is based on relative and not absolute changes in credit quality as stated in the table above driven by ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring and could be used to determine whether credit risk has increased significantly since initial recognition.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognised depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

- the financial instruments only have significant payment obligations beyond the next 12 months;
- changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or
- changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Qualitative criteria

There are other factors that are considered by the Group policies in the determination of significant increase in credit risk.

They include but not limited to the following:

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

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt financial assets carried at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that the Group's financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- It is becoming probable that the borrower will enter Group bankruptcy or other financial re-organization; or
- The disappearance of an active market for a security because of financial difficulties.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Credit-impaired financial assets (Continued)

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment. In addition, a retail loan that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, the Group considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

Loss allowances for ECL are presented in the statement of financial position as follows:

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

General approach to collective or individual assessment

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

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

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

- Product type;
- Industry;
- Economic sectors

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Collateral

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

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

Collateral received in the form of securities is not recorded on the statement of financial position. Collateral received in the form of cash is recorded on the statement of financial position with a corresponding liability. These items are assigned to deposits received from Group or other counterparties.

Financial liabilities and equity

(i) A financial liability is any liability that is:

- a contractual obligation:
- to deliver cash or another financial asset to another entity (e.g. a payable); or
- to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Group (e.g. a financial option written by the Group); or

(ii) a contract that will or may be settled in the Group's own equity instruments and is:

- a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments (e.g. an instrument that is redeemable in own shares to the value of the carrying amount of the instrument); or
- a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments (e.g. a net-share settled written call over own shares). For this purpose, rights, options or warrants to acquire a fixed number of the Group's own equity instruments for a fixed amount of any currency are equity instruments if the Group offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. Also for these purposes, the Group's own equity instruments do not include puttable financial instruments that are classified as equity instruments, the instruments that impose on the Group an obligation to deliver to another party a pro rata share of the net assets of the Group only on liquidation and are classified as equity instruments in accordance with, or instruments that are contracts for the future receipt or delivery of the Group's own equity instruments.

The Group's equity instrument is any contract that represents a residual interest in the assets of the Group after deducting all of its liabilities.

The Group classifies all financial liabilities at amortized cost with the exception of derivative liabilities which are FVTPL or where fair value option is elected provided specific criteria are met. Where the Group measures any financial liability at FVTPL, fair value gains or losses related to credit risk are presented separately in other comprehensive income while all other fair value gains or losses are presented in profit or loss.

Contractual obligation to deliver cash or another financial asset

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

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Classification of financial liabilities

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

- financial liabilities at fair value through profit or loss (FVTPL);
- financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach;
- financial guarantee contracts not designated as at FVTPL that are not accounted for under IFRS 4- Insurance Contracts; and
- Commitments to provide a loan at a below-market interest.

Financial liabilities that are designated as hedged items are subject to the hedge accounting requirements.

(i) Financial liabilities at FVTPL

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

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

(ii) Financial liabilities classified as held for trading

Financial liability of the Group is held for trading if it falls into one of the following categories:

- financial liabilities incurred principally for the purpose of repurchasing them in the near term;
- financial liabilities that on initial recognition form part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking; and
- derivative liabilities, unless the derivative is a financial guarantee contract or it forms part of a designated and effective hedging relationship.

The fact that a financial liability of the Group is used to provide funding for trading activities does not of itself mean that liability is to be classified as held for trading. Thus, a borrowing that the Group uses to fund its trading portfolio of debt and equity securities is not automatically classified as held for trading.

The following are examples of liabilities that would be classified as held for trading and thus included in the FVTPL category:

- an interest rate swap that has negative fair value that is not accounted for as a hedging instrument;
- a derivative liability incurred upon writing a foreign exchange option that is not accounted for as a hedging instrument;
- an obligation to deliver financial assets borrowed by a short seller (i.e. an entity that sells financial assets it has borrowed and does not yet own); and
- a quoted debt instrument that the issuer plans to buy back in the near term depending on movements in the debt instrument's fair value, i.e. a financial liability that is incurred with an intention to repurchase it in the near term.

(iii) Financial liabilities designated as at FVTPL

Financial liability of the Group can only be designated as at FVTPL when it meets one of three specified criteria (see below). The designation is irrevocable so that, once it has been made, the liability cannot subsequently be reclassified into another category during its life.

The Group's financial liability may upon initial recognition be designated as at FVTPL only in one of the following circumstances:

- it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases (commonly referred to as an 'accounting mismatch');

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Financial liabilities and equity (Continued)

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

- a group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel.
- in the case of a hybrid financial liability containing one or more embedded derivatives, the Group may designate the entire hybrid (combined) contract as a financial liability as at FVTPL unless:
  a. the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or
  b. it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited (e.g. a prepayment option embedded in a loan that permits the holder to prepay the loan for approximately its amortized cost).

Contracts containing one or more embedded derivative

A hybrid contract of the Group containing one or more embedded derivatives can be designated in its entirety as at FVTPL. Designation is done unless the embedded derivative does not significantly modify the cash flows that otherwise would be required by the contract; or it is clear with little or no analysis when a similar hybrid instrument is first considered that separation of the embedded derivative is prohibited.

Financial liabilities arising from continuing involvement accounting and failed derecognition

When the Group transfers a financial asset but neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset, and retains control of that asset, the Group continues to recognise the asset to the extent of its continuing involvement. A corresponding liability is also recognised in accordance with and measured so that the net carrying amount of the asset and the liability is:

- The amortized cost of the rights and obligations retained, if the asset is measured at amortized cost; or
- The fair value of the rights and obligations retained (if the asset is measured at fair value).

Reclassification of financial liabilities

The Group does not reclassify financial liabilities in and out of the FVTPL category. The following changes in circumstances are not reclassifications:

- a derivative that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such; and
- a derivative becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge.

Classification of financial liabilities acquired in a business combination

When the Group's financial liabilities are assumed in a business combination, those liabilities are classified in the consolidated financial statements of the acquirer into one of the permitted categories. It is entirely possible that the classification of the Group's financial liability for these purposes may differ from its classification in the financial statements of the acquiree. For example, the Group, in its consolidated financial statements may choose to designate a financial liability as at FVTPL at initial recognition even though the acquiree may have classified it otherwise when it first recognised the liability. These differences can arise because 'initial recognition' from the acquirer's perspective is the date of acquisition of the subsidiary and its classification decisions are made at that date.

Dividends

Dividends of the Bank are recognised in profit or loss only when:

a. the Bank's right to receive payment of the dividend is established;

b. it is probable that the economic benefits associated with the dividend will flow to the Bank; and

c. the amount of the dividend can be measured reliably.

However, if the dividend income clearly represents a recovery of part of the cost of investment, the dividend is not recognised in profit or loss.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Investment equity securities

Model adopted and the rationale

Investment in equity instruments are usually FVTPL or elected to be designated at FVTOCI at initial recognition. Investments in the subsidiaries are stated at cost less loss allowance where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

Quoted equity

Whenever the Group has investment in quoted equities, these are usually marked to market at each reporting date.

Other policies

Written loan commitment

For written loan commitments of the Group that are not measured at FVTPL the impairment requirements form part of a 'higher of' test with regard to the measurement of the instrument. For example, loan commitments below-market interest rates are measured subsequent to initial recognition at the higher of:

• The amount of the loss allowance determined in accordance with IFRS 9 and
• The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of IFRS 15- *Revenue from Contracts with Customers.*

Financial guarantee contracts

Similar to loan commitments, the impairment requirements are applicable to the subsequent measurement of all written financial guarantee contracts of the Group that are in the scope of IFRS 9 and that are not measured at FVTPL. These are measured at the higher of:

• The amount of the loss allowance determined in accordance with IFRS 9 and
• The amount initially recognised less, when appropriate, cumulative amount of income recognised in accordance with the principles of IFRS 15- *Revenue from Contracts with Customers.*

Modification of loans

Modifications leading to derecognition

Where the renegotiation or modification of the contractual cash flows of a financial asset lead to the derecognition of the existing financial asset in accordance with IFRS 9 the modified asset is considered a 'new' financial asset for the purposes of IFRS 9. Accordingly, the date of the modification should be treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset should be recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit- impaired at initial recognition.

Modifications not leading to derecognition

If the contractual cash flows on a financial asset have been renegotiated or modified and the financial asset is not derecognised, the Group assesses whether there has been a significant increase in the credit risk of the financial instrument by comparing:

• the risk of a default occurring at the reporting date (based on the modified contractual terms); and
• the risk of a default occurring at initial recognition (based on the original, unmodified contractual terms).

When assessing whether there has been significant increases in credit risk since initial recognition the Group uses all reasonable and supportable information that is available without undue cost or effort. This includes historical and forward-looking information and an assessment of the credit risk over the expected life of the financial asset, which includes information about the circumstances that led to the modification.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

Modification of loans (Continued)

Modifications not leading to derecognition (Continued)

If the contractual cash flows on a financial asset have been renegotiated or otherwise modified, but the financial asset is not derecognised, that financial asset is not automatically considered to have lower credit risk. Evidence that the criteria for the recognition of lifetime expected credit losses are no longer met may include a history of up to date and timely payment performance against the modified contractual terms. Typically a customer would need to demonstrate consistently good payment behavior over a period of time before the credit risk is considered to have decreased. For example, a history of missed or incomplete payments would not typically be erased by simply making one payment on time following a modification of the contractual terms.

30 day rebuttable presumption

The Group assumes a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Consequently, when the Group determines that there have been significant increases in credit risk before contractual payments are more than 30 days past due, the rebuttable presumption does not apply.

90 day rebuttable presumption

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

Cure definition under IFRS 9

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

Deterioration definition

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

Default definition under IFRS 9

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

Recognition of regular way purchases and sales of financial assets

Regular way purchase or/and sale of the Group's financial assets can be recognised (and derecognised) using either trade date or settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category.

When trade date accounting is applied, the Group recognises the financial asset to be received and the corresponding liability to pay for it at the trade date; on disposal, the financial asset is removed from the statement of financial position on the trade date.

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

Valuation techniques:

When the price for an asset or a liability cannot be observed directly, it must be estimated using a valuation technique. When used in the context of fair value measurement, 'valuation technique' is a generic term and its application is not limited to complex fair valuation models. For example, valuing an asset or a liability using quoted prices in an active market for identical assets and liabilities is a valuation technique. In other cases, when prices cannot be observed directly and more judgement is required the Group may use more complex valuation techniques.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Observable inputs are defined as inputs that are developed using market data, such as publicly available information about actual events or transactions, and that reflect the assumptions that market participants would use when pricing the asset or liability. Unobservable inputs are defined as inputs for which market data are not available and that are developed using the best information available about the assumptions that market participants would use when pricing the asset or liability.

(a) Market approach

The 'market approach' is defined as a valuation technique that uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities, such as a business. A quoted price for an identical asset or liability in an active market that the Group can access at the measurement date provides the most reliable evidence of fair value. Quoted prices for the identical asset or liability are regarded as Level 1 inputs within the fair value hierarchy. When a quoted price exists for an identical asset or liability, it should be used without adjustment, except in the circumstances below:

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

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

Valuation techniques consistent with the market approach often use market multiples derived from a set of comparable assets or liabilities. A range of multiples may be derived, with a different multiple for each comparable asset or liability. The selection of the appropriate multiple within the range requires the exercise of judgement – with appropriate consideration of the qualitative and quantitative factors specific to the measurement.

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Other policies (Continued)

Valuation techniques (Continued)

(b) Cost/replacement cost approach

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

(c) Income approach

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

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

This approach describes two types of present value techniques:

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

Disclosure requirements

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

The classes are determined by the Group and are distinct from the categories of financial instruments. The classes distinguish between those financial instruments that are measured at amortized cost and those that are measured at fair value. Amortized cost financial assets are the financial instrument category that comprise various classes such as term loans, overdraft, unsecured medium-term loans etc.

Categories of financial assets and financial liabilities

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

a. financial assets measured at fair value through profit or loss, showing separately

   i. those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVTPL and

   ii. those mandatorily measured at fair value in accordance with IFRS 9

b. financial liabilities at fair value through profit or loss, showing separately

   i. those designated as such upon initial recognition or where a credit exposure is subsequently measured at FVTPL and

   ii. those that meet the definition of held for trading in IFRS 9;

c. financial assets measured at amortized cost;

d. financial liabilities measured at amortized cost; and

e. financial assets measured at fair value through other comprehensive income, showing separately:

   i. financial assets that are measured at fair value through other comprehensive income in accordance with (e.g. debt instruments that are held within a business model that is collecting contractual cash flows and selling financial assets); and

   ii. investments in equity instruments designated as such upon initial recognition.

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Disclosure requirements (Continued)

Financial assets at FVTPL

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

The Group discloses the following information for financial assets (or groups of financial assets) that have been designated as measured at fair value through profit or loss:

- the maximum exposure to credit risk of the financial asset (or group of financial assets) designated as at fair value through profit or loss, or group of financial assets, at the end of the reporting period;
- the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk;
- the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets), that is attributable to changes in the credit risk of the financial asset determined either:
    - as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or
    - using an alternative method the Group believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.
- changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates; and
- the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

In addition, the Group discloses:

- the methods used to comply with the requirements in (c) above; and
- if the Group believes that the disclosure it has given to comply with the requirements in (c) above does not faithfully represent the change in the fair value of the financial asset attributable to changes in its credit risk, the reasons for reaching this conclusion and the factors it believes are relevant.

Financial liabilities at FVTPL

When the Group has designated financial liabilities as at FVTPL, it discloses, in particular the reporting entity's creditworthiness. The disclosure requirements vary depending on whether all of the fair value gains or losses are recognised in profit or loss or whether only part of the fair value gains or losses are recognised in profit or loss because the effects of changes in the liability's credit risk are recognised in other comprehensive income.

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

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

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

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

2. Summary of significant accounting policies (Continued)

(i) Financial instruments (Continued)

Disclosure requirements (Continued)

Write off

The Group writes off a loan and advance balance (and any related loss allowance) when Group credit determines that there is no realistic prospect of recovery. This is reached after considering information such as a significant change in the borower/issuers financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay the bank the entire exposure. The Group shall seek to recover amounts it is legally owed full but which have been partially written due to no reasonable expectation of full recovery.

Reclassification

When financial assets of the Group are reclassified from amortized cost to FVTPL, or vice versa, as a result of a change in the Group's business model for managing financial assets, the Group discloses:

- the date of reclassification;
- detailed explanation of the change in business model and a qualitative description of its effect on the Group's financial statements; and
- the amount reclassified into and out of each category.

For each reporting period following reclassification until derecognition, when a financial asset of the Group is reclassified from FVTPL to amortized cost, the Group discloses the effective interest rate determined on the date of reclassification and the interest income or expense recognised. If since its last annual reporting date the Group has reclassified financial assets so that they are measured at amortized cost, it discloses:

- the fair value of the financial assets at the end of the reporting period; and
- the fair value gain or loss that would have been recognised in profit or loss during the reporting period if the financial assets had not been reclassified.

(j) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

This policy is applied to contracts existent (or changed) on or after 1 January 2019.

(i) Group acting as a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative standalone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

2. Summary of significant accounting policies (Continued)

(j) Leases (Continued)

(i) Group acting as a lessee (Continued)

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

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

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

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

From 1 January 2020, where the basis for determining future lease payments changes as required by interest rate benchmark reform (see Note 2 (a)(i)), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group has disclosed the lease liability and right-of-use assets separately in the statement of financial position. Long-term leases relating to land have been disclosed under property and equipment.

Short-term leases and leases of low-value assets

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

(ii) Group acting as a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone selling prices. When the Group acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

(k) Sale and repurchase agreements

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

Securities sold subject to repurchase agreement (reverse repos) are classified in the financial statements as pledged assets when the transferee has a right by contract to resell the collateral: the counter liability is included in amounts due to other banks, deposits from banks or balances due to Central Bank as appropriate.

(l) Statutory loan loss reserve

Where loss allowance 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.

2. Summary of significant accounting policies (Continued)

(m) Income tax expense

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act and in accordance with the tax legislation for the respective subsidiaries. The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(n) Share capital and premium

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less from the date of acquisition, including: cash and balances with the Central Banks and amounts due from other banks. Cash and cash equivalent exclude the cash reserve requirement held with the Central Banks.

(q) Employee benefits

(i) Defined contribution plan

The Group operates a defined contribution retirement scheme, the assets of which are held in a separate trustee-administered fund. The Group's contributions to the defined contribution scheme are charged to the statement of profit or loss in the year to which they relate. The Group has no further payment obligation once the contributions have been paid. The Group and all its employees also contribute to the National Social Security Fund, operating in the respective countries, which is a defined contribution scheme.

(ii) Other short term employee benefits

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

(r) Proposed dividends

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

(s) Forward foreign exchange contracts

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

2. Summary of significant accounting policies (Continued)

(t) Acceptances, guarantees and letters of credit

Acceptances, guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(u) Related party transactions

The Group discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the directors, executive officers and Group or related companies. All transactions with related parties are at commercial terms in the normal course of business, and on terms and conditions similar to those applicable to other customers.

(v) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments (Geographic segments). Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision-maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Group level.

3. Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the consolidated financial statements includes the following;

- Classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.
- Impairment of financial assets classified as amortised cost and FVTOCI: The most significant judgements relate to defining what is considered to be a significant increase in credit risk, determining lifetime expected credit losses and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions. A high degree of uncertainty is involved in making assumptions that are highly subjective and sensitive to risk factors.
- Establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.
- Determination of control over investees.
- Incorporation of restructures in the ECL model: Changes to estimation techniques and assumptions in measuring ECL for restructures only applicable within the moratorium period.

(b) Assumptions and estimation uncertainties

(i) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

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

(b) Assumptions and estimation uncertainties (Continued)

(ii) Determination of the incremental borrowing rate

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

(iii) Lease extension and termination

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

(iv) Determination of Significant Increase in Credit Risk (SICR)

The Bank assesses SICR by incorporating all relevant, reasonable and supportable information, including forward-looking information. These include qualitative information, non-statistical quantitative information and information from statistical models or credit rating processes. COVID-19 restructures are factored into the model to cater for the payments holidays and sector/subsector risks. The setting of precise trigger points to move a financial asset from 'Stage 1' to 'Stage 2' and viceversa requires judgement which may have a material impact upon the size of the ECL allowance. The Group monitors the effectiveness of SICR criteria on an ongoing basis.

Coronavirus (COVID-19) on key judgements and estimates

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

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

The Group has made various accounting estimates in these financial statements based on forecasts of economic conditions which reflect expectations and assumptions as at 31 December 2020 about future events that the Directors believe are reasonable in the circumstances. The significant accounting estimates impacted by these forecasts and associated uncertainities are predominantly related to expected credit losses. See Note 3 b(iv) above on the SICR estimate after the COVID-19 restructures.

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.

4. Financial risk management (Continued)

Introduction (Continued)

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

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

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

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

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

(a) Active Board and Senior Management Oversight

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

(b) Adequate Policies, Procedures and Limits

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

(c) Adequate Risk Monitoring and Management Information Systems

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

(d) Internal Controls

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

Risk management principles

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

- The Board of directors provides overall risk & capital management supervision of The bank. The Board, through its comprehensive sub-committee structure, oversees risk management, reviews and approves enterprise- wide risk policies and procedures and sets tolerance limits wherever required. The procedures describe The facility types, aggregate facility exposures and conditions under which The Group is prepared to do business.
- The risk management function is independent of the Group's business and operating units. This function, which is headed by the Head of Risk and Compliance, manages Credit, Market, Reputational, Strategic and Regulatory risks on an integrated basis.
- Various committees at functional levels oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units
- Market and liquidity risks are overseen by the Board Risk Management Committee (BRMC) and managed by a well-represented Asset and Liabilities Committee (ALCO). The members of ALCO are the Chief Executive Officer and the Heads of Risk, Treasury, Finance and business units.

4. Financial risk management (Continued)

Risk management principles (Continued)

- 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 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 defination and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee respectively.
- Independent review of the effectiveness of the overall risk framework is undertaken by the internal audit function which reports directly to the Board Audit & Compliance Committee. The Internal audit department independently monitors the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks.
- External audit has a statutory duty to report its independent opinion on the Group's financial statements to shareholders and acts as a third line of defence.

(a) Credit risk management

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

Credit risk makes up the largest part of the Group's risk exposures. The Group's credit process is governed by centrally established credit policies and procedures, rules and guidelines with an aim to maintain a well-diversified credit portfolio. Credit risk policies and procedures are reviewed by the management and are approved by the Board. The Group has a system of checks and balances in place around the extension of credit that comprise of:
- an independent credit risk management function;
- multiple credit approvers; and
- independent audit, risk review and compliance functions.

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

Salient features of the Group's risk approval process include:
- Every extension of credit to any counterparty requires approval by various pre-defined levels of approving authorities as defined in the Credit Policy manual.
- All business units must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level.

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

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

Significant increase in credit risk

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

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

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Significant increase in credit risk (Continued)

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

Definition of default

The Group considers a financial asset to be in default when

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

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

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

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of expected credit loss (ECL). The Group sources macroeconomic information from a reputable data vendor that sources and forecasts using information from World Bank, International Monetary Fund (IMF), Economist Intelligence Unit (EIU), Central Bank of Kenya (CBK), Kenya National Bureau of Statistics (KNBS) among others. These sources have invested in statistical modelling tools and procedures that over the years has made them reputable and reliable. The base case scenario is the single most-likely outcome. The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2020 for the years 2021 to 2025, for Kenya which is the country where the parent operates and therefore is the country that has a material impact in ECLs.

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Incorporation of forward-looking information

	2021	2022	2023	2024	2025
Exports of goods and services real growth, % y-o-y					
- Base case	0.089	0.028	0.041	0.044	0.068
- Best case	0.094	0.030	0.043	0.046	0.071
- Worst case	0.085	0.027	0.039	0.042	0.064
Savings, LCU, % chg y-o-y					
- Base case	0.087	0.097	0.093	0.084	0.175
- Best case	0.097	0.109	0.104	0.094	0.197
- Worst case	0.076	0.085	0.081	0.073	0.154
Number of households, % chg y-o-y					
- Base case	0.025	0.025	0.025	0.024	0.024
- Best case	0.025	0.025	0.025	0.025	0.024
- Worst case	0.025	0.025	0.024	0.024	0.024
MONEY SUPPLY M1, LCU, % chg y-o-y					
- Base case	0.103	0.110	0.112	0.112	0.122
- Best case	0.113	0.120	0.122	0.122	0.133
- Worst case	0.094	0.100	0.102	0.101	0.111
MONEY SUPPLY M2, LCU, % chg y-o-y					
- Base case	0.090	0.090	0.090	0.090	0.090
- Best case	0.096	0.096	0.096	0.096	0.096
- Worst case	0.084	0.084	0.084	0.084	0.084
MONEY SUPPLY M3, LCU, % chg y-o-y					
- Base case	0.090	0.090	0.090	0.090	0.090
- Best case	0.095	0.095	0.095	0.095	0.095
- Worst case	0.085	0.085	0.085	0.085	0.085
Goods imports, USD, % chg y-o-y					
- Base case	0.067	0.056	0.063	0.065	0.052
- Best case	0.054	0.045	0.051	0.052	0.042
- Worst case	0.080	0.067	0.075	0.078	0.062
Total government debt per capita, USD, % chg y-o-y					
- Base case	0.058	0.053	0.048	0.029	0.078
- Best case	0.053	0.049	0.044	0.027	0.071
- Worst case	0.063	0.057	0.051	0.031	0.084
Foreign reserves ex gold, USD, % chg y-o-y					
- Base case	0.100	0.100	0.100	0.100	0.100
- Best case	0.116	0.116	0.116	0.116	0.116
- Worst case	0.084	0.084	0.084	0.084	0.084

Predicted relationships between the key indicators and default and loss rates on various portfolios of financial assets have been developed based on analysing historical data over the past 9 years.

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Probability weightings

Probability weighting of each scenario is determined by management considering the risks and uncertainties surrounding the base case economic scenario. The key consideration for probability weightings in the current period is the continuing impact of COVID-19.

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

	2020 Shs'000	2019 Shs'000
Base case	40%	40%
Best case	20%	40%
Worst case	40%	20%

ECL - Sensitivity analysis

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

Given current economic uncertainties and the judgment applied to factors used in determining the expected default of borrowers in future periods, expected credit losses reported by the Group should be considered as a best estimate within a range of possible estimates.

The table below illustrates the sensitivity of collectively assessed ECL to key factors used in determining it as at 31 December 2020:

	ECL Shs'000	Impact Shs'000
100% upside scenario	12,330,082	192,881
100% base scenario	12,464,730	58,233
100% downside scenario	12,643,214	(120,251)

Modified financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

When the terms of a financial asset are modified and the modification does not result in derecognition, the determination of whether the asset's credit risk has increased significantly reflects comparison of:

-its remaining lifetime probability of default (PD) at the reporting date based on the modified terms; with

-the remaining lifetime probability of default (PD) estimated based on data on initial recognition and the original contractual terms.

When modification results in derecognition, a new loan is recognised and allocated to Stage 1 (assuming it is not credit-impaired at that time). The Group renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms. The revised terms usually include extending the maturity, changing the timing of interest payments and amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy. The Group Credit Committee regularly reviews reports on forbearance activities. For financial assets modified as part of the Group's forbearance policy, the estimate of PD reflects whether the modification has improved or restored the Group's ability to collect interest and principal and the Group's previous experience of similar forbearance action. As part of this process, the Group evaluates the borrower's payment performance against the modified contractual terms and considers various behavioural indicators.

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Modified financial assets (Continued)

Generally, forbearance is a qualitative indicator of a significant increase in credit risk and an expectation of forbearance may constitute evidence that an exposure is credit-impaired (see Note 2). A customer needs to demonstrate consistently good payment behaviour over a period of time before the exposure is no longer considered to be credit-impaired/in default or the PD is considered to have decreased such that the loss allowance reverts to being measured at an amount equal to Stage 1.

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

Measurement of ECL

The key inputs used for measuring ECL are:

• probability of default (PD);

• loss given default (LGD); and

• exposure at default (EAD).

As explained above these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. PD parameter is calculated for each non-defaulted risk group within given risk portfolio. For each risk portfolio separate migration matrix is constructed. The method of PD parameter estimation was based on the migrations of principal balance.

Calculation of transition matrices under transaction approach will be applied to different segments such as trade, manufacturing, tourism, real estate etc. The transaction approach is applied in order to reflect the significant differences in respect of risk profile between particular segments. Therefore, risk parameters are calculated for each risk portfolio (segment) separately.

Under this method, migrations are weighted with principal and thus the quarterly migration matrix presents the probabilities that 1 unit of exposure (e.g. 1 Shs) will migrate to defined statuses over a month or year within a given risk portfolio.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account, time to realisation of collateral, cost of realisation of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original effective interest rate (EIR) of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan exposure that are permitted by the current contractual terms, such as amortisation profiles, early repayment or overpayment, changes in utilisation of undrawn commitments and credit mitigation actions taken before default. The Group uses EAD models that reflect the characteristics of the portfolios.

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

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

COVID-19 loan modifications

Since March 2020, the Group has offered various forms of assistance to customers to counteract the impact of COVID-19 on the ability of customers to meet their loan obligations. The assistance provided has included arrangements such as temporary deferral of principal and interest repayments, replacing principal and interest with interest only repayments, and extension of loan maturity dates.

The Group restructures loans classified under normal category in accordance with the regulator guidelines to grant requests for debt relief based on individual circumstances directly attributable to the pandemic. Facilities not falling in this category are modelled as described in the previous section under Credit risk management. The restructures grant a moratorium period on the Principal or both Principal and Interest.

In response to the anticipated impacts of COVID-19, the Group enhanced its IFRS 9 modelling process to better calculate and correctly reflect the impairments accordingly. The Group subjected its model process to additional extreme shocks to simulate both moderate and extreme impacts that could emanate from the prolonged impact of the pandemic.

The Group implemented the following modifications in the model on the restructures in ECL computation:

- The model was modified to take into account the impact of payments holidays and sector/subsector risks.
- Modification was made to take into account extreme deviations in the projected macro-economic parameters to determine their would be impacts on the probabilities of default both at bank and sector levels.
- The Group enhanced the basis behind the assumptions underlying the impairment computation to accurately predict the future PDs by scenario weighting the base probability of default through extreme deviations resulting to a more reliable computation.
- The whole impact of modelling for the restructures was set to be transfered on the EAD. i.e. the EAD stays constant during the moratorium period and once the moratorium period ends, the EAD is reduced with the repayments .

The loan repayment deferral package is considered to be a loan modification under IFRS 9. This either results in the loan being derecognised and replaced with a new loan (substantial modification) or the existing loan continuing to be recognised (non-substantial modification). The table below shows the type of restructure and the outstanding balance as at 31 December 2020 of the loans that have been modified. The modification also included tenor extension.

Type of restructure	**Group**	**Bank**
Covid	**Shs'million**	**Shs'million**
Principal deferral	30,433	25,791
Principal plus interest deferral	51,424	37,291
	81,857	**63,082**
Other restructures		
Principal plus interest deferral	19,463	19,463
	101,320	**82,545**

The impact on financial statements is summarised below:

	Group	**Bank**
	Shs'000	**Shs'000**
Gain/(loss) on modification of loans	96,232	(118,064)

The emergence of the significant economic and social impacts of the COVID-19 pandemic required a rapid response and reprioritisation of resources. The Group has tested its business strategy and resolved it remains relevant to create long-term sustainable value for our stakeholders, notwithstanding changes caused by the impact of COVID-19.

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis

An analysis of the Group's credit risk exposure per class of financial asset and "stage" without taking into account the effects of any collateral or other credit enhancements is provided in the following table. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively.

Group

On Balance Sheet

Loans and advances to customers at amortised cost	**Stage 1 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total Shs'000**
Gross carrying amount as at 31 December 2019 and as at 1 January 2020	**160,369,124**	**32,363,555**	**13,604,728**	**-**	**206,337,407**
Changes in the gross carrying amount					
– Transfer to stage 1	1,371,829	(1,777,263)	405,434	-	-
– Transfer to stage 2	(2,230,525)	2,243,134	(12,609)	-	-
– Transfer to stage 3	(561,902)	(4,851,431)	5,413,333	-	-
New financial assets originated or purchased	68,712,254	16,913,896	4,486,560	-	90,112,710
Financial assets that have been derecognised	(76,084,423)	(22,736,049)	(531,943)	-	(99,352,415)
Write-offs	-	-	(2,262,185)	-	(2,262,185)
Other changes	23,601,676	1,538,463	1,140,195	-	26,280,334
Gross carrying amount as at 31 December 2020	**175,178,033**	**23,694,305**	**22,243,513**	**-**	**221,115,851**
Loss allowance as at 31 December 2020	1,137,722	1,642,666	9,640,696	-	12,421,084
Net carrying Amount as at 31 December 2020	**174,040,311**	**22,051,639**	**12,602,817**	**-**	**208,694,767**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Other financial assets	**Stage 1 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total Shs'000**
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	19,988,092	-	-	-	19,988,092
- ECL	(42,192)	-	-	-	(42,192)
Net carrying amount as at 31 December 2020	**19,945,900**	**-**	**-**	**-**	**19,945,900**
Government securities					
- Gross and net carrying amount as at 31 December 2020	**147,119,743**	**-**	**-**	**-**	**147,119,743**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Off balance sheet

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2019 and 1 January 2020	**78,426,755**	**2,427,838**	**673**	**-**	**80,855,266**
Changes in the gross carrying amount					
– Transfer to stage 1	5,487,437	(867,655)	(4,619,782)	-	-
– Transfer to stage 2	(546,421)	641,463	(95,042)	-	-
– Transfer to stage 3	(5,671)	(15,378)	21,049	-	-
New financial assets originated or purchased	26,542,395	44,785	6,963	-	26,594,143
Financial assets that have been derecognised	(44,826,858)	(1,456,065)	(286,552)	-	(46,569,475)
Write-offs	-	-	-	-	-
Other changes	(5,793,632)	(114,681)	4,973,003	-	(935,310)
Gross carrying amount as at 31 December 2020	**59,284,005**	**660,307**	**312**	**-**	**59,944,624**
Loss allowance as at 31 December 2020	94,253	7,626	-	-	101,879
Net carrying Amount as at 31 December 2020	**59,189,752**	**652,681**	**312**	**-**	**59,842,745**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

On balance sheet facilities

Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Loss allowance as at 1 January 2020	**1,428,384**	**1,110,424**	**4,576,690**	**-**	**7,115,498**
Changes in the loss allowance					
– Transfer to stage 1	73,700	(610,738)	537,038	-	-
– Transfer to stage 2	(42,080)	42,407	(327)	-	-
– Transfer to stage 3	(10,152)	(273,460)	283,612	-	-
– Write-offs	-	-	(938,931)	-	(938,931)
New financial assets originated or purchased	235,663	992,386	2,466,787	-	3,694,836
Financial assets that have been derecognised	(694,917)	(541,872)	(1,258,657)		(2,495,446)
Changes in models/risk parameters	(12,124)	(133,441)	5,611	-	(139,954)
Foreign exchange and other movements	159,248	1,056,960	3,968,873		5,185,081
Loss allowance as at 31 December 2020	**1,137,722**	**1,642,666**	**9,640,696**	**-**	**12,421,084**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Off balance Sheet Facilities	Stage 1	Stage 2	Stage 3	POCI	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
Loss allowance – Loans and advances to customers at amortised cost	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Loss allowance as at 1 January 2020	**283,878**	**525**	**3,178**	**-**	**287,581**
Changes in the loss allowance					-
– Transfer to stage 1	269,492	(6,301)	(263,191)	-	-
– Transfer to stage 2	(916)	916	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
– Changes due to modifications that did not result in derecognition	-	-	-	-	-
New financial assets originated or purchased	29,845	978	(15,826)	-	14,997
Financial assets that have been derecognised	(293,404)	(5,686)	(674)	-	(299,764)
Changes in models/risk parameters	4,318	1,019	-	-	5,337
Foreign exchange and other movements	(198,960)	16,175	276,513	-	93,728
Loss allowance as at 31 December 2020	**94,253**	**7,626**	**-**	**-**	**101,879**
Total Loss Allowance	**1,231,975**	**1,650,292**	**9,640,696**	**-**	**12,522,963**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

