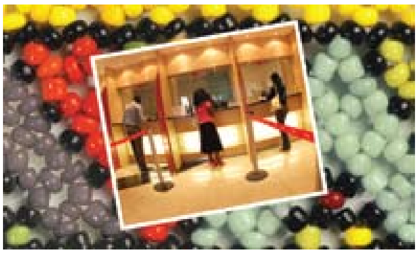
DIAMOND
TRUST
BANK

2008 ANNUAL REPORT & FINANCIAL STATEMENTS



MAIN BRANCH - Kampala, Uganda

WESTGATE BRANCH - Nairobi, Kenya

MAIN BRANCH - Dar es Salaam, Tanzania

ACHIEVE MORE. Take the leap.

With over 60 years of banking experience, DTB has established itself as a reliable financial institution. With a strong financial partner, you can take the leap to make big gains.

Our Vision

'Enabling people to advance with confidence and success'.

Our Mission

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

Our Values

Our values are the fundamental principles that define our culture and are brought to life in both our attitudes and our behaviour. It is our values that makes us unique and unmistakable.

Excellence

This should be at the core of everything we do. The markets in which we operate are becoming increasingly competitive and our customers now have an abundance of choice. Only through being the very best - in terms of the service we offer, and our products and premises - can we hope to be successful and grow.

Integrity

To be one of the leading banks in Sub-Saharan Africa, knowing that our success depends upon trust. Our customers - and society in general - expect us to possess and steadfastly adhere to high moral principles and professional standards.

Customer Focus

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

Meritocracy

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

Progressiveness

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

Contents

Financial statements:

Company Information

BOARD OF DIRECTORS

Mahmood Manji *Chairman*
Nasim Devji * *Managing Director*
Kabir Hyderally **
Nizar Juma
Karim Kanji ***
Jack Kisa
Amin Merali
Abdul Samji
Mohamood Thobani ****

*British ** Pakistani ***Tanzanian ****Ugandan

COMPANY SECRETARY

Habil Waswani

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Rahimtulla Tower
Upper Hill Road
P.O. Box 43963, 00100
NAIROBI

BRANCHES

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

Unit 2, Capital Centre
Mombasa Road
P.O. Box 27556
G.P.O. 00506
NAIROBI

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

Westgate Shopping Mall
Mwanzi Road
P.O. Box 66213
Westlands 00800
NAIROBI

Tuskys Supermarket
Mondlane/Tom Mboya Street
P.O. Box 61711
City Square 00200
NAIROBI

OTC Building, Shop No. 3
Gwasi Lane, Off Racecourse Road
P.O. Box 7978-00300
NAIROBI

Prestige Plaza
2nd Floor, Ngong Road
P.O. Box 21053-00505
NAIROBI

Industrial Area
Likoni Road
P.O. Box 78552-00507
NAIROBI

Supermarket Arcade Building
2nd Avenue Eastleigh
P.O. Box 69001-00622
NAIROBI

Village Market
Limuru Road
P.O. Box 63473-00619
NAIROBI

Diamond Trust House
Moi Avenue
P.O. Box 90564
MOMBASA

Magongo Road, Changamwe
P.O. Box 93140-80100
MOMBASA

F.N. Centre
Lamu Road
P.O. Box 5244-80200
MALINDI

Diamond Trust House
Oginga Odinga Road
P.O. Box 1081
KISUMU

Moi Highway
P.O. Box 1265-40200
KISII

S.D Shah Building
Kenyatta Avenue, Nakuru
P.O. Box 1101-20100
NAKURU

Tuskys Chania
Kenyatta Highway
P.O. Box 327
THIKA

Company Information(Continued)

PRINCIPAL OFFICERS	Shahzad Karim	Head of Corporate Banking
	Gopa Kumar	Head of Retail Banking
	Sathya Vadana	Head of Treasury & International Banking
	Kennedy Nyakomitta	Head of Asset Finance & Insurance Premium Finance
	Alkarim Jiwa	Head of Finance & Planning
	Nita Shah	Head of Risk
	Nizar Tundai	Head of Technology
	Joseph Mathai	Head of Coast Region
	Shiraz Surani	Head of Western Kenya Region
	Laila Premji	Head of New Initiatives and Branch Operations
	Frederick Olande	Head of Human Resources
	Stella Mulinge	Head of Money Transfer Services
	Peter Kimani	Head of Internal Audit
	Millerangum Jayaraman	Head of Credit Risk
	Suraj Shah	Head of Operations & Special Projects
	Hilda Kerubo	Head of Compliance

PRINCIPAL CORRESPONDENTS	London	Habib Allied Bank Standard Chartered Bank Plc
	New York	Habib Bank Limited Citibank N.A. Standard Chartered Bank Plc
	Paris	Banque Natexis
	Frankfurt	BHF Bank Commerzbank Standard Chartered Bank Plc
	Toronto	Citibank, Canada
	Johannesburg	Citibank, South Africa
	Mumbai	ICICI Bank Development Credit Bank Limited
	Melbourne	ANZ Bank Melbourne, Australia
	Tokyo	Standard Chartered Bank Plc
	Dubai	Habib Bank limited

FIVE - YEAR FINANCIAL REVIEW

	2008	2007	2006	2005	2004
Net interest income	2,438,734	1,720,661	1,078,864	811,211	537,864
Non-fund based income	1,230,067	633,656	431,255	337,210	252,866
Total income	3,668,801	2,354,317	1,510,119	1,148,421	790,730
Operating profit before provisions	1,794,823	1,121,793	743,720	518,554	298,169
Charge for impairment of loans	(190,527)	(66,523)	(58,813)	(91,940)	(35,542)
Profit before income tax	1,604,296	1,055,270	684,907	426,614	262,627
Profit after tax and minority interest	1,024,489	690,691	487,830	294,598	179,672
Dividends for the year	228,252	228,252	139,746	86,953	69,563
Advances to customers (net)	34,063,359	23,181,871	13,832,756	10,318,103	7,137,193
Total deposits (customers and banks)	45,853,320	29,347,307	16,952,462	13,846,171	9,303,877
Shareholders' funds	5,905,514	5,052,025	2,868,090	1,652,234	1,437,072
Total assets	56,145,697	35,997,571	21,737,391	16,384,422	11,172,224
Performance ratios					
Earnings per share - basic and diluted	Shs. 6.28	Shs. 4.72	Shs. 3.38	Shs. 2.04	Shs 1.24
Dividend per share	Shs 1.40	Shs 1.40	Shs 1.00	Shs 0.70	Shs 0.70
Net loans to deposits	74.3%	79.0%	81.6%	74.5%	76.7%
Non performing loans to total loans (before provisions)	1.2%	0.7%	0.8%	0.8%	1.6%
Return on average assets	2.2%	2.4%	2.6%	2.1%	1.8%
Return on average shareholders' funds	18.7%	17.5%	21.6%	19.1%	13.0%
Non-fund based income to total income	33.5%	26.9%	28.6%	29.4%	32.0%
Other indicators (Bank only)					
Core capital to customer deposits	13.6%	17.5%	15.1%	9.8%	13.0%
Core capital to total risk weighted assets	15.6%	19.1%	16.5%	11.1%	14.0%
Total capital to total risk weighted assets	19.8%	19.1%	19.7%	14.2%	19.0%
Number of branches	17	11	5	5	5
Number of employees	396	364	238	201	177
Expenditure on property and equipment	276,290	159,884	74,241	54,877	187,992

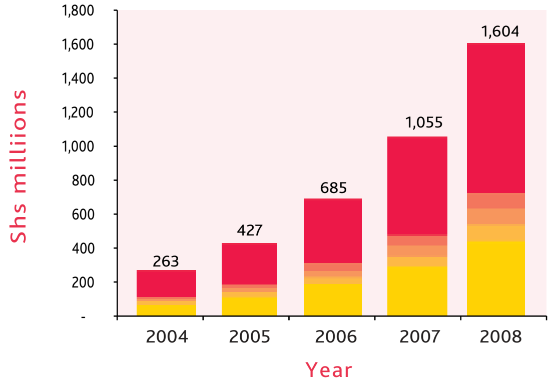
The extracts from the consolidated financial statements are stated in thousands of Kenya Shillings (Shs 000) except where otherwise indicated.

The results for Diamond Trust Bank Tanzania Limited which had previously been accounted for as an associate, have been accounted for as a subsidiary from 15 June 2007. This follows the increase in the Bank's shareholding in Diamond Trust Bank Tanzania Limited from 33.4% to 55.4% on the same date.

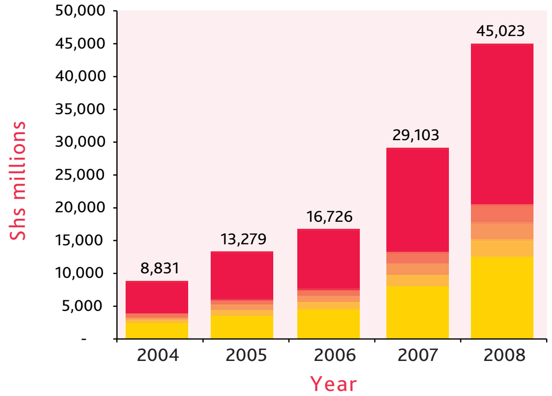
The results for Diamond Trust Bank Uganda Limited which had previously been accounted for as an associate, have been accounted for as a subsidiary from 6 October 2008. This follows the increase of the Bank's shareholding in DTBU from 26.7% to 51% on the same date.

Financial Performance Charts

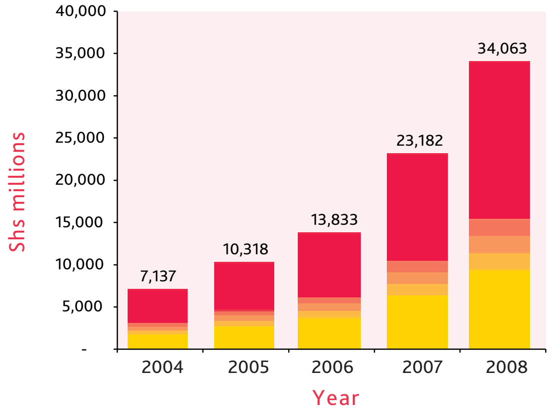
Group Profit before Tax



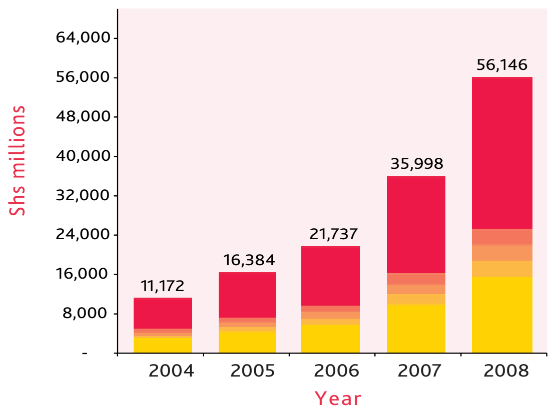
Customer Deposits



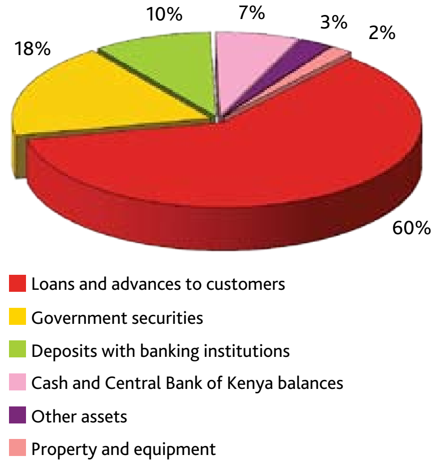
Advances



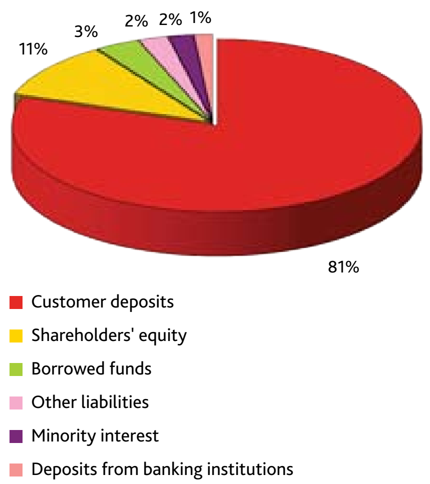
Total Assets



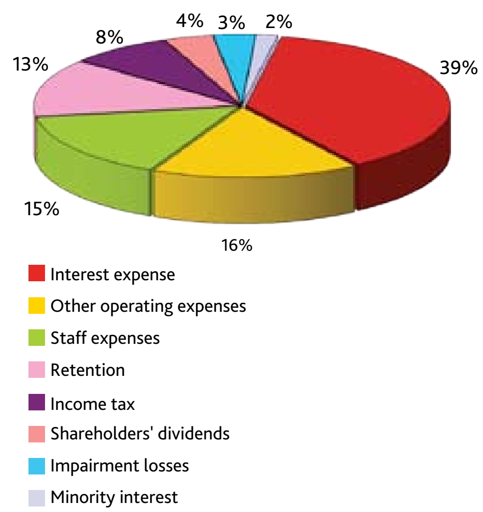
Distribution of Assets - 2008



Liabilities composition and Shareholders' Equity - 2008



Distribution of Income - 2008



BOARD OF DIRECTORS

Directors' Profile

MR. MAHMOOD MANJI

CHAIRMAN & NON - EXECUTIVE DIRECTOR

A career banker, Mr. Manji was appointed Chairman of the DTB group in July 2005. Mr. Manji joined DTB as Group Chief Executive in 1996, a position he held until 1999. He retained his seat on the Board until 2004, when he was appointed Deputy Chairman. Prior to his appointment at DTB, Mr. Manji was the Managing Director of CFC Bank Limited. Mr. Manji, a Fellow of the Kenya Institute of Bankers, is also the Chairman of Property Development and Management Limited, a Director of TPS Eastern Africa Limited and the Kenya Civil Aviation Authority. He is a member of the Institute of Chartered Accountants in England and Wales and the International Who's Who of Professionals.

MRS. NASIM DEVJI

MANAGING DIRECTOR

Mrs. Devji joined the DTB group in 1996 as Head of Regional Finance. In 1998, she assumed responsibility for the Bank's Debt Recovery Unit and later the other business support functions of the Bank including ICT and administration. In 2001, she was appointed Group Chief Executive Officer of the Diamond Trust Banks in East Africa. Prior to joining the DTB group, she worked in the United Kingdom for 25 years in the accountancy profession as well as a taxation specialist in the oil industry. Mrs. Devji is a Fellow of the Institute of Chartered Accountants of England and Wales and an associate of the Institute of Taxation (United Kingdom) as well as a Fellow of the Kenya Institute of Bankers. Mrs. Devji is a director of DTB subsidiaries in Tanzania, Uganda and Burundi, and Diamond Trust Insurance Agency Limited, as well as a director of Development Credit Bank Limited, India.

MR. NIZAR JUMA

NON - EXECUTIVE DIRECTOR

Mr. Juma is a Kenyan businessman. He is probably most well known for his company, Orbitsports Limited, manufacturers of Adidas products. He joined the DTB Board in August, 1997. Mr. Juma was Chairman of the Aga Khan Health Services in Kenya for almost seven years. He is currently the East African Regional Chairman of the IPS Group of Companies. He is also the Chairman of The Jubilee Insurance Group of Companies in this region. He holds a joint honors degree in Economics, Law and Accountancy from the University of Wales. He was awarded the Silver Star by the President of Kenya for outstanding service to the nation.

