



ANNUAL REPORT & FINANCIAL STATEMENTS 2013





OUR REGIONAL BRANCH NETWORK

KENYA

NAIROBI

- | | | | | | |
|----|---|---------------------|--|--------------------|-------------------------------------|
| 1 | Buru Buru Branch, off Mumias Road | 18 | T-Mall Branch, Langata Road | 34 | Shimanzi Branch, Dar es Salaam Road |
| 2 | Capital Centre Branch, Mombasa Road | 19 | Thika Road Mall Branch, Thika Road Super Highway | 35 | Voi Branch, Biashara Street |
| 3 | Courtyard Branch, along General Mathenge Drive | 20 | Tom Mboya Street Branch, Mondlane/Tom Mboya Street | OTHER TOWNS | |
| 4 | Cross Road Branch, Cross Road | 21 | Upper Hill Branch, Kilimanjaro Road | 36 | Bungoma Branch, Moi Avenue |
| 5 | Diamond Plaza Branch, 4th Avenue, Parklands | 22 | Village Market Branch, Limuru Road | 37 | Busia Branch, along Busia Main Road |
| 6 | DTB Centre Branch, Mombasa Road | 23 | Wabera Street Branch, Wabera Street | 38 | Eldoret Branch, Uganda Road |
| 7 | Eastleigh Branch, 7th Street | COAST REGION | | 39 | Kakamega Branch, Canon Awori Road |
| 8 | Industrial Area Branch, Likoni Road | 24 | Changamwe Branch, Airport Road, Mombasa | 40 | Kericho Branch, Tengecha Road |
| 9 | JKIA Branch, Airport Trade Centre, Tower Avenue | 25 | Diani Branch, Diani Beach Branch | 41 | Kisii Branch, Moi Highway |
| 10 | Karen Branch, Ngong Road | 26 | Jomo Kenyatta Branch, Jomo Kenyatta Avenue | 42 | Kisumu Branch, Oginga Odinga Road |
| 11 | Kitengela Branch, Kajiado Road | 27 | Kilifi Branch, off Mombasa – Malindi Highway | 43 | Kitale Branch, Kenyatta Street |
| 12 | Madina Mall Branch, Starehe/Pumwani Road | 28 | Lamu Branch, Lamu town | 44 | Meru Branch, Njuri Ncheke Road |
| 13 | Nation Centre Branch, Kimathi Street | 29 | Malindi Branch, Lamu Road | 45 | Migori Branch, Isibania Road |
| 14 | OTC Branch, Gwasi Lane, off Racecourse Road | 30 | Mariakani Branch, along Mombasa - Nairobi Road | 46 | Nakuru Branch, Kenyatta Avenue |
| 15 | Parklands Branch, 3rd Avenue Parklands | 31 | Mombasa Branch, Moi Avenue | 47 | Thika Branch, Kenyatta Highway |
| 16 | Prestige Plaza Branch, Ngong Road | 32 | Mtwapa Branch, along Mombasa-Malindi Road | | |
| 17 | Ronald Ngala Branch, Uyoma Street | 33 | Nyali Branch, Links Road | | |

UGANDA

KAMPALA

- | | | | | | |
|----|--|----|---|--------------------|---|
| 1 | Bwaise Branch, Bombo Road | 12 | Mbarara Branch, Mbaguta Road | OTHER TOWNS | |
| 2 | Freedom City Branch, Entebbe Road | 13 | Naalya Branch, off Northern Bypass | 22 | Arua Branch, Avenue Road |
| 3 | George Street Branch, George Street | 14 | Nakivubo Branch, Channel Street | 23 | Busia Branch, Sophia Lane |
| 4 | Hotel Equatoria Branch, William Street | 15 | Nateete Branch, Masaka Road | 24 | Jinja Branch, Main Street |
| 5 | Industrial Area Branch, Kibiira Road | 16 | Ndeebe Branch, Masaka Road | 25 | Lira Branch, Aputi Road |
| 6 | Kampala Road Branch, Kampala Road | 17 | Ntinda Branch, Kiira Road | 26 | Malaba Branch, Kwapa /Tororo Road |
| 7 | Kamwokya Branch, Kira Road | 18 | Oasis Mall Branch, Yusuf Lule Road | 27 | Malaba Customs Branch, Kwapa /Tororo Road |
| 8 | Kikuubo Branch, Ben Kiwanuka Street | 19 | Old Kampala Branch, Old Kampala Road | 28 | Mbale Branch, Bishop Wasike Road |
| 9 | Kitintale Branch, Port Bell Road | 20 | Usafi Market Branch, Kalitunsi roundabout | 29 | Mbarara Branch, Mbaguta Road |
| 10 | Kyengera Branch, Masaka Road | 21 | Wandegeya Branch, Bombo Road | | |
| 11 | Masaka Branch, Kampala Road | | | | |

TANZANIA

DAR ES SALAAM

- | | | | | | |
|---|--|---------------|----------------------------------|--------------------|---|
| 1 | Kariakoo Branch, Msimbazi Street | 9 | Nyerere Branch, Nyerere Road | OTHER TOWNS | |
| 2 | Magomeni Branch, off Morogoro Road | ARUSHA | | 12 | Dodoma Branch, 7th Street, near Main Road |
| 3 | Main Branch, Jamat / Mosque Street | 10 | Arusha City Branch, Sokoine Road | 13 | Iringa Branch, Miyomboni /Jamat Street |
| 4 | Masaki Branch, Haile Sellasie Road Junction | 11 | Arusha Main Branch, Moshi Road | 14 | Mbeya Branch, Market Street Junction |
| 5 | Mbagala Branch, Kilwa Road | | | 15 | Moshi Branch, Old Moshi Road |
| 6 | Mbezi Branch, Mbezi Beach, Old Bagamoyo Road | | | 16 | Mwanza Branch, Kenyatta Road |
| 7 | Morocco Branch, Ali Hasan Mwinyi Road | | | 17 | Tabora Branch, Ujiji Street |
| 8 | Morogoro Branch, Lumumba Road | | | 18 | Tanga Branch, Taifa Road |
| | | | | 19 | Zanzibar Branch, Forodhani Area |