On Balance Sheet

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2018 and as at 1 January 2019	**157,559,137**	**31,410,786**	**12,145,324**	**-**	**201,115,247**
Changes in the gross carrying amount					
– Transfer to stage 1	11,338,017	(11,525,572)	187,555	-	-
– Transfer to stage 2	(13,357,958)	13,468,797	(110,839)	-	-
– Transfer to stage 3	(1,789,340)	(2,801,935)	4,591,275	-	-
New financial assets originated or purchased	69,967,824	15,111,543	156,944	-	85,236,311
Financial assets that have been derecognised	(63,172,163)	(12,370,716)	(750,329)	-	(76,293,208)
Write-offs	-	-	(2,027,677)	-	(2,027,677)
Other changes	(672,579)	(434,554)	(586,133)	-	(1,693,266)
Gross carrying amount as at 31 December 2019	**159,872,938**	**32,858,349**	**13,606,120**	**-**	**206,337,407**
Loss allowance as at 31 December 2020	1,345,418	1,102,647	4,516,876	-	6,964,941
Net carrying Amount as at 31 December 2019	**158,527,520**	**31,755,702**	**9,089,244**	**-**	**199,372,466**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Other financial assets	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	8,342,582	-	-	-	8,342,582
- ECL	(22,051)	-	-	-	(22,051)
Net carrying amount as at 31 December 2019	**8,320,531**	**-**	**-**	**-**	**8,320,531**
Government securities					
- Gross and net carrying amount as at 31 December 2019	**130,925,571**	**-**	**-**	**-**	**130,925,571**
Corporate bonds					
- Gross and net carrying amount as at 31 December 2019	**18,029**	**-**	**-**	**-**	**18,029**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Off balance sheet

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2018 and 1 January 2019	**33,075,367**	**2,179,801**	**410,163**	**-**	**35,665,331**
Changes in the gross carrying amount					
– Transfer to stage 1	2,304,194	(1,930,682)	(373,512)	-	-
– Transfer to stage 2	(1,392,137)	1,435,162	(43,025)	-	-
– Transfer to stage 3	(128,681)	(72,825)	201,506	-	-
New financial assets originated or purchased	86,766,198	721,973	(409,171)	-	87,079,000
Financial assets that have been derecognised	(33,489,346)	(2,333,217)	(463,123)	-	(36,285,686)
Write-offs	-	-	-	-	-
Other changes	(9,168,939)	2,414,244	677,777	-	(6,076,918)
Gross carrying amount as at 31 December 2019	**77,966,656**	**2,414,456**	**615**	**-**	**80,381,727**
Loss allowance as at 31 December 2019	282,066	492	537	-	283,095
Net carrying Amount as at 31 December 2019	**77,684,590**	**2,413,964**	**78**	**-**	**80,098,632**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

On balance sheet facilities

Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Loss allowance as at 31 December 2019	**1,054,660**	**1,347,248**	**5,417,833**	**-**	**7,819,741**
Changes in the loss allowance					
– Transfer to stage 1	303,400	(195,094)	(108,306)	-	-
– Transfer to stage 2	(96,463)	168,268	(71,805)	-	-
– Transfer to stage 3	(7,225)	(53,417)	60,642	-	-
– Write-offs	-	-	(949,206)	-	(949,206)
New financial assets originated or purchased	402,730	391,742	4,711	-	799,183
Financial assets that have been derecognised	(609,875)	(573,810)	(1,466,776)	-	(2,650,461)
Changes in models/risk parameters	33,479	58,888	(87,116)	-	5,251
Foreign exchange and other movements	264,712	(41,178)	1,716,899	-	1,940,433
Loss allowance as at 31 December 2019	**1,345,418**	**1,102,647**	**4,516,876**	**-**	**6,964,941**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Group

Off balance Sheet Facilities	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**		
Loss allowance – Loans and advances to customers at amortised cost	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Loss allowance as at 1 January 2019	**198,165**	**19,505**	**3,479**	**-**	**221,149**
– Transfer to stage 1	75,050	(9,567)	(65,483)	-	-
– Transfer to stage 2	(4,886)	26,395	(21,509)	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	206,086	15,799	(352)	-	221,533
Financial assets that have been derecognised	(227,118)	(20,753)	(273,151)	-	(521,022)
Changes in models/risk parameters	(705)	-	-	-	(705)
Foreign exchange and other movements	35,474	(30,887)	357,553	-	362,140
Loss allowance as at 31 December 2019	**282,066**	**492**	**537**	**-**	**283,095**
Total Loss Allowance	**1,627,484**	**1,103,139**	**4,517,413**	**-**	**7,248,036**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

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

	Group	
	2020	**2019**
	Shs'000	**Shs'000**
Credit-impaired loans and advances to customers at 1 January	13,604,721	12,145,324
Classified as credit-impaired during the year	1,798,780	4,826,492
Transferred to not credit-impaired during the year	7,729,780	(654,968)
Net repayments	(1,215,512)	(887,725)
Disposals	(2,262,185)	(2,027,677)
Other movements	2,598,293	203,275
Credit-impaired loans and advances to customers at 31 December	**22,253,877**	**13,604,721**

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2020 and that are still subject to enforcement activity is Shs 2.3 billion (2019-Shs. 2 billion).

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank
On Balance Sheet

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

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

Other financial assets	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	10,675,684	-	-	-	10,675,684
- ECL	(7,784)	-	-	-	(7,784)
Net carrying amount as at 31 December 2020	**10,667,900**	**-**	**-**	**-**	**10,667,900**
Government securities					
- Gross and net carrying amount as at 31 December 2020	**111,118,568**	**-**	**-**	**-**	**111,118,568**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

Off balance sheet facilities	**Stage 1 12-month ECL Shs'000**	**Stage 2 Lifetime ECL Shs'000**	**Stage 3 Lifetime ECL Shs'000**	**POCI Shs'000**	**Total Shs'000**
Gross carrying amount as at 31 December 2019 and 1 January 2020	**71,305,367**	**2,175,522**	**-**	**-**	**73,480,889**
Changes in the gross carrying amount					
– Transfer to stage 1	779,905	(853,754)	73,849	-	-
– Transfer to stage 2	(349,907)	349,907	-	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	21,193,090	26,614	-	-	21,219,704
Financial assets that have been derecognised	(41,601,512)	(969,380)	-	-	(42,570,892)
Write-offs	-	-	-	-	-
Other movements	531,908	(78,972)	(73,849)	-	379,087
Gross carrying amount as at 31 December 2020	**51,858,851**	**649,937**	**-**	**-**	**52,508,788**
Loss allowance as at 31 December 2020	66,076	7,553	-	-	73,629
Net carrying Amount as at 31 December 2020	**51,792,775**	**642,384**	**-**	**-**	**52,435,159**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

On balance sheet facilities

Loss allowance – Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Loss allowance as at 1 January 2020	**908,295**	**888,596**	**3,665,927**	**-**	**5,462,818**
Changes in the loss allowance					
– Transfer to stage 1	62,098	(598,827)	536,729	-	-
– Transfer to stage 2	(40,927)	41,254	(327)	-	-
– Transfer to stage 3	(1,562)	(273,018)	274,580	-	-
– Write-offs	-	-	(597,249)	-	(597,249)
New financial assets originated or purchased	212,240	909,258	1,994,246	-	3,115,744
Financial assets that have been derecognised	(523,028)	(500,646)	(1,133,539)	-	(2,157,213)
Changes in models/risk parameters	9,114	(109,098)	(32,286)	-	(132,270)
Foreign exchange and other movements	101,916	977,404	3,640,176	-	4,719,496
Loss allowance as at 31 December 2020	**728,146**	**1,334,923**	**8,348,257**	**-**	**10,411,326**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

Off balance sheet facilities	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Loss allowance as at 1 January 2020	**256,043**	**471**	**2,598**	**-**	**259,112**
Changes in the loss allowance					
– Transfer to stage 1	5,285	(6,301)	1,016	-	-
– Transfer to stage 2	(915)	915	-	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	15,409	959	-	-	16,368
Financial assets that have been derecognised	(293,371)	(5,674)	-	-	(299,045)
Changes in models/risk parameters	5,377	1,019	-	-	6,396
Foreign exchange and other movements	78,248	16,164	(3,614)	-	90,798
Loss allowance as at 31 December 2020	**66,076**	**7,553**	**-**	**-**	**73,629**
Total Loss Allowance	**794,222**	**1,342,476**	**8,348,257**	**-**	**10,484,955**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank
On Balance Sheet

Loans and advances to customers at amortised cost	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2018 and 1 January 2019	**118,203,570**	**25,248,764**	**9,710,643**	**-**	**153,162,977**
Changes in the gross carrying amount					
– Transfer to stage 1	9,102,845	(9,094,670)	(8,175)	-	-
– Transfer to stage 2	(11,981,325)	11,982,236	(911)	-	-
– Transfer to stage 3	(810,095)	(1,533,772)	2,343,867	-	-
New financial assets originated or purchased	47,420,750	14,722,867	113,386	-	62,257,003
Financial assets that have been derecognised	(50,746,126)	(6,960,578)	75,407	-	(57,631,297)
Write-offs	-	-	(626,109)	-	(626,109)
Other changes	3,595,752	(4,499,625)	(1,038,055)	-	(1,941,928)
Gross carrying amount as at 31 December 2019	**114,785,371**	**29,865,222**	**10,570,053**	**-**	**155,220,646**
Loss allowance as at 31 December 2019	908,295	888,596	3,665,927	-	5,462,818
Net carrying Amount as at 31 December 2019	**113,877,076**	**28,976,626**	**6,904,126**	**-**	**149,757,828**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Other financial assets	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Deposits and balance due from banks- at amortised cost:					
- Gross carrying amount	1,560,140	-	-	-	1,560,140
- ECL	(2,840)	-	-	-	(2,840)
Net carrying amount as at 31 December 2019	**1,557,300**	**-**	**-**	**-**	**1,557,300**
Government securities					
- Gross and net carrying amount as at 31 December 2019	**98,180,149**	**-**	**-**	**-**	**98,180,149**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

Off balance sheet facilities	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Gross carrying amount as at 31 December 2018 and 1 January 2019	**28,374,866**	**2,120,805**	**409,171**	**-**	**30,904,842**
Changes in the gross carrying amount					
– Transfer to stage 1	1,958,704	(1,537,457)	(421,247)	-	-
– Transfer to stage 2	(899,508)	899,648	(140)	-	-
– Transfer to stage 3	-	-	-	-	-
New financial assets originated or purchased	80,897,495	712,412	(409,171)	-	81,200,736
Financial assets that have been derecognised	(29,936,792)	(1,960,182)	(459,851)	-	(32,356,825)
Write-offs	-	-	-	-	-
Other changes	(9,089,398)	1,940,296	881,238	-	(6,267,864)
Gross carrying amount as at 31 December 2019	**71,305,367**	**2,175,522**	**-**	**-**	**73,480,889**
Loss allowance as at 31 December 2019	256,043	471	-	-	256,514
Net carrying Amount as at 31 December 2019	**71,049,324**	**2,175,051**	**-**	**-**	**73,224,375**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

On balance sheet facilities **Loss allowance – Loans and advances to customers at amortised cost**	**Stage 1** **12-month ECL** **Shs'000**	**Stage 2** **Lifetime ECL** **Shs'000**	**Stage 3** **Lifetime ECL** **Shs'000**	**POCI** **Shs'000**	**Total** **Shs'000**
Loss allowance as at 1 January 2019	**848,031**	**1,158,195**	**4,177,040**	**-**	**6,183,266**
Changes in the loss allowance					
– Transfer to stage 1	183,954	(188,831)	4,877	-	-
– Transfer to stage 2	(83,845)	84,718	(873)	-	-
– Transfer to stage 3	(1,612)	(37,908)	39,520	-	-
– Write-offs	-	-	(626,109)	-	(626,109)
New financial assets originated or purchased	398,711	361,362	49,901	-	809,974
Financial assets that have been derecognised	(377,089)	(493,340)	(1,025,336)	-	(1,895,765)
Changes in models/risk parameters	71,379	90,061	(106,581)	-	54,859
Foreign exchange and other movements	(131,234)	(85,661)	1,153,488	-	936,593
Loss allowance as at 31 December 2019	**908,295**	**888,596**	**3,665,927**	**-**	**5,462,818**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Bank

Off balance sheet facilities	Stage 1 12-month ECL Shs'000	Stage 2 Lifetime ECL Shs'000	Stage 3 Lifetime ECL Shs'000	POCI Shs'000	Total Shs'000
Loss allowance as at 1 January 2019	**181,844**	**13,588**	**2,598**	**-**	**198,030**
Changes in the loss allowance					
– Transfer to stage 1	73,376	(6,930)	(66,446)	-	-
– Transfer to stage 2	(4,860)	4,927	(67)	-	-
– Transfer to stage 3	-	-	-	-	-
– Write-offs	-	-	-	-	-
New financial assets originated or purchased	204,309	199	-	-	204,508
Financial assets that have been derecognised	(255,169)	(20,753)	(248,427)	-	(524,349)
Changes in models/risk parameters	9,358	101	-	-	9,459
Foreign exchange and other movements	47,185	9,339	312,342	-	368,866
Loss allowance as at 31 December 2019	**256,043**	**471**	**-**	**-**	**256,514**
Total Loss Allowance	**1,164,338**	**889,067**	**3,665,927**	**-**	**5,719,332**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Credit-impaired financial assets

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

	Bank	
	2020	2019
	Shs'000	Shs'000
Credit-impaired loans and advances to customers at 1 January	10,752,208	9,710,643
Change in loss allowance		
Classified as credit-impaired during the year	8,172,424	2,017,137
Transferred to not credit-impaired during the year	(37,456)	(123,304)
Net repayments	(1,136,284)	(809,830)
Disposals	(597,249)	(626,109)
Other movements	2,129,034	583,671
Credit-impaired loans and advances to customers at 31 December	**19,282,677**	**10,752,208**

The contractual amount outstanding on financial assets that were written off during the year ended 31 December 2020 and that are still subject to enforcement activity is Shs 597 million (2019 -Shs 626 million).

Impaired financial assets

Financial assets that are past due or impaired

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Loans and advances are summarised as follows:				
Neither past due nor impaired	162,166,089	134,070,994	115,988,141	93,789,725
Past due but not impaired (*Including advances not past due but in stage 2 using qualitative criteria*)	36,695,885	58,661,692	30,212,205	50,678,713
Impaired	22,253,877	13,604,721	19,282,677	10,752,208
Gross	221,115,851	206,337,407	165,483,023	155,220,646
Less: loss allowance on loans and advances				
Stage 3 loss allowance	(9,640,696)	(4,517,413)	(8,348,258)	(3,665,927)
Stage 1 and 2 loss allowance	(2,882,267)	(2,730,623)	(2,136,697)	(2,053,405)
Net carrying amount	**208,592,888**	**199,089,371**	**154,998,068**	**149,501,314**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

Credit quality analysis (Continued)

Impaired financial assets (Continued)

Financial assets that are past due or impaired (Continued)

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Past due up to 30 days	16,657,733	27,396,075	11,795,825	20,931,178
Past due 31 - 60 days (Including advances not past due but in stage 2 using qualitative criteria)	14,731,788	23,120,372	13,728,434	22,059,850
Past due 61 - 90 days	5,306,364	8,145,245	4,687,946	7,687,685
Total	**36,695,885**	**58,661,692**	**30,212,205**	**50,678,713**
Maximum exposure to credit risk before collateral held				
Balances with Central Banks	17,923,774	19,025,103	9,951,029	13,004,770
Government securities	147,119,743	130,925,571	111,118,568	98,180,149
Deposits and balances due from banking institutions	19,945,900	8,320,531	10,667,900	1,557,300
Loans and advances to customers	208,592,888	199,089,371	154,998,068	149,501,314
Corporate bond	-	18,029	-	-
Other assets	1,652,877	1,376,772	884,987	870,886
Credit risk exposures relating to off-balance sheet items:				
- Acceptances and letters of credit	13,680,157	23,519,780	10,581,811	20,563,478
- Guarantee and performance bonds	28,997,754	30,278,439	25,340,555	26,209,571
	437,913,093	**412,553,596**	**323,542,918**	**309,887,468**

Collateral, other credit enhancements

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

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Fair value of collateral	**310,055,286**	**293,560,507**	**253,467,589**	**254,474,289**

4. Financial risk management (Continued)

(a) Credit risk management (Continued)

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 other financial assets portfolios were as follows:

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Group

31 December 2020	Manufacturing	Wholesale and retail trade	Transport and communications	Business and financial services	Agriculture	Building and construction & real estate	Retail housing	Tourism and hotels	Individuals	Others	Total
On balance sheet	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**	**Shs '000**
Equity investment - at fair value through OCI	-	-	1,202,570	50,000	-	-	-	-	-	5,628	1,258,198
Loans and advances to customers (Gross)	29,021,422	42,639,107	15,958,626	26,312,811	11,085,510	51,548,657	1,397,505	29,796,856	6,708,930	6,646,427	221,115,851
Deposits due from banking institutions	-	-	-	19,945,900	-	-	-	-	-	-	19,945,900
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,652,877	1,652,877
	29,021,422	**42,639,107**	**17,161,196**	**46,308,711**	**11,085,510**	**51,548,657**	**1,397,505**	**29,796,856**	**6,708,930**	**8,304,932**	**243,972,826**
Off balance sheet											
Contingent assets	16,711,593	14,509,761	2,233,426	2,492,102	198,109	4,136,723	-	363,992	441,511	1,590,694	42,677,911
Undrawn credit lines	1,925,640	3,038,236	403,546	572,101	200,090	1,841,451	-	1,536,910	762,923	966,101	11,246,998
	18,637,233	**17,547,997**	**2,636,972**	**3,064,203**	**398,199**	**5,978,174**	**-**	**1,900,902**	**1,204,434**	**2,556,795**	**53,924,909**
31 December 2019											
On balance sheet											
Equity investment - at fair value through OCI	-	-	1,463,048	50,000	-	-	-	-	-	5,341	1,518,389
Loans and advances to customers (Gross)	29,373,884	40,039,982	15,111,523	28,620,154	9,392,074	51,371,005	1,272,228	20,597,121	7,330,634	3,228,802	206,337,407
Deposits due from banking institutions	-	-	-	8,320,531	-	-	-	-	-	-	8,320,531
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	1,376,772	1,376,772
	29,373,884	**40,039,982**	**16,574,571**	**36,990,685**	**9,392,074**	**51,371,005**	**1,272,228**	**20,597,121**	**7,330,634**	**4,610,915**	**217,553,099**

NOTES (CONTINUED)

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Group (Continued)

31 December 2019	Manufacturing	Wholesale and retail trade	Transport and communications	Business and financial services	Agriculture	Building and construction & real estate	Retail housing	Tourism and hotels	Individuals	Others	Total
Off balance sheet	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000	Shs '000
Contingent assets	18,936,382	20,449,637	2,447,644	1,311,736	192,702	7,592,266	-	170,465	607,762	2,089,625	53,798,219
Undrawn credit lines	2,346,710	2,208,402	361,382	393,944	141,314	1,817,795	-	308,891	658,892	140,140	8,377,470
	21,283,092	**22,658,039**	**2,809,026**	**1,705,680**	**334,016**	**9,410,061**	**-**	**479,356**	**1,266,654**	**2,229,765**	**62,175,689**

Bank

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

4. Financial risk management (Continued)

(b) Concentrations of risk (Continued)

Bank (Continued)

31 December 2019 On balance sheet	Manufacturing Shs '000	Wholesale and retail trade Shs '000	Transport and communications Shs '000	Business and financial services Shs '000	Agriculture Shs '000	Building and construction & real estate Shs '000	Retail housing Shs '000	Tourism and hotels Shs '000	Individuals Shs '000	Others Shs '000	Total Shs '000
Equity investment - at fair value through FVTOCI	-	-	1,463,048	50,000	-	-	-	-	-	5,341	1,518,389
Loans and advances to customers (Gross)	17,592,769	25,867,080	11,649,686	26,727,705	8,185,657	40,664,892	1,265,569	15,807,199	7,197,600	262,489	155,220,646
Deposits due from banking institutions	-	-	-	1,557,300	-	-	-	-	-	-	1,557,300
Other assets (excluding prepayments & Statutory receivables)	-	-	-	-	-	-	-	-	-	870,886	870,886
	17,592,769	**25,867,080**	**13,112,734**	**28,335,005**	**8,185,657**	**40,664,892**	**1,265,569**	**15,807,199**	**7,197,600**	**1,138,716**	**159,167,221**
Off balance sheet											
Contingent liabilities	16,037,345	18,453,811	2,196,733	1,584,843	187,330	6,766,613	-	103,079	607,762	835,533	46,773,049
Undrawn credit lines	623,427	995,417	63,011	230,938	-	1,773,979	-	120,315	354,742	-	4,161,829
	16,660,772	**19,449,228**	**2,259,744**	**1,815,781**	**187,330**	**8,540,592**	**-**	**223,394**	**962,504**	**835,533**	**50,934,878**

(c) Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices. It emanates from the trading activities mainly carried out by treasury and structural positions housed in the banking books.

Market risk management is undertaken by the Treasury function under the supervision of ALCO, while Risk 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 Group's exposure toprice risk was limited to its investment in Government securities held at fair value through the profit and loss and equity investments at fair value through OCI. A price movement of +/-5% in the price of the securities would not have had any significant impact on profit or equity.

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 At 31 December 2020	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Non-interest sensitive Shs'000	Total Shs'000
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	25,983,424	25,983,424
Government securities	37,222,245	18,769,624	48,202,447	42,925,427	-	-	147,119,743
Deposits and balances due from banking institutions	12,179,409	2,800,568	1,103,425	-	-	3,862,498	19,945,900
Loans and advances to customers	33,339,150	163,096,525	466,300	961,075	-	10,729,838	208,592,888
Equity investment - at fair value through OCI	-	-	-	1,202,570	-	55,628	1,258,198
Other assets	-	-	-	-	-	1,652,877	1,652,877
Total financial assets	**82,740,804**	**184,666,717**	**49,772,172**	**45,089,072**	**-**	**42,284,265**	**404,553,030**
FINANCIAL LIABILITIES							
Customer deposits	123,433,475	13,102,592	87,840,984	52,202,276	-	21,587,277	298,166,604
Deposits and balances due to banking institutions	29,953,747	-	-	-	-	15,254	29,969,001
Borrowings	-	3,209,968	16,580,721	-	-	7,766	19,798,455
Other liabilities	-	-	-	-	-	3,907,722	3,907,722
Lease liabilities	27,947	48,707	975,367	3,510,234	-	-	4,562,255
Total financial liabilities	**153,415,169**	**16,361,267**	**105,397,072**	**55,712,510**	**-**	**25,518,019**	**356,404,037**
Interest sensitivity gap	**(70,674,365)**	**168,305,450**	**(55,624,900)**	**(10,623,438)**	**-**	**16,766,246**	**48,148,993**
At 31 December 2019							
Total financial assets	54,384,829	180,474,576	69,494,579	23,094,950	-	41,018,632	368,467,566
Total financial liabilities	157,379,080	54,177,745	79,893,668	6,575,889	1,270,107	21,851,740	321,148,229
Interest sensitivity gap	**(102,994,251)**	**126,296,831**	**(10,399,089)**	**16,519,061**	**(1,270,107)**	**19,166,892**	**47,319,337**

4. Financial risk management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest rate risk (Continued)

Bank At 31 December 2020	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Non-interest sensitive Shs'000	Total Shs'000
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	14,831,865	14,831,865
Government securities	28,455,321	18,314,408	34,092,332	30,256,507	-	-	111,118,568
Deposits and balances due from banking institutions	10,667,900	-	-	-	-	-	10,667,900
Loans and advances to customers	67,997	145,999,251	130,021	-	-	8,800,799	154,998,068
Equity investment - at fair value through OCI	-	-	-	1,202,570	-	50,000	1,252,570
Other assets	-	-	-	-	-	884,987	884,987
Total financial assets	**39,191,218**	**164,313,659**	**34,222,353**	**31,459,077**	**-**	**24,567,651**	**293,753,958**
FINANCIAL LIABILITIES							
Customer deposits	86,559,178	7,007,410	66,008,000	48,397,155	12,753	-	207,984,496
Deposits and balances due to banking institutions	27,063,578	-	-	-	-	-	27,063,578
Borrowings	-	1,284,453	17,236,574	-	-	-	18,521,027
Other liabilities	-	-	-	-	-	1,828,806	1,828,806
Lease liabilities	22,723	28,381	163,036	1,194,337	1,184,744	-	2,593,221
Total financial liabilities	**113,645,479**	**8,320,244**	**83,407,610**	**49,591,492**	**1,197,497**	**1,828,806**	**257,991,128**
Interest sensitivity gap	**(74,454,261)**	**155,993,415**	**(49,185,257)**	**(18,132,415)**	**(1,197,497)**	**22,738,845**	**35,762,830**
At 31 December 2019							
Total financial assets	19,386,706	159,154,351	51,239,140	12,372,286	-	28,043,161	270,195,644
Total financial liabilities	123,215,567	47,240,361	60,374,711	1,255,251	1,270,106	1,534,720	234,890,716
	(103,828,861)	**111,913,990**	**(9,135,571)**	**11,117,035**	**(1,270,106)**	**26,508,441**	**35,304,928**

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	
	2020 Shs'million	2019 Shs'million	2020 Shs'million	2019 Shs'million
+ 5% movement	(665)	1,332	(1,050)	974
- 5% movement	665	(1,332)	1,050	(974)

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 in the various contries it operates in.

End-of-the-day positions are marked to market daily. The intra-day positions are managed by treasury/dealing room through stop loss/dealers limits.

The table below summarises the Group's and Bank's exposure to foreign currency exchange rate risk at 31 December 2020. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

Group	USD	GBP	EURO	OTHERS	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2020					
FINANCIAL ASSETS					
Cash and balances with Central banks	4,764,164	160,126	232,547	21,639	5,178,476
Deposits and balances due from banking institutions	20,560,668	769,238	1,910,755	182,676	23,423,337
Other assets	22,184,408	1	7	-	22,184,416
Loans and advances to customers	88,569,330	26,115	5,214,208	8,876	93,818,529
Equity investment - at fair value through OCI	1,258,198	-	-	-	1,258,198
Total financial assets	**137,336,768**	**955,480**	**7,357,517**	**213,191**	**145,862,956**
FINANCIAL LIABILITIES					
Customer deposits	80,682,202	5,836,726	3,527,244	306,681	90,352,853
Deposits and balances due to banking institutions	27,671,928	21,321	37,636	291,486	28,022,371
Other liabilities	887,743	5,040	3,147	2,463	898,393
Borrowings	19,790,689	-	-	7,766	19,798,455
Lease liabilities	1,762,826	-	-	9,277	1,772,103
Total financial liabilities	**130,795,388**	**5,863,087**	**3,568,027**	**617,673**	**140,844,175**
Net balance sheet position	**6,541,380**	**(4,907,607)**	**3,789,490**	**(404,482)**	**5,018,781**
Net off balance sheet position	**(6,559,797)**	**4,892,944**	**(3,703,446)**	**243,143**	**(5,127,156)**
Overall net position	**(18,417)**	**(14,663)**	**86,044**	**(161,339)**	**(108,375)**
At 31 December 2019					
Total financial assets	113,108,529	1,525,295	4,803,249	356,090	119,793,163
Total financial liabilities	106,925,931	5,163,481	3,656,096	384,887	116,130,395
Net balance sheet position	**6,182,598**	**(3,638,186)**	**1,147,153**	**(28,797)**	**3,662,768**
Net off balance sheet position	**(7,225,190)**	**3,649,390**	**(1,101,206)**	**62,235**	**(4,614,771)**
Overall net position	**(1,042,592)**	**11,204**	**45,947**	**33,438**	**(952,003)**

4. Financial risk management (Continued)

(c) Market Risk Management (Continued)

(iii) Foreign exchange risk (Continued)

Bank	USD	GBP	EURO	OTHERS	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2020					
FINANCIAL ASSETS					
Cash and balances with Central banks	458,238	35,224	28,866	-	522,328
Deposits and balances due from banking institutions	11,385,910	553,458	1,292,894	154,934	13,387,196
Other assets	1,647	-	-	-	1,647
Loans and advances to customers	77,334,656	26,114	5,173,305	-	82,534,075
Equity investment - at fair value through OCI	1,252,570	-	-	-	1,252,570
Total financial assets	**90,433,021**	**614,796**	**6,495,065**	**154,934**	**97,697,816**
FINANCIAL LIABILITIES					
Customer deposits	37,419,533	5,197,190	2,742,080	295,010	45,653,813
Deposits and balances due to banking institutions	26,713,253	21,321	37,518	291,486	27,063,578
Other liabilities	137,152	317	2,060	1,669	141,198
Borrowings	18,521,027	-	-	-	18,521,027
Lease liabilities	371,734	-	-	-	371,734
Total financial liabilities	**83,162,699**	**5,218,828**	**2,781,658**	**588,165**	**91,751,350**
Net balance sheet position	**7,270,322**	**(4,604,032)**	**3,713,407**	**(433,231)**	**5,946,466**
Net off balance sheet position	**(6,942,543)**	**4,596,871**	**(3,691,936)**	**260,743**	**(5,776,865)**
Overall net position	**327,779**	**(7,161)**	**21,471**	**172,488**	**169,601**
At 31 December 2019					
Total financial assets	70,257,245	827,136	3,963,684	271,455	75,319,520
Total financial liabilities	60,318,700	4,537,276	2,874,803	354,653	68,085,432
Net balance sheet position	**9,938,545**	**(3,710,140)**	**1,088,881**	**(83,198)**	**7,234,088**
Net off balance sheet position	**(9,548,162)**	**3,711,326**	**(1,080,256)**	**72,005**	**(6,845,087)**
Overall net position	**390,383**	**1,186**	**8,625**	**(11,193)**	**389,001**

Currency risk sensitivity analysis

At 31 December 2020, 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	
	2020	2019	2020	2019
	Shs'million	Shs'million	Shs'million	Shs'million
+ 5% movement	(3.7)	(32.4)	5.7	13.0
- 5% movement	3.7	32.4	(5.7)	(13.0)

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).

COVID-19 has impacted the normal operations of financial markets including funding markets, however the actions of governments globally and central banks have provided significant liquidity support to the system and financial markets generally.The regulatory reduction of the Cash Reserve Ratio (CRR) requirement in a bid to cushion banks during the pandemic increased the liquidity in the banking industry.The Group also performs stress tests for exceptional, worst and Covid scenarios to monitor and consolidate its position in the market. DTB liquidity measures have remained above regulatory requirements throughout this period.

The table below presents the undiscounted cash flows receivable and payable by the Group and Bank under financial assets and liabilities by remaining contractual maturities at the reporting date.

Group At 31 December 2020	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
FINANCIAL ASSETS						
Cash and balances with Central Banks	19,555,118	2,200,791	4,000,022	227,493	-	25,983,424
Government securities	37,261,877	19,031,338	50,807,992	51,819,280	4,193,530	163,114,017
Deposits and balances due from banking institutions	16,807,705	3,138,195	-	-	-	19,945,900
Loans and advances to customers	16,680,047	23,961,487	40,053,787	85,846,654	81,617,584	248,159,559
Equity investment - at fair value through OCI	-	-	-	-	1,258,198	1,258,198
Other assets	1,064,787	127,373	460,717	-	-	1,652,877
Total financial assets	**91,369,534**	**48,459,184**	**95,322,518**	**137,893,427**	**87,069,312**	**460,113,975**
FINANCIAL LIABILITIES						
Customer deposits	204,930,323	13,402,173	90,881,011	56,120,894	68,662	365,403,063
Deposits and balances due to banking institutions	24,639,093	6,412,414	228,134	-	-	31,279,641
Borrowings	32,318	1,505,576	8,137,099	10,517,998	1,293,836	21,486,827
Other liabilities	3,907,722	-	-	-	-	3,907,722
Lease liabilities	51,204	71,126	395,626	3,633,445	3,504,684	7,656,085
Total financial liabilities	**233,560,660**	**21,391,289**	**99,641,870**	**70,272,337**	**4,867,182**	**429,733,338**
Net liquidity gap	**(142,191,126)**	**27,067,895**	**(4,319,352)**	**67,621,090**	**82,202,130**	**30,380,637**
At 31 December 2019						
Total financial assets	62,454,878	58,925,188	118,028,186	90,602,590	76,679,480	406,690,322
Total financial liabilities	172,405,549	58,276,253	75,373,324	19,128,299	5,814,498	330,997,923
Net liquidity gap	**(109,950,671)**	**648,935**	**42,654,862**	**71,474,291**	**70,864,982**	**75,692,399**

4. Financial risk management (Continued)

(d) Liquidity risk management (Continued)

Bank At 31 December 2020	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	9,611,636	2,009,518	3,114,536	96,175	-	14,831,865
Government securities	28,585,160	18,473,250	35,683,746	40,741,192	-	123,483,348
Deposits and balances due from banking institutions	10,613,181	54,719	-	-	-	10,667,900
Loans and advances to customers	14,447,475	11,907,939	23,179,622	58,168,434	75,168,850	182,872,320
Other assets	296,897	127,373	460,717	-	-	884,987
Equity investment - at fair value through OCI	-	-	-	-	1,252,570	1,252,570
Total financial assets	**63,554,349**	**32,572,799**	**62,438,621**	**99,005,801**	**76,421,420**	**333,992,990**
FINANCIAL LIABILITIES						
Customer deposits	147,066,609	7,120,442	67,968,541	51,766,350	13,952	273,935,894
Deposits and balances due to banking institutions	20,446,575	6,412,414	226,193	-	-	27,085,182
Borrowings	-	1,284,453	8,092,955	9,641,069	1,096,585	20,115,062
Lease liabilities	41,659	52,035	298,908	2,189,682	2,172,095	4,754,379
Other liabilities	1,828,806	-	-	-	-	1,828,806
Total financial liabilities	**169,383,649**	**14,869,344**	**76,586,597**	**63,597,101**	**3,282,632**	**327,719,323**
Net liquidity gap	**(105,829,300)**	**17,703,455**	**(14,147,976)**	**35,408,700**	**73,138,788**	**6,273,667**
At 31 December 2019						
Total financial assets	40,803,686	41,302,884	78,814,075	63,793,157	72,586,375	297,300,177
Total financial liabilities	123,915,329	49,689,449	54,119,443	10,515,667	4,430,025	242,669,913
	(83,111,643)	**(8,386,565)**	**24,694,632**	**53,277,490**	**68,156,350**	**54,630,264**

4. Financial risk management (Continued)

(e) Operational risk management

Operational risk is the risk that the Group will face direct or indirect loss resulting from inadequate or failed internal processes, people, technology failures and from external events. The Group has in place Board-approved Operations Risk Management Policy and Procedures.

