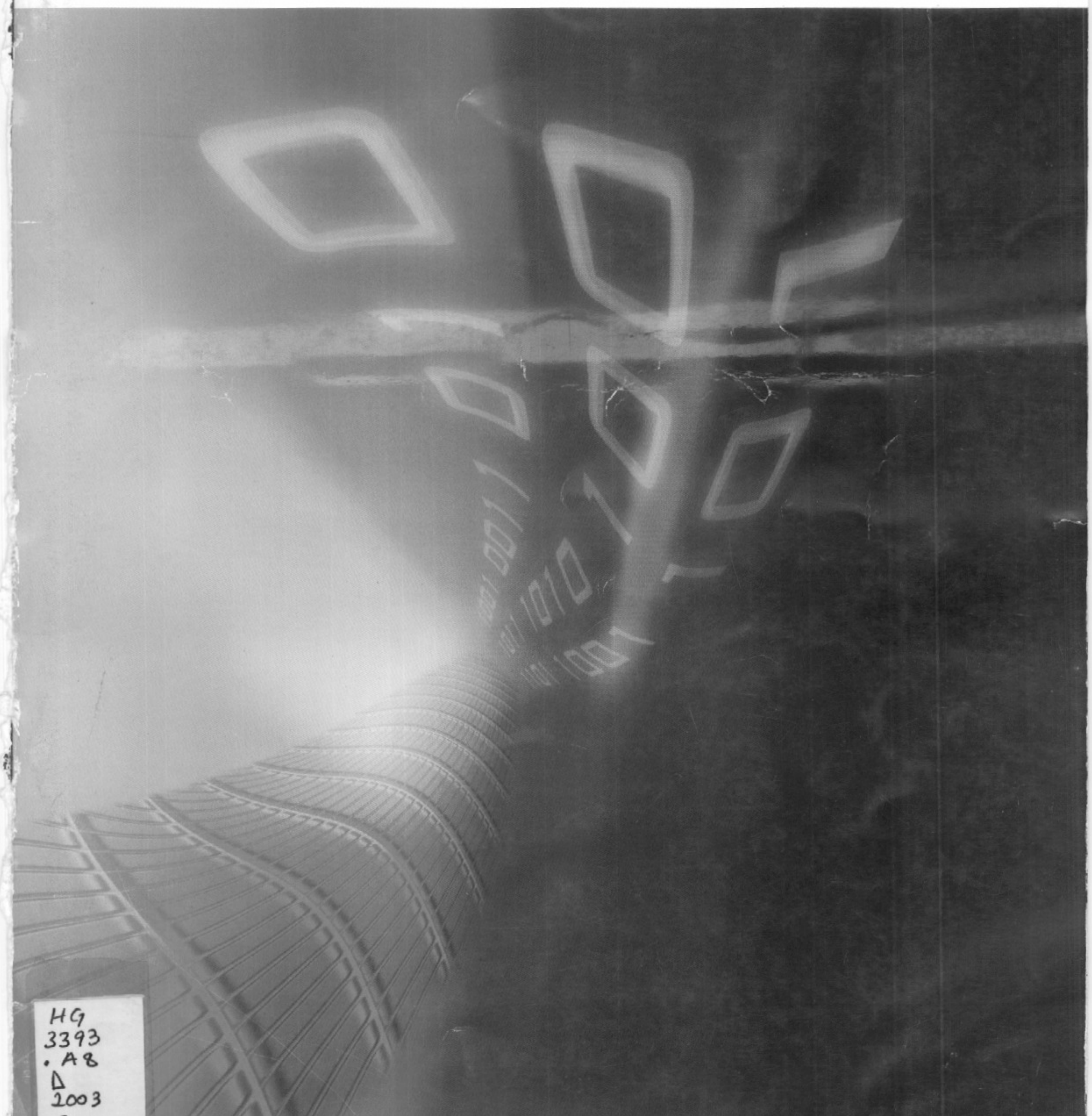
DIAMOND
TRUST

Diamond Trust Bank

Your Regional Bank of Choice

Nairobi | Mombasa | Kisumu | Dar es Salaam | Kampala



Annual Report and Financial Statements, 2003

Technology is constantly changing and it has become an integral part of everyday life.

At Diamond Trust Bank, we want to make your banking more efficient and effective. To do this we continue to develop banking products and services that enable you to seamlessly perform regular banking activities.

With substantial investment in information technology infrastructure and software development in 2003 and 2004, we will shortly be able to offer you access to services such as Internet banking and Automated Teller Machines. These will enable you to access your accounts 24 hours a day, 7 days a week, providing you with secure and easy to use banking solutions, so you have control over exactly where and when you do your banking.

However complex your banking needs, all you need is Diamond Trust Bank. Banking solutions that help you succeed.

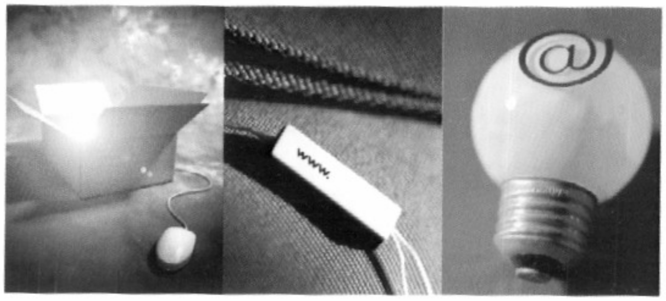


Table of Contents

Financial Statements

Five Year Financial Review

1. Diamond trust bank -- periodicals
2. Banks and banking -- Kenya -- periodicals

	Minimum Statutory Requirement	2003	2002	2001	2000	1999
Net interest income		431,156	352,358	296,717	459,398	470,643
Non-fund based income		193,409	89,148	57,694	41,195	61,534
Operating income		624,565	441,506	354,411	500,593	532,177
Operating profit before provisions		248,870	112,088	48,125	171,467	203,849
(Charge for) / write-back of impairment of loans		(44,764)	711	10,282	(28,255)	(48,590)
Profit before tax and exceptional items		204,106	112,799	58,407	143,212	155,259
Exceptional items		-	-	(7,000)	57,134	-
Profit before tax		204,106	112,799	51,407	200,346	155,259
Profit after tax		139,241	75,525	40,932	163,574	104,224
Advances to customers (net)		4,882,138	2,696,344	1,825,820	1,486,157	2,423,310
Total deposits (customers and banks)		6,862,257	4,783,319	4,039,499	3,672,256	4,527,533
Dividends for the year		69,563	47,700	31,800	47,700	63,600
Shareholders' funds		1,349,206	1,269,363	1,235,405	1,257,130	1,169,563
Total assets		8,684,183	6,273,754	5,515,655	5,155,303	5,995,848

Performance ratios						
Earnings per share - basic		Shs 1.53	Shs 0.95	Shs 0.51	Shs 2.06	Shs 1.31
- diluted		Shs 1.53	Shs 0.83	Shs 0.41	Shs 1.65	Shs 1.05
Dividend per share		Shs 0.70	Shs 0.60	Shs 0.40	Shs 0.60	Shs 0.80
Net loans to deposits		71.1%	56.4%	45.2%	40.5%	53.5%
Non performing loans to total loans (before provisions)		2.6%	5.8%	17.5%	30.1%	22.4%
Return on average total assets		1.9%	1.3%	0.8%	2.9%	1.7%
Return on average shareholders' funds		10.6%	6.0%	3.3%	13.4%	9.1%
Non-fund based income to operating income		31.0%	20.2%	16.3%	8.2%	11.6%
Core capital to customer deposits	8%	17%	21%	24%	25%	20%
Core capital to total risk weighted assets	8%	19%	29%	37%	45%	30%
Total capital to total risk weighted assets	12%	20%	30%	38%	47%	33%

Other indicators					
Number of branches	5	4	3	3	3
Number of employees	133	103	97	107	132
Expenditure on property and equipment	50,455	17,228	9,898	29,079	24,025