MR. JACK KISA

NON - EXECUTIVE DIRECTOR

Mr. Kisa joined the DTB Board in April 1998. He worked for the World Bank as a Senior Economist between 1978 and 1995. The World Bank seconded Mr. Kisa to the Southern African Development Community as Economic Advisor, in which capacity he served from 1986 to 1991. Prior to joining the World Bank, Mr. Kisa was Director of the United Nations World Employment Programme in Africa from 1974 to 1977. During the 1960s and early 1970s, he was Provincial Planning Officer (Coast) and Principal Economist in Kenya's Ministry of Finance and Planning. Mr. Kisa holds a Bachelor of Science honours degree (Economics) (London) and a Masters degree in Public Administration (Economic Development) (Harvard). He also holds diplomas in International Development from York University (Toronto) and Advanced Economics from the University of Colorado. Currently, Mr. Kisa is a businessman and a director of TPS Eastern Africa Limited.

MR. AMIN MERALI

NON - EXECUTIVE DIRECTOR

Mr. Merali was appointed to the DTB Board in 1998. Mr. Merali is a prominent businessman and is Chairman and Chief Executive of the Merali Group of Companies, comprising the Neptune Group of hotels, bulk fuel haulage and property development. Mr. Merali is also a director on the Board of the Aga Khan Health Services, Kenya.

Directors' Profile (Continued)

MR. ABDUL SAMJI
NON - EXECUTIVE DIRECTOR

A Certified Public Accountant and Management Consultant by profession, Mr. Samji is a former Partner of PKF Kenya, a firm of Certified Public Accountants. He was appointed to the DTB Board in 1997. He is a B.Comm (Hons.) graduate, Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Certified Public Accountants of Kenya. Mr. Samji is a past District Governor of Rotary International, District 9200, and is a Trustee for several institutions involved in charitable and service activities. Mr. Samji is also a director of the Kenya Tourist Board.

MR. MOHAMOOD THOBANI
NON - EXECUTIVE DIRECTOR

Mr. Thobani is a businessman in Uganda. He was appointed to the Board in February 2004. He has served as a non-executive director of DTB Uganda Limited since 1991 and is currently the Deputy Chairman. Mr. Thobani is a major shareholder of the Fourways Group of Companies based in Uganda. The group's activities are fuel distribution, real estate development, agro and export based. He is a director of Property Development and Management Limited in Kenya. Mr. Thobani is involved in various community projects and has served on the Board of Nsambya Missionary Hospital in Uganda from 1998 to date and on the boards of various community based organizations in Uganda. In 2005, Mr. Thobani was appointed the Minister of Economic Planning, Development and Investments in the Government of the Kingdom of Buganda.

MR. KARIM KANJI
NON - EXECUTIVE DIRECTOR

Mr. Kanji was appointed to the DTB Board in February 2004. He is a former Deputy Chairman of DTB Tanzania Limited. He served on the Board of DTB Tanzania for a period of 10 years. He has also been the treasurer of the International School of Tanganyika in the past and holds various financial portfolios in the Aga Khan community. Mr. Kanji is a member of the Institute of Chartered Accountants in England and Wales.

MR. KABIR HYDERALLY
NON - EXECUTIVE DIRECTOR

Mr. Hyderally was appointed to the DTB Board in September 2007. He has served as a non-executive director of DTB Tanzania Limited since 1988. He is a B.Comm (Hons.) graduate, Fellow of the Institute of Chartered Accountants of Pakistan, and a member of the National Board of Accountants & Auditors, Tanzania. Mr. Hyderally is also a director of TPS Eastern Africa Limited as well as Industrial Promotion Services (Tanzania) Limited.

MR. HABIL WASWANI
COMPANY SECRETARY

Mr. Waswani joined DTB in 2004 as a Legal Officer in the corporate banking division. In 2005, he was promoted to the position of Manager Credit, after which he was appointed to the position of Company Secretary in December 2006. Mr. Waswani is a holder of Bachelor of Laws (LL.B) Degree (The University of Nairobi) and 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. Waswani is also a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

KEY:

Board Executive Committee	*Board Risk Management Committee*
Board Nomination and Remuneration Committee	*Board Credit Committee*
Board Audit Committee	*Board Asset and Liability Committee*

THE BANKING AWARDS 2008
PROUDLY SPOSORED BY
Renaissance Capital
BEST BANK IN SME BANKING
THE BANKING AWARDS 2008
PROUDLY SPCSORED BY
Renaissance Capital
BEST BANK IN ASSET FINANCE

Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FORTY THIRD ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF DIAMOND TRUST BANK KENYA LIMITED WILL BE HELD AT THE ABERDARES HALL, KENYATTA INTERNATIONAL CONFERENCE CENTRE, HARAMBEE AVENUE, NAIROBI, ON FRIDAY 29 MAY 2009 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the Minutes of the Forty Second Annual General Meeting held on 30 May 2008.
2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2008.
3. To approve payment of a final dividend of 35% on the Issued and Paid-up Share Capital of Shs 652 million to the shareholders registered in our books as at 29 May 2009 on or about 18 June 2009, 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 2008 and to authorise the Directors to fix the Auditors' remuneration for the year 2009.
8. To transact any other Ordinary Business of an Annual General Meeting.
9. Amendment of the Company's Articles of Association

   To consider and, if thought fit, to pass the following resolution as a special resolution:

   "That Article No.137 of the Articles of Association of the Company be amended by including the following:

   "Provided that in the case of a notice of an annual general meeting, such notice may also be given by:

   a) publishing a notice containing a summary of both the annual financial statements and auditors' report, in at least any two local daily newspapers with national circulation for at least two consecutive days; or
   b) sending to every member, a notice through the electronic media containing a summary of both the annual financial statements and auditors' report."

   Copies of the complete Memorandum and Articles of Association are available for inspection at the Company's Registered Offices – 8th Floor, Nation Centre, Kimathi Street, Nairobi.

By Order of the Board

Habil Waswani
Company Secretary

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

I am very pleased indeed to present your Bank's 2008 annual report and financial statements. The Bank excelled once again, on the back of significant expansion in Kenya and new investments in the region aimed at sustaining the growth trajectory built in recent years.

Group pre-tax profit rose sharply by 52%, from Kshs 1.1 billion in 2007 to Kshs 1.6 billion in 2008. Total assets soared by a hefty 56% to stand at Kshs 56 billion, up from Kshs 36 billion in 2007. The Group's customer deposit base shot up by a remarkable 55%, from Kshs 29 billion in 2007 to Kshs 45 billion in 2008. The loan book for the Group increased by 47%, to stand at Kshs 34 billion.

Your Bank managed to record significant growth despite the challenging economic environment that prevailed in 2008. The dreadful post- election crisis witnessed at the beginning of the year had a dampening effect on Kenya's economy, with key sectors including agriculture, tourism and transport directly affected by the crisis. As a result, GDP growth declined to an estimated 3% in 2008 compared to 7% in the previous year. The economic downturn was further aggravated by the global financial crisis which unraveled in the latter half of 2008. The global crisis is widely expected to have a prolonged and severe impact on both, the developed as well as the developing economies. This is evident by the weakening of the Kenya Shilling as foreign exchange reserves dwindle in the face of falling remittances from the Diaspora, subdued demand for exports, fewer tourist arrivals and the tapering off of foreign investors from the Nairobi Stock Exchange. Most economic pundits project that the current global economic slump will continue well into 2010, with prospects for economic recovery forecast in 2011, at the earliest. Despite the magnitude and severity of the economic crisis, DTB plans to continue with its expansion plans, albeit with some caution. This view is anchored in the belief that there may well be emerging economic opportunities to tap into, in the midst of an increasingly challenging business environment.

To sustain and build on the growth momentum achieved in recent years, the Bank has expanded its capital base over the last few years. Shareholders will recall that through two successive and highly successful Rights Issues, in 2006 and 2007 respectively, DTB Kenya was able to raise KShs 2.4 billion in additional capital. In 2008, the capital base was further strengthened by raising long- term subordinated debt capital to the tune of US$ 15 million from the International Finance Corporation (IFC).

In addition to the externally sourced funds, it is necessary for the Bank to continue to enhance its capital base from internally generated funds by implementing a prudent dividend policy. In this regard, your Directors have considered it appropriate to maintain the dividend at 37.5%, equivalent to KShs 1/40 per share, in line with the previous year.

The enhanced capital base will enable the bank to intermediate financial transactions through a wider network of domestic branches as well as expand its existing operations in East Africa and other countries in the Sub-Saharan African region, in due course.

In this respect, I am pleased to inform Shareholders that in October 2008, DTB Kenya increased its investment in DTB Uganda from 26.7% to 51.1%, effectively changing the latter's status to a subsidiary. This was achieved by participation in a Rights Issue offering by DTB Uganda to the tune of KShs 241 million. You will recall that in 2007, the Bank's shareholding in DTB Tanzania was increased from 33.4% to 55.4%. Following these developments, DTB Kenya has now secured majority control in both its banking affiliates in the region.

Shareholders will be pleased to learn that DTB's plans to establish a commercial banking subsidiary in Burundi have come to fruition following receipt of approvals from the regulators in Burundi and Kenya. The bank is slated to open its doors to the public in May 2009.

Chairman's Statement (Continued)

The Group has also made noteworthy progress in implementing its ambitious branch expansion programme, across East Africa, with its footprint increasing from 17 to 30. Last year, DTB increased its network in Kenya by opening six new branches - four in Nairobi and one each in Mombasa and Nakuru. Through its subsidiaries in Tanzania and Uganda, additional branches were opened in Kampala, Jinja and Arusha. Plans are at hand to increase the Group's branch network from 30 at present to over 100 in the near future.

In addition to the subordinated debt capital facility, IFC availed a long term senior loan of US$ 10 million to DTB Kenya in 2008. Apart from boosting your Bank's on- lending capability, the Group has accessed IFC's capacity building and technical assistance advisory services under the IFC Africa Micro Small and Medium Enterprises (AMSME) programme.

This Programme, which will extend over a two year period, will generate a whole host of benefits for DTB. First and foremost, the DTB Group becomes the first banking group in East Africa that IFC has chosen to partner to implement the AMSME Programme. This initiative is targeted at what is, arguably, one of the most important segments of the East African economies, namely the SME sector.

SME's form the heart of DTB's customer base. Indeed DTB's successful involvement in the SME sector was recognised by the Kenyan banking fraternity in 2008 when DTB scooped the top awards for the Best Bank in Kenya in SME Banking and Best Bank in Kenya in Asset Finance. In DTB's Tanzanian and Ugandan affiliates, financing of SME's is even more deeply entrenched.

Riding on the strength of these achievements, your Bank views IFC's support through SME Financing and Technical Advisory Assistance, as both timely and appropriate. Through this collaboration, DTB will continue to implement best practices and technology to further deepen the Group's involvement with SME banking throughout East Africa.

Shareholders will be aware of the significant progress which your Bank has made in recent years in terms of business growth, profitability and infrastructural development. This success has, in large measure, been achieved, due to the dedication, loyalty and committment of the Group CEO and Managing Director, Mrs. Nasim Devji, her Management Team and the enthusiastic and untiring support of all the staff. On behalf of the Shareholders and Board, I take this opportunity to warmly congratulate them for an excellent performance.

To my colleagues on the Board, I remain most grateful, for their diligence in executing their responsibilities as directors and for their invaluable support, contribution and unwavering committment during an exceptionally busy year.

One of the longest serving Directors, Mr Jack Kisa, has opted to retire this year. Mr Kisa's wise and sound counsel, both as Chairman of the Board Audit Committee and as a Member of the Board, will be sorely missed. On behalf of my colleagues on the Board, I wish to thank him for his contribution over the years and wish him a long and happy retirement.

Finally, I would like to thank you, our shareholders, for your continued trust, support and confidence in the institution and to our loyal clients for their valued custom.

Mahmood Manji
Chairman
6 March 2009

Taarifa ya Mwenyekiti

Ni furaha yangu kuwasilisha kwenu taarifa ya mwaka ya kifedha ya benki yenu. Kwa mara nyengine tena, benki ya DTB iliweza kufanya vyema huku ikiendelea kupanua shughuli zake za kibiashara nchini Kenya na kuweka miradi kadhaa mipya katika eneo hili, ambayo lengo lake ni kuimarisha na kujenga msingi bora wa mafanikio yaliyopatikana katika miaka ya hivi karibuni.

Faida kabla ya kutozwa ushuru iliongezeka maradufu kwa asilimia 52%, kutoka shilingi bilioni 1.1 mnamo mwaka 2007 hadi kufikia shilingi bilioni 1.6 mwaka 2008. Katika kipindi hicho cha mwaka, raslimali za benki na kampuni zake tanzu pia ziliongezeka kwa kiwango kikubwa cha asilimia 56% na kufikia shilingi bilioni 56 kutoka shilingi bilioni 36 mwaka uliotangulia wa 2007. Kadhalika akiba ya wateja wa benki na kampuni zake tanzu iliongezeka kwa asilimia 55% kutoka shilingi bilioni 29 mwaka 2007 hadi shilingi bilioni 45 mwaka 2008. Pia mikopo kwa wateja iliongezeka kutoka asilimia 47% na kufikia shilingi bilioni 34.

Kadhalika nina furaha kuwaelezea kwamba benki yenu iliweza kuimarika zaidi mbali na matatizo ya kiuchumi duniani mwaka 2008. Machafuko ya kisiasa yaliyoshuhudiwa baada ya uchaguzi yalikuwa na athari kubwa katika sekta mbalimbali za kiuchumi kama vile kilimo, utalii na uchukuzi. Kufuatia hali hiyo, kiwango cha mapato ya nchi(GDP) kilipungua kufikia kadiri ya asilimia 3% mnamo mwaka 2008 ikilinganishwa na kukua kwa kiwango cha asilimia 7% kilichopatikana mwaka uliotangulia. Hali mbaya ya kiuchumi ilisababishwa na msukosuko wa kifedha duniani ambao ulijitokeza mwishoni mwa mwaka 2008. Hali hiyo imesababisha kupanda kwa gharama ya maisha kote duniani na inatazamiwa kuwa na athari kubwa kwenye mataifa yaliyoendelea na yanayoendelea, ikiwemo Kenya. Tayari kufikia sasa tumeshuhudia athari za hali hii kwa sarafu ya Kenya kudhoofika dhidi ya sarafu za kigeni, kuwasili kwa watalii wachache, upungufu wa mahitaji ya bidhaa za Kenya kwenye soko la nje na kuhama kwa wawekezaji wa kigeni katika shughuli za biashara katika soko la hisa la Nairobi. Wadadisi wengi wa maswala ya kiuchumi wanakisia kwamba hali hii ya kufifia kwa uchumi ulimwenguni itaendelea hadi kufikia mwaka 2010, huku kukiwa na matumaini ya hali kuanza kuimarika mwanzoni mwa mwaka 2011. Lakini mbali na hali hiyo, benki ya DTB ina mipango ya kuendelea na kupanua shughuli zake, japokuwa kwa tahadhari kubwa. Maoni haya yanakwenda sawa na msimamo wa DTB kwamba labda kukawa na njia kadhaa za kibiashara ambazo huenda tukazitumia, licha ya hali mbaya ya kiuchumi duniani.

Ili kuweza kuimarisha na kuendeleza ukuaji wa DTB uliopatikana katika miaka ya hivi karibuni, benki imeweza kuboresha mtaji wake. Wenyehisa watakumbuka vyema kwamba kupitia mauzo mawili ya hisa, mwaka 2006 na 2007,mtawalia, benki ya DTB ilipata jumla ya shilingi bilioni 2.4 kama ziada ya mtaji wake. Mnamo mwaka 2008, DTB iliongeza mtaji wake kwa mara nyengine tena, kwa kuongeza mkopo wa muda mrefu kutoka nje hadi kufikia kima cha Dola za Marekani milioni 15 kutoka shirika la kimataifa la IFC.