At management level, the Operational Risk Management Committee (ORCO) has the responsibility for assessing the risk associated with the Group's activities, ensuring they are clearly identified, assessed and controlled in line with the Group's Operational Risk Management Policy. ORCO is charged with ensuring that the Group has adequate internal policies and procedures, technology, business continuity, and ensuring that the appropriate knowledge, skills, resources and expertise are available within the Group to enable the staff to meet the risk management and control requirements within each of their respective areas of operation.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit and coordinated on an overall basis by the Group's Risk and Compliance function.

(f) Fair values of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following sets out the Group's basis of establishing fair values of financial instruments:
Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances are on floating rates and re-price within 12 months, hence their fair value approximates their carrying amounts.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and balances with Central Banks are measured at amortized cost and their fair value approximates their carrying amount.

4. Financial risk management (Continued)

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

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

	Carrying value		Fair value	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Group				
Financial assets				
Cash and balances with Central Bank of Kenya	25,983,424	27,218,903	25,983,424	27,218,903
Government securities	147,119,743	130,925,571	147,119,743	130,925,571
Deposits and balances due from banking institutions	19,945,900	8,320,531	19,945,900	8,320,531
Loans and advances to customers	208,592,888	199,089,371	208,592,888	199,089,371
Other assets	1,652,877	1,376,772	1,652,877	1,376,772
Equity investment - at fair value through OCI	1,258,198	1,518,389	1,258,198	1,518,389
Total financial assets	**404,553,030**	**368,449,537**	**404,553,030**	**368,449,537**
Financial liabilities				
Customer deposits	298,166,604	280,186,953	298,166,604	280,186,953
Deposits and balances due to banking institutions	29,969,001	22,453,859	29,969,001	22,453,859
Borrowings	19,798,455	11,356,847	19,798,455	11,356,847
Lease liabilities	4,562,255	4,237,765	4,562,255	4,237,765
Other liabilities	3,907,722	2,912,805	3,907,722	2,912,805
Total financial liabilities	**356,404,037**	**321,148,229**	**356,404,037**	**321,148,229**
Bank				
Financial assets				
Cash and balances with Central Bank of Kenya	14,831,865	18,238,378	14,831,865	18,238,378
Government securities	111,118,568	98,180,149	111,118,568	98,180,149
Deposits and balances due from banking institutions	10,667,900	1,557,300	10,667,900	1,557,300
Loans and advances to customers	154,998,068	149,501,314	154,998,068	149,501,314
Other assets	884,987	870,886	884,987	870,886
Equity investment - at fair value through OCI	1,252,570	1,513,048	1,252,570	1,513,048
Total financial assets	**293,753,958**	**269,861,075**	**293,753,958**	**269,861,075**
Financial liabilities				
Customer deposits	207,984,496	199,489,226	207,984,496	199,489,226
Deposits and balances due to banking institutions	27,063,578	21,549,148	27,063,578	21,549,148
Borrowings	18,521,027	9,741,233	18,521,027	9,741,233
Lease liabilities	2,593,221	2,576,389	2,593,221	2,576,389
Other liabilities	1,828,808	1,534,720	1,828,808	1,534,720
Total financial liabilities	**257,991,130**	**234,890,716**	**257,991,130**	**234,890,716**

4. Financial risk management (Continued)

(g) Capital management

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

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

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

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

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

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

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

• Core capital to Total risk weighted assets (TRWA) ratio	10.50%
• Core capital to deposits ratio	8.00%
• Total capital to TRWA ratio	14.50%

The Bank maintains an internally set and Board- approved Board minimum CAR requirement of 1% and 1.5% over and above the CBK prescribed minimum of Core capital/TRWA ratio of 11.50 % and Total capital to TRWA ratio of 16.0% respectively.

As at 31 December 2020, the Bank's capital ratios are above the enhanced minimum capital requirements.

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

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

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

4. Financial risk management (Continued)

(g) Capital management (Continued)

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

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Tier 1 Capital	63,514,008	58,902,870	47,560,614	44,555,022
Tier 1 + Tier 2 Capital	68,858,257	64,562,179	51,542,860	48,907,303
Risk-weighted assets				
On-balance sheet	224,214,639	210,775,677	163,491,044	155,760,003
Off-balance sheet	37,944,013	53,016,742	30,980,404	43,559,679
Operational and market risk	38,082,767	37,901,844	34,894,886	34,533,867
Total risk-weighted assets	**300,241,419**	**301,694,263**	**229,366,334**	**233,853,549**
Basel ratio				
Tier 1 (CBK minimum - 10.5%)	21.2%	19.5%	20.7%	19.1%
Tier I + Tier II (CBK minimum - 14.5%)	22.9%	21.4%	22.5%	20.9%

The capital adequacy ratios for the subsidiaries are summarised below;

	2020	2019
Tier 1		
DTB Tanzania - Bank of Tanzania (BOT) minimum - 12.5%;	18.9%	19.3%
DTB Uganda - Bank of Uganda (BOU) minimum - 12.5%	25.7%	24.7%
DTB Burundi - Banque de la Republique du Burundi minimum - 12.5%	57.7%	56.2%
Tier I + Tier II		
DTB Tanzania (BOT) minimum - 14.5%;	20.9%	22.2%
DTB Uganda - (BOU) minimum -14.5%	26.1%	24.9%
DTB Burundi - Banque de la Republique du Burundi minimum - 14.5%	58.9%	57.0%

	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
5. Interest income				
Loans and advances	18,549,705	19,953,866	13,171,997	14,795,260
Government securities	12,370,928	12,498,862	9,153,948	9,500,476
Placements and bank balances	169,169	398,385	42,888	159,528
	31,089,802	**32,851,113**	**22,368,833**	**24,455,264**
6. Interest expense				
Customer deposits	11,218,577	12,136,834	8,917,281	10,073,158
Deposits due to banking institutions	563,354	635,891	447,530	601,748
	11,781,931	**12,772,725**	**9,364,811**	**10,674,906**
7. Net fee and commission income				
Fee and commission income	3,186,084	3,440,657	1,825,172	1,919,501
Inter-bank transaction fees	(238,964)	(196,491)	(238,964)	(196,491)
Net fees and commissions	**2,947,120**	**3,244,166**	**1,586,208**	**1,723,010**
8. Other operating income				
Rental income	53,997	59,383	53,713	58,999
Commission from insurance business	323,832	303,746	118,620	156,646
(Loss)/gain on sale of property and equipment	(5,618)	(33,277)	5,618	(13,058)
Other	189,925	67,464	594,774	121,050
	562,136	**397,316**	**772,725**	**323,637**
9. Operating expenses				
Operating expenses include:				
Staff costs (Note 10)	4,869,616	4,669,986	2,841,474	2,826,308
Depreciation (Note 22)	1,024,429	997,482	543,081	540,169
Amortisation of software costs (Note 21)	980,133	581,177	848,087	474,520
Depreciation charge on leases (Note 24)	475,960	517,610	194,397	189,934
Auditor's remuneration	29,407	27,092	11,062	11,062
Other expenses	4,964,577	5,108,527	2,372,115	2,655,469
	12,344,122	**11,901,874**	**6,810,216**	**6,697,462**

10. Staff costs

	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
Salaries and allowances	4,145,042	3,922,552	2,485,564	2,453,758
Contribution to defined contribution retirement scheme	177,638	173,822	175,587	171,972
National Social Security Fund contribution	148,250	130,139	2,533	2,592
Others including insurance and training expenses	398,686	443,473	177,790	197,986
	4,869,616	**4,669,986**	**2,841,474**	**2,826,308**

The average number of employees for the Group during the year was 2,223 (2019: 2,269).

11. Income tax expense

	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
(a) Tax charge				
Current income tax	3,676,242	4,447,468	2,461,009	3,643,011
Under provision of income tax in previous year	50,914	692,912	-	689,100
Deferred income tax (Note 25)	(2,581,817)	(1,061,532)	(1,676,824)	(712,824)
Over provision of deferred tax credit in previous year (Note 25)	(5,694)	(84,526)	(5,762)	(54,973)
	1,139,645	**3,994,322**	**778,423**	**3,564,314**

(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 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
Profit before income tax	4,668,271	11,262,914	3,824,363	9,279,305
Tax calculated at the statutory tax rate of 25% (2019-30%)	1,227,361	3,378,875	956,091	2,783,792
Tax effect of:				
Income not subject to tax	(667,469)	(533,456)	(252,125)	(319,219)
Expenses not deductible for tax purposes	813,986	350,867	359,690	309,222
Change in tax rate	(279,453)	-	(279,471)	-
Under provision of current income tax in previous year	50,914	692,912	-	689,100
Over provision of deferred tax credit in previous year	(5,694)	(84,526)	(5,762)	(54,973)
Effect of IFRS 16 adoption	-	189,650	-	156,392
Income tax expense	**1,139,645**	**3,994,322**	**778,423**	**3,564,314**

11. Income tax expense (Continued)

(c) Tax receivable	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
At 1 January	(851,554)	(1,470,570)	(140,488)	(922,872)
Income tax charge	3,676,242	4,447,468	2,461,009	3,643,011
Prior year over provision	50,914	692,912	-	689,100
Tax paid	(4,112,683)	(4,521,364)	(2,878,480)	(3,549,727)
At 31 December	**(1,237,081)**	**(851,554)**	**(557,959)**	**(140,488)**

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 2020	Group 2019	Bank 2020	Bank 2019
Profit attributable to shareholders (Shs thousands)	3,247,534	6,785,603	3,045,940	5,714,991
Weighted average number of ordinary shares in issue (thousands)	279,602	279,602	279,602	279,602
Earnings per share (Shs per share) - basic and diluted	11.61	24.27	10.89	20.44

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2020. There were no potentially dilutive shares outstanding at 31 December 2020.

13. Dividends per share

No dividend in respect of the year ended 31 December 2020 is proposed (2019: Shs 2.70 per share amounting to a total of Shs 754,925,994)

Payment of dividends is subject to withholding tax at a rate of 5% for shareholders who are citizens of East Africa Partner States and 15% for all other shareholders.

14. Classification of financial assets and liabilities

(a) Group

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

31 December 2020	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investment at FVTOCI Shs'000	Amortised cost Shs'000	Total carrying amount Shs'000
Cash and balances with Central Banks	-	-	-	25,983,424	25,983,424
Government securities	-	-	8,738,430	138,381,313	147,119,743
Deposits and balances due from banking institutions	-	-	-	19,945,900	19,945,900
Loans and advances to customers	-	-	-	208,592,888	208,592,888
Equity investment - at fair value through OCI	-	-	1,258,198	-	1,258,198
Other assets	-	-	-	1,652,877	1,652,877
Total financial assets	**-**	**-**	**9,996,628**	**394,556,402**	**404,553,030**
Customer deposits	-	-	-	298,166,604	298,166,604
Deposits and balances due to banking institutions	-	-	-	29,969,001	29,969,001
Other liabilities	-	-	-	3,907,722	3,907,722
Borrowings	-	-	-	19,798,455	19,798,455
Lease liabilities	-	-	-	4,562,255	4,562,255
Total financial Liabilities	**-**	**-**	**-**	**356,404,037**	**356,404,037**
31 December 2019					
Cash and balances with Central Banks	-	-	-	27,218,903	27,218,903
Government securities	-	615,493	11,026,984	119,283,094	130,925,571
Deposits and balances due from banking institutions	-	-	-	8,320,531	8,320,531
Loans and advances to customers	-	-	-	199,089,371	199,089,371
Corporate bond - at amortised cost	-	-	-	18,029	18,029
Equity investment - at fair value through OCI	-	-	1,518,389	-	1,518,389
Other assets	-	-	-	1,376,772	1,376,772
Total financial assets	**-**	**615,493**	**12,545,373**	**355,306,700**	**368,467,566**
Customer deposits	-	-	-	280,186,953	280,186,953
Deposits and balances due to banking institutions	-	-	-	22,453,859	22,453,859
Other liabilities	-	-	-	2,912,805	2,912,805
Borrowings	-	-	-	11,356,847	11,356,847
Lease liabilities	-	-	-	4,237,765	4,237,765
Total financial Liabilities	**-**	**-**	**-**	**321,148,229**	**321,148,229**

14. Classification of financial assets and liabilities

(b) Bank

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

31 December 2020	Mandatorily at FVTPL Shs'000	Designated at FVTPL Shs'000	Investment at FVTOCI Shs'000	Amortised cost Shs'000	Total carrying amount Shs'000
Cash and balances with Central Banks	-	-	-	14,831,865	14,831,865
Government securities	-	-	-	111,118,568	111,118,568
Deposits and balances due from banking institutions	-	-	-	10,667,900	10,667,900
Loans and advances to customers	-	-	-	154,998,068	154,998,068
Investment securities- at fair value through OCI	-	-	1,252,570	-	1,252,570
Other assets	-	-	-	884,987	884,987
Total financial assets	**-**	**-**	**1,252,570**	**292,501,388**	**293,753,958**
Customer deposits	-	-	-	207,984,496	207,984,496
Deposits and balances due to banking institutions	-	-	-	27,063,578	27,063,578
Other liabilities	-	-	-	1,828,808	1,828,808
Borrowings	-	-	-	18,521,027	18,521,027
Lease liabilities	-	-	-	2,593,221	2,593,221
Total financial Liabilities	**-**	**-**	**-**	**257,991,130**	**257,991,130**
31 December 2019					
Cash and balances with Central Banks	-	-	-	18,238,378	18,238,378
Government securities	-	615,493	-	97,564,656	98,180,149
Deposits and balances due from banking institutions	-	-	-	1,557,300	1,557,300
Loans and advances to customers	-	-	-	149,501,314	149,501,314
Equity investment - at fair value through OCI	-	-	1,513,048	-	1,513,048
Other assets	-	-	-	870,886	870,886
Total financial assets	**-**	**615,493**	**1,513,048**	**267,732,534**	**269,861,075**
Customer deposits	-	-	-	199,489,226	199,489,226
Deposits and balances due to banking institutions	-	-	-	21,549,148	21,549,148
Other liabilities	-	-	-	1,534,720	1,534,720
Borrowings	-	-	-	9,741,233	9,741,233
Lease liabilities	-	-	-	2,576,389	2,576,389
Total financial Liabilities	**-**	**-**	**-**	**234,890,716**	**234,890,716**

15. Cash and balances with Central Banks

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	8,059,650	8,193,800	4,880,836	5,233,608
Balances with Central Banks				
-Unrestricted balances	3,462,690	2,752,965	1,245,166	2,701,802
-Restricted balances (Statutory Minimum Reserve)	14,461,084	16,272,138	8,705,863	10,302,968
	25,983,424	**27,218,903**	**14,831,865**	**18,238,378**

Banks are required to maintain a prescribed minimum cash balance with the Central Banks that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 4.25 % (2019: 5.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

16. Government securities

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
-At amortised cost				
Treasury bills	80,913,342	96,928,573	74,787,626	85,807,864
Treasury bonds	57,467,971	22,354,521	36,330,942	11,756,792
	138,381,313	**119,283,094**	**111,118,568**	**97,564,656**
-At fair value through OCI				
Treasury bills	8,738,430	11,026,984	-	-
-At fair value through profit and loss				
Treasury bonds	-	615,493	-	615,493
Total Government securities	**147,119,743**	**130,925,571**	**111,118,568**	**98,180,149**

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

The maturity profile of Government securities is as follows:

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Included in cash and cash equivalents	9,002,466	1,242,895	-	-
Less than 1 year	95,191,850	107,397,697	80,862,061	85,807,863
1-5 years	42,925,427	22,284,979	30,256,507	12,372,286
	147,119,743	**130,925,571**	**111,118,568**	**98,180,149**

17. Deposits and balances due from banking institutions

Due from other banks	19,988,092	8,342,582	10,675,684	1,560,140
Expected credit loss	(42,192)	(22,051)	(7,784)	(2,840)
	19,945,900	**8,320,531**	**10,667,900**	**1,557,300**

All deposits due from banking institutions are due within 1 year.