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

Board of Directors	Robert A. Bird *	Chairman
	Mahmood P. Manji	Deputy Chairman (Appointed on 5 December 2003)
	Nasim M. Devji *	Managing Director
	Iain D. Cheyne *	(Alternate: Frederic C. Lucien **)
	John D. Harris *	(Appointed on 23 February 2004)
	Nizar N. Juma	
	Jack J. Kisa	
	Iqbal G. Mamdani ***	
	Amin E. Merali	
	Abdul A. Samji	
	Mohamood N. Thobani ****	(Appointed on 3 March 2004)

* British ** French *** American **** Ugandan


Robert A. Bird


Mahmood P. Manji


Nasim M. Devji


Iain D. Cheyne


Frederic C. Lucien


John D. Harris


Nizar N. Juma


Jack J. Kisa


Iqbal G. Mamdani


Amin E. Merali


Abdul A. Samji


Mohamood N. Thobani

Company Secretary	Elizabeth W. Hinga	
	Habil A Waswani	(Acting: Appointed on 25 February 2004)

Registered Office

Nation Centre
Kimathi Street
P.O. Box 61711
City Square 00200, Nairobi

Auditors

PricewaterhouseCoopers
Certified Public Accountants
Rahimtulla Tower
Upper Hill Road
P.O. Box 43963, Nairobi

Branches

Nation Centre
Kimathi Street
P.O. Box 61711
City Square 00200,
Nairobi

Aga Khan Hospital
3rd Avenue, Parklands
P.O. Box 39694
Parklands 00623,
Nairobi

Unit 2, Capital Centre
Mombasa Road
P.O. Box 27556
GPO 00506,
Nairobi

Diamond Trust House
Moi Avenue
P.O. Box 90564-80100,
Mombasa

Diamond Trust House
Oginga Odinga Road
P.O. Box 108-40100,
Kisumu

Principal Officers

Shahzad Karim	General Manager, Corporate Banking
K. B. Gopa Kumar	General Manager, Retail Banking
D. R. Sathya Vadana	General Manager, Treasury & International Banking
Alkarim H. Jiwa	General Manager, Finance & Operations
Joseph M. Mathai	General Manager, Mombasa
Shiraz E. Surani	General Manager, Kisumu
Kennedy O. Nyakomitta	Senior Manager, Asset Finance & Insurance Finance
Stella N. Mulinge	Senior Manager, Western Union Money Transfer Service
Milerangam G. Jayaraman	Senior Manager, Regional Risk
Frederick O. Olande	Senior Manager, Regional Human Resources
Nizar N. Tundai	Senior Manager, Information & Communications Technology
Nita K. Shah	Senior Manager, Regional Internal Audit

Principal Correspondents

London	HSBC Bank PLC, London
New York	Citibank NA, New York Standard Chartered Bank PLC, New York
Paris	Natexis Bank Populaires
Frankfurt	BHF ING Bank
Zurich	ABN AMRO Bank, Zurich
Toronto	ABN AMRO Bank, Toronto
Johannesburg	ABN AMRO Bank, Johannesburg
Mumbai	ICICI Bank, Mumbai
Melbourne	ANZ Bank Melbourne, Australia

Notice is hereby given that the Thirty Eighth Annual General Meeting of the shareholders of Diamond Trust Bank Kenya Limited will be held at the Nairobi Serena Hotel, Nairobi, on Monday 24 May 2004 at 11.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty Seventh Annual General Meeting held on 30 May 2003.

2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2003.

3. To approve payment of a final dividend of 17.5% on the Issued and Paid-up Share Capital of Shs 397.5 million to the shareholders registered in our books as at 24 May 2004 on or about 11 June 2004, as recommended by the Board.

4. To elect Directors in accordance with the Company's Articles of Association.

5. To approve the Directors' fees.

6. To appoint the Company's Auditors, PricewaterhouseCoopers, in accordance with Section 159(2) of the Companies Act (Cap.486) and Section 24(1) of the Banking Act (Cap.488). PricewaterhouseCoopers have indicated their willingness to continue in office.

7. To note the Auditors' remuneration for the year 2003, and to authorise the Directors to fix the Auditors' remuneration for the year 2004.

8. To transact any other Ordinary Business of an Annual General Meeting.

By Order of the Board
Elizabeth W. Hinga
Company Secretary

23 February, 2004
Nairobi

Note

A member entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and vote on its/his/her behalf. Such proxy need not be a member of the Company. A proxy form, which must be lodged with the Company Secretary, P.O. Box 61711, City Square 00200, Nairobi not later than 48 hours before the time for holding the Meeting, is enclosed.

Chairman's Statement

The optimism seen at the beginning of the year, following the political changes at the end of 2002, was not, unfortunately, translated into growth in the economy, which remained relatively stagnant for most of the year. This was largely due to the various travel advisories issued by some Western governments, which hit tourism, one of the mainstays of the economy, very badly, coupled with an unsettled political environment. Nevertheless, some upturn was seen in the last quarter following the resumption of external financial assistance, particularly by the IMF.

Despite the generally uninspiring picture, there was some modest improvement in the underlying economic indicators. GDP is forecast to have grown by 1.4% during 2003, up from the 1% recorded for 2002, and the balance of payments surplus improved to US$ 208 million. Foreign exchange reserves also continued to grow to US$ 1,362 million, just under 4 months cover.

Whilst underlying inflation remained relatively low, at 2.7%, the average annual overall inflation figure grew to 9.8%, mainly reflecting increases in food and oil prices. The Shilling exchange rate to the dollar remained steady at around 76.

The overall effects of this scenario on the financial sector were low demand for credit, an overall increase in the liquidity of banks and a sharp decline in interest rates. The 91 day Treasury Bill rate fell from 8.4% at the beginning of the year, to 1.5% in December, with a commensurate drop in bank deposit rates. With hard currency rates also remaining low, investors, not surprisingly, turned to the Nairobi Stock Exchange in the hope of achieving a better return. As a result the NSE Index almost doubled, to 2,737, mainly during the second half of the year.

Lending by the banks to the Private Sector grew by only 7%, with surplus liquidity continuing to be invested in Government paper, up by 40%, despite the very low interest rates. Non performing loans (NPLs), at 25.6% of total lendings, remained a problem for the industry but did show a small decline.

Thanks to the commitment of our management and staff I am pleased to advise that your bank, once again, was able to perform considerably better than the average for the banking industry as a whole, returning a profit before tax of Shs 204 million, an improvement of Shs 91 million or 81% over the previous year. This significant growth in profitability was achieved despite an unprecedented drop in interest rates and margins, through a combination of continued expansion of the bank's corporate lending portfolio, as well as diversification of its income base. Total assets grew by 38% to almost Shs 8.7 billion, of which lending accounted for Shs 4,882 million, an increase of 81% over the previous year.

Our improved business profile, expansion of the infrastructure and personalised service all played a part in helping to attract this business and it is therefore no surprise that Diamond Trust Bank Kenya Limited was rated No 1 in Kenya in terms of service, amongst banks in Kenya, in a survey conducted by the Market Intelligence magazine during 2003. However, we are still very much aware of the dangers of increasing lendings in a stagnant market and strict credit risk standards continue to be applied. It is therefore pleasing to note that NPLs decreased for the third year in succession, by 21%, to Shs 128 million and now stand at 2.6% of total lendings, well below the banking industry average. In view of the low return available on investment of surplus funds, growth in our deposits was kept to a minimum, but, they nevertheless, increased by 42% to Shs 6,528 million.

The much tighter lending margins mentioned earlier, continued competitive pressures in a thin market, as well as the sharp drop in interest rates, all contributed to the growth in net interest, of 22%, being well below the expansion seen in our lending book. Fortunately, the bank's strategy, begun two years ago, of diversifying its income base, including seeking lending business with ancillary earnings, is now paying dividends. Non interest income grew by 117% to Shs 193 million, accounting for 31% of total operating income, up from the 20% achieved in 2002. The establishment of our Western Union transfer business in early 2003 and our expanded branch network both played an important part in these improved earnings.

This level of performance requires significant investment in infrastructure and manpower, both capital and recurrent, if it is to be sustained, and operating expenses therefore increased by Shs 64 million or 19%. This included the opening of our new branch in Nairobi at the Capital Centre on Mombasa Road, the costs related to our Western Union business, as well as recruitment of additional staff to handle the growth in our business as a whole.