BURUNDI

BUJUMBURA

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



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COMPANY INFORMATION

BOARD OF DIRECTORS

Abdul Samji	Chairman
Nasim Devji *	Managing Director
Pamella Ager	Appointed on 31 May 2013
Moez Jamal*	
Nizar Juma	
Irfan Keshavjee	Appointed on 31 May 2013
Zakir Mahmood**	
Amin Merali	
Mwaghazi Mwachofi	
Jamaludin Shamji	
*British ** Pakistani	

COMPANY SECRETARY

Stephen Kodumbe

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountant
PwC Tower
Waiyaki Way / Chiromo Road
P.O. Box 43963 - 00100
NAIROBI

SUBSIDIARIES

Diamond Trust Bank Tanzania Limited
Diamond Trust Bank Uganda Limited
Diamond Trust Bank Burundi S.A.
Diamond Trust Insurance Agency Limited
Premier Savings and Finance Limited
Network Insurance Agency Limited

COMPANY INFORMATION (Continued)

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PRINCIPAL OFFICERS

Nasim Devji	Group CEO and Managing Director
Stephen Kodumbe	Company Secretary and Head of Legal
Shahzad Karim	Head of Corporate Banking
Gopa Kumar	Head of Retail Banking
Kennedy Nyakomitta	Head of Asset Finance and Western Region
Shibu Jacob	Head of Coast Region
Sathya Vadana	Head of Treasury
Alkarim Jiwa	Head of Finance and Planning
Lillian Ngala	Head of Human Resources
Nizar Tundai	Head of Technology
Surah Shah	Head of Operations and Projects
Gituku Kirika	Head of Products and Marketing
George Otiende	Head of Branches
Kennedy Nyangweso	Head of Money Transfer Services
Evans Barasa	Head of Agency Banking and Alternate Channels
Nita Shah	Head of Risk
Peter Kimani	Head of Internal Audit
Hilda Gituro	Head of Compliance
Milerangam Jayaraman	Head of Credit Risk
Naftali Mwangi	Head of Security, Fraud and Forensic Investigations

PRINCIPAL CORRESPONDENTS

London	Habib Allied Bank Standard Chartered Bank Plc Citibank N.A.
New York	Habib Bank Limited Citibank N.A. Standard Chartered Bank Plc
Stockholm	Swedbank AB
Frankfurt	BHF Bank Commerzbank Standard Chartered Bank Plc
Toronto	Citibank, Canada Bank of Montreal
Johannesburg	Citibank, South Africa Standard Bank, South Africa HSBC
Mumbai	ICICI Bank Development Credit Bank Limited
Melbourne	ANZ Bank Melbourne, Australia
Tokyo	Standard Chartered Bank Plc
Dubai	Habib Bank Limited
Hong Kong	HSBC
Milan	Banca Intesa Sanpaolo

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FIVE-YEAR FINANCIAL REVIEW

	2013	2012	2011	2010	2009
Net interest income	11,149,291	9,246,386	6,826,952	4,882,762	3,519,513
Non-fund based income	3,349,992	3,074,041	2,744,867	2,874,831	1,548,417
Total income	14,499,283	12,320,427	9,571,819	7,757,593	5,067,930
Operating profit before provisions	8,133,815	7,012,595	4,896,202	4,020,853	2,225,544
Charge for impairment of loans	(898,812)	(984,696)	(588,789)	(557,854)	(295,682)
Profit before income tax	7,235,003	6,027,899	4,307,413	3,462,999	1,929,862
Profit after tax and minority interest	4,756,635	3,627,766	2,656,797	2,284,824	1,250,250
Total assets	166,520,351	135,461,412	107,765,064	83,600,177	66,679,080
Advances to customers (net)	110,945,439	87,707,243	71,297,721	51,260,068	41,518,135
Total deposits (customers and banks)	133,506,710	109,702,558	88,131,356	68,604,930	54,954,890
Shareholders' funds	20,950,855	16,522,162	11,593,302	8,939,503	6,998,163
Dividends for the year	462,210	418,190	332,596	260,859	252,708
Performance ratios					
Earnings per share - basic	Shs 21.61	Shs 17.44	Shs 13.58	Shs 11.68	Shs 6.39
- diluted	Shs 21.61	Shs 17.44	Shs 13.15	Shs 11.31	Shs 6.19
Dividend per share - basic	Shs 2.10	Shs 1.90	Shs 1.70	Shs 1.60	Shs 1.55
- diluted	Shs 2.10	Shs 1.90	Shs 1.65	Shs 1.29	Shs 1.25
Net loans to deposits	83.1%	80.0%	80.9%	74.7%	75.5%
Non performing loans to total loans (before provisions)	1.1%	1.1%	0.9%	1.3%	1.4%
Return on average assets	3.5%	3.3%	3.1%	3.3%	2.2%
Return on average shareholders funds	24.4%	25.8%	25.9%	28.7%	19.4%
Non-fund based income to total income	23.1%	25.0%	28.7%	37.1%	30.6%
Number of branches	98	90	76	65	53
Number of employees	1,745	1,514	1,264	1,101	930
Expenditure on property and equipment	3,051,222	1,258,974	666,208	438,509	900,646
Other indicators (Bank only)					
Core capital to customer deposits (CBK Minimum 8%)	18.3%	16.4%	13.7%	14.7%	14.5%
Core capital to total risk weighted assets (CBK Minimum 8%)	17.1%	17.7%	14.2%	15.3%	15.4%
Total capital to total risk weighted assets (CBK Minimum 12%)	20.5%	19.8%	16.8%	18.4%	19.0%

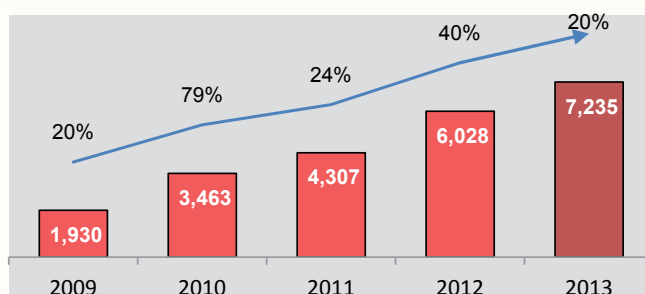
The above extracts from the consolidated financial statements are stated in thousands of Kenya Shillings (Shs 000) except where otherwise indicated.