Tukiachilia mbali mikopo kutoka nje, ni muhimu kwa benki pia kujijengea msingi wa mtaji wake kutoka ndani kwa kubuni mbinu za kuhifadhi faida inayopatikana. Kwa kupitia njia hii, Wakurugenzi wa benki wameamua na kukubaliana kwamba kiwango cha mgao kibakie asilimia 37.5% sawa na shilingi 1 na Senti 40 kwa kila hisa.

Mikakati iliyowekwa ya kuhifadhi faida, itaongeza uwezo wa benki kuweza kufanya shughuli zake kupitia matawi yake humu nchini na kupanua shughuli zake katika eneo hili la Afrika Mashariki na sehemu nyenginezo kusini mwa Sahara, katika siku za hivi karibuni.

Kufuatia hali hii, mnamo mwezi Oktoba mwaka 2008, DTB Kenya imeongeza uwekezaji wake katika DTB Uganda kutoka asilimia 26.7% hadi asilimia 51.1% na hivyo kubadilisha Uganda kutoka tawi la DTB na kuwa benki tanzu. Tuliweza kufikia lengo hilo kwa kushiriki kwenye ununuzi wa hisa wa kima cha shilingi milioni 241 za Kenya. Mtakumbuka vyema kwamba mnamo mwaka 2007, hisa zetu katika DTB Tanzania ziliongezeka kutoka asilimia 33.4% hadi asilimia 55.4%. DTB Kenya sasa imeweza kumiliki hisa nyingi na kusimamia benki zote tanzu za DTB katika kanda hii.

Taarifa ya Mwenyekiti (Inaendelea)

Kadhalika wenyehisa watafurahishwa na habari njema kwamba mipango ya DTB ya kuanzisha benki tanzu nchini Burundi imefaulu. Kufikia mwishoni mwa mwaka jana, DTB Kenya ilipata ruhusa kutoka pande zote zinazohusika ili kuanzisha huduma hizo nchini Burundi. Kufuatia hali hii, usimamizi wa benki umefanya juhudi kubwa kuweka miundo-msingi inayohitajika na benki hiyo itafungua milango yake kwa umma kuanzia mwezi Mei mwaka 2009.

Pia benki yenu imepiga hatua kubwa katika kupanua matawi yake katika kanda ya Afrika Mashariki . Matawi yake sasa yameongezeka kutoka 17 hadi 30. Mwaka uliopita, DTB iliongeza nyayo zake nchini Kenya kwa kufungua matawi mengine sita-manne mjini Nairobi na kila moja mjini Mombasa na Nakuru. Kupitia matawi yake tanzu nchini Tanzania na Uganda, benki ya DTB ilifungua matawi zaidi mjini Kampala, Jinja na Arusha. Mipango inafanywa kuongeza matawi ya benki kutoka 30 yaliyoko sasa hadi kufikia 100 katika siku za hivi karibuni.

Licha ya mikopo kutoka nje, shirika la IFC limetupatia mkopo wa muda mrefu wa Dola za Marekani zipatazo milioni 10 mnamo mwaka 2008. Mbali na kuboresha uwezo wa benki wa kuendelea kutoa mikopo, chini ya mkataba huo, benki ya DTB na kampuni zote tanzu zitafaidika na usaidizi wa kiufundi na ushauri kupitia mpango wa kusaidia biashara ndogo na zile za kiwango cha kadiri (AMSME).

Mpango huu wa AMSME, ambao utaendelea kwa muda wa miaka miwili ijayo,utakuwa na faida kwa DTB. Kwanza kabisa, DTB na kampuni zake tanzu ndiyo kampuni ya kwanza ya kifedha katika Afrika Mashariki kuchaguliwa na IFC kutekeleza mpango wa AMSME.Mradi huu unalenga, bila shaka, moja wapo ya sekta muhimu za kiuchumi katika eneo la Afrika Mashariki, biashara ndogo na za kadiri(SME).

Biashara ndogo na za kadiri ndiyo msingi wa wateja wa benki ya DTB. Hakika mafanikio ya DTB kushirikiana na sekta ndogo za kibiashara, yalionekana mnamo mwaka 2008 ambapo benki ya DTB ilishinda kwa kuwa benki bora nchini Kenya kwa kusimamia miradi midogo na ya kadiri na pia kushinda kuwa benki bora humu nchini kwa usimamizi wa miradi. Katika benki zetu tanzu nchini Tanzania na Uganda, ufadhili wa miradi midogo na ya kadiri umejikita mizizi zaidi.

Kufuatia ufadhili huu wa kifedha na kiufundi kutoka shirika la IFC, benki ya DTB inaonelea kwamba ni msaada ambao umekuja kwa muda mwafaka. Kupitia ushirikiano huu, DTB itaendelea kutekeleza mipango bora ya kiteknolojia ili kuzidi kujiimarisha katika utoaji huduma kwa biashara ndogo na za kadiri katika kanda ya Afrika Mashariki.

Wenyehisa watakuwa wanafahamu kuhusu maendeleo makubwa ambayo benki yao imeafikia katika miaka ya hivi karibuni katika kiwango cha kukua kwa biashara, kupatikana kwa faida na miundo-msingi. Mafanikio haya yamepatikana kwa kiasi kikubwa kupitia kujitolea, utiifu, ustadi wa kutenda kazi na juhudi za Mkurugenzi Mkuu wetu Bi. Nasim Devji pamoja na mameneja wake wote bila kusahau wafanyakazi wote kwa kufanya kazi pamoja. Kwa niaba ya wenyehisa na Halmashauri ya Wakurugenzi napenda kuchukua fursa hii kuwapongeza wote kwa utendakazi mzuri waliyofanya.

Mahmood Manji
Mwenyekiti
6 Machi 2009

Taarifa iliyoko hapa juu ni tafsiri ya Mwenyekiti iliyoko ukurasa wa 14-15. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kingereza ndiyo itakayotawala.

The text set out above is a Kiswahili translation of the Chairman's Statement, which appears on pages 14-15. In the event of any dispute in the interpretation of the Kiswahili version, the English version shall be the authoritative version.

Statement on Corporate Governance

Corporate governance, defined as the system by which companies are directed and controlled, continues to be a Board priority, as directors are increasingly required to demonstrate and report to those with an interest in the Company ('stakeholders') about the procedures, systems and controls they have put in place to achieve results, improve accountability and prevent malpractice or fraud.

In recent years various recommendations have been made in several legal and professional publications, in an attempt to determine the most appropriate way for companies to be structured to achieve the highest standards of corporate governance. The Board of Directors of the Bank is committed to full compliance of all relevant laws, the "Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya" issued by the Capital Markets Authority, the Central Bank of Kenya (CBK) Prudential Guidelines and the Bank's internal polices on corporate governance.

The Board 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 confirms that the Bank complies with all relevant local legislation, including the provisions of the Banking Act and the prudential regulations issued by the CBK.

Board of Directors

The Board fulfills its fiduciary obligations 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 the day-to-day business of the Bank.

The Board consists of eight non-executive and independent directors (including the Chairman) and one executive director (the Managing Director). 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 meets at least four times a year, and has a formal schedule of matters reserved for it. The directors are given appropriate and timely information to enable them to maintain full and effective control over strategic, financial, operational and compliance issues.

The remuneration of all directors is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate. Non-executive directors are paid an annual fee in addition to a sitting allowance for every meeting attended. They are not eligible for membership of the pension scheme and do not participate in any of the Bank's bonus schemes.

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

Board Executive Committee ("BEC")

The membership of this Committee comprises the Chairman of the Board and four other non-executive and independent directors. This Committee is the link between the Board and management and is responsible for ensuring that, through the Managing Director, management implements strategic and operational plans including annual budgets, asset and liability management strategies as well as credit proposals review. The Committee is also responsible for ensuring that the Board Risk Management Committee has access to all the information to enable it to undertake its responsibilities. The BEC meets at least once a quarter.

Board Nomination and Remuneration Committee ("BNRC")

The membership of the BNRC comprises three non-executive and independent 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 and service contracts of executive directors and senior management and the structure of their compensation package.

Board Audit Committee ("BAC")

This Committee consists of three non-executive and independent directors. The BAC, which meets at least every three months, 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.

Board Risk Management Committee ("BRMC")

The BRMC is made up of three non-executive and independent directors who meet at least once every three months. The responsibilities of this Committee include ensuring quality, integrity, effectiveness and reliability of the Bank's risk management framework. The Committee is also charged with setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Bank. The BRMC also 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.

Board Credit Committee ("BCC")

The BCC comprises five non-executive and independent directors, and formally meets at least once every quarter. The primary responsibilities of the BCC include the periodic review and oversight of the overall lending policy of the Bank, deliberate and consider loan proposals beyond the credit discretion limits extended to management, on an ongoing basis, as well as review lendings approved by management within its discretionary limits. The Committee also reviews and considers all issues that may materially impact the present and future quality of the Bank's credit risk management as well as assist the Board in discharging its responsibility to review the quality of the loan portfolio and ensure adequate bad debts provisions are maintained in line with the CBK prudential guidelines.

Board Asset and Liability Committee ("BALCO")

The BALCO is made up of three non-executive and independent directors. The duties of the Committee include the review, approval and monitoring of management's compliance with the applicable statutory provisions, Bank policies and guidelines relating to the monitoring of price, liquidity, exchange and interest rate risks. BALCO is also responsible for issuing policy directives to management on the pricing of products, desired mix and maturity profile of incremental assets and liabilities.

Board and Director Evaluation

In line with the requirements of the Bank's Corporate Governance Policy and the relevant prudential guideline issued by the Central Bank of Kenya, each member of the Board (including the Chairman) conducts a peer as well as self-evaluation of the Board.

Attendance of Board meetings

The attendance of Board Meetings by the Directors in 2008 is tabulated below:

	BOARD MEETINGS			
Name of Director:	3 March 2008	29 May 2008	26 September 2008	2 December 2008
1 Mahmood Manji	√	√	√	√
2 Nasim Devji	√	√	√	√
3 Amin Merali	√	x	√	√
4 Jack Kisa	√	√	√	√
5 Abdul Samji	√	√	√	√
6 Nizar Juma	√	√	√	x
7 Mohamood Thobani	x	√	√	√
8 Karim Kanji	√	√	√	√
9 Kabir Hyderally	√	√	√	√

√ - Attended
X - Absent with apology and valid reason for non-attendance

Internal Control Systems

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

The Group's business performance trends, forecasts and actual performance against budgets and prior periods are closely monitored and regularly reported to the Board and senior management. Financial information is prepared using appropriate accounting policies, which are applied consistently.

To assist management in fulfilling its mandate and to ensure compliance with the laid-down policies and procedures, various committees have been established. The roles, responsibilities and composition of some of the key management committees are given below:

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

Assets and Liability Committee ("ALCO")
This Committee, which reports to the BALCO, is chaired by the Managing Director and comprises five other members of senior management staff. The ALCO, 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, laid down by the Board, and statutory requirements relating to liquidity, foreign exchange exposure and cash ratio.

Operations Risk Committee ("ORCO")
The ORCO reports to the BRMC and is chaired by the Managing Director and comprises six other senior management staff. The ORCO, which meets at least once each quarter, is responsible for identifying major areas of business operations prone to operational risks, recommending to the BRMC and implementing suitable policy guidelines for managing and mitigating operational risk and reviewing audit irregularities relating to operations.

Relations with Shareholders

The Board recognises the importance of good communication with all shareholders. The Annual General Meeting (AGM) as well as published annual reports and financial statements are used as an opportunity to communicate with all shareholders. The Bank always gives its shareholders due notice of the AGM as defined in its Memorandum and Articles of Association and in compliance with the Companies Act.

Shareholders have direct access to the Bank, its Company Secretary and the Shares Registrar who responds to the correspondence received from the shareholders on a wide range of issues.

Statement on Corporate Governance (Continued)

Shareholding Structure

The distribution of issued share capital of the Bank as at 31 December 2008 was as follows:

Range	No of shareholders	No of shares held	% Shareholding
Up to 500 shares	3,256	666,719	0.41
501 - 5,000 shares	5,393	11,257,804	6.91
5,001 - 10,000 shares	1,556	11,597,888	7.11
10,001 - 100,000 shares	1,283	32,107,210	19.69
100,001 - 1,000,000 shares	79	17,885,618	10.97
Over 1,000,000 shares	14	89,521,869	54.91
Total	11,581	163,037,108	100.00

The ten largest Shareholders of the Bank and their respective holdings as at 31 December 2008 were as follows:

Name	No. of shares	% Shareholding
Aga Khan Fund for Economic Development	28,240,121	17.32
Habib Bank Limited	16,303,779	10.00
Barclays (K) Nominees Ltd a/c IFC	16,054,124	9.85
The Jubilee Insurance Company Limited	15,124,805	9.28
The Diamond Jubilee Investment Trust (U) Ltd	3,050,528	1.87
Craysell Investments Limited	2,449,891	1.50
Noorali Mohan Manji	2,086,790	1.28
Ameerali Nazarali Esmail	1,510,000	0.93
Mr. Amin Nanji Juma	1,504,851	0.92
Property Development and Management Ltd	1,114,863	0.68

Corporate Social Responsibility

DTB Eastleigh Branch staff give a donation to Mama Fatuma Godwill Children's Home towards the purchase of new equipment.

DTB Nakuru Branch Manager and staff with the children of Arap Moi's Children Home, following a donation made by DTB towards the upkeep of the home.

Corporate Social Responsibility (Continued)

DTB Staff in conjunction with Habitat for Humanity build houses in Naivasha.

Western Union and DTB giving water tanks to needy families in Kabati Parish, Kitui District.

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2008, which disclose the state of affairs of Diamond Trust Bank Kenya Limited and its subsidiaries (the 'Group') and of Diamond Trust Bank Kenya Limited (the 'Bank' or 'Company').

Incorporation and Registered Office

The Bank is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 4.

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	1,604,296
Income tax expense	(477,831)
Net profit for the year	1,126,465
Minority interest	(101,976)
	1,024,489
Dividends	(228,252)
Retained profit for the year	796,237

The directors recommend the approval of a final dividend of Shs 228,251,951 (2007: Shs 228,251,951).

Directors

The present membership of the Board is listed on page 4.

In accordance with Article No. 101 of the Bank's Articles of Association, Messrs Abdul Samji, Mohamood Thobani and Karim Kanji retire by rotation and, being eligible, offer themselves for re-election.

In accordance with Article No. 100 of the Bank's Articles of Association, Mr. Jack Kisa having attained the age of over 70 years retires by virtue of Section 186(2) of the Companies Act (Cap 486), and shall not be offering himself for re-election.