DTBK continued to take full competitive advantage of our status as a regional bank through its close working relationship with our Diamond Trust Bank associates in Tanzania and Uganda. There was a healthy flow of business between the three entities and a number of joint lending facilities were arranged for customers operating regionally. Both of the Diamond Trust Banks in Tanzania and Uganda recorded significant improvements in their profits before tax of 158% and 580% respectively, resulting in an increase in DTBK's share of their profits to Shs 26.6 million, compared to Shs 9.3 million for the previous year. This was due to both banks strengthening their management and operational infrastructures during the year, enabling them to begin making a greater impact on their local markets.

In my last statement I indicated that we would be completely revamping our information technology infrastructure during the second half of 2003. The exercise is now well underway to put in place a regional IT structure which we believe will bring greater benefits to all three banks and improve our joint business strategy. Management has also taken the opportunity to completely review the bank's retail strategy in order to bring improved focus to this sector of our business. Whilst the bank has been rightly praised for the quality of its service and commitment of its staff, there is a need to increase the scope of our products and services, which the new IT platform will make possible. In addition to the ATM network also under development, the bank will offer internet banking and a range of other technology based, personal sector products during the current year.

Although DTBK has, over the years, been recognised as one of the country's premier providers of Asset Finance, it was felt that this sector of our business required renewed emphasis. A new business unit, dedicated to providing quality asset finance and insurance premium finance products was therefore established at the end of 2003, based in our new Capital Centre branch.

Anybody passing our offices could not fail to notice the vivid yellow signs advertising the bank's Western Union transfer service, which was launched in early 2003. Thanks to the commitment and enterprise of our Western Union team, who have been given every support and encouragement by the whole of the bank's management and staff, this business has been an outstanding success. This is amply demonstrated by the fact that, at the recent Western Union conference held in Dubai, DTBK was awarded the top prize as the leading agent in Africa for Network Expansion, Growth and Dynamism.

Diamond Trust Bank Kenya Limited has achieved a phenomenal amount in the last three years, in terms of growth in its business, profitability and infrastructure development, following a period of stagnation and this is entirely due to the dedication and hard work of the Managing Director, Mrs. Nasim Devji, and her management team with the full and enthusiastic support of the bank's staff at all levels. On behalf of the shareholders and board, I therefore take this opportunity of thanking them all for another excellent year's work.

Turning to the composition of our board, it was decided, at our December meeting, that, given the continued rapid expansion of the bank, we should create the post of Deputy Chairman in order to provide added support to the Chairman and Managing Director in carrying out their responsibilities. I am therefore pleased to advise that the first appointee to this position is Mr. Mahmood Manji. Mr. Manji, a former Managing Director of the bank and a very experienced banker, has also been a director of our sister banks in Tanzania and Uganda for many years. He is therefore ideally equipped for this new role and I look forward to working closely with him in taking the bank forward. We have also, in recent months, appointed two new directors. These were Mr John Harris, who is Head of Financial Services with our major shareholder AKFED. John brings with him a wealth of banking experience. Additionally, in order to help in bringing our associate banks in Uganda and Tanzania closer to DTBK, we have appointed Mr. Mohamood Thobani to the Board. Mr. Karim Kanji's appointment to the board is currently being processed. Mr Mohamood Thobani and Mr. Karim Kanji are long serving Directors and Deputy Chairmen respectively of DTBU and DTBT. Both are highly experienced businessmen and we are grateful that they have agreed to join us. We welcome them all to the board.

Looking ahead, I am cautiously optimistic that the remaining Western governments will uplift the travel advisories and the constitutional review process will be satisfactorily concluded. This, coupled with the resumption of aid should bring about the much awaited improvement in the economic front.

Finally I also take the opportunity of thanking you, the shareholders, for your ongoing support, as well as our wide range of loyal customers. We will continue to deliver in terms of return, value and service.

Robert A. Bird
Chairman

29 March, 2004
Nairobi

Corporate governance defines the process and structure used to direct and manage business affairs of the company with the aim of enhancing corporate accounting and shareholders' long term value while taking into account the interests of other stakeholders.

The Board of Directors is responsible for the governance of the bank and 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. In this respect, the Board has adopted the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya published by the Capital Markets Authority in 2002.

Board of Directors

The Board fulfills its fiduciary responsibility to the shareholders by maintaining control over the strategic, financial, operational and compliance issues of the bank. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Managing Director to conduct day to day business of the bank. The Board meets at least six times a year. As at the date of this Statement, the Board consists of ten non- executive directors (including the Chairman and Deputy Chairman) and one executive director (the Managing Director). The Board members possess extensive experience in a variety of disciplines including banking, business and financial management, all of which are applied in the overall management of the bank. All non- executive directors are subject to periodic retirement and re-election to the Board, in accordance with the bank's Articles of Association.

The Board has set up sub committees to supplement its functions. These include:

Board Nominating and Remuneration Committee (BNRC)

The members of the BNRC are the Chairman of the Board and two other non- executive directors. The Committee is responsible for proposing new nominees to the Board, 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 BNRC is also mandated to recommend to the full Board the remuneration of executive directors and the structure of their compensation package.

Board Audit Committee (BAC)

This Committee consists of three non-executive directors. The BAC, which meets on a quarterly basis, as a minimum, 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 BAC 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.

Internal Control Systems

The bank has well defined policies and procedures to ensure best practices are followed not only in conducting day to day operations and financial reporting but also is 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 which ensure that all significant transactions, operations and commitments are appropriately approved and are executed within agreed and defined parameters.

To assist management in fulfilling its mandate and 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:

Regional Office Credit Committee (ROCC)

In accordance with the bank's Credit Policy, this Committee, which is chaired by the Managing Director and comprises three other senior management staff, meets regularly to review and approve the bank's credit applications, of up to pre-defined, Board approved limits. Depending on the credit limits applied for, credit applications are recommended by the ROCC for approval by a committee of directors or the full Board. The ROCC also provides its opinions on credit applications referred to it by the bank's affiliates in Tanzania and Uganda, prior to tabling them to the respective banks' board members for approval.

Assets and Liability Committee (ALCO)

The ALCO is chaired by the Managing Director and comprises five other members of senior management staff. The Committee which meets at least once each month is mandated to optimise returns, whilst prudently managing and monitoring the assets and liabilities of the bank. The ALCO is responsible for controlling and managing the bank's interest rate risk, currency risk and liquidity risk, in addition to ensuring compliance with the bank's Investment Policy and statutory requirements relating to liquidity, foreign exchange exposure and cash ratio.

Robert A. Bird	Nasim M. Devji
Chairman	Managing Director

29 March, 2004
Nairobi

The directors submit their report together with the audited financial statements for the year ended 31 December 2003, which disclose the state of affairs of the group.

Incorporation and Registered Office

The bank is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 3.

Principal Activities

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

Results and Dividend

	Shs 000
Group profit before tax	204,106
Tax	64,865
Profit after tax	139,241
Dividends	69,563
Retained profit for the year	69,678

The directors recommend the approval of a final dividend of Shs 69,562,500 (2002: Shs 47,700,000).

Directors

The present membership of the Board is listed on page 3.

In accordance with Articles No. 93 and 94 of the bank's Articles of Association, Messrs Jack J. Kisa, Abdul A. Samji and Iqbal G. Mamdani retire by rotation and being eligible, offer themselves for re-election.

Auditors

The bank's auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 159(2) of the Companies Act and Section 24(1) of the Banking Act.

By Order of the Board
Elizabeth W. Hinga
Company Secretary

23 February, 2004
Nairobi

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and of the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual 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 the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiary will not remain a going concern for at least twelve months from the date of this statement.

Robert A. Bird	Nasim M. Devji
Chairman	Managing Director

23 February, 2004

Nairobi

We have audited the financial statements of Diamond Trust Bank Kenya for the year ended 31 December 2003 set out on pages 15 to 41.