FINANCIAL PERFORMANCE HIGHLIGHTS

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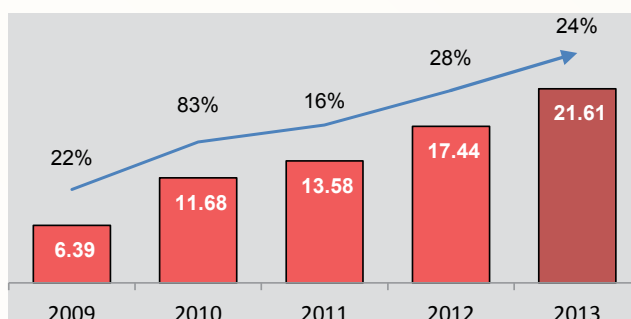
FINANCIAL PERFORMANCE HIGHLIGHTS

Group profit before tax (PBT) - Shs Million



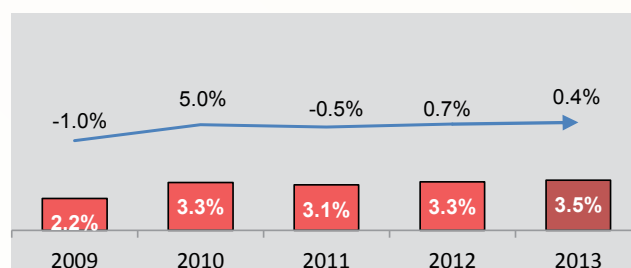
Group's pre-tax profit grew by 20% from Shs 6.0 billion in 2012 to Shs 7.2 billion in 2013, with the Group's subsidiaries contributing 23.1% to the overall PBT.

Earnings per share (EPS) - Shs per share



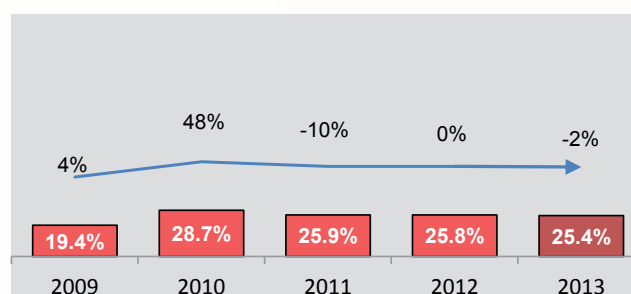
EPS grew by 24% to Shs 21.61 on the back of strong revenue growth and effective cost management strategies by the Group.

Return on Assets (ROA) - %



ROA grew from 3.3% in 2012 to 3.5% in 2013. This is on account of improved profitability.

Return on Equity (ROE) - %

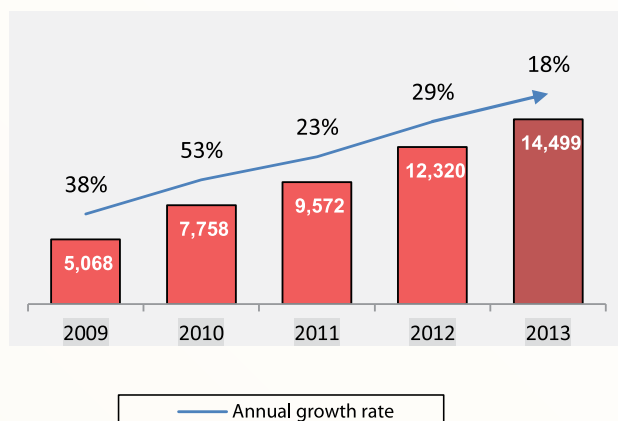


ROE at 25.4% closed marginally below the 2012 ROE. The dilution in ROE reflects the full year impact of the additional capital raised (additional 22.5 million shares issued) in September 2012.

— Annual growth rate

FINANCIAL PERFORMANCE HIGHLIGHTS (Continued)

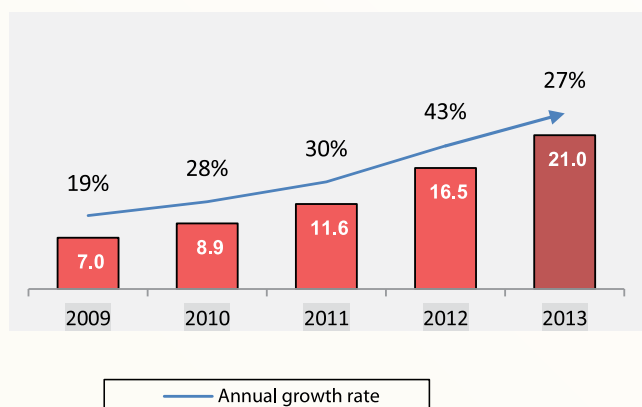
Operating income - Shs Million



Operating income grew by 18% from Shs 12.3 billion in 2012 to Shs 14.5 billion in 2013.

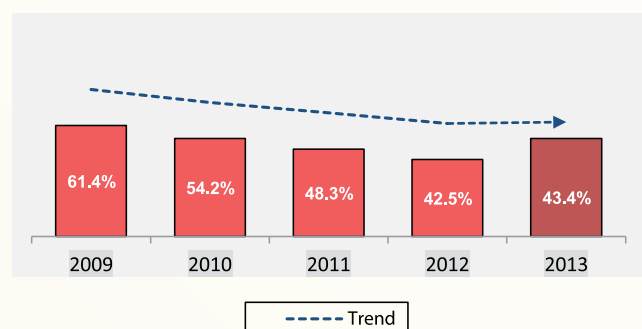
This is as a result of consistent growth of funded business coupled with diversification of non-fund business streams.

Shareholders' funds - Shs Billion



The growth in Shareholders' fund is attributed to the Shs 4.8 billion profit after tax in 2013.

Cost income ratio - %

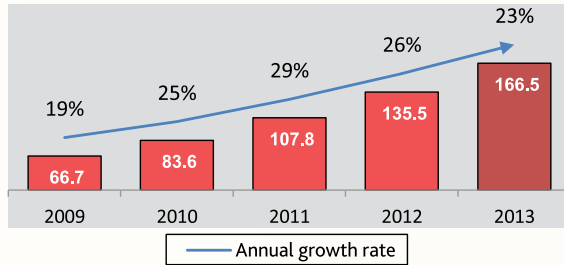


Cost to income ratio has been on a downward trajectory, reflecting the Group's continued cost management strategies.