Auditor

The Bank's auditor, PricewaterhouseCoopers, has indicated its 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

Habil Waswani
Company Secretary

6 March 2009
Nairobi

Statement of Directors' Responsibilities

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 these 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. 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 designing, implementing, and maintaining adequate systems of internal financial control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Mahmood Manji
Chairman

Nasim Devji
Managing Director

6 March 2009

Report of the Independent Auditor to the Members of Diamond Trust Bank Kenya Limited

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Diamond Trust Bank Kenya Limited (the Company) and its subsidiaries (together, the Group), as set out on pages 27 to 70. These financial statements comprise the consolidated balance sheet at 31 December 2008 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the Company standing alone as at 31 December 2008 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Kenyan Companies Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an independent opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2008 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Bank's balance sheet is in agreement with the books of account.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

6 March 2009

Consolidated Profit and Loss Account

	Notes	2008 Shs '000	2007 Shs '000
Interest income	4	4,695,985	3,085,485
Interest expense	5	(2,257,251)	(1,364,824)
Net interest income		**2,438,734**	**1,720,661**
Fee and commission income		708,694	426,233
Foreign exchange income		487,934	190,062
Other operating income	6	33,439	17,361
Operating income		**3,668,801**	**2,354,317**
Operating expenses	7	(1,851,463)	(1,211,754)
Impairment loss on loans and advances	15	(190,527)	(66,523)
Profit from operations		**1,626,811**	**1,076,040**
Finance costs		(31,280)	(56,053)
Share of results of associates after tax	16	8,765	35,283
Profit before income tax		**1,604,296**	**1,055,270**
Income tax expense	9	(477,831)	(315,316)
Net profit for the year		**1,126,465**	**739,954**
Minority interest		(101,976)	(48,993)
Net Profit after minority interest		**1,024,489**	**690,961**
Dividends:			
Proposed dividend for the year	11	228,252	228,252
Earnings per share (Shs per share)			
- basic and diluted	10	6.28	4.24
Dividend per share (Shs per share)	11	1.40	1.40

Consolidated Balance Sheet

	Notes	2008 Shs '000	2007 Shs '000
Assets			
Cash and balances with Central Banks	12	3,860,817	2,289,475
Government securities	13	10,188,683	5,492,798
Deposits and balances due from banking institutions	14	5,455,435	3,043,094
Loans and advances to customers	15	34,063,359	23,181,871
Investments in associates	16	-	97,843
Equity investments - available-for-sale securities	17	45,902	-
Property and equipment	18 (a)	1,049,289	488,064
Intangible assets - software costs	19	79,499	36,500
Intangible assets - goodwill	21	173,372	60,521
Corporation tax recoverable		2,532	-
Deferred income tax asset	22	126,990	111,715
Other assets	23	1,099,819	1,195,690
Total assets		**56,145,697**	**35,997,571**
Liabilities			
Customer deposits	24	45,023,186	29,102,977
Deposits and balances due to banking institutions	25	830,134	244,330
Current income tax payable		35,110	90,674
Deferred income tax liability	22	9,324	-
Long term borrowing	26	1,958,015	-
Other liabilities	27	1,269,511	1,080,885
Total liabilities		**49,125,280**	**30,518,866**
Shareholders' Equity			
Share capital	28	652,148	652,148
Share premium	28	2,197,735	2,197,735
Retained earnings		2,582,523	1,677,745
Other reserves	29	205,398	296,145
Statutory loan loss reserve		39,458	-
Proposed dividend		228,252	228,252
Equity attributable to shareholders of parent		5,905,514	5,052,025
Minority interest		1,114,903	426,680
Total equity		**7,020,417**	**5,478,705**
Total liabilities and equity		**56,145,697**	**35,997,571**

The financial statements on pages 27 to 70 were approved for issue by the board of directors on 6 March 2009 and signed on its behalf by:

Mahmood Manji
Chairman

Nasim Devji
Managing Director

Jack Kisa
Director

Habil Waswani
Secretary

Bank Balance Sheet

	Notes	2008 Shs '000	2007 Shs '000
Assets			
Cash and balances with Central Bank of Kenya	12	2,120,539	1,728,909
Government securities	13	7,201,942	5,041,974
Deposits and balances due from banking institutions	14	4,304,969	1,821,506
Loans and advances to customers	15	25,460,278	19,753,654
Investments in subsidiaries and associates	16	897,228	391,723
Equity investments - available-for-sale securities	17	45,902	-
Property and equipment	18 (b)	495,736	349,309
Intangible assets - software costs	19	48,222	28,281
Deferred income tax asset	22	126,990	114,122
Other assets	23	890,243	1,083,885
Total assets		**41,592,049**	**30,313,363**
Liabilities			
Customer deposits	24	32,689,208	24,409,474
Deposits and balances due to banking institutions	25	658,034	129,718
Current income tax payable		41,572	97,849
Long term borrowing	26	1,958,015	-
Other liabilities	27	911,483	1,006,708
Total liabilities		**36,258,312**	**25,643,749**
Shareholders' Equity			
Share capital	28	652,148	652,148
Share premium	28	2,197,735	2,197,735
Retained earnings		2,244,754	1,563,020
Other reserves	29	10,848	28,459
Proposed dividend		228,252	228,252
Total shareholders' equity		**5,333,737**	**4,669,614**
Total liabilities and equity		**41,592,049**	**30,313,363**

The financial statements on pages 27 to 70 were approved for issue by the board of directors on 6 March 2009 and signed on its behalf by:

Mahmood Manji
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Jack Kisa
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Habil Waswani
Secretary

Consolidated Statement of Changes in Equity

	Notes	Share capital	Share premium	Other Reserves	Statutory loan loss reserve	Retained earnings	Proposed dividend	Attributable to equity holders of the Company	Minority interest	Total
		Shs '000	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Sh s'000*	*Shs '000*	*Shs '000*
Year ended 31 December 2007										
At start of year		558,984	695,197	108,890	-	1,365,273	139,746	2,868,090	-	2,868,090
Net revaluation surplus on property		-	-	7,299	-	-	-	7,299	-	7,299
Net fair value changes in Government securities		-	-	(3,245)	-	-	-	(3,245)	-	(3,245)
Reversal of net fair value gain on maturity of Government securities		-	-	(3,682)	-	-	-	(3,682)	-	(3,682)
		-	-	372	-	-	-	372	-	372
Translation differences	(i)	-	-	27,106	-	3,263	-	30,369	-	30,369
Net gain/ not recognised in the profit and loss account		-	-	27,478	-	3,263	-	30,741	-	30,741
Rights Issue by the Bank	28	93,164	1,502,538	-	-	-	-	1,595,702	-	1,595,702
Write-back of unclaimed dividends	(ii)	-	-	-	-	6,277	-	6,277	-	6,277
Minority interest acquired in the year		-	-	-	-	-	-	-	377,687	377,687
Capitalisation of associate's retained earnings on consolidation		-	-	159,777	-	(159,777)	-	-	-	-
Profit for the year		-	-	-	-	690,961	-	690,961	48,993	739,954
Dividends:										
- Final for 2006 paid		-	-	-	-	-	(139,746)	(139,746)	-	(139,746)
- Proposed for 2007		-	-	-	-	(228,252)	228,252	-	-	-
At end of year		652,148	2,197,735	296,145	-	1,677,745	228,252	5,052,025	426,680	5,478,705

Consolidated Statement of Changes in Equity (Continued)

	Notes	Share capital	Share premium	Other Reserves	Statutory loan loss reserve	Retained earnings	Proposed dividend	Attributable to equity holders of the Company	Minority interest	Total
		Shs '000	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Sh s'000*	*Shs '000*	*Shs '000*
Year ended 31 December 2008										
At start of year		652,148	2,197,735	296,145	-	1,677,745	228,252	5,052,025	426,680	5,478,705
Net fair value changes in Government securities		-	-	(9,762)	-	-	-	(9,762)	-	(9,762)
Reversal of net fair value gain on maturity of Government securities		-	-	4,647	-	-	-	4,647	-	4,647
Net fair value changes in available for sale securities		-	-	(12,496)	-	-	-	(12,496)	-	(12,496)
		-	-	(17,611)	-	-	-	(17,611)	-	(17,611)
Net gains/ (losses) not recognised in the profit and loss account		-	-	(17,611)	-	-	-	(17,611)	-	(17,611)
Write-back of unclaimed dividends	(ii)	-	-	-	-	4,868	-	4,868	-	4,868
Minority interest acquired in the year		-	-	-	-	-	-	-	537,156	537,156
Capitalisation of associate's retained earnings on consolidation		-	-	(103,673)	-	103,673	-	-	-	-
Statutory loan loss reserve		-	-	-	39,458	-	-	39,458	-	39,458
Translation adjustment		-	-	30,537	-	-	-	30,537	49,091	79,628
Profit for the year		-	-	-	-	1,024,489	-	1,024,489	101,976	1,126,465
Dividends:										
- Final for 2007 paid	11	-	-	-	-	-	(228,252)	(228,252)	-	(228,252)
- Proposed for 2008	11	-	-	-	-	(228,252)	228,252	-	-	-
At end of year		**652,148**	**2,197,735**	**205,398**	**39,458**	**2,582,523**	**228,252**	**5,905,514**	**1,114,903**	**7,020,417**

(i) These differences arise on translation of opening reserves in subsidiary companies at the end of period exchange rates.

(ii) Dividends that have remained unclaimed for over six years as at 31 December were written back to retained earnings in line with the Bank's Articles of Association.

Bank Statement of Changes in Equity

	Notes	Share capital Shs '000	Share premium Shs '000	Other Reserves Shs '000	Retained earnings Shs '000	Proposed dividend Shs '000	Total Shs '000
Year ended 31 December 2007							
At start of year		558,984	695,197	28,087	1,186,690	139,746	2,608,704
Net revaluation surplus on property		-	-	7,299	-	-	7,299
Net fair value changes in Government securities		-	-	(3,245)	-	-	(3,245)
Reversal of net fair value gain on maturity of Government securities		-	-	(3,682)	-	-	(3,682)
		-	-	372	-	-	372
Net gains not recognised in the profit and loss account		-	-	372	-	-	372
Rights Issue by the Bank	28	93,164	1,502,538	-	-	-	1,595,702
Write-back of unclaimed dividends	(i)	-	-	-	6,277	-	6,277
Profit for the year		-	-	-	598,305	-	598,305
Dividends:							
- Final for 2006 paid		-	-	-	-	(139,746)	(139,746)
- Proposed for 2007		-	-	-	(228,252)	228,252	-
At end of year		**652,148**	**2,197,735**	**28,459**	**1,563,020**	**228,252**	**4,669,614**
Year ended 31 December 2008							
At start of year		652,148	2,197,735	28,459	1,563,020	228,252	4,669,614
Net fair value changes in Government securities		-	-	(9,762)	-	-	(9,762)
Reversal of net fair value gain on maturity of Government securities		-	-	4,647	-	-	4,647
Net fair value changes in available for sale securities		-	-	(12,496)	-	-	(12,496)
Net losses not recognised in the profit and loss account		-	-	(17,611)	-	-	(17,611)
Write-back of unclaimed dividends	(i)	-	-	-	4,867	-	4,867
Profit for the year		-	-	-	905,119	-	905,119
Dividends:							
- Final for 2007 paid	11	-	-	-	-	(228,252)	(228,252)
- Proposed for 2008	11	-	-	-	(228,252)	228,252	-
At end of year		**652,148**	**2,197,735**	**10,848**	**2,244,754**	**228,252**	**5,333,737**

(i) Dividends that have remained unclaimed for over six years as at 31 December were written back to retained earnings in line with the Bank's Articles of Association.

Consolidated Cash Flow Statement

	Notes	2008 Shs '000	2007 Shs '000
Cash flows from operating activities			
Interest receipts		4,582,838	3,000,012
Interest payments		(2,025,142)	(1,199,107)
Net fee and commission receipts		743,426	429,239
Other income received		489,270	205,730
Recoveries from loans previously written off	15	6,412	5,937
Payments to employees and suppliers		(1,534,912)	(1,096,660)
Income tax paid		(546,366)	(319,213)
Cash flows from operating activities before changes in operating assets and liabilities		1,715,526	1,025,938
Changes in operating assets and liabilities:			
- cash reserve requirement		(466,362)	(436,962)
- Government securities		(2,439,182)	(1,193,479)
- loans and advances		(8,380,512)	(6,627,352)
- other assets		154,093	(350,585)
- customer deposits		11,560,921	8,073,801
- other liabilities		14,351	(365,778)
Net cash from operating activities		2,158,835	125,583
Cash flows from investing activities			
Purchase of property and equipment	18	(610,924)	(168,966)
Purchase of intangible assets	19	(74,282)	(6,103)
Proceeds from sale of property and equipment		5,780	3,041
Dividend received		10,106	3,484
Purchase of investments			
- Diamond Trust Bank Uganda Limited		(240,535)	-
- Diamond Trust Bank Burundi S.A.		(241,329)	-
- Diamond Trust Insurance Agency Limited		(2,000)	-
- Equity investments - available for sale		(63,754)	-
- Diamond Trust Bank Tanzania Limited		-	(312,584)
Net cash used in investing activities		(1,216,938)	(481,128)
Cash flows from financing activities			
Proceeds from rights issue net of expenses		-	1,595,702
Long term borrowing		1,953,750	(487,060)
Finance costs		(27,015)	(64,912)
Dividends paid		(241,235)	(139,746)
Net cash from financing activities		1,685,500	903,984
Net increase in cash and cash equivalents		**2,627,397**	**548,439**
Cash and cash equivalents at start of period		3,664,222	1,494,699
Cash and cash equivalent on increase in investment in subsidiary		781,655	1,621,084
Translation difference		12,019	-
		4,457,896	3,115,783
Cash and cash equivalents at end of period	33	**7,085,293**	**3,664,222**

Notes to the Financial Statements

1. General information

The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 4.

The shares of the Company are listed at the Nairobi Stock Exchange.

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.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management 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 2 (b).

Interpretations effective in 2008

In 2008, the following new interpretations became effective for the first time but have not had an impact on the Group's financial statements:

- IFRIC 11 – IFRS 2 - Group and treasury share transactions
- IFRIC 12 – Service concession arrangements
- IFRIC 14 – IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction
- IAS 39 and IFRS 7 – Reclassification of financial assets

Standards, interpretations and amendments to published standards that are not yet effective

One new standard (IFRS 8 – Operating Segments) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1 January 2009, but the Group had not early adopted them.

The adoption of these standards and interpretations, when they become effective, will have no material impact on the financial statements of the Group other than IFRS 8, which will result in changes to the reportable segments and the information disclosed in respect of those segments and the amendments to IAS 1 - Presentation of Financial Statements, which will require non-owner changes in equity to be presented in a 'Comprehensive Statement of Income'.

(b) Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) Impairment losses on loans and advances

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

(ii) Held-to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value and not amortised cost. If the entire class of held-to-maturity investments is tainted, it will be reported at the fair value, with a corresponding entry in shareholders' equity.

2. Summary of significant accounting policies (Continued)

(b) Critical accounting estimates and judgements in applying accounting policies (Continued)

(iii) 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.

(c) Consolidation

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 2008.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

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.

(d) 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.

Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising in the profit and loss account 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 16.

(e) Investment in subsidiaries

Investments in the subsidiaries (details of which are disclosed in note 16) are stated in the Bank's balance sheet at cost less provision for impairment loss where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

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.

(f) 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.

(g) Translation of foreign currencies

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:

(i) monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
(ii) income and expenses for each profit and loss account 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); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

2. Summary of significant accounting policies (Continued)

(g) Translation of foreign currencies (Continued)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the profit and loss account as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

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.

(h) Interest income and expense

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

(i) Fees and commission income

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.

(j) Property and equipment

Property and equipment are 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 are stated at historical cost less depreciation.

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	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.

(k) 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).

(l) 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 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.

2. Summary of significant accounting policies (Continued)

(m) Available-for-sale financial assets

Available-for-sale assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices.

Regular purchases and sales of financial assets at fair value through profit or loss, held-to-maturity are recognised on trade-date - the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, for all financial assets except those carried at fair value through profit or loss, plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Loans, advances and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account. However, interest calculated using the effective interest method is recognised in the profit and loss account. Fair values of quoted investments in active markets are based on current bid prices.