Respective Responsibilities of Directors and Auditors

The directors are responsible for the preparation of financial statements as set out on page 13. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company as at 31 December 2003 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
23 February 2004
Nairobi

	Notes	2003 Shs 000	2002 Shs 000
Interest income	1	**569,077**	548,769
Interest expense	2	**(137,921)**	(196,411)
Net Interest Income		**431,156**	352,358
Fee and commission income		**104,824**	56,588
Foreign exchange income		**37,592**	15,914
Other operating income	3	**50,993**	16,646
Operating Income		**624,565**	441,506
Operating expenses	4	**(402,344)**	(338,720)
(Impairment loss) / write back of losses on loans and advances	14	**(44,764)**	711
Profit from Operations		**177,457**	103,497
Share of results of associates before tax	12	**26,649**	9,302
Profit before Tax		**204,106**	112,799
Tax	6	**(64,865)**	(37,274)
Profit after Tax		**139,241**	75,525
Dividends			
Proposed final dividend for the year	8	**69,563**	47,700
Earnings per Share (Shs)			
- basic	7	**1.53**	0.95
- diluted		**1.53**	0.83
Dividend per Share (Shs)	8	**0.70**	0.60

Consolidated Balance Sheet
at 31 December 2003

	Notes	2003 Shs 000	2002 Shs 000
Assets			
Cash and balances with Central Bank of Kenya	9	**517,134**	324,010
Government securities	10	**2,522,271**	1,821,537
Deposits and balances due from banking institutions	11	**179,022**	956,833
Other assets	13	**207,307**	110,771
Loans and advances to customers	14	**4,882,138**	2,696,344
Tax recoverable		**24,680**	24,680
Investment securities	15	-	100
Investments in associates	12	**167,709**	163,941
Deferred tax asset	16	**16,996**	26,886
Property and equipment	17	**166,926**	148,652
Total Assets		**8,684,183**	6,273,754
Liabilities			
Customer deposits	19	**6,528,151**	4,580,802
Deposits and balances due to banking institutions	20	**334,106**	202,517
Other liabilities	21	**472,720**	221,072
Total Liabilities		**7,334,977**	5,004,391
Shareholders' Equity			
Share capital	22	**397,500**	318,000
Share premium	22	**16,320**	16,320
Capital reserves	23	**111,565**	115,170
Retained earnings		**754,258**	772,173
Proposed dividend	8	**69,563**	47,700
Total Shareholders' Equity		**1,349,206**	1,269,363
Total Liabilities and Equity		**8,684,183**	6,273,754

The financial statements on pages 15 to 41 were approved for issue by the board of directors on 23 February 2004 and signed on its behalf by:

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

Mahmood P. Manji
Deputy Chairman

Elizabeth W. Hinga
Secretary

	Notes	2003 Shs 000	2002 Shs 000
Assets			
Cash and balances with Central Bank of Kenya	9	**517,134**	324,010
Government securities	10	**2,522,271**	1,821,537
Deposits and balances due from banking institutions	11	**179,022**	956,833
Other assets	13	**207,307**	110,771
Loans and advances to customers	14	**4,882,138**	2,696,344
Tax recoverable		**18,474**	18,474
Investment securities	15	**-**	100
Investments in subsidiary and associates	12	**79,139**	79,139
Deferred tax asset	16	**16,996**	26,886
Property and equipment	17	**166,926**	148,652
Total Assets		**8,589,407**	6,182,746
Liabilities			
Customer deposits	19	**6,528,151**	4,580,802
Deposits and balances due to banking institutions	20	**334,106**	202,517
Other liabilities	21	**552,282**	300,634
Total Liabilities		**7,414,539**	5,083,953
Shareholders' Equity			
Share capital	22	**397,500**	318,000
Share premium	22	**16,320**	16,320
Capital reserves	23	**26,942**	27,295
Retained earnings		**664,543**	689,478
Proposed dividend	8	**69,563**	47,700
Total Shareholders' Equity		**1,174,868**	1,098,793
Total Liabilities and Equity		**8,589,407**	6,182,746

The financial statements on pages 15 to 41 were approved for issue by the board of directors on 23 February 2004 and signed on its behalf by:

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

Mahmood P. Manji
Deputy Chairman

Elizabeth W. Hinga
Secretary

	Notes	Share capital Shs 000	Share premium Shs 000	Capital reserve Shs 000	Retained earnings Shs 000	Proposed dividends Shs 000	Total Shs 000
Year ended 31 December 2002							
At start of year		318,000	16,320	97,388	771,897	31,800	1,235,405
Transfer of excess depreciation		-	-	(643)	643	-	-
Deferred tax on excess depreciation		-	-	192	(192)	-	-
Deficit on revaluation of property		-	-	(4,314)	-	-	(4,314)
Deferred tax on revaluation deficit		-	-	1,294	-	-	1,294
Bonus shares issued by associate		-	-	22,435	(22,435)	-	-
Translation differences (note (i))		-	-	(1,182)	(5,565)	-	(6,747)
Net gains / (losses) not recognised in the profit and loss account		-	-	17,782	(27,549)	-	(9,767)
Net profit		-	-	-	75,525	-	75,525
Dividends:							
- Final for 2001		-	-	-	-	(31,800)	(31,800)
- Proposed final for 2002	8	-	-	-	(47,700)	47,700	-
At end of year		318,000	16,320	115,170	772,173	47,700	1,269,363
Year ended 31 December 2003							
At start of year		318,000	16,320	115,170	772,173	47,700	1,269,363
Transfer of excess depreciation		-	-	(504)	504	-	-
Deferred tax on excess depreciation		-	-	151	(151)	-	-
Translation differences (note (i))		-	-	(3,252)	(8,446)	-	(11,698)
Net losses not recognised in the profit and loss account		-	-	(3,605)	(8,093)	-	(11,698)
Bonus shares issued		79,500	-	-	(79,500)	-	-
Net profit		-	-	-	139,241	-	139,241
Dividends:							
- Final for 2002		-	-	-	-	(47,700)	(47,700)
- Proposed final for 2003	8	-	-	-	(69,563)	69,563	-
At end of year		397,500	16,320	111,565	754,258	69,563	1,349,206

(i) These differences arise on translation of opening reserves in associated companies at year end exchange rates.

	Notes	Share capital Shs 000	Share premium Shs 000	Capital reserve Shs 000	Retained earnings Shs 000	Proposed dividends Shs 000	Total Shs 000
Year ended 31 December 2002							
At start of year		318,000	16,320	30,766	663,725	31,800	1,060,611
Transfer of excess depreciation		-	-	(643)	643	-	-
Deferred tax on excess depreciation		-	-	192	(192)	-	-
Deficit on revaluation of property		-	-	(4,314)	-	-	(4,314)
Deferred tax on revaluation deficit		-	-	1,294	-	-	1,294
Net gains / (losses) not recognised in the profit and loss account		-	-	(3,471)	451	-	(3,020)
Net profit		-	-	-	73,002	-	73,002
Dividends:							
- Final for 2001		-	-	-	-	(31,800)	(31,800)
- Proposed final for 2002	8	-	-	-	(47,700)	47,700	-
At end of year		318,000	16,320	27,295	689,478	47,700	1,098,793
Year ended 31 December 2003							
At start of year		318,000	16,320	27,295	689,478	47,700	1,098,793
Transfer of excess depreciation		-	-	(504)	504	-	-
Deferred tax on excess depreciation		-	-	151	(151)	-	-
Net gains / (losses) not recognised in the profit and loss account		-	-	(353)	353	-	-
Bonus shares issued		79,500	-	-	(79,500)	-	-
Net profit		-	-	-	123,775	-	123,775
Dividends:							
- Final for 2002		-	-	-	-	(47,700)	(47,700)
- Proposed final for 2003	8	-	-	-	(69,563)	69,563	-
At end of year		397,500	16,320	26,942	664,543	69,563	1,174,868