18. Loans and advances to customers

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Loans and advances	217,670,165	203,039,980	162,037,337	151,923,219
Finance leases	3,445,686	3,297,427	3,445,686	3,297,427
Gross loans and advances	221,115,851	206,337,407	165,483,023	155,220,646
Less: loss allowance				
Stage 3 loss allowance	(9,640,696)	(4,517,413)	(8,348,258)	(3,665,927)
Stage 1&2 loss allowance	(2,882,267)	(2,730,623)	(2,136,697)	(2,053,405)
Net loans and advances	**208,592,888**	**199,089,371**	**154,998,068**	**149,501,314**

Movements in loss allowance on loans and advances are as follows:

	Group		Bank	
	Stage 3 Loss allowance Shs'000	Stage 1&2 Loss allowance Shs'000	Stage 3 Loss allowance Shs'000	Stage 1&2 Loss allowance Shs'000
Year ended 31 December 2019				
At start of year	5,421,312	2,619,578	4,179,635	2,201,661
Loss allowance	2,289,262	267,133	1,313,037	-
Loans written off during the year as uncollectible	(1,791,495)	-	(626,109)	-
Recoveries	(1,403,838)	(157,335)	(1,200,636)	(148,256)
Translation difference	2,172	1,247	-	-
At end of year	**4,517,413**	**2,730,623**	**3,665,927**	**2,053,405**
Year ended 31 December 2020				
At start of year	4,517,413	2,730,623	3,665,927	2,053,405
Loss allowance	7,922,044	100,997	6,205,515	83,292
Loans written off during the year as uncollectible	(1,706,246)	-	(597,248)	-
Recoveries	(1,181,569)	-	(925,936)	-
Translation difference	89,054	50,647	-	-
At end of year	**9,640,696**	**2,882,267**	**8,348,258**	**2,136,697**

	Stage 3 Loss allowance Shs'000	Stage 1&2 Loss allowance Shs'000	Total Shs'000
Charge to statement of profit or loss (Group)			
Year ended 31 December 2019			
Loss allowance	2,289,262	267,133	2,556,395
Recoveries	(1,403,838)	(157,335)	(1,561,173)
Net increase in provision	885,424	109,798	995,222
Amounts recovered previously written off	(298,416)	-	(298,416)
Loans written off through the statement of profit or loss	327,788	-	327,788
Net charge to statement of profit or loss	**914,796**	**109,798**	**1,024,594**

18. Loans and advances to customers (Continued)

Charge to statement of profit or loss (Group) (Continued)

	Stage 3 Loss allowance Shs'000	Stage 1&2 Loss allowance Shs'000	Total Shs'000
Year ended 31 December 2020			
Loss allowance	7,922,044	100,997	8,023,041
Recoveries	(1,181,569)	-	(1,181,569)
Net increase in provision	6,740,475	100,997	6,841,472
Amounts recovered previously written off	(287,618)	-	(287,618)
Loans written off through the statement of profit or loss	482,964	-	482,964
Net charge to statement of profit or loss	**6,935,821**	**100,997**	**7,036,818**

Charge to statement of profit or loss (Bank)			
Year ended 31 December 2019			
Loss allowance	1,313,037	-	1,313,037
Recoveries	(1,200,636)	(148,256)	(1,348,892)
Net increase in provision	112,401	(148,256)	(35,855)
Amounts recovered previously written off	(29,911)	-	(29,911)
Loans written off through the statement of profit or loss	23,509	-	23,509
Net charge/ (credit) to statement of profit or loss	**105,999**	**(148,256)**	**(42,257)**
Year ended 31 December 2020			
Loss allowance	6,205,515	83,292	6,288,807
Recoveries	(925,936)	-	(925,936)
Net increase in provision	5,279,579	83,292	5,362,871
Amounts recovered previously written off	(105,822)	-	(105,822)
Loans written off through statement of profit or loss	35,570	-	35,570
Net charge to statement of profit or loss	**5,209,327**	**83,292**	**5,292,619**

All non performing loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans, net of loss allowance, at 31 December 2020, was Group: Shs 12.6 billion, Bank: Shs 10.9 billion (2019 - Group: Shs 9.1 billion, Bank: Shs 7.1 billion).

18. Loans and advances to customers (Continued)

Charge to statement of profit or loss (Bank)

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

	Group and Bank	
	2020	2019
	Shs'000	Shs'000
Gross investment in finance leases:		
Not later than 1 year	274,247	582,488
Later than 1 year and not later than 5 years	3,515,242	3,211,252
Later than 5 years	159,883	-
	3,949,372	3,793,740
Unearned future finance income on finance leases	(430,389)	(392,251)
Net investment in finance leases	**3,518,983**	**3,401,489**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	248,193	552,475
Later than 1 year and not later than 5 years	3,270,790	2,849,014
Later than 5 years	-	-
Net investment in finance leases	**3,518,983**	**3,401,489**

19. Corporate bond at amortised cost

	Group and Bank	
	2020	2019
	Shs'000	Shs'000
Corporate bond investment in PTA Bank	**-**	**18,029**

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

20. Other assets

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Uncleared effects	737,273	666,009	631,967	583,859
Deposits and prepayments	1,013,533	1,062,850	590,897	562,595
Others	915,604	710,763	253,020	287,027
	2,666,410	**2,439,622**	**1,475,884**	**1,433,481**

21. Intangible assets-software costs

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	1,421,566	1,230,071	1,114,729	982,437
Additions	201,227	682,175	130,640	627,769
Transfer from property and equipment (Note 22)	59,400	89,775	-	(20,957)
Amortisation charge for the year	(980,133)	(581,177)	(848,087)	(474,520)
Translation difference	19,190	722	-	-
At the end of year	**721,250**	**1,421,566**	**397,282**	**1,114,729**
Cost	3,027,425	3,349,837	1,919,380	2,439,390
Accumulated amortisation	(2,306,175)	(1,928,271)	(1,522,098)	(1,324,661)
Net book amount	**721,250**	**1,421,566**	**397,282**	**1,114,729**

NOTES (CONTINUED)

22. Property and equipment

(a) Group

	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 31 December 2019							
Opening net book amount	1,045,973	2,516,785	669,899	40,763	1,699,181	438,073	6,410,674
Translation difference	(1,391)	(3,317)	592	(300)	(1,461)	412	(5,465)
Additions	-	-	14,000	11,343	444,633	300,340	770,316
Transfer from work in progress	-	-	7,067	-	345,581	(352,648)	-
Transfer to intangible assets (Note 21)	-	-	-	-	(1,746)	(88,029)	(89,775)
Write off	-	-	-	-	-	(29,979)	(29,979)
Disposals - cost	-	-	(14,780)	(1,684)	(171,927)	(11,443)	(199,834)
Disposals - accumulated depreciation	-	-	5,597	1,656	164,613	-	171,866
Depreciation charge	(18,724)	(47,647)	(148,032)	(20,237)	(762,842)	-	(997,482)
Closing net book amount	**1,025,858**	**2,465,821**	**534,343**	**31,541**	**1,716,032**	**256,726**	**6,030,321**
At 31 December 2019							
Cost or valuation	1,082,030	2,609,066	1,802,026	195,568	6,166,398	**256,726**	**12,111,814**
Accumulated depreciation	(56,172)	(143,245)	(1,267,683)	(164,027)	(4,450,366)	-	**(6,081,493)**
Net book amount	**1,025,858**	**2,465,821**	**534,343**	**31,541**	**1,716,032**	**256,726**	**6,030,321**
At 31 December 2019							
Cost	430,929	2,025,402	1,802,026	195,568	6,166,398	**256,726**	**10,877,049**
Revaluation surplus	651,101	583,664	-	-	-	-	**1,234,765**
Cost or valuation	**1,082,030**	**2,609,066**	**1,802,026**	**195,568**	**6,166,398**	**256,726**	**12,111,814**

22. Property and equipment (Continued)

(a) Group (Continued)

	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 31 December 2020							
Opening net book amount	1,025,858	2,465,821	534,343	31,541	1,716,032	256,726	6,030,321
Translation difference	1,174	11,567	25,120	1,813	44,091	4,550	88,315
Additions	-	3,890	24,868	28,153	605,212	757,890	1,420,013
Transfer from work in progress	-	-	14,477	-	106,228	(120,705)	-
Transfer to intangible assets (Note 21)	-	-	-	-	-	(59,400)	(59,400)
Write off	-	-	-	-	(123)	-	(123)
Disposals - cost	-	-	(33,690)	(15,942)	(75,843)	-	(125,475)
Disposals - accumulated depreciation	-	-	19,332	15,942	72,434	-	107,708
Depreciation charge	(18,724)	(48,082)	(135,624)	(20,322)	(801,677)	-	(1,024,429)
Closing net book amount	**1,008,308**	**2,433,196**	**448,826**	**41,185**	**1,666,354**	**839,061**	**6,436,930**
At 31 December 2020							
Cost or valuation	1,083,204	2,624,523	1,864,619	218,536	6,888,243	839,061	13,518,186
Accumulated depreciation	(74,896)	(191,327)	(1,415,793)	(177,351)	(5,221,889)	-	(7,081,256)
Net book amount	**1,008,308**	**2,433,196**	**448,826**	**41,185**	**1,666,354**	**839,061**	**6,436,930**
At 31 December 2020							
Cost	432,103	2,040,859	1,864,619	218,536	6,888,243	839,061	12,283,421
Revaluation surplus	651,101	583,664	-	-	-	-	1,234,765
Cost or valuation	**1,083,204**	**2,624,523**	**1,864,619**	**218,536**	**6,888,243**	**839,061**	**13,518,186**

NOTES (CONTINUED)

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 2019							
Opening net book amount	1,022,751	2,320,159	229,780	3,009	858,710	325,234	4,759,643
Additions	-	-	836	-	220,964	173,443	395,243
Transfers from work in progress	-	-	-	-	299,206	(299,206)	-
Transfers to intangible assets (Note 21)	-	-	-	-	(1,746)	22,703	20,957
Write off	-	-	-	-	-	(29,979)	(29,979)
Disposals - cost	-	-	(231)	-	(159,816)	-	(160,047)
Disposals - accumulated depreciation	-	-	231	-	156,904	-	157,135
Depreciation charge	(18,724)	(36,348)	(65,977)	(2,838)	(416,282)	-	(540,169)
Closing net book amount	**1,004,027**	**2,283,811**	**164,639**	**171**	**957,940**	**192,195**	**4,602,783**
At 31 December 2019							
Cost or valuation	1,060,199	2,392,820	758,407	100,687	3,665,532	192,195	8,169,840
Accumulated depreciation	(56,172)	(109,009)	(593,768)	(100,516)	(2,707,592)	-	(3,567,057)
Net book amount	**1,004,027**	**2,283,811**	**164,639**	**171**	**957,940**	**192,195**	**4,602,783**
At 31 December 2019							
Cost	430,251	1,914,417	758,407	100,687	3,665,532	192,195	7,061,489
Revaluation surplus	629,948	478,403	-	-	-	-	1,108,351
Cost or valuation	**1,060,199**	**2,392,820**	**758,407**	**100,687**	**3,665,532**	**192,195**	**8,169,840**

22. Property and equipment (Continued)

(b) Bank (Continued)

	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 31 December 2020							
Opening net book amount	1,004,027	2,283,811	164,639	171	957,940	192,195	4,602,783
Additions	-	-	2,733	21,813	117,388	87,945	229,879
Transfers from work in progress	-	-	5,237	-	102,221	(107,458)	-
Write off	-	-	-	-	(123)	-	(123)
Disposals - cost	-	-	-	(15,733)	(21,047)	-	(36,780)
Disposals - accumulated depreciation	-	-	-	15,733	20,475	-	36,208
Depreciation charge	(18,724)	(36,348)	(58,905)	(4,260)	(424,844)	-	(543,081)
Closing net book amount	**985,303**	**2,247,463**	**113,704**	**17,724**	**752,010**	**172,682**	**4,288,886**
At 31 December 2020							
Cost or valuation	1,060,199	2,392,820	762,565	106,765	3,841,332	172,682	8,336,363
Accumulated depreciation	(74,896)	(145,357)	(648,861)	(89,041)	(3,089,322)	-	(4,047,477)
Net book amount	**985,303**	**2,247,463**	**113,704**	**17,724**	**752,010**	**172,682**	**4,288,886**
At 31 December 2020							
Cost	430,251	1,914,417	762,565	106,765	3,841,332	172,682	7,228,012
Revaluation surplus	629,948	478,403	-	-	-	-	1,108,351
Cost or valuation	**1,060,199**	**2,392,820**	**762,565**	**106,765**	**3,841,332**	**172,682**	**8,336,363**

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 buildings 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		
	Land	Building	Total	Land	Building	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2020						
Cost	432,103	2,040,859	2,472,962	430,251	1,914,417	2,344,668
Accumulated depreciation	(51,870)	(244,985)	(296,855)	(50,701)	(225,598)	(276,299)
Net book amount	**380,233**	**1,795,874**	**2,176,107**	**379,550**	**1,688,819**	**2,068,369**
At 31 December 2019						
Cost	430,929	2,025,402	2,456,331	430,251	1,914,417	2,344,668
Accumulated depreciation	(45,874)	(215,609)	(261,483)	(44,520)	(198,092)	(242,612)
Net book amount	**385,055**	**1,809,793**	**2,194,848**	**385,731**	**1,716,325**	**2,102,056**

23. Intangible assets - goodwill

	Group	
	2020	2019
	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. Leases

Leases as lessee (IFRS 16)

The Group leases a number of branch and office premises. The leases typically run for a period of 6 to 10 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

24. Leases

Leases as lessee (IFRS 16)

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

i) Right-of-use assets

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

	2020			2019		
	Equipment Shs'000	Building Shs'000	Total Shs'000	Equipment Shs'000	Building Shs'000	Total Shs'000
Group						
Balance at 1 January	98,373	3,331,927	3,430,300	117,693	3,541,321	3,659,014
Modifications/ additions	75,695	512,867	588,562	18,774	270,944	289,718
Depreciation charge for the year	(90,800)	(385,160)	(475,960)	(38,027)	(479,583)	(517,610)
Translation difference	-	98,085	98,085	(67)	(755)	(822)
	83,268	**3,557,719**	**3,640,987**	**98,373**	**3,331,927**	**3,430,300**
Bank						
Balance at 1 January	-	1,919,046	1,919,046	-	1,920,448	1,920,448
Modifications/ additions	-	143,089	143,089	-	188,532	188,532
Depreciation charge for the year	-	(194,397)	(194,397)	-	(189,934)	(189,934)
	-	**1,867,738**	**1,867,738**	**-**	**1,919,046**	**1,919,046**

ii) Lease liability

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Expected to be settled within 12 months after the year end	540,523	442,583	392,603	367,947
Expected to be settled more than 12 months after the year end	4,021,732	3,795,182	2,200,618	2,208,442
	4,562,255	**4,237,765**	**2,593,221**	**2,576,389**
The total cash outflow for leases in the year was:				
Payments of principal portion of the lease liability	403,469	393,934	75,419	53,899
Interest paid on lease liabilities	362,897	425,458	292,467	287,016
	766,366	**819,392**	**367,886**	**340,915**

Lease liability movement

	Group		Bank	
	2020 Shs'000	2019 Shs'000	2020 Shs'000	2019 Shs'000
Balance at 1 January	4,237,765	4,341,281	2,576,389	2,441,756
Modifications/ additions	523,422	289,718	92,251	188,532
Interest expense	449,889	425,458	292,467	287,016
Lease payments	(766,366)	(819,392)	(367,886)	(340,915)
Translation difference	117,545	700	-	-
	4,562,255	**4,237,765**	**2,593,221**	**2,576,389**

24. Leases (Continued)

Leases as lessee (IFRS 16) (Continued)

iii) Amounts recognised in profit or loss

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liabilities	(449,889)	(425,458)	(292,467)	(287,016)
Depreciation of right of use asset	(475,960)	(517,610)	(194,397)	(189,934)
Expenses relating to short-term leases	-	(21,044)	-	(21,044)
Total	**(925,849)**	**(964,112)**	**(486,864)**	**(497,994)**

iv) Extension options

Some leases of office premises contain extension options exercisable by the Group up to one term after the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

25. 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% (2019: 30%). The movement on the deferred tax account is as follows:

Deferred tax asset	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	4,726,025	3,379,287	3,297,177	2,372,988
Charged through the statement of profit or loss (Note 11)	2,581,817	1,061,532	1,676,824	712,824
Charged through other comprehensive income	(13,663)	1,313	-	-
Understatement of deferred tax in previous year	5,694	84,526	5,762	54,973
Day 1 Adjustment for IFRS 16	-	189,650	-	156,392
Translation difference	(130,924)	9,717	-	-
At end of the year	**7,168,949**	**4,726,025**	**4,979,763**	**3,297,177**

25. 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 2019	1.1.2019	IFRS 16 day 1 adjustment	Prior year under statement/ translation	Charged though OCI	Charged to the statement of profit or loss	31.12.2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities						
Unrealised foreign exchange gain	3,920	-	(22)	-	(4,290)	(392)
	3,920	**-**	**(22)**	**-**	**(4,290)**	**(392)**
Deferred income tax assets						
Property and equipment	327,831	-	54,995	-	90,143	472,969
Revaluation surplus	(23,546)	-	-	-	(8,440)	(31,986)
Loan loss allowance	2,403,078	-	39,345	-	(185,593)	2,256,830
Other provisions	84,687	-	-	-	(83,361)	1,326
Tax losses	592,619	-	-	-	388,246	980,865
Fair value changes in Government securities	(9,302)	-	(75)	1,313	-	(8,064)
IFRS 16	-	189,650	-	-	26,983	216,633
Interest Payable	-	-	-	-	837,844	837,844
	3,375,367	**189,650**	**94,265**	**1,313**	**1,065,822**	**4,726,417**
Net deferred income tax asset	**3,379,287**	**189,650**	**94,243**	**1,313**	**1,061,532**	**4,726,025**