A provision for identified 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 provision for unidentified 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 available historical experience and experienced judgement.

When a loan is deemed uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the 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.

(n) Securities purchased

Securities purchased from Central Bank of Kenya under agreements to resell ('reverse repos') are disclosed as Treasury bills as they are held-to-maturity 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.

(o) Statutory loan loss reserve

Where impairment losses required by the regulators exceed those computed under IFRS, the excess is recognised as a statutory loan loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is not distributable.

(p) Leases

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

(q) 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.

Deferred income 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.

2. Summary of significant accounting policies (Continued)

(r) Long-term borrowing

Long-term borrowing is recognised initially at fair value, being their issue proceeds (fair value of consideration received), net of transaction costs incurred. Financial liabilities are subsequently stated at amortised cost, any difference between proceeds net of transaction costs and the redemption value is recognised in the profit and loss account. Long-term borrowing is derecognised when extinguished.

(s) 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 original maturities of three months or less, including: cash and balances with the Central Bank of Kenya and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Kenya.

(t) Employee entitlements

Employee entitlements to gratuity and long-service awards are calculated and recognised annually. 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 entitlements to gratuity are only applicable for employees recruited prior to 2001.

The monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognised as an expense accrual.

(u) 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.

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

(v) 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.

(w) 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 profit and loss account.

(x) 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.

(y) Comparatives

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

3 Financial Risk Management

Risk taking is central to banking activity. The Group evaluates business opportunities in terms of the risk-reward relationship. The risks that the Group takes are reasonable, controlled, within its financial resources and credit competence.

The diversity of our business requires us to identify, measure and manage associated risks effectively. 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.

Risk Management Principles

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

- The Board, through its comprehensive subcommittee structure, oversees risk management, reviews and approves enterprise wide- risk policies and procedures and sets tolerance limits wherever required.
- The risk management function is independent of the Group's business and operating units. This function which is headed by the Head of Risk is able to manage Credit, Market and Operational risk on an integrated basis.
- Various committees at functional level oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units.

Notes to the Financial Statements (Continued)

3 Financial Risk Management (Continued)

- Market and liquidity risks are overseen by the Board Asset and Liability Committee (BALCO) and managed by a well-represented Asset and Liabilities Committee (ALCO). The Members of ALCO are the Managing Director and the heads of Risk, Finance and business units.
- The Credit and Operational Risk Management committees are responsible for defining and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee.
- Independent risk review function is conducted by the internal audit function which reports directly to the Board Audit Committee.

(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.

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 Board Credit Committee and are approved by the Board. The Group has a system of checks and balances in place around the extension of credit that are:

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

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

Salient features of the Bank's risk approval process are delineated below:

- 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 and administration of credit facilities are managed by Credit Administration Departments (CAD) linked to various business units and operate under the Risk management function. CAD is also responsible for collateral/documents management.

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 Group 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 and Board Credit committees and the Board. Cases where the possibilities of economically viable means of recovery are exhausted, legal proceedings are initiated.

The Group follows the guidelines of the Central Bank of Kenya or the Regulators under which it is operating in other countries for the classification/write off procedures relating to problem loans.

Notes to the Financial Statements (Continued)

(a) Credit Risk Management (Continued)

Maximum exposure to credit risk before collateral held

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Deposits and balances due from banking institutions	5,455,435	3,043,094	4,304,969	1,821,506
Loans and advances to customers	34,063,359	23,181,871	25,460,278	19,753,654
Uncleared effects	344,939	802,885	326,931	729,233
Government securities	10,188,683	5,492,798	7,201,942	5,041,974
Credit risk exposures relating to off-balance sheet items:				
- Acceptances and letters of credit	1,769,228	1,568,723	1,332,219	1,365,687
- Guarantee and performance bonds	1,148,793	774,732	763,269	617,571
	52,970,437	**34,864,103**	**39,389,608**	**29,329,625**

Financial assets that are past due or impaired

Loans and advances are summarised as follows:				
Neither past due nor impaired	26,216,030	17,747,770	19,328,078	14,452,798
Past due but not impaired	8,055,052	5,666,831	6,409,437	5,557,407
Impaired	406,095	176,441	269,203	129,535
Gross	34,677,177	23,591,042	26,006,718	20,139,740
Less: Allowance for impairment	(613,818)	(409,171)	(546,440)	(386,086)
	34,063,359	23,181,871	25,460,278	19,753,654

Collateral and other credit enhancements

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

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Fair value of collateral	673,185	250,079	103,616	211,865

Loans and advances restructured

A restructured credit facility is a facility which has been refinanced, rescheduled, rolled over or otherwise modified because of weakness in borrower's financial position or the non payment of the debt arranged.

The restructuring of the credit facility must be in conformance with the prudential guidelines issued by the regulators as well as the Bank's policy on restructuring credit facilities.

This request must satisfy the Bank's appraisal criteria and appropriate additional security may be sought where required, especially if the risk portfolio is deemed to have increased. The terms of restructuring must be accepted by the borrower and all existing and proposed guarantors.

Loans and advances restructured

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Hire purchase and term loans	1,116,219	559,228	1,021,947	539,402

(a) Credit Risk Management (Continued)

Loans and advances that are neither past due nor impaired

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

Past due but not impaired

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

Impaired loans and advances

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

Allowances for impairment

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

Settlement risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when the Bank 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 analyses of credit risk concentrations presented below are based on the economic sector in which they are engaged.

Economic sector risk conentrations within the customer loan and deposit porfolios were as follows:

Notes to the Financial Statements (Continued)

3 Financial Risk Management (Continued)

(b) Concentrations of Risk (Continued)

Group	Gross loans and advances		Credit commitments		Customer deposits	
At 31 December 2008	Shs '000	%	Shs '000	%	Shs '000	%
Manufacturing	4,288,822	12%	778,180	15%	2,436,953	5%
Wholesale and retail trade	8,165,850	24%	2,016,499	38%	6,622,050	15%
Transport and communications	4,888,836	14%	651,840	13%	2,030,105	5%
Business and financial services	5,032,109	15%	959,049	18%	11,597,364	26%
Agricultural	1,705,923	5%	487,106	9%	430,445	1%
Individuals, building, construction and real estate	9,090,388	26%	371,856	7%	16,853,382	37%
Other	1,505,249	4%	15,182	0%	5,052,887	11%
	34,677,177	100%	5,279,712	100%	45,023,186	100%
At 31 December 2007						
Manufacturing	3,479,640	15%	640,721	14%	1,463,311	5%
Wholesale and retail trade	4,965,230	21%	616,032	14%	2,787,980	9%
Transport and communications	3,937,873	17%	751,131	16%	1,126,708	4%
Business and financial services	2,507,176	10%	588,372	13%	9,201,945	32%
Agricultural	892,611	4%	30,180	1%	172,950	1%
Individuals, building, construction and real estate	6,373,387	27%	590,851	13%	11,698,049	40%
Other	1,435,125	6%	1,324,687	29%	2,652,034	9%
	23,591,042	100%	4,541,974	100%	29,102,977	100%
Bank						
At 31 December 2008						
Manufacturing	2,604,382	10%	360,323	8%	1,062,692	3%
Wholesale and retail trade	6,064,763	23%	1,822,503	42%	3,969,741	12%
Transport and communications	4,287,511	17%	631,185	15%	915,781	3%
Business and financial services	4,117,844	16%	770,557	18%	10,323,962	32%
Agricultural	994,229	4%	482,724	11%	212,848	1%
Individuals, building, construction and real estate	7,903,948	30%	261,706	6%	13,916,495	42%
Other	34,041	0%	-	0%	2,287,689	7%
	26,006,718	100%	4,328,998	100%	32,689,208	100%
Bank						
At 31 December 2007						
Manufacturing	2,376,379	12%	519,958	12%	754,126	3%
Wholesale and retail trade	4,175,272	21%	540,555	13%	1,369,609	5%
Transport and communications	3,689,117	18%	742,074	17%	937,592	4%
Business and financial services	2,507,176	12%	588,372	14%	9,157,967	37%
Agricultural	703,356	4%	24,142	1%	126,928	1%
Individuals, building, construction and real estate	6,031,237	30%	590,851	14%	10,408,637	43%
Other	657,203	3%	1,204,430	29%	1,654,615	7%
	20,139,740	100%	4,210,382	100%	24,409,474	100%

Notes to the Financial Statements (Continued)

3 Financial Risk Management (Continued)

(c) Market Risk Management

It is the risk of loss due to adverse movements in market rates or prices, such as foreign exchange rates, interest rates and equity prices, in the Group's case. It emanates from the trading activities mainly carried out by treasury and structural positions housed in the banking books.

Market risk management is undertaken by the Risk function under the supervision of ALCO, supported by the Treasury function. The Group carries a limited amount of market risk. Tolerance limits for market risk are approved by the Board. The limits are further allocated to the banking and trading books that are monitored at pre-defined frequencies. Risk measurement is currently based on sensitivity analysis and stress testing.

(i) Price Risk

The Bank is exposed to equity securities price risk because of investments in quoted shares classified as available-for-sale. The quoted shares held by the Bank are traded at the Nairobi Stock Exchange (NSE).

At 31 December 2008, if the NSE index had increased/decreased by 25% with all other variables held constant and all the Bank's equity instruments moved according to the historical correlation to the index, consolidated equity investments would have been Shs 8 million higher/lower.

(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 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 Company'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.

Notes to the Financial Statements (Continued)

3. Financial Risk Management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest Rate Risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
Group						
At 31 December 2008	*Shs '000*	*Shs '000*	*Shs '000*	*Sh '000*	*Shs '000*	*Shs '000*
ASSETS						
Cash and bank balances with Central Banks	-	-	-	-	3,860,817	**3,860,817**
Government securities	677,016	4,039,647	5,395,655	76,365	-	**10,188,683**
Deposits and balances due from banking institutions	4,715,633	-	54,178	-	685,624	**5,455,435**
Advances to customers	34,063,359	-	-	-	-	**34,063,359**
Equity investments - available-for-sale securities	-	-	-	-	45,902	**45,902**
Property and equipment	-	-	-	-	1,049,289	**1,049,289**
Intangible assets - software costs	-	-	-	-	79,499	**79,499**
Intangible assets - goodwill	-	-	-	-	173,372	**173,372**
Corporation tax recoverable	-	-	-	-	2,532	**2,532**
Deferred income tax asset	-	-	-	-	126,990	**126,990**
Other assets	-	-	-	-	1,099,819	**1,099,819**
Total assets	**39,456,008**	**4,039,647**	**5,449,833**	**76,365**	**7,123,844**	**56,145,697**
LIABILITIES & EQUITY						
Customer deposits	19,600,994	11,064,697	12,284,055	307,230	1,766,210	**45,023,186**
Deposits and balances due to banking institutions	666,909	34,320	38,737	89,107	1,061	**830,134**
Long term borrowing	-	-	1,958,015	-	-	**1,958,015**
Current income tax payable	-	-	-	-	35,110	**35,110**
Deferred income tax liability	-	-	-	-	9,324	**9,324**
Other liabilities	-	-	-	-	1,269,511	**1,269,511**
Shareholders' funds	-	-	-	-	5,905,514	**5,905,514**
Minority interest	-	-	-	-	1,114,903	**1,114,903**
Total liabilities & equity	20,267,903	11,099,017	14,280,807	396,337	10,101,633	**56,145,697**
Interest sensitivity gap	19,188,105	(7,059,370)	(8,830,974)	(319,972)	(2,977,789)	**-**
At 31 December 2007						
Total assets	26,487,167	1,738,278	1,560,804	1,472,994	4,738,328	**35,997,571**
Total liabilities and equity	14,006,220	7,421,561	7,261,124	121,164	7,187,502	**35,997,571**
Interest sensitivity gap	**12,480,947**	**(5,683,283)**	**(5,700,320)**	**1,351,830**	**(2,449,174)**	**-**

3. Financial Risk Management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest Rate Risk (Continued)

	Up to 1 month	1-3 months	3-12 months	1-5 years	Non-interest bearing	Total
Bank	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
At 31 December 2008						
ASSETS						
Cash and bank balances with Central Bank of Kenya	-	-	-	-	2,120,539	**2,120,539**
Government securities	205,316	2,837,396	4,159,230	-	-	**7,201,942**
Deposits and balances due from banking institutions	4,304,969	-	-	-	-	**4,304,969**
Advances to customers	25,460,278	-	-	-	-	**25,460,278**
Equity investments - available-for-sale securities	-	-	-	-	45,902	**45,902**
Investments in subsidiaries and associates	-	-	-	-	897,228	**897,228**
Property and equipment	-	-	-	-	495,736	**495,736**
Intangible assets	-	-	-	-	48,222	**48,222**
Deferred income tax asset	-	-	-	-	126,990	**126,990**
Other assets	-	-	-	-	890,243	**890,243**
Total assets	**29,970,563**	**2,837,396**	**4,159,230**	**-**	**4,624,860**	**41,592,049**
LIABILITIES & EQUITY						
Customer deposits	14,210,845	10,092,985	7,807,157	238,283	339,938	**32,689,208**
Deposits and balances due to banking institutions	658,034	-	-	-	-	**658,034**
Long term borrowing	-	-	1,958,015	-	-	**1,958,015**
Current income tax payable	-	-	-	-	41,572	**41,572**
Other liabilities	-	-	-	-	911,483	**911,483**
Shareholders' funds	-	-	-	-	5,333,737	**5,333,737**
Total liabilities & equity	**14,868,879**	**10,092,985**	**9,765,172**	**238,283**	**6,626,730**	**41,592,049**
Interest sensitivity gap	**15,101,684**	**(7,255,589)**	**(5,605,942)**	**(238,283)**	**(2,001,870)**	**-**
At 31 December 2007						
Total assets	22,718,812	955,726	1,469,602	1,472,994	3,696,229	**30,313,363**
Total liabilities and equity	11,031,527	6,980,519	6,070,939	116,256	6,114,122	**30,313,363**
Interest sensitivity gap	**11,687,285**	**(6,024,793)**	**(4,601,337)**	**1,356,738**	**(2,417,893)**	**-**

Interest rate risk sensitivity analysis

The impact on financial assets, net of financial liabilities, of a 1% increase or decrease in interest rates would be as follows:

At 31 December 2008 if interest rates were to increase by 1%, with all other variables held constant, the after tax profit would have been Shs 45 million (2007: Shs 13 million) higher with other components of equity remaining the same.

Conversely, if interest rates were to decrease by 1%, with all other variables held constant, the after-tax profit would have been Shs 45 million (2007: Shs 13 million) lower with other components of equity remaining the same.

(iii) Foreign Exchange Risk

The Group's assets are typically funded in the same currency as the business transacted to eliminate foreign exchange exposure. However, the Group maintains an open position within the tolerance limits prescribed by the Central Banks and approved by the Board.

End-of-the-day positions are marked to market daily. The intra-day positions are managed by treasury/dealing room through stop loss/dealers limits.