Consolidated Cash Flow Statement

for the year ended 31 December 2003

	Notes	2003 Shs 000	2002 Shs 000
Cash Flows from Operating Activities			
Interest receipts		583,470	526,785
Interest payments		(138,645)	(200,548)
Net fee and commission receipts		104,824	56,588
Other income received		79,376	32,644
Recoveries from loans previously written off	14	7,969	11,418
Payments to employees and suppliers		(376,394)	(317,789)
Cash flows from operating activities before changes in operating assets and liabilities		260,600	109,098
Changes in operating assets and liabilities:			
- cash reserve requirement		(89,216)	334,837
- Treasury bills purchased under repo agreement		(64,992)	-
- Government securities		359,136	(761,455)
- loans and advances		(2,227,886)	(880,048)
- other assets		(98,356)	(24,305)
- customer deposits		1,948,073	674,878
- other liabilities		205,307	1,732
Net cash from / (used) in operating activities		292,666	(545,263)
Cash Flows from Investing Activities			
Purchase of property and equipment	17	(50,455)	(17,228)
Proceeds from sale of property and equipment		3,293	223
Proceeds from sale of investments		679	-
Dividend received		2,549	3,012
Net cash used in investing activities		(43,934)	(13,993)
Cash Flows from Financing Activities			
Dividends paid		(47,700)	(31,800)
Net cash used in financing activities		(47,700)	(31,800)
Net increase / (decrease) in cash and cash equivalents		201,032	(591,056)
Cash and cash equivalents at start of year	31	1,554,656	2,145,712
Cash and cash equivalents at end of year	31	1,755,688	1,554,656

The principal accounting policies adopted in the preparation of these financial statements are set out below:

Basis of Preparation

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are presented in Kenya Shillings (Shs) and are prepared under the historical cost convention as modified by the revaluation of properties and available-for-sale investment securities.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

Consolidation

The consolidated financial statements comprise the financial statements of Diamond Trust Bank Kenya Limited and its subsidiary, Premier Savings and Finance Limited, made up to 31 December. All inter-company transactions, balances and unrealised surpluses and deficits on transactions between the group companies are eliminated. The accounting policies for the subsidiary are consistent with the policies adopted by the bank.

Investment in Associates

Investments in associates are accounted for by the equity method of accounting. These 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 long term impairment in value. Equity accounting involves recognising in the income statement the group's share of the associates' profit or loss for the year. The group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill at acquisition.

A listing of the group's associates is shown in Note 12.

Investment in Subsidiary

The investment in the subsidiary is stated in the bank's balance sheet at cost less provision for impairment losses. 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. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

Interest Income

Interest income is recognised in the profit and loss account in the period in which it is earned. Dividends from investments are recognised when declared. Interest income includes coupons earned on Treasury bonds and accrued discounts on Treasury bills.

Property and Equipment

Property and equipment is initially recorded at cost. Leasehold buildings are subsequently shown at market value, based on periodic valuations by external independent valuers, less subsequent depreciation. All other property and equipment is stated at historical cost less depreciation.

Property and Equipment (continued)

Increases in the carrying amount arising on revaluation are credited to a revaluation reserve. Decreases that offset previous increases of the same asset are charged against the revaluation reserve; all other decreases are charged to the profit and loss account. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to the profit and loss account) and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

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 buildings	Remaining period of lease
Leasehold improvements	Remaining period of lease
Motor vehicles	25%
Furniture, fittings and equipment	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.

Government Securities

The group classifies its Government securities into the following two categories: held-to-maturity and available-for-sale assets. Government securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Government securities, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Government securities are initially recognised at cost. Available-for-sale securities are subsequently re-measured at fair value based on quoted prices. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the profit and loss account. Held-to-maturity investments are carried at amortised cost.

Impairment of this security occurs if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's contractual effective interest rate.

Loans and Advances and Provisions for Loan Impairment

Loans and advances are recognised when cash is advanced to borrowers.

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

A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. This provision is based on the directors' assessment of the latent risk of default known to be present in the portfolio of the Bank's advances.

When a loan is deemed uncollectable, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account .

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the profit and loss account.

Translation of Foreign Currencies

Transactions during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at the rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise. Exchange differences resulting from translation of opening net assets of foreign associates are dealt with in reserves.

Deferred Tax

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Employee Entitlements

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date. The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

Retirement Benefit Obligations

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 profit and loss account in the year to which they relate.

Dividends Payable

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.

Forward Foreign Exchange Contracts

Forward foreign exchange contracts are carried at their fair value. Gains and losses on forward foreign exchange contracts are included in net trading income as they arise.

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.

Comparatives

Where necessary, comparative figures have been adjusted or extended to conform with changes in presentation in the current year.

		2003 Shs 000	2002 Shs 000
1	**Interest Income**		
	Loans and advances	**408,297**	312,322
	Government securities	**150,786**	224,513
	Placements and bank balances	**9,994**	11,934
		569,077	548,769
2	**Interest Expense**		
	Customer deposits	**133,221**	189,828
	Deposits due to banking institutions	**4,700**	6,583
		137,921	196,411
3	**Other Operating Income**		
	Rental income	**8,987**	9,394
	Gain on disposal of Government securities	**32,047**	-
	Fair value gain on treasury bonds	**7,388**	-
	Gain / (loss) on sale of fixed assets	**1,242**	(84)
	Other	**1,329**	7,336
		50,993	16,646
4	**Operating Expenses**		
	The following items are included within operating expenses:		
	Staff costs (Note 5)	**187,953**	163,950
	Depreciation (Note 17)	**25,723**	20,687
	Operating lease rentals	**31,765**	27,042
	Contribution to Deposit Protection Fund	**6,238**	5,603
	Auditors' remuneration	**2,300**	2,145
5	**Staff Costs**		
	Included within staff costs are:		
	Retirement benefit costs:		
	- Defined contribution scheme	**10,932**	9,435
	- National Social Security Fund	**257**	305

The number of persons employed by the group (excluding associates) at the year end was 133 (2002: 103).

	2003 Shs 000	2002 Shs 000
6 Tax		
Current tax	**46,341**	-
Deferred tax (Note 16)	**9,890**	33,507
Share of tax of associates (Note 12)	**8,634**	3,767
	64,865	37,274

At 31 December 2002 the bank had tax losses amounting to Shs 60,822,000 which had been fully utilised by 31 December 2003.

The tax on the group's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2003 Shs 000	2002 Shs 000
Profit before tax	**204,106**	112,799
Tax calculated at a tax rate of 30% (2002: 30%)	**61,232**	33,840
Tax effect of:		
Income not subject to tax	**(749)**	(89)
Expenses not deductible for tax purposes	**4,382**	2,525
Utilisation of previously unrecognised tax losses and income exempt from tax in subsidiary and associates	**-**	976
Other	**-**	22
Tax charge	**64,865**	37,274

7 Earnings per Share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 139,241,000 (2002: Shs 75,525,000) and on the weighted average number of ordinary shares outstanding during the year.

	2003	2002
Net profit attributable to shareholders (Shs thousands)	**139,241**	75,525
Weighted average number of ordinary shares in issue (thousands)	**91,094**	79,500
Basic earnings per share (Shs)	**1.53**	0.95
Diluted earnings per share (Shs)	**1.53**	0.83

Diluted earnings per share have been calculated on the basis of the weighted average number of ordinary shares in issue at 31 December 2003. There are no potentially dilutive shares outstanding at 31 December 2003.

8 Dividends per Share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the annual general meeting to be held on 24 May 2004, a final dividend in respect of the year ended 31 December 2003 of Shs 0.70 per share amounting to a total of Shs 69,562,500 is to be proposed. The total dividend for the year is Shs 0.70 per share (2002: Shs 0.60), amounting to a total of Shs 69,562,500 (2002: Shs 47,700,000). Payment of dividends is subject to withholding tax at a rate of 5% for residents and 10% for non-resident shareholders.

9 Cash and Balances with Central Bank of Kenya

Group and bank

	2003 Shs 000	2002 Shs 000
Cash in hand	**48,235**	24,464
Balances with Central Bank of Kenya	**403,907**	299,546
Treasury bills under repo purchase agreement	**64,992**	-
	517,134	324,010

10 Government Securities

Group and bank

	2003 Shs 000	2002 Shs 000
Available-for-sale		
Treasury bonds	**456,137**	1,045,661
Treasury bills	**2,066,134**	774,822
Other Government securities	-	1,054
	2,522,271	1,821,537

Treasury bills and bonds are debt securities issued by the Republic of Kenya. Treasury bills and bonds are classified as available-for-sale investments. As at 31 December 2003 Government securities amounting to Shs 1,847,392,000 (2002: Shs 775,876,000) were within 90 days to maturity.