25. Deferred income tax (Continued)

Group (Continued)

Year ended 31 December 2020	1.1.2020	Prior year under statement/ translation	Charged through OCI	Charged to the statement of profit or loss	31.12.2020
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities					
Unrealised foreign exchange gain	(392)	-	-	(31,333)	(31,725)
	(392)	**-**	**-**	**(31,333)**	**(31,725)**
Deferred income tax assets					
Property and equipment	472,969	-	-	247,506	720,475
Revaluation surplus	(31,986)	-	-	10,754	(21,232)
Loan loss allowance	2,256,830	(125,230)	-	1,782,228	3,913,828
Other provisions	1,326	-	-	39,546	40,872
Tax losses	980,865	-	-	560,743	1,541,608
Fair value changes in Government securities	(8,064)	-	(13,663)	-	(21,727)
IFRS 16	216,633	-	-	31,687	248,320
Interest Payable	837,844	-	-	(59,314)	778,530
	4,726,417	**(125,230)**	**(13,663)**	**2,613,150**	**7,200,674**
Net deferred income tax asset	**4,726,025**	**(125,230)**	**(13,663)**	**2,581,817**	**7,168,949**

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

Year of origin	Tax loss amount	Tax credit recognised
	Shs'000	Shs'000
2016	75,896	22,769
2017	902,002	270,601
2018	1,173,975	352,192
2019	1,380,099	414,030
2020	1,606,721	482,016
Total	**5,138,693**	**1,541,608**

Bank

Year ended 31 December 2019	1.1.2019	IFRS 16 day 1 adjustment	Prior year under statement	Charged to profit or loss	31.12.2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax assets/(liabilities)					
Property and equipment	312,341	-	54,995	101,724	469,060
Lease under IFRS 16	-	156,392	-	40,811	197,203
Loan loss allowance	1,975,672	-	-	(181,533)	1,794,139
Interest payable	-	-	-	837,844	837,844
Other provisions	84,975	-	-	(83,649)	1,326
Unrealised foreign exchange gain	-	-	(22)	(2,373)	(2,395)
Net deferred tax asset	**2,372,988**	**156,392**	**54,973**	**712,824**	**3,297,177**

25. Deferred income tax

Bank (Continued)

Year ended 31 December 2020	1.1.2020	Prior year under statement	Charged to profit or loss	31.12.2020
	Shs'000	Shs'000	Shs'000	Shs'000
Deferred income tax assets/(liabilities)				
Property and equipment	469,060	-	260,873	729,933
Lease under IFRS 16	197,203	-	20,442	217,645
Loan loss allowance	1,794,139	5,762	1,446,137	3,246,038
Interest payable	837,844	-	(59,314)	778,530
Other provisions	1,326	-	4,127	5,453
Unrealised foreign exchange gain	(2,395)	-	(30,860)	(33,255)
Loss on modified assets	-	-	35,419	35,419
Net deferred tax asset	**3,297,177**	**5,762**	**1,676,824**	**4,979,763**

26. Investments securities- at fair value through OCI

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Kenya Airways	1,202,570	1,463,048	1,202,570	1,463,048
Kenya Mortgage Refinancing Company (KMRC)	50,000	50,000	50,000	50,000
BI-Switch S.M- Investment	5,628	5,341	-	-
	1,258,198	**1,518,389**	**1,252,570**	**1,513,048**
The movement of the balance is set out below:				
Balance at the beginning of the year	1,518,389	1,797,617	1,513,048	1,797,617
Additions	-	55,341	-	50,000
Fair value loss though OCI	(260,478)	(334,569)	(260,478)	(334,569)
Translation	287	-	-	-
Balance at year end	**1,258,198**	**1,518,389**	**1,252,570**	**1,513,048**

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

27. Investments in subsidiaries and associates

(a) Investment at cost

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

	Beneficial Ownership		Group		Bank	
			2020	2019	2020	2019
			Shs'000	Shs'000	Shs'000	Shs'000
Subsidiaries	**2020**	**2019**				
Diamond Trust Bank Tanzania Limited	65.68%	65.68%	-	-	2,058,576	2,058,576
Diamond Trust Bank Uganda Limited	67.18%	67.18%	-	-	3,026,081	3,026,081
Diamond Trust Bank Burundi S.A.	83.67%	83.67%	-	-	636,907	636,907
Diamond Trust Insurance Agency Limited	100%	100%	-	-	2,000	2,000
Premier Savings and Finance Limited	100%	100%	-	-	29,137	29,137
					5,752,701	5,752,701
Associates						
Services and Systems Limited	40%	40%	1	1	1	1
Jubilee Insurance Company of Burundi Limited	20%	20%	4,053	4,053	-	-
Jubilee Life Insurance Company of Burundi Limited	20%	20%	2,026	2,026	-	-
Total investments in subsidiaries and associates			**6,080**	**6,080**	**5,752,702**	**5,752,702**

Premier Savings and Finance Limited and Services and Systems Limited, which are incorporated in Kenya, are dormant. All subsidiaries undertakings are included in the consolidation.

(b) Equity accounting - investment in associates

The movement in the investment in associates, Jubilee Insurance Company of Burundi Limited and Jubilee Life Insurance Company of Burundi Limited, using equity method of accounting, is shown below:

	Group	
	2020	2019
	Shs'000	Shs'000
At start of year	66,632	63,933
Share of results after tax	38,687	6,530
Translation	3,583	(3,831)
At end of year	**108,902**	**66,632**

(c) Noncontrolling interests

The total non-controlling interest at 31 December 2020 is Shs 6,343,544,000 (2019: Shs 5,664,503,000), of which Shs. 3,167,526,000 is for Diamond Trust Bank Tanzania Limited, Shs.2,956,855,000 for Diamond Trust Bank Uganda Limited and Shs.219,164,000 is attributable to Diamond Trust Bank Burundi SA.

(d) Significant restrictions

There are no restrictions on the Group's ability to access or use assets and settle liabilities in the countries the Group operates in.

27. Investments in subsidiaries and associates (Continued)

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

Summarised balance sheet	Diamond Trust Bank Tanzania Limited		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi SA	
	2020	2019	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets	63,106,751	55,074,445	52,877,828	47,395,502	3,720,238	3,499,802
Liabilities	53,877,361	46,664,653	43,867,695	39,517,259	2,378,146	2,318,781
Shareholders funds	9,229,390	8,409,792	9,010,133	7,878,243	1,342,092	1,181,021
Total liabilities and equity	63,106,751	55,074,445	52,877,828	47,395,502	3,720,238	3,499,802
Summarised statement of profit or loss						
Total operating income	4,268,944	4,543,468	4,094,906	3,635,904	297,270	292,617
Profit before tax	664,356	1,159,014	436,948	582,501	104,571	143,152
Income tax expense	(327,020)	(327,873)	11,935	(49,353)	5,703	(3,667)
Profit for the year	337,336	831,141	448,883	533,148	110,274	139,485
Total profit allocated to non-controlling interests	115,774	285,248	147,310	174,963	18,008	22,778
Dividends paid to non-controlling interests	38,136	38,294	-	-	-	-

NOTES (CONTINUED)

27. Investments in subsidiaries and associates (Continued)

Summarised Statement of cash flows	Diamond Trust Bank Tanzania Limited		Diamond Trust Bank Uganda Limited		Diamond Trust Bank Burundi SA	
	2020	2019	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash generated from operations	4,693,379	(1,082,317)	6,442,140	(971,675)	899,513	(144,659)
Net cash used in investing activities	(1,074,946)	(159,956)	(145,258)	(221,933)	(32,504)	(24,315)
Net cash generated from financing activities	(792,928)	(680,163)	(340,925)	(2,762,007)	(16,918)	(641)
Net increase in cash and cash equivalents	2,825,505	(1,922,436)	5,955,957	(3,955,615)	850,091	(169,615)
Cash and cash equivalents at start of year	4,639,384	6,771,966	6,181,812	10,683,531	(708,426)	(448,969)
Exchange differences in cash and cash equivalents	584,255	(210,146)	397,062	(546,104)	45,742	(89,842)
Cash and cash equivalents at end of year	**8,049,144**	**4,639,384**	**12,534,831**	**6,181,812**	**187,407**	**(708,426)**

28. Customer deposits

	Group 2020 Shs'000	Group 2019 Shs'000	Bank 2020 Shs'000	Bank 2019 Shs'000
Current and demand deposits	99,261,931	92,619,590	63,393,518	60,722,505
Savings accounts	38,976,562	35,486,962	19,166,145	18,205,172
Fixed and call deposit accounts	159,928,111	152,080,401	125,424,833	120,561,549
	298,166,604	**280,186,953**	**207,984,496**	**199,489,226**

29. Deposits and balances due to banking institutions

Deposits due to banking institutions	28,085,186	21,372,113	26,727,725	21,031,334
Current account balances due to banking institutions	1,883,815	1,081,746	335,853	517,814
	29,969,001	**22,453,859**	**27,063,578**	**21,549,148**

30. Other liabilities

Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	285,554	373,170	245,715	346,727
Accrued expenses	568,209	525,205	127,394	121,498
Revenue collected on behalf of Revenue Authorities	739,713	798,653	-	-
Unearned income on funded and non funded income	313,807	392,294	144,083	184,183
Refundable deposits	22,058	174,318	22,058	174,318
Other payables	2,314,246	1,215,777	1,376,139	986,935
	4,243,587	**3,479,417**	**1,994,949**	**1,893,221**

31. Borrowings

a. Subordinated debt

i. International Finance Corporation (IFC)

At start of year	2,458,877	4,331,616	2,148,821	3,271,661
Net movement in interest	139,937	227,722	106,406	211,012
Paid during the year	(1,395,611)	(2,064,666)	(1,160,647)	(1,318,912)
Translation difference	158,220	(35,795)	156,218	(14,940)
	1,361,423	**2,458,877**	**1,250,798**	**2,148,821**

31. Borrowings (Continued)

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
ii. Deutsche Investitions- und Entwicklungsgesellschaft (DEG)				
At start of year	779,455	1,375,168	-	-
Net movement in interest	42,874	40,138	-	-
Paid during the year	(215,067)	(596,809)	-	-
Translation difference	59,196	(39,042)	-	-
	666,458	**779,455**	**-**	**-**
iii. African Development Bank (AfDB)				
At start of year	2,608,500	2,591,356	2,608,500	2,591,356
Net movement in interest	160,558	189,233	160,558	189,233
Paid during the year	(178,896)	(157,374)	(178,896)	(157,374)
Translation difference	197,835	(14,715)	197,835	(14,715)
	2,787,997	**2,608,500**	**2,787,997**	**2,608,500**
Total - Subordinated debt	**4,815,878**	**5,846,832**	**4,038,795**	**4,757,321**
b. Senior loan				
i. International Finance Corporation (IFC)				
At start of year	-	-	-	-
Additions during the year	5,067,500	-	5,067,500	-
Accrued interest	40,133	-	40,133	-
Paid during the year	-	-	-	-
Translation difference	392,146	-	392,146	-
	5,499,779	**-**	**5,499,779**	**-**
ii. Deutsche Investitions- und Entwicklungsgesellschaft (DEG)				
At start of year	2,066,400	2,832,471	2,066,400	1,561,771
Additions during the year	1,013,500	1,019,500	1,013,500	1,019,500
Accrued interest	102,438	77,804	102,438	96,653
Paid during the year	(842,813)	(1,869,144)	(842,813)	(597,256)
Translation difference	203,985	5,769	203,985	(14,268)
	2,543,510	**2,066,400**	**2,543,510**	**2,066,400**

31. Borrowings (Continued)

b. Senior loan (Continued)

		Group		Bank	
		2020	2019	2020	2019
		Shs'000	Shs'000	Shs'000	Shs'000
iii.	**African Development Bank (AfDB)**				
	At start of year	1,037,369	-	1,037,369	-
	Additions during the year	4,054,000	1,019,500	4,054,000	1,019,500
	Accrued interest	158,763	41,195	158,763	41,195
	Paid during the year	(555,524)	(17,197)	(555,524)	(17,197)
	Translation difference	387,328	(6,129)	387,328	(6,129)
		5,081,936	**1,037,369**	**5,081,936**	**1,037,369**
iv	**Societe de Promotion et de Participation pour la Cooperation Economique S.A (PROPARCO)**				
	At start of year	1,396,978	1,970,154	1,396,978	1,970,154
	Accrued interest	51,896	94,555	51,896	94,555
	Paid during the year	(620,328)	(662,386)	(620,328)	(662,386)
	Translation difference	71,232	(5,345)	71,232	(5,345)
		899,778	**1,396,978**	**899,778**	**1,396,978**
v.	**Agence Francaise Development (AFD)**				
	At start of year	998,485	1,047,856	483,165	515,253
	Accrued interest	11,176	19,968	13,133	20,801
	Paid during the year	(116,440)	(50,650)	(74,928)	(50,650)
	Translation difference	56,587	(18,689)	35,859	(2,239)
		949,808	**998,485**	**457,229**	**483,165**
	Total - Senior loans	**14,974,811**	**5,499,232**	**14,482,232**	**4,983,912**
c.	**Trade Finance**				
ii.	**Standard Chartered Bank London**				
	At start of year	-	531,111	-	531,111
	Additions during the year	-	-		
	Accrued interest	-	805	-	805
	Paid during the year	-	(530,457)	-	(530,457)
	Translation difference	-	(1,459)	-	(1,459)
	Total - Trade finance	-	-	-	-
d.	**Administered funds**				
	Bank of Uganda	7,766	10,783	-	-
	Total - Borrowings	**19,798,455**	**11,356,847**	**18,521,027**	**9,741,233**

31. Borrowings (Continued)

Description of Borrowings

(i) Subordinated debts

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited has two long-term subordinated debt facilities amounting to US$ 36 million (2019: US$ 46 million) raised from the International Finance Corporation (IFC) and the African Development Bank.

These facilities comprise of:

- US$ 20 million unsecured facility issued in March 2015, with a tenure of 8 years. Outstanding balance as at 31 December 2020 was US$11 million.
- US$ 25 million unsecured facility from AFDB issued in October 2018, with a tenure of 8 years. Outstanding balance as at 31 December 2020 was US $25 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. The outstanding balance on this facility as at 31 December 2020 was US$ 3 million. The bank also received an additional 7 year subordinated debt facility of US$ 7.5 million from DEG in September 2014. The outstanding balance on this facility as at 31 December 2020 was US$ 6 million.

(ii) Senior loans

Diamond Trust Bank Kenya Limited

The bank has a 7 year loan from Proparco, 11 year loan from Agence Française de Dévelopement (AFD), a 7 year loan from Deutsche Investitions- und Entwicklungsgesellschaft (DEG), a 8 year loan from AFDB and a new US$ 50 million 1 year COVID-19 working capital solutions facility from IFC drawn in September 2020. The bank had the following further draw downs in the year: US$ 40 million from AFDB facility in July 2020 and US$ 10 million from DEG facility in April 2020 The total exposure at year end was US$ 132.7 million (2019 US$ 48.4 million)

Diamond Trust Bank Uganda Limited

On 11 May 2017, the Bank received USD 5 million from AFD (Agence Française De Dévelopement) for 11.2 years at an interest rate referenced to the six months libor rate. Outstanding balance as at 31 December 2020 was US$4.5 million.

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 matured in January 2019. 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 2020, the outstanding amount from the draw down was Shs 7.8 million (2019 - Shs 10.8 million). This loan is for a period of 7 years at zero interest rate.

31. Borrowings (Continued)

(e) Finance costs

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Interest on lease liability (Note 24)	449,889	425,458	292,467	287,016
Subordinated debts	322,529	555,521	268,865	440,258
Senior loans	390,261	293,948	372,259	212,009
Trade finance borrowings	55,100	805	55,100	805
Amortised appraisal fees	10,599	91,685	10,599	91,685
	1,228,378	**1,367,417**	**999,290**	**1,031,773**

32. Share capital and reserves

Share capital and Share premium

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000	Total Shs'000
1 January and 31 December 2019	279,602	1,118,409	9,006,569	10,124,978
1 January and 31 December 2020	279,602	1,118,409	9,006,569	10,124,978

The total authorised number of ordinary shares is 300,000,000 (2019: 300,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2020 are 279,602,220 (2019: 279,602,220) and are fully paid.

The ordinary shares rank equally with regard to residual assets. The holders of ordinary shares are entitled to receive dividends from time to time and are entitled to one vote per share at annual and general meetings of the company.