The table below summarises the Group's and Bank's exposure to foreign currency exchange rate risk at 31 December 2008. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

Notes to the Financial Statements (Continued)

3. Financial Risk Management (Continued)

(c) Market Risk Management (Continued)

(iii) Foreign Exchange Risk (Continued)

Group	USD	GBP	EURO	OTHERS	TOTAL
At 31 December 2008	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Assets					
Cash and balances with the Central Banks	320,618	18,641	32,813	123	**372,195**
Deposits & balances with banking institutions	4,063,389	504,235	154,124	247,532	**4,969,280**
Other assets	151,306	140,957	35,413	7,824	**335,500**
Loans and advances	9,509,221	55,917	786,247	54	**10,351,439**
Total assets	**14,044,534**	**719,750**	**1,008,597**	**255,533**	**16,028,414**
Liabilities & equity					
Customer deposits	9,887,274	804,022	571,725	115,273	**11,378,294**
Deposits & balances with banking institutions	175,380	382,590	303	17,095	**575,368**
Other liabilities	2,111,143	17,950	35,230	15,932	**2,180,255**
Total liabilities & equity	**12,173,797**	**1,204,562**	**607,258**	**148,300**	**14,133,917**
Net balance sheet position	**1,870,737**	**(484,812)**	**401,339**	**107,233**	**1,894,497**
Net off balance sheet position	**(2,525,149)**	**448,158**	**(356,119)**	**(187,204)**	**(2,620,314)**
Overall net position	**(654,412)**	**(36,654)**	**45,220**	**(79,971)**	**(725,817)**

Bank	USD	GBP	EURO	OTHERS	TOTAL
At 31 December 2008	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Assets					
Cash and balances with the Central banks	47,078	6,562	17,359	122	**71,121**
Deposits & balances with banking institutions	3,113,123	457,318	53,352	246,098	**3,869,891**
Other assets	151,286	140,957	35,413	7,824	**335,480**
Loans and advances	5,744,876	55,917	786,247	54	**6,587,094**
Total assets	**9,056,363**	**660,754**	**892,371**	**254,098**	**10,863,586**
Liabilities & equity					
Customer deposits	4,027,969	742,687	456,828	115,273	**5,342,757**
Deposits & balances with banking institutions	113,855	382,590	303	17,095	**513,843**
Other liabilities	1,987,276	16,144	35,230	15,750	**2,054,400**
Total liabilities & equity	**6,129,100**	**1,141,421**	**492,361**	**148,118**	**7,911,000**
Net balance sheet position	**2,927,263**	**(480,667)**	**400,010**	**105,980**	**2,952,586**
Net off balance sheet position	**(2,966,331)**	**438,403**	**(412,480)**	**(98,659)**	**(3,039,067)**
Overall net position	**(39,068)**	**(42,264)**	**(12,470)**	**7,321**	**(86,481)**

Currency risk sensitivity analysis
At 31 December 2008, if the Shilling had weakened by 5% against the major trading currencies, with all other variables held constant, after-tax profit would have been Shs 48 million (2007: Shs 15 million) lower with other components of equity remaining the same.

Conversely, if the Shilling had strengthened by 5% against the major trading currencies, with all other variables held constant, after-tax profit would have been Shs 48 million (2007: Shs 15 million) lower with other components of equity remaining the same.

3.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, BALCO 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 BALCO and approved by the Board. The policy stipulates maintenance of various ratios, funding preferences, and evaluation of the Group's liquidity under normal and crisis situation (stress testing).

The table below presents the undiscounted cash flows receivable and payable by the Group and Bank under financial assets and liabilities by remaining contractual maturities at the balance sheet date.

Group	**Up to 1**	**1-3**	**3-12**	**1-5**	**Over 5**	
At 31 December 2008	**month**	**months**	**months**	**years**	**years**	**Total**
Assets	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Cash and bank balances with Central Bank	2,938,124	503,980	389,840	11,899	16,974	**3,860,817**
Government securities	679,135	4,103,374	5,955,725	76,365	-	**10,814,599**
Deposits and balances due from banking institutions	5,474,481	660,307	54,178	-	-	**6,188,966**
Advances to customers	3,700,891	3,910,662	14,835,554	13,173,680	2,181,070	**37,801,857**
Equity investments - available-for-sale securities	-	-	-	-	45,902	**45,902**
Property and equipment	-	-	-	247,732	801,557	**1,049,289**
Intangible assets - goodwill	-	-	-	19,447	60,052	**79,499**
Corporation tax recoverable	-	-	-	2,532	-	**2,532**
Deferred income tax asset	-	-	-	126,990	-	**126,990**
Other assets	919,152	36,686	43,480	94,302	6,199	**1,099,819**
Total assets	**13,711,783**	**9,215,009**	**21,278,777**	**13,752,947**	**3,111,754**	**61,070,270**
Liabilities & equity						
Customer deposits	19,972,504	11,754,560	12,839,082	671,750	344,876	**45,582,772**
Deposits and balances due to banking institutions	947,781	34,319	38,737	89,107	-	**1,109,944**
Long term borrowing	-	-	91,576	1,180,239	1,306,139	**2,577,954**
Current income tax payable	-	35,110	-	-	-	**35,110**
Deferred income tax liability	-	9,324	-	-	-	**9,324**
Other liabilities	551,416	27,043	24,884	370,651	295,517	**1,269,511**
Shareholders' funds	-	-	-	-	5,905,514	**5,905,514**
Minority interest	-	-	-	-	1,114,903	**1,114,903**
Total liabilities & equity	**21,471,701**	**11,860,356**	**12,994,279**	**2,311,747**	**8,966,949**	**57,605,032**
Net liquidity gap	**(7,759,918)**	**(2,645,347)**	**8,284,498**	**11,441,200**	**(5,855,195)**	**3,465,238**
At 31 December 2007						
Total assets	8,308,817	5,899,182	12,400,391	10,174,443	1,552,466	**38,335,299**
Total liabilities and equity	15,143,460	7,620,652	7,537,927	244,536	6,185,992	**36,732,567**
Net liquidity gap	**(6,834,643)**	**(1,721,470)**	**4,862,464**	**9,929,907**	**(4,633,526)**	**1,602,732**

3. Financial Risk Management (Continued)

(d) Liquidity Risk Management (Continued)

Bank At 31 December 2008 **Assets**	Up to 1 month Shs '000	1-3 months Shs '000	3-12 months Shs '000	1-5 years Shs '000	Over 5 years Shs '000	Total Shs '000
Cash and bank balances with Central Bank of Kenya	1,197,846	503,980	389,840	11,899	16,974	2,120,539
Government securities	205,970	2,894,035	4,685,262	-	-	7,785,267
Deposits and balances due from banking institutions	4,323,093	-	-	-	-	4,323,093
Advances to customers	2,137,027	3,391,505	11,766,053	9,884,308	917,400	28,096,293
Equity investments - available-for-sale securities	-	-	-	-	45,902	45,902
Investments in associates	-	-	-	-	897,228	897,228
Property and equipment	-	-	-	-	495,736	495,736
Intangible assets	-	-	-	-	48,222	48,222
Deferred income tax asset	-	-	-	126,990	-	126,990
Other assets	754,526	36,686	43,480	49,353	6,198	890,243
Total assets	**8,618,462**	**6,826,206**	**16,884,635**	**10,072,550**	**2,427,660**	**44,829,513**
Liabilities & equity						
Customer deposits	14,217,687	10,420,643	7,965,293	242,355	344,876	33,190,854
Deposits and balances due to banking institutions	658,576	-	-	-	-	658,576
Long term borrowing	-	-	91,576	1,180,239	1,306,139	2,577,954
Current income tax payable	-	41,572	-	-	-	41,572
Other liabilities	478,438	27,043	24,884	55,850	325,268	911,483
Shareholders' funds	-	-	-	-	5,333,737	5,333,737
Total liabilities & equity	**15,354,701**	**10,489,258**	**8,081,753**	**1,478,444**	**7,310,020**	**42,714,176**
Net liquidity gap	**(6,736,239)**	**(3,663,052)**	**8,802,882**	**8,594,106**	**(4,882,360)**	**2,115,337**
At 31 December 2007						
Total assets	6,589,715	4,466,828	11,256,138	8,965,267	1,352,309	32,630,257
Total liabilities and equity	12,011,185	7,169,681	6,323,208	159,717	5,376,901	31,040,692
Net liquidity gap	**(5,421,470)**	**(2,702,853)**	**4,932,930**	**8,805,550**	**(4,024,592)**	**1,589,565**

(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 a Board-approved Operations Risk Management Policy and Procedures.

At management level, the Operations 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.

3. Financial Risk Management (Continued)

(f) Fair values of financial assets and liabilities

The fair value of available-for-sale investment securities at 31 December 2008 is estimated at Shs 10,189 million (2007: Shs 5,493 million); Bank: Shs 7,202 million (2007: Shs 5,042 million). The fair values of the Group's other financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual re-pricing or maturity dates as set out above. The long term borrowing also approximates at its carrying value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the Group at the balance sheet date.

(g) Capital Management

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

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

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

The Central Bank of Kenya requires each bank to:

(a) hold the minimum level or regulatory capital of Shs 250 million;
(b) 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%;
(c) maintain core capital of not less than 8% of total deposit liabilities; and
(d) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

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. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

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

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

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Tier 1 Capital	5,487,286	5,150,503	4,456,798	4,275,397
Tier 1 + Tier 2 Capital	6,715,161	5,179,999	5,639,995	4,282,667
Risk-weighted assets				
On-balance sheet	36,216,609	24,632,406	26,950,625	20,832,826
Off-balance sheet	2,863,051	1,875,524	1,575,803	1,563,532
Total risk-weighted assets	39,079,660	26,507,930	28,526,428	22,396,358
Basel ratio				
Tier 1 (CBK minimum - 8%;				
Bank of Tanzania (BOT) minimum - 10%;				
Bank of Uganda (BOU) minimum - 8%)	14.0%	19.5%	15.6%	19.1%
Tier 1 + Tier 2				
(CBK, BOT and BOU minimum-12%)	17.2%	19.7%	19.8%	19.1%

	Group 2008	Group 2007
4. Interest income	*Shs '000*	*Shs '000*
Loans and advances	3,874,004	2,603,992
Government securities	586,738	354,341
Placements and bank balances	235,243	127,152
	4,695,985	**3,085,485**
5. Interest expense		
Customer deposits	2,233,321	1,352,724
Deposits due to banking institutions	23,930	12,100
	2,257,251	**1,364,824**
6. Other operating income		
Rental income	14,809	14,131
Gain on sale of fixed assets	2,041	2,422
Other	16,589	808
	33,439	**17,361**
7. Operating expenses		
Other operating expenses include:		
Staff costs (Note 8)	880,900	591,921
Depreciation (Note 18)	126,157	89,597
Amortisation of intangible assets-software costs (Note 19)	32,730	31,765
Operating lease rentals	118,231	70,820
Auditors' remuneration	8,812	4,967
8. Staff costs		
Salaries and allowances	731,641	504,037
Contribution to defined contribution retirement scheme	26,079	20,617
Accrual for gratuity pay	8,855	5,596
National Social Security Fund Contribution	21,490	7,136
Others including insurance, travel and training	92,835	54,535
	880,900	**591,921**
9. Income tax expense		
Current income tax	480,647	369,555
Under provision of income tax in previous year	-	(2,079)
Deferred income tax	(2,816)	(56,024)
Over provision of deferred tax credit in previous year	-	3,864
	477,831	**315,316**

9. Income tax expense (Continued)

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

	2008 *Shs '000*	2007 *Shs '000*
Profit before tax	1,604,296	1,055,270
Tax calculated at the statutory tax rate of 30% (2007: 30%)	481,289	316,581
Tax effect of:		
Income not subject to tax	(28,045)	(10,693)
Expenses not deductible for tax purposes	19,074	8,377
Under provision of current income tax in previous year	-	1,112
Under provision of deferred tax credit in previous year	-	(61)
Final tax on investments	5,513	-
Tax charge	**477,831**	**315,316**

10. Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 1,024,489,000 (2007: Shs 690,961,000) and on the weighted average number of ordinary shares outstanding during the year.

Net profit attributable to shareholders (Shs thousands)	1,024,489	690,961
Weighted number of ordinary shares in issue as originally presented (thousands)	-	146,288
Weighted number of ordinary shares in issue after rights issue (thousands)	163,037	163,037
2007 earnings per share (Shs per share) - basic and diluted as originally presented	-	4.72
Earnings per share (Shs per share) - basic and diluted (2007 restated for rights issue)	6.28	4.24

Diluted earnings per share have been calculated on the basis of the number of ordinary shares issued as at 31 December 2008. There were no potentially dilutive shares outstanding at 31 December 2008.

11. Dividends per share

At the Annual General Meeting to be held on 29 May 2009, a final dividend in respect of the year ended 31 December 2008 of Shs 1.40 per share amounting to a total of Shs 228,251,951 is to be proposed.

The total dividend for the year is Shs. 1.40 per share (2007: Shs 1.40), amounting to a total of Shs 228,251,951 (2007: Shs 228,251,951).

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

12. Cash and balances with Central Banks

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*
Cash in hand	791,015	442,354	318,920	327,350
Balances with Central Banks	3,069,802	1,847,121	1,801,619	1,401,559
	3,860,817	**2,289,475**	**2,120,539**	**1,728,909**

13. Government securities

	Group		Bank	
	2008	2007	2008	2007
Held-to-maturity	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Treasury bills	6,802,141	3,908,593	3,924,673	3,457,769
Treasury bonds	109,273	-	-	-
Treasury bills under repo purchase agreement	27,985	-	27,985	-
	6,939,399	**3,908,593**	**3,952,658**	**3,457,769**
Available-for-sale				
Treasury bonds	3,249,284	1,584,205	3,249,284	1,584,205
Total Government securities	**10,188,683**	**5,492,798**	**7,201,942**	**5,041,974**

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 and Republic of Uganda, in the case of the Group. Treasury bills and bonds are classified as either held-to-maturity or available-for-sale investments.

14. Deposits and balances due from banking institutions

Due from other banks	5,455,435	3,043,094	4,304,969	1,821,506

All deposits due from banking institutions are due within 90 days

15. Loans and advances to customers

Hire purchase	4,826,884	4,500,184	4,826,884	4,500,184
Other loans and advances	29,850,293	19,090,858	21,179,834	15,639,556
Gross loans and advances	34,677,177	23,591,042	26,006,718	20,139,740
Less: Provision for impairment of loans and advances				
Identified impairment	(283,133)	(108,802)	(244,724)	(85,717)
Unidentified impairment	(330,685)	(300,369)	(301,716)	(300,369)
Net loans and advances	34,063,359	23,181,871	25,460,278	19,753,654

Notes to the Financial Statements (Continued)

15. Loans and advances to customers (Continued)

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

	Group		Bank	
	Identified Impairment	Unidentified impairment	Identified Impairment	Unidentified impairment
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Year ended 31 December 2007				
At start of year	125,833	199,485	125,833	199,485
Balance relating to subsidiary	25,422	-	-	-
Provision for loan impairment	42,565	100,884	25,748	100,884
Loans written off during the period as uncollectible	(13,876)	-	(13,757)	-
Release of provision no longer required	(71,142)	-	(52,107)	-
At end of year	108,802	300,369	85,717	300,369
Period ended 31 December 2008				
At start of year	108,802	300,369	85,717	300,369
Balance relating to subsidiary	5,224	22,635	-	-
Provision for loan impairment	245,783	7,682	205,766	1,347
Loans written off during the period as uncollectible	(19,386)	-	(16,251)	-
Release of provision no longer required	(57,290)	-	(30,508)	-
At end of year	**283,133**	**330,686**	**244,724**	**301,716**

	Identified impairment	Unidentified impairment	Total
Charge to profit and loss account (Group)	*Shs '000*	*Shs '000*	*Shs '000*
Year ended 31 December 2007			
Provision for loan impairment	42,565	100,884	143,449
Release of provision no longer required	(71,142)	-	(71,142)
Net increase in provision	(28,577)	100,884	72,307
Amounts recovered previously written off	(5,937)	-	(5,937)
Loans written off through profit and loss account	153	-	153
Net charge to profit and loss account	(34,361)	100,884	66,523
Year ended 31 December 2008			
Provision for loan impairment	245,783	7,682	253,465
Release of provision no longer required	(57,290)	-	(57,290)
Net increase in provision	188,493	7,682	196,175
Amounts recovered previously written off	(6,412)	-	(6,412)
Loans written off through profit and loss account	764	-	764
Net charge to profit and loss account	182,845	7,682	190,527

15. Loans and advances to customers (Continued)

	Identified impairment	Unidentified impairment	Total
Charge to profit and loss account (Bank)	*Shs '000*	*Shs '000*	*Shs '000*
Year ended 31 December 2007			
Provision for loan impairment	25,748	100,884	126,632
Release of provision no longer required	(52,107)	-	(52,107)
Net increase in provision	(26,359)	100,884	74,525
Amounts recovered previously written off	(5,937)	-	(5,937)
Loans written off through profit and loss account	152	-	152
Net charge to profit and loss account	(32,144)	100,884	68,740

	Identified impairment	Unidentified impairment	Total
Charge to profit and loss account (Bank)			
Year ended 31 December 2008			
Provision for loan impairment	205,766	1,347	207,113
Release of provision no longer required	(30,508)	-	(30,508)
Net increase in provision	175,258	1,347	176,605
Amounts recovered previously written off	(6,412)	-	(6,412)
Loans written off through profit and loss account	402	-	402
Net charge to profit and loss account	169,248	1,347	170,595

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 2008, was Shs 136,996,000 (2007 : Shs 67,639,000).