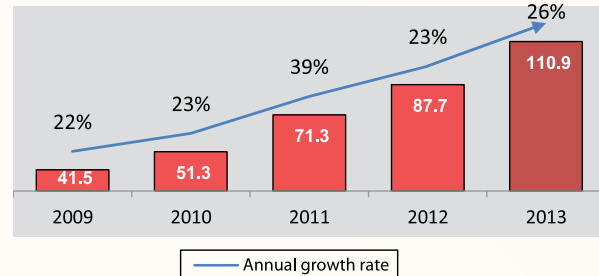
FINANCIAL PERFORMANCE HIGHLIGHTS (Continued)

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Total Assets - Shs Billion

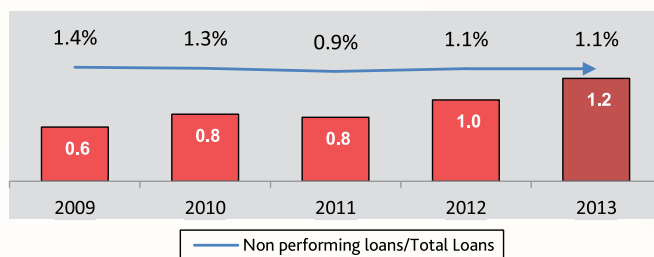


Advances - Shs Billion



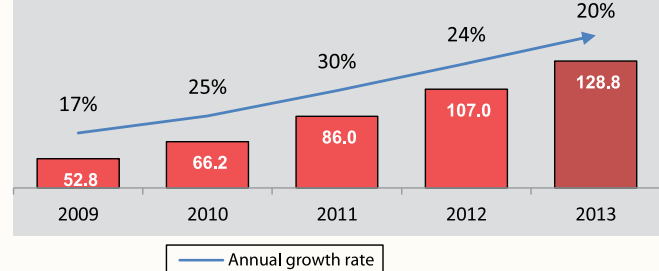
Total assets and net advances grew by 23% and 26% respectively, supported by growth in customer deposits by 20%.

Non performing loans - Shs Billion



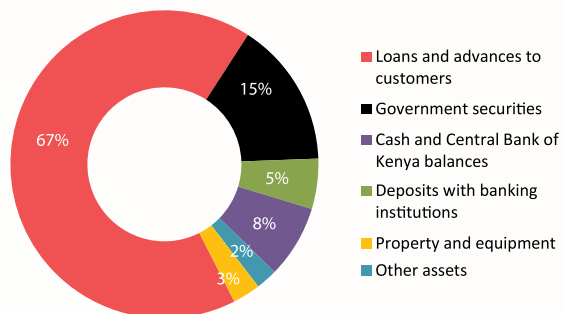
The proportion of non-performing loans to total loans at 1.1% remained same as 2012, reflecting the prudent risk management practices of the Group.

Customer deposits - Shs Billion

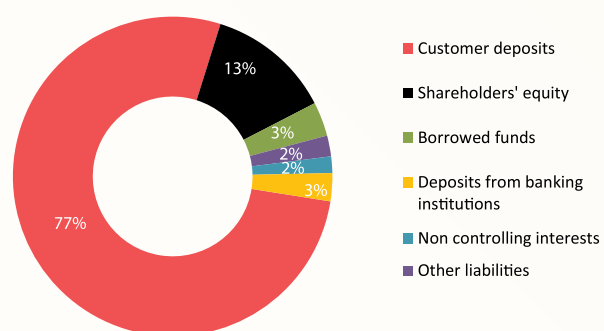


Customer deposits grew by 20% supported by the Group's continuing expansion of its branch and agency banking networks.

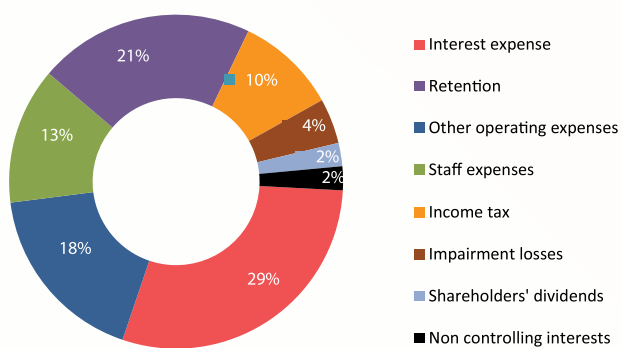
Composition of Assets - 2013



Composition of Liabilities and Shareholders' Equity - 2013



Utilisation of Income - 2013



BOARD OF DIRECTORS



Standing (left to right)

Stephen Kodumbe (*Company Secretary*) | Zakir Mahmood | Moez Jamal | Pamella Ager | Mwaghazi Mwachofi | Irfan Keshavjee |
Jamaludin Shamji



Seated (left to right)

Amin Merali | Nasim Devji (Group CEO & Managing Director) | Abdul Samji (Chairman) | Nizar Juma

BOARD OF DIRECTORS



Abdul Samji, Chairman

Mr. Samji, was appointed the Chairman of the DTB Group in May 2010 after having been appointed to the Board in 1997. He is a Certified Public Accountant and Management Consultant by profession, and a former Managing Partner of PKF Kenya, a firm of Certified Public Accountants. He is a B.Com (Hons) graduate, Fellow of the Association of Chartered Certified Accountants and a 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 the Chairman of the PDM Group of Companies. Mr. Samji is aged 67 years.



Nasim Devji, Group Chief Executive Officer and Managing Director

Mrs. Devji joined the DTB Group in 1996 following which she was appointed Group Chief Executive Officer of Diamond Trust Banks in East Africa in 2001. She is a Fellow of the Institute of Chartered Accountants of England and Wales, an Associate of the Institute of Taxation (United Kingdom) and a Fellow of the Kenya Institute of Bankers. Mrs. Devji is a director of DTB Tanzania, DTB Uganda, DTB Burundi, Jubilee Insurance Burundi and Diamond Trust Insurance Agency Limited. She is also a member of the Deposit Protection Fund Board, Kenya. Mrs. Devji was recognized as the "Leading African Woman in Business of the Year" at the 2010 Africa Investor Investment and Business Leader Awards. In 2011, she received the "CEO of the Year" award from the Capital Markets Authority during the Capital Markets Awards and the "Chief Executive of the Year in Banking" award by Think Business during the Banking Awards 2011. Mrs. Devji again received the "Chief Executive of the Year in Banking" award during the Think Business Banking Awards 2013. Mrs. Devji is aged 60 years.