33. Other reserves

Group

	Notes	Revaluation surplus	Fair value reserve on government securities	Translation reserve	Other reserves	Total
Year ended 31 December 2019		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year		1,421,206	11,288	(1,186,004)	(402,785)	(156,295)
Excess depreciation		(33,019)	-	-	-	(33,019)
Deferred tax on transfer of excess depreciation		2,303	-	-	-	2,303
Net loss from changes in fair value of Treasury bills		-	(4,368)	-	-	(4,368)
Income tax relating to OCI		-	1,313	-	-	1,313
Translation adjustment	(i)	-	-	(78,507)	-	(78,507)
Legal and public investment reserve	(ii)	-	-	-	28,061	28,061
Net loss from changes in fair value of Equity Investments		-	(334,569)	-	-	(334,569)
At end of year		**1,390,490**	**(326,336)**	**(1,264,511)**	**(374,724)**	**(575,081)**

33. Other reserves (Continued)

Group (Continued)

Year ended 31 December 2020	Notes	Revaluation surplus Shs'000	Fair value reserve on government securities Shs'000	Translation reserve Shs'000	Other reserves Shs'000	Total Shs'000
At start of year		1,390,490	(326,336)	(1,264,511)	(374,724)	(575,081)
Excess depreciation		(37,678)	-	-	-	(37,678)
Deferred tax on transfer of excess depreciation		3,701	-	-	-	3,701
Net loss from changes in fair value of Treasury bills		-	43,767	-	-	43,767
Income tax relating to OCI		-	(13,663)	-	-	(13,663)
Translation adjustment	(i)	-	-	857,512	-	857,512
Legal and public investment reserve	(ii)	-	-	-	35,251	35,251
Net loss from changes in fair value of Equity Investments		-	(260,478)	-	-	(260,478)
At end of year		**1,356,513**	**(556,710)**	**(406,999)**	**(339,473)**	**53,331**

(i) These differences arise on translation of the financial statements of the foreign subsidiaries at the end of period exchange rates.

(ii) The prudential guidelines in Burundi require banks to set aside 5% of their previous year's retained earnings in a reserve that is not distributable to shareholders (legal reserve). Further the law requires all Financial Institutions to set aside a reserve equivalent to 30% of the Bank's profit after tax as investment reserve intended to finance the public infrastructure of large scale after ten years .

Bank

Other reserve Year ended 31 December 2019	Revaluation surplus Shs'000	Fair value reserve on equity investment Shs'000	Total Shs'000
At start of year	1,328,408	-	1,328,408
Fair value changes on valuation of Equity investments	-	(334,569)	(334,569)
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	1,520	-	1,520
At end of year	**1,299,520**	**(334,569)**	**964,951**
Year ended 31 December 2020			
At start of year	1,299,520	(334,569)	964,951
Fair value changes on valuation of Equity investments	-	(260,478)	(260,478)
Transfer of excess depreciation	(30,408)	-	(30,408)
Deferred tax on transfer of excess depreciation	1,520	-	1,520
	1,270,632	**(595,047)**	**675,585**

Other reserves represent surplus on the revaluation of leasehold land and buildings net of income tax and the fair value changes on equity investment at fair value through OCI. The reserves are non distributable.

33. Other Reserves (Continued)

(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 (IFRSs), the excess is recognised as a statutory reserve and accounted for as an appropriation from revenue reserves. The reserve is not available for distribution to the shareholders.

(e) Proposed dividend

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

34. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the Group conducts business involving acceptances, guarantees, performance bonds and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties.

	Group		Bank	
	2020	2019	2020	2019
Contingent liabilities	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Acceptances and letters of credit	13,680,157	23,519,780	10,581,811	20,563,478
Guarantees and performance bonds	28,997,754	30,278,439	25,340,555	26,209,571
	42,677,911	**53,798,219**	**35,922,366**	**46,773,049**

Nature of contingent liabilities

An acceptance is an undertaking by a Group to pay a bill of exchange drawn on a customer. The Group expects the acceptances to be presented and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The Group will only be required to meet these obligations in the event of the customers default.

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

Commitments	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn credit lines and other commitments to lend	11,246,998	8,377,470	7,016,663	4,161,829
Foreign exchange forward contracts	18,031,594	13,527,097	16,096,737	10,992,930
Foreign exchange spot transactions	2,128,433	3,136,843	786,396	1,937,652
Capital commitments	347,079	102,077	136,934	14,597
	31,754,104	**25,143,487**	**24,036,730**	**17,107,008**

Nature of commitments

Commitments to lend are agreements to lend to customers in future subject to certain conditions. Such commitments are normally made for a fixed period.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

35. Business segments information

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board for the purposes of resource allocation and assessment of segment performance is focused on geographical regions. Although the Burundi segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the Board.

The reportable operating segments derive their revenue primarily from banking services including current, savings and deposits accounts, credit cards, asset finance, money transmission, treasury and commercial lending. The parent Bank also operates a fully owned 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. The following is the segment information:

35. Business segments information (Continued)

a) Financial summary

At 31 December 2020	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	22,368,833	4,272,710	4,108,801	339,458	31,089,802	-	31,089,802
Other income from external customers	3,664,921	1,125,807	1,019,924	24,147	5,834,799	-	5,834,799
Total income from external customers	26,033,754	5,398,517	5,128,725	363,605	36,924,601	-	36,924,601
Share of results of associate after tax	-	-	-	38,687	38,687	-	38,687
(Loss)/gain on modified assets	(118,064)	-	214,296	-	96,232	-	96,232
Inter-segment income	596,403	297	20,656	42	617,398	(617,398)	-
Total income	**26,512,093**	**5,398,814**	**5,363,677**	**402,334**	**37,676,918**	**(617,398)**	**37,059,520**
Interest expense from external customers	(9,316,913)	(1,129,870)	(1,268,771)	(66,377)	(11,781,931)	-	(11,781,931)
Other expenses – external	(5,431,973)	(2,428,647)	(2,319,078)	(159,862)	(10,339,560)	-	(10,339,560)
Inter-segment expenses	(47,898)	-	-	-	(47,898)	47,898	-
Finance costs	(999,290)	(140,752)	(80,463)	(7,873)	(1,228,378)	-	(1,228,378)
Depreciation and amortisation	(1,391,504)	(269,411)	(315,477)	(28,170)	(2,004,562)	-	(2,004,562)
Impairment losses	(5,292,619)	(765,778)	(942,940)	(35,481)	(7,036,818)	-	(7,036,818)
Total expenses	**(22,480,197)**	**(4,734,458)**	**(4,926,729)**	**(297,763)**	**(32,439,147)**	**47,898**	**(32,391,249)**
Segment profit before tax	**4,031,896**	**664,356**	**436,948**	**104,571**	**5,237,771**	**(569,500)**	**4,668,271**
Income tax expense	(830,263)	(327,020)	11,935	5,703	(1,139,645)	-	(1,139,645)
Segment profit after tax	**3,201,633**	**337,336**	**448,883**	**110,274**	**4,098,126**	**(569,500)**	**3,528,626**
Segment assets	**312,491,650**	**63,106,751**	**52,877,828**	**3,720,238**	**432,196,467**	**(7,142,433)**	**425,054,034**
Segment liabilities	**258,179,803**	**53,877,361**	**43,867,695**	**2,378,146**	**358,303,005**	**(1,563,103)**	**356,739,902**

35. Business segments information (Continued)

a) Financial summary (Continued)

At 31 December 2019	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	24,455,264	4,368,031	3,721,961	305,857	32,851,113	-	32,851,113
Other income from external customers	3,255,978	1,213,209	967,274	35,420	5,471,881	-	5,471,881
Total income from external customers	27,711,242	5,581,240	4,689,235	341,277	38,322,994	-	38,322,994
Share of results of associate after tax	-	-	-	6,530	6,530	-	6,530
Inter-segment income	41,944	17	33,196	-	75,157	(75,157)	-
Total income	**27,753,186**	**5,581,257**	**4,722,431**	**347,807**	**38,404,681**	**(75,157)**	**38,329,524**
Interest expense from external customers	(10,599,749)	(1,037,789)	(1,086,527)	(48,660)	(12,772,725)	-	(12,772,725)
Other expenses – external	(5,695,726)	(2,298,979)	(2,177,601)	(150,909)	(10,323,215)	-	(10,323,215)
Inter-segment expenses	(75,157)	-	-	-	(75,157)	75,157	-
Finance costs	(1,031,773)	(171,298)	(159,445)	(4,901)	(1,367,417)	-	(1,367,417)
Depreciation and amortisation	(1,014,791)	(243,119)	(297,249)	(23,500)	(1,578,659)	-	(1,578,659)
Impairment losses	42,257	(671,058)	(419,108)	23,315	(1,024,594)	-	(1,024,594)
Total expenses	**(18,374,939)**	**(4,422,243)**	**(4,139,930)**	**(204,655)**	**(27,141,767)**	**75,157**	**(27,066,610)**
Segment profit before tax	**9,378,247**	**1,159,014**	**582,501**	**143,152**	**8,876,654**	**-**	**11,262,914**
Income tax expense	(3,613,429)	(327,873)	(49,353)	(3,667)	(3,994,322)	-	(3,994,322)
Segment profit after tax	**5,764,818**	**831,141**	**533,148**	**139,485**	**4,882,332**	**-**	**7,268,592**
Segment assets	**287,916,322**	**55,074,445**	**47,395,502**	**3,499,801**	**393,886,070**	**(7,655,884)**	**386,230,186**
Segment liabilities	**235,290,703**	**46,664,653**	**39,517,259**	**2,318,781**	**323,791,396**	**(2,076,555)**	**321,714,841**

35. Business segments information (Continued)

(b) Additions to non current assets

At 31 December 2020	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
Property and equipment	232,074	1,048,474	117,016	22,449	1,420,013
Intangible assets- software	130,640	28,563	31,074	10,950	201,227
	362,714	**1,077,037**	**148,090**	**33,399**	**1,621,240**
At 31 December 2019					
Property and equipment	395,243	158,066	199,493	17,260	770,062
Intangible assets- software	627,769	28,615	24,045	1,746	682,175
	1,023,012	**186,681**	**223,538**	**19,006**	**1,452,237**

(c) Revenue by products

An analysis of revenue by product from external customers is presented below:

At 31 December 2020	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
Interest income					
Loans and advances	13,171,997	3,373,139	1,812,315	192,254	18,549,705
Government securities	9,153,948	815,321	2,254,544	147,115	12,370,928
Placement and bank balances	42,888	84,250	41,942	89	169,169
	22,368,833	**4,272,710**	**4,108,801**	**339,458**	**31,089,802**
Interest expense					
Customer deposits	8,890,378	1,119,773	1,164,242	44,184	11,218,577
Deposits due to banking institutions	426,535	10,097	104,529	22,193	563,354
	9,316,913	**1,129,870**	**1,268,771**	**66,377**	**11,781,931**
Net interest income	**13,051,920**	**3,142,840**	**2,840,030**	**273,081**	**19,307,871**
Non interest income					
Fee and commission income	1,586,208	706,152	632,834	21,926	2,947,120
Foreign exchange income	1,681,597	417,014	226,034	898	2,325,543
Other income	397,116	2,641	161,056	1,323	562,136
	3,664,921	**1,125,807**	**1,019,924**	**24,147**	**5,834,799**

35. Business segments information (Continued)

(c) Revenue by products (Continued)

An analysis of revenue by product from external customers is presented below:

At 31 December 2019	Kenya	Tanzania	Uganda	Burundi	Total
Interest income	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Loans and advances	14,795,260	3,336,897	1,640,920	180,789	19,953,866
Government securities	9,500,476	927,947	1,945,801	124,638	12,498,862
Placement and bank balances	126,315	103,204	168,436	430	398,385
	24,422,051	**4,368,048**	**3,755,157**	**305,857**	**32,851,113**
Interest expense					
Customer deposits	10,031,214	1,032,545	1,042,489	30,586	12,136,834
Deposits due to banking institutions	568,535	5,244	44,038	18,074	635,891
	10,599,749	**1,037,789**	**1,086,527**	**48,660**	**12,772,725**
Net interest income	**13,822,302**	**3,330,259**	**2,668,630**	**257,197**	**20,078,388**
Non interest income					
Fee and commission income	1,723,010	744,908	744,174	32,074	3,244,166
Foreign exchange income	1,139,278	466,930	221,274	2,917	1,830,399
Other income	393,690	1,371	1,826	429	397,316
	3,255,978	**1,213,209**	**967,274**	**35,420**	**5,471,881**

36. Fair values and effective interest rates of financial assets and liabilities

In the opinion of the directors, the fair values of the Group's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out in Note 4.

The effective interest rates for the principal financial assets and liabilities at 31 December 2020 and 31 December 2019 were as follows:

Bank

	2020			2019		
	In Shs	**In US$**	**In GBP**	**In Shs**	**In US$**	**In GBP**
Assets						
Government securities	9.53%	-	-	10.10%	-	-
Deposits with banking institutions	-	0.02%	-	-	0.08%	-
Loans and advances to customers	11.04%	5.52%	8.18%	12.58%	8.06%	8.39%
Liabilities						
Customer deposits	5.43%	1.46%	1.68%	5.93%	1.88%	1.36%
Deposits due to banking institutions	4.03%	3.04%	1.53%	2.13%	3.04%	1.53%
Subordinated debts	-	6.03%	-	-	8.20%	-
Senior loans	-	4.45%	-	-	6.15%	-
Trade finance	-	2.50%	-	-	4.34%	-

37. Analysis of cash and cash equivalents as shown in the statement of cash flows

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with the central banks (Note 15)	25,983,424	27,218,903	14,831,865	18,238,378
Cash reserve requirement	(14,461,084)	(16,272,138)	(8,705,863)	(10,302,968)
Government securities maturing within 91 days at the point of acquisition (Note 16)	9,002,466	1,242,895	-	-
Deposits and balances due from banking institutions (Note 17)	19,988,092	8,342,582	10,675,684	1,560,140
Deposits and balances due to banking institutions (Note 29)	(29,969,001)	(22,453,859)	(27,063,578)	(21,549,148)
	10,543,897	**(1,921,617)**	**(10,261,892)**	**(12,053,598)**

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition, including: cash and balances with Central Banks, treasury bills and bonds and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

Banks are required to maintain a prescribed minimum cash balance with the Central Banks that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 4.25 % (2019: 5.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

38. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making 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	
	2020	2019	2020	2019
(a) Group Companies	Shs'000	Shs'000	Shs'000	Shs'000
Amounts due to:				
Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	1,454,546	1,974,793
Interest expense paid on amounts due to group Companies	-	-	47,898	74,832
Amounts due from:				
Other group companies (Included in deposits due to banking institutions and borrowed funds)	-	-	11,670	3,069
Interest income earned from amounts due from group Companies	-	-	1,434	703

38. Related Party Transactions (Continued)

(b) Directors

Advances to customers at 31 December 2020 include loans to directors, loans to companies controlled by directors and their associates, and loans to employees as follows:

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Loans to directors:				
At start of year	21,323	26,909	19,135	26,910
Advanced during the year	150	3,238	150	964
Repaid during the year	(2,846)	(8,824)	(3,142)	(8,739)
Translation adjustment	148	-	-	-
At end of year	**18,775**	**21,323**	**16,143**	**19,135**
Interest income earned from directors loans	**1,546**	**1,756**	**1,546**	**1,756**

These are loans to executive and non-executive directors. The total amount of loans and advances granted was in ordinary course of business. There were no provisions for doubtful debts related to the amount of outstanding balances and no expense was recognised during the year in respect of bad or doubtful debts due from related parties.

	Group		Bank	
	2020	**2019**	**2020**	**2019**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Deposits by directors:				
At start of year	977,708	1,211,366	939,092	1,072,757
Net movement during the year	(25,913)	(122,969)	(37,359)	(23,718)
Balances relating to directors who resigned/retired	-	(109,947)	-	(109,947)
Translation adjustment	3,029	(742)	-	-
At end of year	**954,824**	**977,708**	**901,733**	**939,092**
Interest paid on directors' deposits	65,608	78,446	65,557	77,834
(c) Other disclosures				
Advances to other related parties				
- Advances to companies related through control by a common shareholder, controlled by directors or their families	2,934,648	2,338,082	1,984,599	1,997,004
- Advances to employees	1,814,918	1,664,808	1,459,955	1,377,839
- 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	506,043	299,492	294,051	274,398
- Interest income earned from related companies and employees	406,053	704,474	279,020	280,852

38. Related Party Transactions (Continued)

(c) Other disclosures (Continued)

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits with other related parties				
Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families	6,671,751	8,459,080	2,797,588	3,544,369
Deposits by employees	391,101	384,356	327,539	324,231
Interest expense incurred on deposits by related companies and employees	409,980	386,895	165,730	214,644

Advances to employees comprise of check-off loans repayable at an average interest rate of 9% per annum and property mortgages.

	Group		Bank	
	2020	2019	2020	2019
	Shs'000	Shs'000	Shs'000	Shs'000
Key management compensation				
Salaries and other short-term employment benefits	1,007,979	962,994	530,151	520,641
Termination benefits	48,050	34,523	24,946	25,147
	1,056,029	**997,517**	**555,097**	**545,788**
Director's remuneration				
-fees for services as a director	36,204	30,251	24,016	20,329
-other emoluments (included in key management compensation above)	155,588	151,905	109,913	110,257
	191,792	**182,156**	**133,929**	**130,586**

39. Assets pledged as security

As at 31 December 2020, there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities (2019: nil).

40 Subsequent events

The directors are not aware of events after the reporting date that require disclosure or adjustment to the financial statements as at the date of this report.

On 23 December 2020, the Kenyan Government enacted the Tax Laws (Amendment) (No. 2) Bill, 2020 which reinstated the tax concessions that the government had provided on 25 April 2020 to mitigate the impact of COVID-19, including reinstating the corporate tax rate to 30% from 25%, effective 1 January 2021. This increase does not affect the amounts of current or deferred income taxes recognised as at 31 December 2020 for the group and company. However, this change will increase the Group and Company's future current tax charge accordingly.

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