Loans and advances to customers include finance leases receivables, which may be analysed as follows:

	Group and Bank 2008	2007
	Shs '000	*Shs '000*
Gross investment in finance leases:		
Not later than 1 year	842,716	719,822
Later than 1 year and not later than 5 years	4,747,762	4,444,055
Later than 5 years	8,342	-
	5,598,820	5,163,877
Unearned future finance income on finance leases	(771,936)	(663,693)
Net investment in finance leases	4,826,884	4,500,184

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

	2008	2007
Net investment in finance leases:		
Not later than 1 year	792,866	687,130
Later than 1 year and not later than 5 years	4,028,481	3,813,054
Later than 5 years	5,537	-
Net investment in finance leases	4,826,884	4,500,184

Notes to the Financial Statements (Continued)

16. Investments in subsidiaries and associates

	2008	2007
	Shs'000	*Shs'000*
At start of year	97,843	252,757
Adjustment upon gaining control of Diamond Trust Bank Uganda/Tanzania Limited	(106,608)	(189,831)
Share of results after tax	8,765	35,283
Translation differences	-	(366)
At end of year	**-**	**97,843**

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

		Group		Bank	
	Beneficial Ownership	**2008** *Shs'000*	**2007** *Shs'000*	**2008** *Shs'000*	**2007** *Shs'000*
Subsidiaries					
Diamond Trust Bank Tanzania Limited					
(from 15 June 2007)	55.40%	-	-	337,584	337,584
Diamond Trust Bank Uganda Limited					
(from 6 October 2008)	51.00%	-	-	265,534	-
Diamond Trust Bank Burundi S.A.	67.34%	-	-	262,971	-
Diamond Trust Insurance Agency Limited	100.00%	-	-	2,000	-
Premier Savings and Finance Limited	100.00%	-	-	29,137	29,137
		-	-	897,226	366,721
Associates					
Comtech Systems Limited	29.00%	-	1	1	1
Diamond Trust Bank Uganda Limited					
(Up to 5 Oct 2008)	26.70%	-	97,841	-	25,000
Services and Systems Limited	40.00%	-	1	1	1
		-	97,843	2	25,002
Total investments in subsidiaries and associates		**-**	**97,843**	**897,228**	**391,723**

The results for Diamond Trust Bank Uganda Limited (DTBU), which had previously been accounted for as an associate, have been accounted for as a subsidiary from 6 October 2008. This follows the increase of the Bank's shareholding in DTBU from 26.7% to 51% on 6 October 2008. The Bank invested Shs 241 million for acquiring the additional 24% interest in DTBU.

The results for Diamond Trust Bank Burundi S.A. and Diamond Trust Insurance Agency Limited have been accounted for as subsidiaries effective November 2008 and December 2008 respectively.

Premier Savings and Finance Limited, which is incorporated in Kenya, is dormant.

Notes to the Financial Statements (Continued)

17. Equity investments - available for sale

	2008	2007
	Shs'000	*Shs'000*
At start of year	-	-
Additions (quoted investments)	63,753	-
Fair value loss on available-for-sale investments (Note 29)	(17,851)	-
At end of year	**45,902**	-

The quoted shares are valued annually at the close of business on 31 December by reference to the stock exchange quoted prices.

18. Property and equipment

(a) Group	Freehold Land	Leasehold buildings	Leasehold improvements	Motor Vehicles	Furniture fittings & equipment	Work in Progress	Total
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
At 1 January 2007							
Cost or valuation	-	113,327	39,650	24,108	316,941	-	494,026
Accumulated depreciation	-	(8,752)	(21,224)	(20,001)	(191,236)	-	(241,213)
Net book amount	-	104,575	18,426	4,107	125,705	-	252,813
Year ended 31 December 2007							
Opening net book amount	-	104,575	18,426	4,107	125,705	-	252,813
Relating to subsidiary	-	15,985	48,111	3,135	55,500	-	122,731
Additions	-	-	83,641	-	85,325	-	168,966
Disposals	-	-	-	(609)	(8)	-	(617)
Revaluation surplus	-	33,768	-	-	-	-	33,768
Depreciation charge	-	(741)	(20,351)	(2,486)	(66,019)	-	(89,597)
Closing net book amount	-	153,587	129,827	4,147	200,503	-	488,064
At 31 December 2007							
Cost or valuation	-	154,328	176,658	19,112	487,574	-	837,672
Accumulated depreciation	-	(741)	(46,831)	(14,965)	(287,071)	-	(349,608)
Net book amount	-	153,587	129,827	4,147	200,503	-	488,064
At 31 December 2007							
Cost	-	92,545	176,658	19,112	487,574	-	775,889
Revaluation surplus	-	61,783	-	-	-	-	61,783
Cost or valuation	-	154,328	176,658	19,112	487,574	-	837,672

18. Property and equipment (Continued)

(a) Group	Freehold Land	Leasehold buildings	Leasehold improvements	Motor Vehicles	Furniture fittings & equipment	Work in Progress	Total
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Year ended 31 December 2008							
Opening net book amount	-	153,587	129,827	4,147	200,503	-	488,064
Relating to subsidiary	-	-	25,916	3,226	24,723	15,110	68,975
Translation difference	-	3,195	(2,511)	162	10,633	-	11,479
Additions	57,630	27,365	180,542	8,554	305,631	31,201	610,923
Disposals	-	-	(1,843)	(257)	(1,895)	-	(3,995)
Depreciation charge	-	(3,795)	(32,974)	(4,140)	(85,248)	-	(126,157)
Closing net book amount	57,630	180,352	298,957	11,692	454,347	46,311	1,049,289
At 31 December 2008							
Cost or valuation	57,630	184,950	381,190	33,358	886,189	46,311	1,589,628
Accumulated depreciation	-	(4,598)	(82,233)	(21,666)	(431,842)	-	(540,339)
Cost or valuation	57,630	180,352	298,957	11,692	454,347	46,311	1,049,289
At 31 December 2008							
Cost	57,630	136,692	381,190	33,358	886,189	46,311	1,541,370
Revaluation surplus	-	48,258	-	-	-	-	48,258
Cost or valuation	57,630	184,950	381,190	33,358	886,189	46,311	1,589,628

(b) Bank	Freehold Land	Leasehold buildings	Leasehold improvements	Motor Vehicles	Furniture fittings & equipment	Work in Progress	Total
At 1 January 2007							
Cost or valuation	-	113,327	39,650	24,108	316,941	-	494,026
Accumulated depreciation	-	(8,752)	(21,224)	(20,001)	(191,236)	-	(241,213)
Net book amount	-	104,575	18,426	4,107	125,705	-	252,813
Year ended 31 December 2007							
Opening net book amount	-	104,575	18,426	4,107	125,705	-	252,813
Relating to subsidiary	-	-	-	-	-	-	-
Additions	-	-	71,873	-	81,908	-	153,781
Disposals-cost or valuation	-	-	-	(10,326)	(5,405)	-	(15,731)
Disposals-accumulated depreciation	-	-	-	9,717	5,397	-	15,114
Revaluation surplus	-	10,425	-	-	-	-	10,425
Depreciation charge	-	-	(15,022)	(1,304)	(50,767)	-	(67,093)
Closing net book amount	-	115,000	75,277	2,194	156,838	-	349,309
At 31 December 2007							
Cost or valuation	-	115,000	111,523	13,782	393,444	-	633,749
Accumulated depreciation	-	-	(36,246)	(11,588)	(236,606)	-	(284,440)
Net book amount	-	115,000	75,277	2,194	156,838	-	349,309

18. Property and equipment (Continued)

	Freehold Land	Leasehold buildings	Leasehold improvements	Motor Vehicles	Funiture fittings & equipment	Work in Progress	Total
	Shs' 000	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs'000*	*Shs'000*
At 31 December 2007							
Cost	-	66,742	111,523	13,782	393,444	-	585,491
Revaluation surplus	-	48,258	-	-	-	-	48,258
Cost or valuation	-	115,000	111,523	13,782	393,444	-	633,749
Year ended 31 December 2008							
Opening net book amount	-	115,000	75,277	2,194	156,838	-	349,309
Additions	57,630	-	38,455	6,981	125,513	6,589	235,168
Disposals	-	-	(1,843)	-	(1,895)	-	(3,738)
Depreciation charge	-	(2,092)	(21,775)	(1,516)	(59,620)	-	(85,003)
Closing net book amount	57,630	112,908	90,114	7,659	220,836	6,589	495,736
At 31 December 2008							
Cost	57,630	115,000	147,739	18,510	514,365	6,589	859,833
Accumulated depreciation	-	(2,092)	(57,625)	(10,851)	(293,529)	-	(364,097)
Cost or valuation	57,630	112,908	90,114	7,659	220,836	6,589	495,736
At 31 December 2008							
Cost	57,630	66,742	147,739	18,510	514,365	6,589	811,575
Revaluation surplus	-	48,258	-	-	-	-	48,258
Cost or valuation	57,630	115,000	147,739	18,510	514,365	6,589	859,833

Leasehold buildings for Diamond Trust Bank Kenya Limited and Diamond Trust Bank Tanzania Limited were revalued as at 31 December 2007 and 1 July 2007, by independent valuers, Knight Frank and Let Consultants respectively. 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 reserves in shareholders' equity.

If leasehold buildings were stated at the historical cost basis, the amounts would be as follows:

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*
Cost	94,682	92,545	66,742	66,742
Accumulated depreciation	(11,955)	(19,507)	(10,302)	(8,432)
Net book value	82,727	73,038	56,440	58,310

19. Intangible assets-software costs

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
At start of year	36,500	46,235	28,281	46,235
Balance relating to subsidiary	1,447	15,927	-	-
Additions	74,282	6,103	41,122	6,103
Amortisation charge for the year	(32,730)	(31,765)	(21,181)	(24,057)
At the end of year	79,499	36,500	48,222	28,281
Cost	257,504	146,476	152,719	111,597
Accumulated amortisation	(178,005)	(109,976)	(104,497)	(83,316)
Net book value	79,499	36,500	48,222	28,281

20. Prepaid operating lease rentals

At start of year	3,850	4,038	3,850	4,038
Amortisation charge for the year	(189)	(188)	(189)	(188)
At the end of year	3,661	3,850	3,661	3,850
Cost	6,701	6,701	6,701	6,701
Accumulated amortisation	(3,040)	(2,851)	(3,040)	(2,851)
	3,661	3,850	3,661	3,850

These balances are included in other assets in note 23.

21. Intangible assets - goodwill

The Bank increased its investment in Diamond Trust Bank Uganda Limited (DTBU) from 26.7% to 51.1% during the year at a consideration of Shs 241 million which made DTBU a subsidiary of the Bank on 6 October 2008. The details of goodwill recognized following the increase in investment in DTBU are as follows:

	Shs '000
Purchase consideration (including direct costs relating to the acquisition)	240,535
Fair value of assets acquired	127,684
Goodwill	112,851

Goodwill on acquisition of control in subsidiaries

	2008	**2007**
	Shs '000	*Shs '000*
At start of year	60,521	-
Recognised on increase in investment in subsidiaries during the year	112,851	60,521
At end of year	173,372	60,521

The above goodwill is attributable to strong position and profitability of Diamond Trust Bank Tanzania Limited and Diamond Trust Bank Uganda Limited in their respective markets.

Notes to the Financial Statements (Continued)

21. Intangible assets - Goodwill (Continued)

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to country.

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 management covering a three-year period.

Based on the above the Bank does not consider the goodwill impaired.

22. 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% (2007:30%). The movement on the deferred tax account is as follows:

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Deferred tax asset	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
At start of year	111,715	59,226	114,122	59,226
Balance relating to subidiary	(200)	6,414	-	-
Charged through profit and loss account - current year	5,321	56,691	5,321	54,993
- Under/(over) statement of deferred tax in previous year	2,607	(6,400)	-	61
Charged/(credit) through equity	7,547	(4,216)	7,547	(158)
At end of the period	126,990	111,715	126,990	114,122
Deferred tax liability				
At start of year	-	-	-	-
Balance relating to subidiary	(2,815)	-	-	-
Charged through profit and loss account current year	(2,505)	-	-	-
- Overstatement of deferred tax in previous year	(2,607)	-	-	-
Charged through equity	(1,397)	-	-	-
At end of the period	(9,324)	-	-	-
Net deferred tax asset				
At start of year	111,715	59,226	114,122	59,226
Balance relating to subidiary	(3,015)	6,414	-	-
Charged through profit and loss account - current year	2,816	56,691	5,321	54,993
- (Over)/under statement of deferred tax in previous year	-	(6,400)	-	61
Charged/(credit) through equity	6,150	(4,216)	7,547	(158)
At end of the period	117,666	111,715	126,990	114,122

Notes to the Financial Statements (Continued)

22. Deferred income tax (Continued)

Consolidated deferred income 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:

Group	1.1.2008	Acquisition of subsidiary	Charged to profit & loss A/c	Charged to equity	31.12.2008
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*	*Shs'000*
Deferred income tax liabilities					
Accelerated income on tax depreciation	(2,027)	7,744	9,316	1,397	16,430
Revaluation surplus	18,246	337	476	-	19,059
	16,219	8,081	9,792	1,397	35,489
Deferred income tax assets					
Provisions for loan impairment	(91,664)	(4,751)	(7,048)	-	(103,463)
Provisions for gratuity and staff bonus	(34,278)	(315)	3,286	-	(31,307)
Tax losses	-	-	(8,846)	-	(8,846)
Fair value changes in Government securities	(1,992)	-	-	(7,547)	(9,539)
	(127,934)	(5,066)	(12,608)	(7,547)	(153,155)
Net deferred income tax asset	(111,715)	3,015	(2,816)	(6,150)	(117,666)

Bank	1.1.2008	Charged to profit & loss A/c	Charged to equity	31.12.2008
Deferred income tax liabilities	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
Accelerated income on tax depreciation	(4,178)	(172)	-	(4,350)
Revaluation surplus	14,188	-	-	14,188
	10,010	(172)	-	9,838
Deferred income tax assets				
Provisions for loan impairment	(91,664)	(2,810)	-	(94,474)
Provisions for gratuity	(30,476)	(2,339)	-	(32,815)
Fair value changes in Government securities	(1,992)	-	(7,547)	(9,539)
	(124,132)	(5,149)	(7,547)	(136,828)
Net deferred income tax asset	(114,122)	(5,321)	(7,547)	(126,990)

23. Other assets

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Uncleared effects	344,939	802,885	326,931	729,233
Prepaid operating lease rentals (Note 20)	3,661	3,850	3,661	3,850
Items in the course of collection	341,632	100,395	341,632	100,395
Prepayments	100,276	48,144	61,307	28,488
Receivable from related parties (Note 34)	116,428	-	-	-
Others	192,883	240,416	156,712	221,919
	1,099,819	1,195,690	890,243	1,083,885

24. Customer deposits

	Group 2008	Group 2007	Bank 2008	Bank 2007
	Shs '000	Shs '000	Shs '000	Shs '000
Current and demand deposits	10,006,719	6,083,073	5,771,108	4,538,818
Savings accounts	3,015,248	1,827,978	1,291,082	1,062,083
Fixed deposit accounts	32,001,011	21,191,718	25,626,810	18,808,365
Unredeemed bearer certificates of deposit	208	208	208	208
	45,023,186	29,102,977	32,689,208	24,409,474

25. Deposits and balances due to banking institutions

	Group 2008	Group 2007	Bank 2008	Bank 2007
Deposits due to banking institutions	499,038	202,539	342,519	80,110
Current account balances due to banking institutions	331,096	41,791	315,515	49,608
	830,134	244,330	658,034	129,718

26. Long-term borrowing

a. Subordinated debt

The long-term subordinated debt raised from the International Finance Corporation, which is a related party, to increase the Bank's supplementary capital, amounted to US$ 15 million (2007: US$ 7 Million).