Stephen Kodumbe, Company Secretary

Mr. Kodumbe joined DTB in 2008 as the Manager, Legal Services and was appointed Company Secretary in August 2009. Mr. Kodumbe holds a Bachelor of Laws (LL.B) Degree and a Masters in Business Administration Degree from the University of Nairobi together with a Diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Kodumbe is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mr. Kodumbe is aged 37 years.



Moez Jamal, Director

Mr. Jamal was appointed to the Board in December 2009. He has vast experience in banking and is currently a Director of Habib Bank Limited, Pakistan and Marcuard Family Office, Switzerland. He is also a Partner in JAAMAG in Zurich. Mr. Jamal has previously worked in various senior positions with Credit Suisse and Lloyds Bank International London/New York and his last assignment was as the Global Treasurer, Credit Suisse. Mr. Jamal holds an MBA in Finance from Stern Business School, New York University and a BA (Hons.) from Manchester University in England. Mr. Jamal is aged 58 years.



Pamela Ager, Director

Mrs. Ager was appointed to the Board in May 2013. She is a partner in Oraro & Company Advocates and holds a First Class Honours LLM Degree from Auckland University and a Bachelor of Laws Degree from the University of Waikato - Hamilton, New Zealand. She also holds a diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya, Mrs. Ager is a member of the Law Society of Kenya, Federation of Women Lawyers, East African Law Society and Commonwealth Lawyers Association. Mrs. Ager also sits on various boards for education and non-profit organisations. Mrs. Ager is aged 43 years.



Nizar Juma, Director

Mr. Juma is a Kenyan businessman. He joined the 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 honours 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. Juma is aged 69 years.

BOARD OF DIRECTORS (Continued)

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Mwaghazi Mwachofi, Director

Mr. Mwachofi was appointed to the Board in May 2009. He is a former Permanent Secretary in the Ministry of Finance, Kenya and is currently the General Manager of the Aga Khan Agency for Microfinance in Geneva. Prior to his current appointment Mr. Mwachofi had a long career in banking and held senior positions with the First Chicago Bank in Nairobi, Citibank and the International Finance Corporation in Washington. He worked with Celtel International BV before his current appointment. Mr. Mwachofi is a holder of an Honours Degree in Accounting from the University of Nairobi and an MBA in Finance from the Wharton Business School, University of Pennsylvania. He is currently a director of the First Microfinance Bank, Pakistan and other microfinance banks, in Afghanistan, Tajikistan, Kyrgyzstan, Syria, Egypt, West Africa and Southern Africa. Mr. Mwachofi is aged 65 years.



Zakir Mahmood, Director

Mr. Mahmood was appointed to the Board in April 2013. He holds an MBA (Finance) and Masters, Electrical Engineering both from the University of California, Los Angeles, U.S.A. He also holds a BE, Electrical Engineering from NED College, University of Karachi. Mr. Mahmood has extensive experience in banking having served as the President and Chief Executive Officer of Habib Bank Limited, Karachi, Pakistan. He has also previously worked in several senior positions in the banking industry with Credit Agricole Indosuez, France and the Bank of America. He is the Chairman of Habib Allied International Bank Plc in the United Kingdom and is a director of various companies including Habib Bank Limited, Khushhali Bank Limited and Jubilee Insurance Pakistan and also serves as a Trustee of The Aga Khan University. Mr. Mahmood has served on several Government of Pakistan Commissions and as the Chair of the Global Agenda Council for Pakistan of the World Economic Forum. Mr. Mahmood is aged 62 years.



Irfan Keshavjee, Director

Mr. Keshavjee was appointed to the Board in May 2013. He has an MBA from the University of Oxford, UK and a Bachelors Degree in Civil-Environmental Engineering from Queen's University in Canada. He also holds a certificate in Housing Finance from the Wharton Real Estate Centre, University of Pennsylvania. Mr. Keshavjee has had over 17 years of commercial experience in East Africa as a Director of the White Rose Group of Companies. He was awarded the prestigious Ashoka Fellowship and the Acumen Fund East Africa Fellowship for having co-founded award-winning enterprises that impact on the livelihoods of low-income Kenyans. Mr. Keshavjee is aged 43 years.



Jamaludin Shamji, Director

Mr. Shamji was appointed to the Board in March 2010. He holds a B.A. (Honors) in Business Administration from Washington State University, U.S.A. and has undertaken courses towards an M.B.A. (Strategic Management) from Drexel University, U.S.A. He is a prominent businessman based in Kisii and is a director of various companies including A. Jiwa Shamji Limited, Sansora Bakers & Confectioners Limited and Associated Auto Centre Limited. Mr. Shamji has previously served on the Board of the Aga Khan Health Services Kenya and is currently a director of the Aga Khan Education Services Kenya. He is also the Chairman of the Board of Governors of Kisii Special School for the Mentally Handicapped, and is a member of the Institute of Directors, Kenya. Mr. Shamji is aged 51 years.