	2003 Shs 000	2002 Shs 000

11 Deposits and Balances due from Banking Institutions

Group and bank

	2003 Shs 000	2002 Shs 000
Due from other banks	**179,022**	956,833

All deposits due from banking institutions are due within 90 days.

12 Investments in Subsidiary and Associates

Group

	2003 Shs 000	2002 Shs 000
At start of year	**163,941**	168,165
Share of results before tax	**26,649**	9,302
Share of tax (Note 6)	**(8,634)**	(3,767)
Dividend paid	**(2,549)**	(3,012)
Translation differences	**(11,698)**	(6,747)
At end of year	**167,709**	163,941

The subsidiary and the associates are listed below together with the interests held.

		Group		Bank	
	Beneficial Ownership	2003 Shs 000	2002 Shs 000	2003 Shs 000	2002 Shs 000
Subsidiary					
Premier Savings and Finance Limited	100%	-	-	**29,137**	29,137
Associates					
ComTech Systems Limited	29%	**1**	1	**1**	1
Diamond Trust Bank Uganda Limited	27%	**58,854**	57,314	**25,000**	25,000
Diamond Trust Bank Tanzania Limited	33%	**108,853**	106,625	**25,000**	25,000
Services and Systems Limited	40%	**1**	1	**1**	1
		167,709	163,941	**50,002**	50,002
Total investment in subsidiary and associates		**167,709**	**163,941**	**79,139**	**79,139**

The subsidiary, which is incorporated in Kenya, is now dormant.

	2003 Shs 000	2002 Shs 000

13 Other Assets

Group and bank

	2003 Shs 000	2002 Shs 000
Uncleared effects	**57,031**	32,073
Prepaid operating lease rentals (Note 18)	**4,606**	6,426
Foreclosed property	**25,000**	25,000
Items in the course of collection	**69,088**	30,776
Other	**51,582**	16,496
	207,307	110,771

14 Loans and Advances to Customers

Group and bank

	2003 Shs 000	2002 Shs 000
Hire purchase	**642,349**	315,231
Other loans and advances	**4,372,866**	2,465,377
Gross loans and advances	**5,015,215**	2,780,608
Less: Provision for impairment of loans and advances		
- Specific provision	**83,077**	58,064
- General provision	**50,000**	26,200
Net loans and advances	**4,882,138**	2,696,344

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

	Specific provision Shs 000	General provision Shs 000
Year ended 31 December 2002		
At start of year	**94,928**	16,000
New and increased provision	**17,007**	10,200
Recoveries of amounts previously provided	**(16,500)**	-
Loans written off during the year as uncollectable	**(37,371)**	-
At end of year	**58,064**	26,200
Year ended 31 December 2003		
At start of year	**58,064**	26,200
New and increased provision	**30,855**	23,800
Recoveries of amounts previously provided	**(1,922)**	-
Loans written off during the year as uncollectable	**(3,920)**	-
At end of year	**83,077**	50,000

14 Loans and Advances to Customers (continued)

	Specific provision Shs 000	General provision Shs 000	Total Shs 000
Charge to profit and loss account			
Year ended 31 December 2002			
New and increased provision	17,007	10,200	27,207
Recoveries of amounts previously provided	(16,500)	-	(16,500)
Net increase in provision	507	10,200	10,707
Amounts recovered previously written off	(11,418)	-	(11,418)
Net (write back) / charge to profit and loss account	(10,911)	10,200	(711)
Year ended 31 December 2003			
New and increased provision	30,855	23,800	54,655
Recoveries of amounts previously provided	(1,922)	-	(1,922)
Net increase in provision	28,933	23,800	52,773
Amounts recovered previously written off	(7,969)	-	(7,969)
Net charge to profit and loss account	20,964	23,800	44,764

All loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans, net of provision for impairment losses, at 31 December 2003, was Shs 44,738,000 (2002: Shs 103,605,000).

Analysis by economic sectors

Economic sector risk concentrations within the customer loan portfolio were as follows:

	2003 Shs 000	2002 Shs 000	2003 %	2002 %
Agriculture, hunting, fishing and forestry	**377,776**	211,160	**8**	7
Manufacturing	**497,441**	286,435	**10**	10
Wholesale and retail trade	**1,309,070**	771,847	**26**	28
Transport and communications	**712,289**	436,250	**14**	16
Business services	**85,171**	110,905	**2**	4
Social, community and personal services	**15,604**	5,842	**0**	0
Real estate	**645,594**	190,925	**13**	7
Other	**1,372,270**	767,244	**27**	28
	5,015,215	2,780,608	**100**	100

		2003 Shs 000	2002 Shs 000

14 Loans and Advances to Customers (continued)

The loans and advances to customers include receivables under hire purchase contracts, which are analysed as follows:

	2003 Shs 000	2002 Shs 000
Gross investment in hire purchase contracts	**727,192**	355,071
Unearned future finance income on hire purchase contracts	**(84,843)**	(39,840)
Net investment in hire purchase contracts	**642,349**	315,231

Included in the provision for impairment for loan losses as at 31 December 2003 are amounts of Shs 7,412,000 (2002: Shs 10,661,000) attributable to uncollectible receivables under hire purchase contracts.

15 Investment Securities

Group and bank

	2003 Shs 000	2002 Shs 000
Unquoted shares	-	100

The investment in unquoted shares was sold during the year

16 Deferred Tax

Group and bank

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2002: 30%). The movement on the deferred tax account is as follows:

	2003 Shs 000	2002 Shs 000
At start of year	**26,886**	59,099
Income statement charge (Note 6)	**(9,890)**	(33,507)
Deferred tax on revaluation surplus	-	1,294
At end of year	**16,996**	26,886

16 Deferred Tax (continued)

Consolidated deferred tax assets and liabilities, deferred tax charge in the profit and loss account and deferred tax charge in equity are attributable to the following items:

	1.1.2003 Shs 000	Charged to profit & loss Shs 000	31.12.2003 Shs 000
Deferred tax liabilities			
Accelerated tax depreciation	(4,736)	(627)	(5,363)
Revaluation surplus	11,700	(151)	11,549
	6,964	(778)	6,186
Deferred tax assets			
Provisions	(15,604)	(7,578)	(23,182)
Tax losses carried forward	(18,246)	18,246	-
	(33,850)	10,668	(23,182)
Net deferred tax asset	(26,886)	9,890	(16,996)

17 Property and Equipment

Group and bank	Leasehold buildings Shs 000	Leasehold improvements Shs 000	Fixtures fittings & equipment Shs 000	Motor vehicles Shs 000	Total Shs 000
Cost or valuation					
At 1 January 2003	108,999	4,855	145,478	19,937	279,269
Additions	-	11,635	38,665	155	50,455
Disposals	(6,923)	-	(2,374)	-	(9,297)
At 31 December 2003	102,076	16,490	181,769	20,092	320,427
Depreciation					
At 1 January 2003	2,055	231	110,237	18,094	130,617
Charge for the year	1,842	2,580	20,539	762	25,723
On disposals	(511)	-	(2,328)	-	(2,839)
At 31 December 2003	3,386	2,811	128,448	18,856	153,501
Net book amount					
At 31 December 2003	98,690	13,679	53,321	1,236	166,926
At 31 December 2002	106,944	4,624	35,241	1,843	148,652

17 Property and Equipment (continued)

Land and buildings were revalued as at 31 December 2001, by Mohamed Samji, an independent valuer. 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, net of deferred tax, was credited to capital reserve in shareholders' equity.

If leasehold buildings were stated on the historical cost basis, the net book value would be Shs 73,877,000 (2002: Shs 72,572,000).