The subordinated debt is an unsecured 9.5 year loan capital issued by the International Finance Corporation in October 2008 to enhance the Bank's capital base. The debt obligation of the Bank ranks ahead of the interest of holders of equity and is redeemable on maturity. These notes bear interest at rates referenced to the Libor.

b. Senior loan

The long-term senior loan (ten years) raised from the International Finance Corporation, which is a related party, amounted to US$ 10 million (2007: Nil).

Finance costs of Shs 31.3 million (2007: Shs 56.1 million), related to the above borrowings, have been included in the profit and loss account.

	Group and Bank 2008	Group and Bank 2007
Subordinated debt	Shs'000	Shs'000
At start of year	-	495,918
Additions during the year	1,172,250	-
Net movement in accrued interest	18,422	-
Paid during the year	(15,752)	(495,918)
	1,174,920	-
Senior loan	**2008**	**2007**
	Shs'000	Shs'000
At start of year	-	-
Additions during the year	781,500	-
Net movement in accrued interest	9,965	-
Paid during the year	(8,370)	-
	783,095	-
Long term borrowing	1,958,015	-

Notes to the Financial Statements (Continued)

27. Other liabilities

	Group		Bank	
	2008	**2007**	**2008**	**2007**
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*
Due to subsidiary company	-	-	79,562	79,562
Gratuity provision	57,342	48,185	52,588	44,565
Outstanding bankers' cheques	451,055	373,246	282,826	290,646
Rights issue balances to be refunded	1,448	29,765	1,448	29,765
Others, including expense accruals	759,666	629,689	495,059	562,170
	1,269,511	1,080,885	911,483	1,006,708

Movement in gratuity provision is as follows:				
At start of year	48,185	39,388	44,565	39,388
Relating to the subsidiary	299	3,220	-	-
Increase during the year	9,447	5,895	8,023	5,177
Utilised during the year	(589)	(318)	-	-
At end of year	57,342	48,185	52,588	44,565

28. Share capital

	Number of shares	**Share capital**	**Share premium**
	(Thousands)	*Shs'000*	*Shs'000*
Balance at 1 January 2007	139,746	558,984	695,197
Rights issue	23,291	93,164	1,502,538
Balance at 31 December 2007, 1 January 2008 and 31 December 2008	163,037	652,148	2,197,735

The total authorised number of ordinary shares is 250,000,000 (2007: 250,000,000) with a par value of Shs 4 per share.

29. Reserves

Consolidated statement of charges in other reserves

	Revaluation surplus	Revaluation reserves on Government securities	Revaluation reserve on equity investments	Translation reserve	Other reserves	Total
Year ended 31 December 2007	*Shs' 000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
At start of year	96,689	2,280	-	9,921	-	108,890
Revaluation surplus net of deferred tax	7,299	-	-	-	-	7,299
Net fair value changes in Government securities	-	(3,245)	-	-	-	(3,245)
Net losses on disposal	-	(3,682)	-	-	-	(3,682)
	7,299	(6,927)	-	-	-	372
Capitalisation of associate's retained earnings on consolidation	-	-	-	-	159,777	159,777
Translation adjustment	-	-	-	27,106	-	27,106
At end of year	103,988	(4,647)	-	37,027	159,777	296,145
Year ended 31 December 2008						
At start of year	103,988	(4,647)	-	37,027	159,777	296,145
Net fair value changes in Government securities	-	(5,115)	-	-	-	(5,115)
Net fair value changes in available for sale equity investment	-	-	(12,496)	-	-	(12,496)
Net losses on disposal	-	-	-	-	-	-
	-	(5,115)	(12,496)	-	-	(17,611)
Statutory loan loss reserve	-	-	-	-	-	-
Capitalisation of associate's retained earnings on consolidation	-	-	-	-	(103,673)	(103,673)
Translation adjustment	-	-	-	30,537	-	30,537
At end of year	103,988	(9,762)	(12,496)	67,564	56,104	205,398

Notes to the Financial Statements (Continued)

29. Reserves (Continued)

Bank statement of changes in reserves

	Revaluation surplus	Revaluation reserves on Government securities	Revaluation reserve on equity investments	Total
Year ended 31 December 2007	*Shs '000*	*Shs '000*	*Shs '000*	*Shs '000*
At start of year	25,807	2,280	-	28,087
Revaluation surplus net of deferred tax	7,299	-	-	7,299
Net fair value changes in Government securities	-	(3,245)	-	(3,245)
Net losses on disposal	-	(3,682)	-	(3,682)
	7,299	(6,927)	-	372
At end of year	33,106	(4,647)	-	28,459
Year ended 31 December 2008				
At start of year	33,106	(4,647)	-	28,459
Net fair value changes in Government securities	-	(5,115)	-	(5,115)
Net fair value changes in equity investments available for sale	-	-	(12,496)	(12,496)
	-	(5,115)	(12,496)	(17,611)
At end of year	33,106	(9,762)	(12,496)	10,848

30. 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	
	2008	2007	2008	2007
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Acceptances and letters of credit	1,769,228	1,568,723	1,332,219	1,365,687
Guarantee and performance bonds	1,148,793	774,732	763,269	617,571
	2,918,021	2,343,455	2,095,488	1,983,258

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.

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

Commitments	**Group**		**Bank**	
	2008	**2007**	**2008**	**2007**
	Shs '000	*Shs '000*	*Shs '000*	*Shs '000*
Undrawn credit lines and other commitments to lend	5,279,712	4,541,974	4,328,998	4,210,382
Foreign exchange forward contracts	5,729,223	1,334,036	5,585,678	1,334,036
Foreign exchange spot transactions	1,543,143	564,328	1,543,143	564,328
Operating lease rentals (i)	374,955	185,401	293,652	141,755
Capital commitments	11,067	53,350	11,067	53,350
	12,938,100	6,679,089	11,762,538	6,303,851

(i) Operating lease rentals are analysed as follows:

	Group		**Bank**	
	2008	**2007**	**2008**	**2007**
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*
Not later than 1 year	88,966	54,201	69,090	39,404
Later than 1 year and not later than 5 years	216,655	112,824	155,229	83,975
Later than 5 years	69,334	18,376	69,333	18,376
	374,955	185,401	293,652	141,755

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.

31. Business segments information

(a) Business segments

The Group's main business is banking which accounts for more than 90% of the total income. There are therefore no material distinct business segments to necessitate disclosures.

(b) Geographical segments

Diamond Trust Bank Tanzania Limited, which became a subsidiary company in June 2007, operates in Tanzania. Diamond Trust Bank Uganda Limited, which became a subsidiary company in October 2008, operates in Uganda. Diamond Trust Bank Burundi S.A., which was set up as a subsidiary company in November 2008, operates in Burundi.

Kenya is the home country of the parent Bank.

Notes to the Financial Statements (Continued)

31. Business segments information (Continued)

The following is the geographical segment information:

	Profit/ (loss) before tax	Operating income	Depreciation & amortisation	Loans and advances	Customer deposits	Other Assets	Capital Expenditure
				2008			
				Shs'000			
Kenya	1,305,134	2,822,813	106,378	25,460,278	32,689,208	890,243	235,166
Tanzania	240,019	688,386	43,250	5,545,031	7,587,438	44,950	124,993
Uganda	59,876	157,602	9,449	3,058,050	4,746,540	62,002	223,400
Burundi	(733)	-	-	-	-	102,624	27,365
	1,604,296	3,668,801	159,077	34,063,359	45,023,186	1,099,819	610,924
				2007			
				Shs'000			
Kenya	869,101	2,043,053	92,263	19,753,654	24,409,474	1,083,885	153,781
Tanzania	186,169	311,264	109,110	3,428,217	4,693,503	111,805	15,185
Uganda	- *	- *	- *	- *	- *	- *	- *
Burundi	- **	- **	- **	- **	- **	- **	-**
	1,055,270	2,354,317	201,373	23,181,871	29,102,977	1,195,690	168,966

* Diamond Trust Bank Uganda Limited has been accounted for as a subsidiary with effect from October 2008.

** Diamond Trust Bank Burundi S.A. has been accounted for as a subsidiary with effect from November 2008.

32. 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 3.

The effective interest rates for the principal financial assets and liabilities of the Bank at 31 December 2008 and 31 December 2007 were as follows:

		2008				2007
	In Shs	In US$	In GBP	In Shs	In US$	In GBP
Assets						
Government securities	8.94%	-	-	8.19%	-	-
Deposits with banking institutions	6.54%	3.25%	2.19%	6.60%	3.55%	3.00%
Loans and advances to customers	15.08%	10.71%	10.44%	13.84%	11.02%	10.82%
Liabilities						
Customer deposits	7.76%	2.94%	4.04%	6.90%	4.07%	4.10%
Deposits due to banking institutions	4.52%	-	2.20%	0.25%	-	-
Amounts due to group companies	3.37%	0.38%	-	0.25%	0.50%	-
Subordinated debt	-	4.82%	-	-	-	-
Senior loan	-	4.32%	-	-	-	-

Notes to the Financial Statements (Continued)

33. Analysis of cash and cash equivalents as shown in the cash flow statement

	2008	2007
	Shs'000	*Shs'000*
Cash and balances with the Central Banks (Note 12)	3,860,817	2,289,475
Cash reserve requirement	(3,080,090)	(1,772,232)
Treasury bills under repo purchase agreement	926,390	348,215
Government securities maturing withing 91 days	752,875	-
Deposits and balances due from banking institutions (Note 14)	5,455,435	3,043,094
Deposits and balances due to banking institutions (Note 25)	(830,134)	(244,330)
	7,085,293	3,664,222

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition, including: cash and balances with the Central Bank, 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 Bank of Kenya that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 5% (2007: 6%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

34. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial or operational decisions.

The Bank 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 liabilties include guarantees and letters of credit for companies associated with the directors.

All transactions with related parties are at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other customers.

	Group		Bank	
	2008	2007	2008	2007
Group Companies	*Shs'000*	*Shs'000*	*Shs'000*	*Shs'000*
Amounts due to:				
Other group companies	-	-	111,094	10,302
Interest expense incurred	-	-	578	726
Amountd due from:				
Other related parties	636,423	245,045	636,423	245,045
Interest income earned	18,670	1,826	18,670	1,826
Amounts due from:				
Minority shareholders	116,428	-	-	-

Notes to the Financial Statements (Continued)

34. Related party transactions (Continued)

Directors	Group		Bank	
	2008	2007	2008	2007
	Shs'000	*Shs'000*	*Shs'000*	*Shs'000*
Loans to directors:				
At start of year	7,302	9,991	7,302	9,991
On acquisition of subsidiary	103	-	-	-
Advanced during the year	14,927	4,688	12,837	4,688
Repaid during the year	(8,090)	(7,377)	(7,183)	(7,377)
At end of year	14,142	7,302	12,956	7,302
Interest income earned from directors loans	1,181	1,042	1,087	1,042
Deposits by directors:				
At start of year	53,561	60,498	53,436	60,498
On acquisition of subsidiary	581	667	-	-
Received during the year	218,265	137,242	141,330	131,550
Withdrawn during the year	(194,162)	(144,846)	(127,599)	(138,612)
At end of year	78,245	53,561	67,167	53,436
Interest paid on directors' deposits	179	2,661	174	2,661

Other disclosures

At 31 December 2008, advances to companies controlled by directors or their families amounted to Shs.703,064,000 (2007: Shs.562,663,000).

At 31 December 2008, advances to employees amounted to Shs. 174,453,000 (2007: Shs 42,656,000).

Interest income earned on advances to companies controlled by directors or their families and employees amounted to Shs. 74,682,000 (2007: Shs 60,358,000).

At 31 December 2008, contingent liabilities include letters of credit and guarantees issued for the account of companies related through common directorship amounting to Shs. 24,582,000 (2007: Shs 38,820,000).

At 31 December 2008, deposits by companies related through common directorship and companies controlled by directors or their families amounted to Shs. 2,708,984,000 (2007: Shs. 1,709,724,000).

At 31 December 2008, deposits by employees amounted to Shs. 119,559,000 (2007: Shs. 94,771,000).

Interest expense incurred on deposits by companies related through common directorship, companies controlled by directors or their families and employees amounted to Shs. 196,280,000 (2007: Shs. 126,367,000).

Long-term borrowing in the form of subordinated debt and senior loan raised from the International Finance Corporation, a party related through shareholding, amounted to Shs. 1,958,015,000 (2007: Nil). Details of this are shown under Note 26.

Notes to the Financial Statements (Continued)

34. Related party transactions (Continued)

Other disclosures (Continued)

	Group		Bank	
	2008	**2007**	**2008**	**2007**
Key management compensation	*Shs'000*	*Shs'000*	*Shs'000*	*Shs'000*
Salaries and other short-term employment benefits	273,522	200,704	225,570	184,551
Termination benefits	16,909	13,049	13,361	11,598
	290,431	213,753	238,931	196,149
Director's remuneration				
-fees for services as a director	4,564	3,394	3,149	2,464
-other emoluments (included in key management compensation above)	25,126	19,986	20,505	19,986
	29,690	23,380	23,654	22,450

Proxy Form

I/We (in block letters) ………………………………………………………………………………………………………

of P.O. Box ………

being a member/members of DIAMOND TRUST BANK KENYA LIMITED

hereby appoint ……

of P.O. Box ………

or failing him/her ………………………………………………………………………………………………………

of P.O. Box ……………………………………………………………...…………………………………………………

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Aberdares Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi, on Friday, 29th May 2009 at 11:00 a.m., and at any adjournment thereof.

Dated this …………………………… day of ……………………………….. 2009.

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, Diamond Trust Bank Kenya Limited, P.O. Box 61711, City Square 00200, Nairobi, so as to reach him not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
2. The person appointed as proxy need not be a shareholder of the Company.
3. In the case of a member being a corporation, the Proxy Form must be under the Common Seal or under the hand of an officer or Attorney duly authorised in writing.

FOLD HERE

AFFIX POSTAGE
STAMP HERE

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

FOLD HERE

www.dtbafrica.com