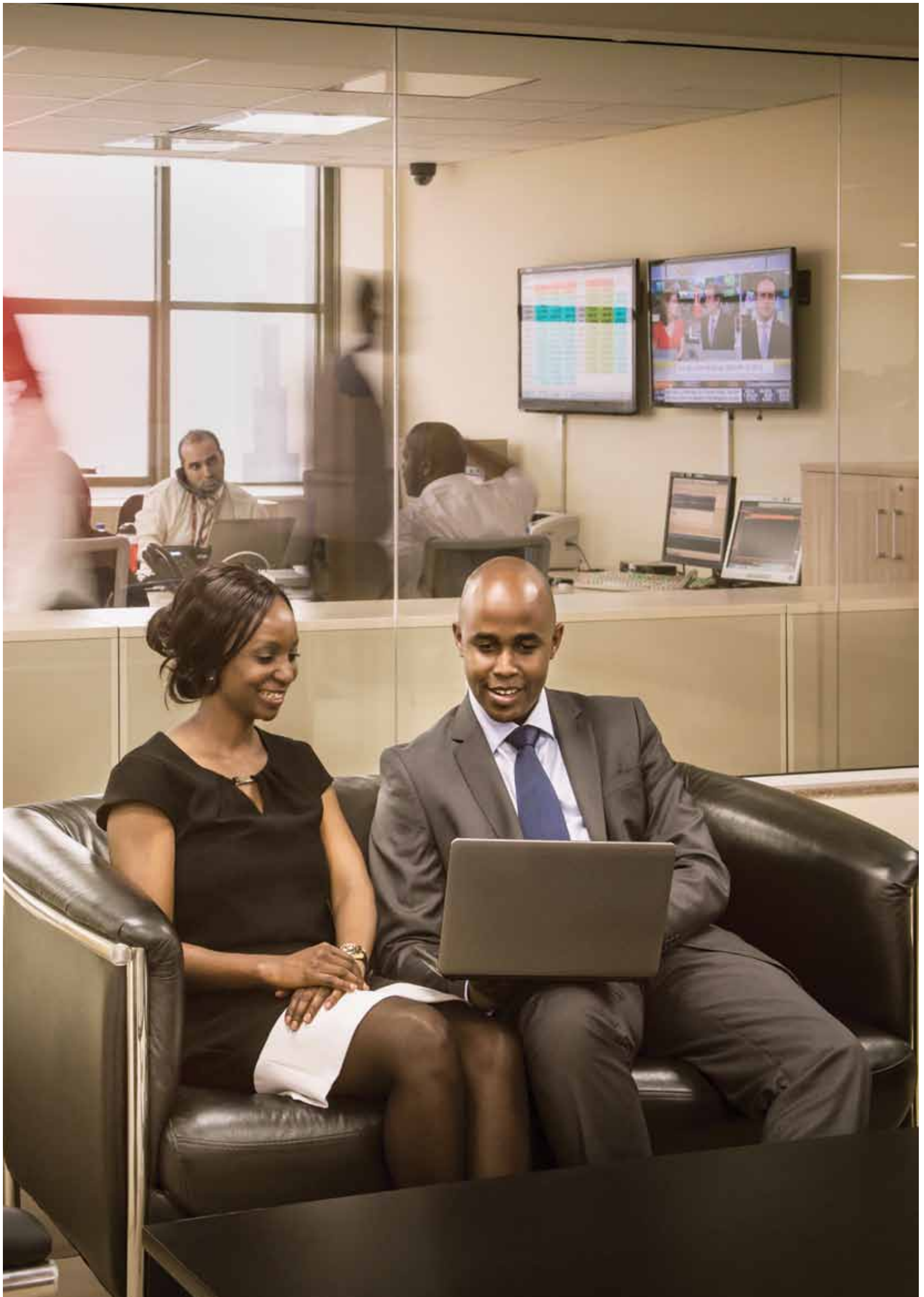


Amin Merali, Director

Mr. Merali was appointed to the 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 in Kenya and Tanzania, bulk fuel haulage and property development in Kenya, Uganda and Tanzania. Mr. Merali is aged 69 years.

Member of

- Board of Directors
- Board Nomination & Human Resource Committee
- Board Executive Committee
- Board Credit Committee
- Board Audit & Compliance Committee
- Board Risk Management Committee
- Board Information Technology Committee



NOTICE OF THE ANNUAL GENERAL MEETING

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NOTICE IS HEREBY GIVEN THAT THE FORTY EIGHTH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF DIAMOND TRUST BANK KENYA LIMITED WILL BE HELD AT THE ABERDARES HALL, KENYATTA INTERNATIONAL CONVENTION CENTRE, HARAMBEE AVENUE, NAIROBI, ON THURSDAY, 15 MAY 2014 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the Minutes of the Forty Seventh Annual General Meeting held on 31 May 2013.
2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2013.
3. To approve payment of a final dividend of 52.5% on the Issued and Paid-up Share Capital of Shs 880 million to the shareholders registered in our books as at 15 May 2014, on or about 12 June 2014, 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. Special Business:

Mr. Nizar Juma, who will have attained the age of 70 years as of the date of the Annual General Meeting, retires by virtue of Article 100 and Article 101 of the Bank's Articles of Association, and Section 186(2) of the Companies Act (Cap 486), and pursuant to Section 186(5) of the Act and the said Articles of Association, offers himself for re-election as a director for a further period of one year. That the following ordinary resolution be proposed and if thought fit, be passed by Members, Special Notice, - pursuant to Section 142 of the Companies' Act, - having been received by the Company:

"That pursuant to section 186(5) of the Companies Act, Mr. Nizar Juma having attained the age of 70 years, as at the date of the Annual General Meeting, be and is hereby re-elected to continue as a Director of the Company for a period of one year."

7. 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.
8. To note the Auditors' remuneration for the year 2013, and to authorise the Directors to fix the Auditors' remuneration for the year 2014.
9. To transact any other Ordinary Business of an Annual General Meeting.

By Order of the Board



Stephen Kodumbe
Company Secretary

3 March 2014
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.

The year 2013 has been an exceptional year for DTB, with notable growth achieved across all key balance sheet parameters, as well as earnings, on the back of continuing growth in market share of assets and profitability across the East African markets the Group is present in.

DTB's group asset base went up by 23% to stand at Shs 167 billion at the end of 2013, up from Shs 135 billion in 2012. DTB group's customer deposit base rose by 20%, from Shs 107 billion in 2012 to Shs 129 billion over the corresponding period ending December 2013. The loan book for the group grew by a significant 26%, to stand at Shs 111 billion; the total group operating income rose by 18% to Shs 14.5 billion up from Shs 12.2 billion realized over the same period in the previous year.

The 2013 group pre-tax profit rose by 20%, to Shs 7.2 billion, up from Shs 6 billion in 2012.

Following this performance, the Bank's Board of Directors has recommended a dividend of Shs 2.10 per share, compared to Shs 1.90 paid in the previous year.