18 Prepaid Operating Lease Rentals

	2003 Shs 000	2002 Shs 000
At start of year	**6,426**	6,670
Disposal	**(1,594)**	-
Amortisation charge for the year	**(226)**	(244)
At end of year	**4,606**	6,426
Cost	**6,701**	8,710
Accumulated amortisation	**(2,095)**	(2,284)
	4,606	6,426

19 Customer Deposits

Group and bank

	2003	2002
Current and demand deposits	**1,263,035**	650,918
Savings accounts	**765,110**	554,640
Fixed deposit accounts	**4,499,798**	3,375,036
Unredeemed bearer certificates of deposit	**208**	208
	6,528,151	4,580,802

20 Deposits and Balances due to Banking Institutions

Group and bank

	2003	2002
Deposits due to banking institutions	**326,684**	185,280
Current account balances due to banking institutions	**7,422**	17,237
	334,106	202,517

21 Other Liabilities

	Group		Bank	
	2003	**2002**	**2003**	**2002**
	Shs 000	**Shs 000**	**Shs 000**	**Shs 000**
Due to subsidiary company	**-**	-	**79,562**	79,562
Gratuity provision	**27,269**	26,008	**27,269**	26,008
Corporation tax payable	**46,341**	-	**46,341**	-
Outstanding bankers cheques	**205,635**	26,663	**205,635**	26,663
Others	**193,475**	168,401	**193,475**	168,401
	472,720	221,072	**552,282**	300,634

Movement in gratuity provision is as follows:

	Shs 000
At start of year	26,008
Increase during the year	1,261
At end of year	27,269

22 Share Capital

	Number of shares (Thousands)	Ordinary shares Shs 000	Share premium Shs 000
Balance at 1 January 2002	79,500	318,000	16,320
Balance at 1 January 2003	79,500	318,000	16,320
Bonus shares issued during the year	19,875	79,500	-
Balance at 31 December 2003	99,375	397,500	16,320

The total authorised number of ordinary shares is 125,000,000 (2002: 125,000,000) with a par value of Shs 4 per share.

23 Capital Reserves

	Notes	Group 2003 Shs 000	Group 2002 Shs 000	Bank 2003 Shs 000	Bank 2002 Shs 000
Revaluation reserve					
At start of year		**27,295**	30,766	**27,295**	30,766
Transfer of excess depreciation and deferred tax thereon		**(353)**	(451)	**(353)**	(451)
Revaluation deficit during the year		-	(4,314)	-	(4,314)
Deferred tax on revaluation deficit	16	-	1,294	-	1,294
At end of year		**26,942**	27,295	**26,942**	27,295
Other					
Bonus shares issued to the bank by subsidiary and associates					
At start of year		**87,875**	66,622	-	-
Translation adjustment		**(3,252)**	(1,182)	-	-
Bonus shares issued by associate		-	22,435	-	-
At end of year		**84,623**	87,875	-	-
		111,565	115,170	**26,942**	27,295

24 Off Balance Sheet Financial Instruments, Contingent Liabilities and Commitments

In common with other banks, the bank conducts business involving acceptances, guarantees, performance bonds and letters of credit. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the consolidated balance sheet.

	2003 Shs 000	2002 Shs 000
Contingent liabilities		
Acceptances and letters of credit	**386,235**	190,985
Guarantee and performance bonds	**131,710**	65,939
	517,945	256,924

Nature of contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects the acceptances to be presented, and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by a customer to third parties. The bank will only be required to meet these obligations in the event of the customer's default.

24 Off Balance Sheet Financial Instruments, Contingent Liabilities and Commitments (continued)

	2003 Shs 000	2002 Shs 000
Commitments		
Undrawn credit lines and other commitments to lend	**901,490**	705,030
Foreign exchange forward contracts	**43,355**	39,940
Foreign exchange spot transactions	**101,506**	57,030
Operating lease rentals	**125,832**	29,933
Capital commitments	**20,225**	-
	1,192,408	831,933

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.

25 Business Segments

The major part of the business of the group is in Kenya and falls under the category of banking, which accounts for more than 90% of the total income.

26 Interest Rate Risk

The group is exposed to various risks associated with the effects of fluctuations in the levels of market interest rate on its financial position and cash flows. The group has a policy of regularly reviewing and re-pricing interest rates. The table below summarises the 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 repricing or maturity dates. The group does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Kenya Shillings.

26 Interest Rate Risk (continued)

At 31 December 2003

	Up to 1 month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
Assets						
Cash and bank balances with Central Bank of Kenya	64,992	-	-	-	452,142	**517,134**
Government securities	447,401	1,538,125	460,043	58,544	18,158	**2,522,271**
Deposits and balances due from banking institutions	178,195	-	-	-	827	**179,022**
Investments in associates	-	-	-	-	167,709	**167,709**
Other assets	-	-	-	-	207,307	**207,307**
Advances to customers	4,805,152	-	18,000	-	58,986	**4,882,138**
Property and equipment	-	-	-	-	166,926	**166,926**
Tax receivable	-	-	-	-	24,680	**24,680**
Deferred tax asset	-	-	-	-	16,996	**16,996**
Total assets	**5,495,740**	**1,538,125**	**478,043**	**58,544**	**1,113,731**	**8,684,183**
Liabilities and Shareholders' Funds						
Customer deposits	4,186,382	1,901,144	343,724	80,143	16,758	**6,528,151**
Deposits and balances due to banking institutions	291,716	41,844	-	-	546	**334,106**
Other liabilities	-	-	-	-	472,720	**472,720**
Shareholders' funds	-	-	-	-	1,349,206	**1,349,206**
Total Liabilities and Shareholders' Funds	**4,478,098**	**1,942,988**	**343,724**	**80,143**	**1,839,230**	**8,684,183**
Interest sensitivity gap	**1,017,642**	**(404,863)**	**134,319**	**(21,599)**	**(725,499)**	**-**
At 31 December 2002						
Total assets	3,337,816	802,948	905,160	315,200	912,630	6,273,754
Total liability and shareholders' funds	3,488,799	994,570	282,160	-	1,508,225	6,273,754
Interest sensitivity gap	**(150,983)**	**(191,622)**	**623,000**	**315,200**	**(595,595)**	**-**

27 Liquidity Risk

The group is exposed to daily calls on its available cash resources from deposit repayments, current account withdrawals, loan draw downs and crystallisation of contingent liabilities. The group manages the level of maturing funds available to meet such calls. The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2003 to the contractual maturity date. All figures are in thousands of Kenya Shillings.

27 Liquidity Risk (continued)

At 31 December 2003	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and bank balances with Central Bank of Kenya	365,606	124,560	21,459	5,509	-	**517,134**
Government securities	449,746	1,397,646	608,947	65,932	-	**2,522,271**
Deposits and balances due from banking institutions	179,022	-	-	-	-	**179,022**
Investments in associates	-	-	-	-	167,709	**167,709**
Other assets	207,307	-	-	-	-	**207,307**
Advances to customers	672,967	908,729	2,247,453	1,008,108	44,881	**4,882,138**
Property and equipment	-	-	-	-	166,926	**166,926**
Tax receivable	-	-	-	24,680	-	**24,680**
Deferred tax asset	-	-	-	16,996	-	**16,996**
Total assets	**1,874,648**	**2,430,935**	**2,877,859**	**1,121,225**	**379,516**	**8,684,183**
7,183,442						
Liabilities and Shareholders' Funds						
Customer deposits	4,195,207	1,907,645	344,876	80,423	-	**6,528,151**
Deposits and balances due to banking institutions	292,182	41,924	-	-	-	**334,106**
Other liabilities	426,379	-	46,341	-	-	**472,720**
Shareholders' funds	-	-	-	-	1,349,206	**1,349,206**
Total Liabilities and Shareholders' Funds	**4,913,768**	**1,949,569**	**391,217**	**80,423**	**1,349,206**	**8,684,183**
7,254,554						
Net liquidity gap	**(3,039,120)**	**481,366**	**2,486,642**	**1,040,802**	**(969,690)**	**-**
At 31 December 2002						
Total assets	1,372,631	1,464,949	1,978,484	1,058,925	398,765	6,273,754
4,816,064						
Total liabilities and Shareholders' Funds	3,727,765	993,494	283,132	-	1,269,363	6,273,754
5,004,391						
Net liquidity gap	**(2,355,134)**	**471,455**	**1,695,352**	**1,058,925**	**(870,598)**	**-**

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the bank. It is unusual for banks ever to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the bank and its exposure to changes in interest rates and exchange rates.