In tandem with the growth momentum achieved in recent years, the Bank has continued to expand its capital base. In this regard, in July 2013, DTB Kenya raised US\$ 20 million in long-term sub-ordinated debt which qualifies as Tier II capital. To further augment the bank's capital base, in January 2014 the Shareholders approved the Board's recommendation to raise additional Tier I capital, by way of a rights issue. This issue, which is subject to approval by the Capital Markets Authority and the Nairobi Securities Exchange, will enable Shareholders to subscribe for additional shares in DTB Kenya, in the ratio of one additional share for every ten held presently, and at a subscription price which will be set at a discount over the market price. Once approved, this will be DTB Kenya's fourth rights issue, having undertaken similar capital raising initiatives in 2006, 2007 and 2012. Given the strong participation of the Shareholders in the three previous rights issues- all of which were over-subscribed – the Board is confident that the Shareholders will, once again, demonstrate their loyalty and confidence in DTB, by whole-heartedly supporting the forthcoming issue.

The enhanced capital base will, over the next few years, be used to:

- fund asset growth and investment in the branch network and alternative delivery channels in Kenya.
- further strengthen the Group's presence through additional investments in DTB's subsidiaries in the region.
- explore investment opportunities in other new markets in Eastern & Southern Africa.

The additional capital will also enable the Bank to continue to comply with and maintain sufficient headroom over, the enhanced minimum capital requirements and capital adequacy ratios stipulated by the Central Bank of Kenya in new prudential guidelines which became effective in January 2013.

Whilst DTB has been endowed with a rich history, spanning nearly seven decades, the Group's growth story of the more recent years is, perhaps, most notably characterised by its rapid branch expansion programme across East Africa. In a space of just eight short years, DTB has expanded its branch footprint by over twelve-fold across the region, closing at 98 branches by year end, with 47 branches in Kenya, 28 in Uganda, 19 in Tanzania and four in Burundi. This strategic initiative, supplemented by DTB's growing agency banking network and investment in alternative delivery channels, have provided the Bank with multiple touch points to serve its most important stakeholders – DTB customers.

The other chapter in DTB's story covers the group's expansion beyond the borders of our home markets - Kenya, Tanzania and Uganda- and Burundi where DTB established operations in 2009. The markets of interest on our radar for future expansion include Rwanda, Madagascar, DRC and Mozambique. Over the coming 24 months, we plan to expand to at least one of these identified frontier markets, with the long-term vision of evolving DTB into a truly- Pan African bank.

Over the years, DTB has entrenched itself amongst the Top 10 banking groups in East Africa, focusing on the Small and Medium-sized Enterprises sector as well as the personal market which form the heart of our customer base. One of DTB's key strategic thrusts is also to broaden the Group's primary customer segments by pursuing a financial inclusion strategy aimed at the micro-enterprise sector. This initiative, which was launched in Kenya mid- last year, is particularly important for DTB as it will enable us to not only reach out to and service the needs of a new customer segment but also enable the Group to play a leading and meaningful role in the transitioning economies in which we are present to support economic development.

The increasingly competitive environment in which DTB operates, demands that the Group is at the frontier of delivering innovative products and services to its customers. Indeed, innovation has become a critical pre-requisite to attracting and retaining customers. I am pleased to advise that DTB recognises this and is at the forefront of continuously expanding and evolving its products and services suite. DTB was amongst the first banks to launch prepaid cards in Kenya just over two years ago and the results are evident; thanks to this initiative, DTB has not only doubled its customer base, but it has also positioned the bank as a leading issuer of these cards in Kenya. These achievements have been anchored on strategic partnerships the Bank has entered into with other blue-chip corporates such as the Nation Media Group and Nakumatt Supermarkets Limited.

CHAIRMAN'S STATEMENT (Continued)

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If innovation is the game changer in customer acquisition and retention, then technology is the bedrock on which we are able to develop and deliver innovative customer value propositions. DTB recognises this and has made significant investments in recent years in building its technology platform to World- class standards. To illustrate this commitment, I am happy to state that in 2013 alone, the Group invested US\$ 11 million in revamping its technology platform. This involved upgrading the core banking system across DTB's operations in Kenya, Tanzania and Uganda, as well as building a Data Centre in Nairobi which will support DTB's present operations in East Africa well as the expansion to other Sub-Sahara African markets. The DTB Data Centre is built to what is referred to in industry circles as a Tier III- Data Centre. This standard enables the DTB Data Centre to have adequate resilience and redundant capacity to continue operations unhindered, even if critical services such as power or cooling supplies are interrupted due to maintenance reasons or unplanned eventualities. I am extremely proud to announce that the DTB Data Centre is only amongst a handful of such centres in East Africa which have been built to Tier III standard, comparable only to the likes of major operators such as Safaricom. This certainly puts DTB's IT infrastructure positioning to rank amongst the best not just in this part of the World, but globally.

With the investment in the upgraded core banking system and the Data Centre, DTB is well- heeled to implement its technology and innovation strategies in Kenya and in the geographies the Group is - and will be - present in.

2013 was a watershed year for DTB in another respect as well: it marked the completion of DTB's new corporate headquarters in Nairobi - DTB Centre which is located along Mombasa Road. The building has been designed and fitted out so that it is more than just a workplace. During the design phase of the building, thorough consideration was given to fitting out the buildings so that the Bank's staff can work in an environment which is not only safe, secure and comfortable, but also enjoyable. The breathtaking vistas of the Nairobi National Park, on one side of the buildings and of Nairobi's major thoroughfare and changing skyline on the other will, no doubt, provide DTB staff with the opportunity to revel in the environment and help ease the inevitable pressures of work. Additionally, the auditorium and training facilities at DTB Centre are designed to provide a conducive learning environment for our people across the region.

DTB has, undoubtedly, achieved phenomenal success in the past few years, in terms of growth in its business, profitability and infrastructure development. This is entirely due to the dedication and hard work of the Managing Director, Ms. Nasim Devji and her management team with the full and enthusiastic support of the Bank's staff at all levels. On behalf of the Shareholders and Board, I therefore take this opportunity of thanking them all for another excellent year's work.

The commitment and diligence of my colleagues on the Board warrants special mention. The year witnessed numerous developments and landmarks, the achievement of which would not have been possible without their unwavering support and dedication. I would also like to extend a warm welcome to Mr. Irfan Keshavjee and Ms. Pamella Ager who joined the Board in May 2013, both of whom bring a wealth of knowledge, experience and energy, which I am confident the Bank will benefit from immensely.