32 Related Party Transactions (continued)

At 31 December 2003 advances to directors and companies associated to directors amounted to Shs 214,778,000 (2002: Shs 94,481,000). These loans were given on commercial terms and at market rates.

At 31 December 2003 advances to employees amounted to Shs 2,921,000 (2002: Shs 4,116,000). These loans were given at concessionary rates.

At 31 December 2003 customer deposits include deposits due to directors or their families, employees and companies related through common directorship of Shs 708,365,000 (2002: Shs 386,680,000).

At 31 December 2003 contingent liabilities include letters of credit and guarantees issued for the account of companies related through common directorship amounting to Shs 33,976,000 (2002: Shs 18,690,000).

33 Share Distribution Schedule and Ten Largest Shareholders

The distribution of issued share capital of the bank as at 31 December 2003 was as follows:

Range	No of shareholders	No of shares held	% Shareholding
Less than 500 shares	1,670	370,239	0.37
500 – 5,000 shares	4,715	9,770,547	9.83
5,001 – 10,000 shares	1,348	9,518,138	9.58
10,001 – 100,000 shares	900	21,626,887	21.76
100,001 – 1,000,000 shares	44	10,798,581	10.87
Over 1,000,000 shares	8	47,290,608	47.59
Total	8,685	99,375,000	100.00

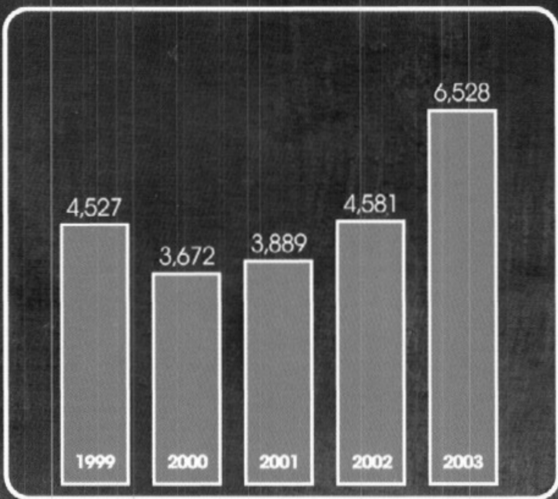
The ten largest shareholders of the bank and their respective holdings as at 31 December 2003 were as follows:

Name	No. of shares	% Shareholding
Aga Khan Fund for Economic Development	22,592,097	22.73
International Finance Corporation	9,999,985	10.06
The Jubilee Insurance Company Limited	6,255,703	6.30
Barclays (Kenya) Nominees Ltd	2,749,991	2.77
The Diamond Jubilee Investment Trust (U) Ltd	1,859,371	1.87
Noorali Mohan Manji	1,408,461	1.42
Ameerali Nazarali	1,375,000	1.38
Craysell Investments Ltd	1,050,000	1.05
Amin Nanji Juma	902,697	0.91
Ameerali K. Somji and Gulzar A. K. Somji	893,040	0.90

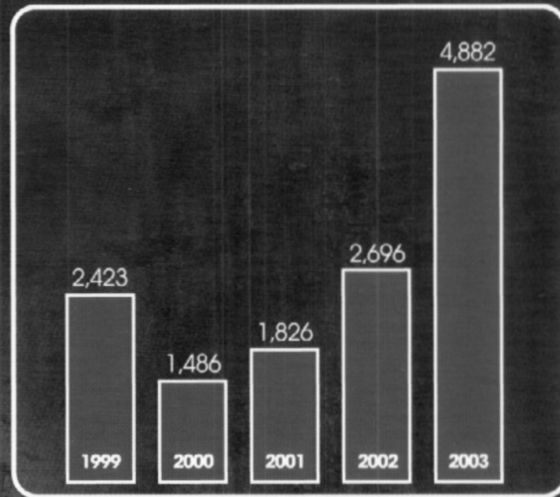
34 Central Bank of Kenya (Amendment) Act 2000

Parliament passed the Central Bank of Kenya (Amendment) Act 2000 (the Act) during 2001. The Act, which had a commencement date of 1 January 2001, received presidential assent in August 2001. Following the presidential assent, the banking industry asked the Constitutional Court, to declare the Act unconstitutional and therefore null and void as it had a retrospective commencement date, introduced penalties for lawful actions taken in the past and invalidated contracts already in place. The constitutional court delivered its judgement in early 2002. A decree extracted from the judgement confirmed that the banking industry's prayers to the court had been granted. This decree was however challenged by the Attorney General who, in a consent order, sought to vary the decree so as to declare the Act void only to the extent it is retrospective and penal. This consent order was granted, but was immediately challenged by the Kenya Bankers Association and the Central Bank of Kenya. This matter is yet to be determined by court. In preparing these financial statements, the directors have relied on the legal advice obtained by the Kenya Bankers Association on behalf of member banks. In the opinion of the association's lawyers, Section 39 of the Act (which provides for minimum rates of interest on deposits and maximum rates for advances) is inoperational for all intents and purposes, and can only be reintroduced by Parliament at a future date. The directors have considered this matter and have prepared these financial statements on the basis of the advice obtained.

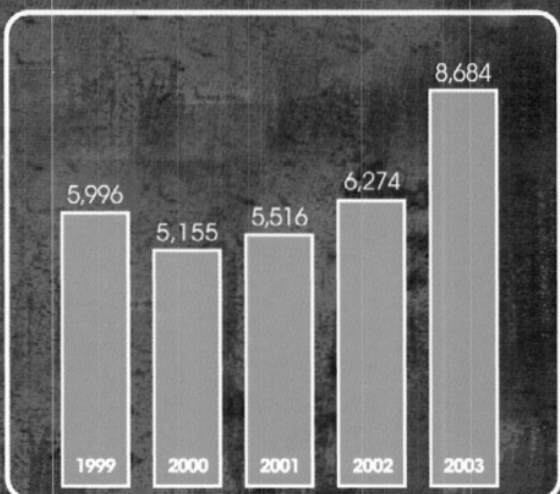
Financial Performance Charts



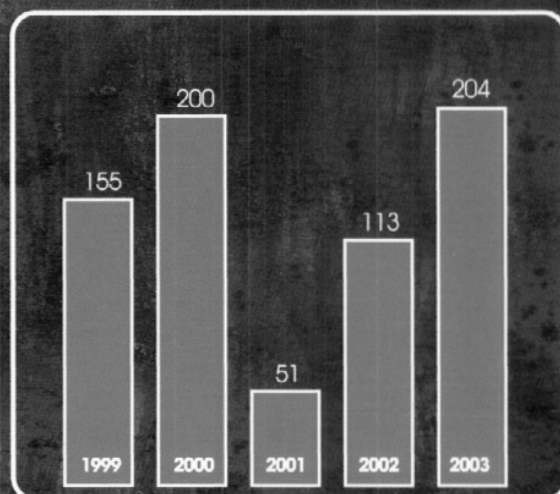
Customer Deposits
All amounts in Shs millions



Net Advances
All amounts in Shs millions



Total Assets
All amounts in Shs millions



Group Profit before Tax
All amounts in Shs millions

PROXY FORM

I/We ....

of ....

being a member/members of Diamond Trust Bank Kenya Limited, hereby appoint

....

of ....

and failing him, ...

of ....

and failing him, the chairman of the meeting as my/our proxy to vote for me/our and on my/our behalf at the Annual General Meeting of the Bank to be held on Monday 24th May 2004 at 11:00 a.m. and at any adjournment thereof.

As witness my/our hand this .... day of .... 2004.

Signature ....

Important Notes:

1. *If you are unable to attend this meeting personally, this Proxy Form should be completed and returned to The Company Secretary, P. O. Box 61711, City Square 00200, Nairobi, so as to reach her not later than 48 hours before the time appointed for holding the meeting.*

2. *A person appointed to act as a proxy need not be a member of the Bank.*

3. *If the appointer is a corporation, this Proxy Form must be under seal or under the hand of officer or Attorney duly authorised in writing.*

Fold here

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