Our achievements, our positioning, our vision could not have actualised without the support and enabling environment that the Central Bank of Kenya has created for the industry through its progressive policy and regulatory framework. Our appreciation also goes out to the Capital Markets Authority and the Nairobi Securities Exchange for playing their respective roles in building confidence in and deepening the Kenyan Capital Markets.

It would be remiss of me if I do not recognise the strong support that we continue to receive from our principal stakeholders, namely, our customers. I would like to pay a special tribute to all our depositors and borrowers for their unwavering support and confidence. As always, we will strive to repay this confidence by being responsive to the needs of all our customers and by providing an unrivalled service.

Finally I would also like to express our sincere gratitude to our over 11,000 shareholders, for your ongoing support, steadfast loyalty and unbridled confidence in DTB . We are determined to continue to be worthy of the same by delivering in terms of return, value and service.



Abdul Samji
Chairman

Mwaka huu wa 2013 umekuwa mwaka wa kipekee kwa DTB, kukipatikana ukuaji katika sehemu zote muhimu za viegezo vya mizani ya hesabu, pamoja na mapato, kuegemezewa ustawi unaoendelea katika mgao wa rasilimali kwenye soko na upatikanaji wa faida katika masoko yote Afrika Mashariki ambako Kundi letu linakoendesha shughuli zake.

Msingi wa rasilimali ya kundi la DTB uliongezeka kwa hadi 23% na kufikia kiasi cha Shs bilioni 167 katika mwisho wa 2013, ikiwa ni ongezeko kutoka Shs bilioni 135 ilivyokuwa katika 2012. Msingi wa wateja wawekaji kadhaa katika kundi ya DTB ulizidi kwa 20%, kutoka Shs bilioni 107 katika 2012 hadi Shs bilioni 129 katika kipindi sawa na hiki kwenye mwaka unaomalizika mwezi wa Disemba 2013. Idadi katika daftari ya utoaji mikopo ilipanda kwa njia nzuri mno kwa 26%, na kufikia hadi Shs bilioni 111; jumla ya mapato ya Kundi kutokana na kuendesha shughuli ilipanda kwa 18% hadi Kshs bilioni 14.5 ikiwa ni ongezeko kutoka Shs bilioni 12.2 zilizopatikana katika kipindi sawa na hiki kwenye mwaka uliopita. Katika 2013 faida ya kundi kabla ya kulipa kodi ilipanda kwa 20%, hadi Shs bilioni 7.2, ikiwa ni ongezeko kutoka Shs bilioni 6 ilivyokuwa katika 2012.

Kutokana matokeo haya bora, Bodi ya Wakurugenzi wa Benki wanapendekeza kutolewa mgao wa Shs 2.10 kwa kila hisa, ikilinganishwa na Shs 1.90 zilizolipwa wanahisa katika mwaka uliopita.

Kuambatana na msukumo huu wa ukuaji uliyofikiwa na katika miaka ya hivi karibuni, Benki hii imeendelea kupanua msingi wa mataji wake. Kwa madhumuni haya, katika mwezi wa Julai 2013, DTB Kenya iliongeza Milioni US\$ 20 katika deni lake la muda mrefu lililopangiwa ambalo linastahili kuwa kama mtaji wa Safu ya II. Katika kuendelea kushadidi msingi wa mtaji wa benki hii, mnamo mwezi wa Januari 2014 Wanahisa waliidhinisha pendekezo la Bodi la kuongeza mtaji ziada wa Safu ya I, kwa tolea maalum la uuzaji hisa. Toleo hili, ambalo sharti liidhinishwe na Mamlaka ya Soko la Mtaji (Capital Markets Authority) na Nairobi Securities Exchange, litawezesha Wanahisa kujisajili kupata hisa za ziada katika DTB Kenya, kwa uwiano wa hisa moja ziada kwa kila hisa kumi zinazomilikiwa hivi sasa na kwa bei iliyoandikishwa ya kipunguzo itakuwa imeafikiwa juu ya ile iliyoko katika soko. Pindi itakapoidhinishwa, hili litakuwa ni tolea la uuzaji hisa maalum la nne kwa DTB Kenya, kukiwa kumeshafanyika juhudi kama hii ya kuongeza mtaji katika 2006, 2007 na 2012. Kutokana na kushiriki kukubwa kulikodhihirika kwa Wanahisa katika uuzaji hisa ziada kwa wamiliki hisa – ambazo zote zilihitajiwa hadi kupita kiasi- Bodi ina matumaini kuwa wanahisa, kwa mara nyingine, wataonyesha uaminifu na matumaini yao kwa DTB, kwa kuunga mkono kwa moyo mmoja toleo hili linalotarajiwa.

Mtaji huu uliyoboreshwa, katika chache inayokuja, utatumika kutekeleza yafuatayo:

- Kufidia fedha za kukuza rasilimali na uwekezaji katika mtandao wa matawi na njia mbadala za kufikisha huduma hapa Kenya.
- Kuzidi kutilia nguvu kuwepo kwa Kundi kupitia uwekezaji wa ziada kwenye mashirika tanzu ya DTB katika eneo hili.

- Kutafuta fursa ya uwekezaji katika masoko mapya katika meaneo ya Mashariki na Kusini mwa Afrika.

Mtaji huu wa ziada vile vile utawezesha Benki kuendelea kufuata, kudumisha nafasi zaidi ya kutosha, ya sheria zilizoongezwa za kiwango cha chini cha mahitaji ya mtaji na uwiano wa kutosha wa mtaji kama zilizvyo kanuni za Benki Kuu ya Kenya katika muongozo wake mpya ambao ulianza kutekelezwa mnamo Januari 2013.

Ingawa DTB imejaaliwa historia ndeefu, iliyo ya muda mrefu wa takriban miongo saba, hadithi ya ukuaji wa Kundi hili katika miaka ya hivi karibuni ni, huenda ikawa, ukuaji wake wa maana zaidi ni ule wa mpango wa upanuzi haraka wa matawi uliyodhihirika kote katika eneo la Afrika Mashariki. Katika muda mfupi wa miaka minane tu, DTB imeeneza matawi yake kwa zaidi ya mara kumi na mbili kote katika eneo hili, na kufunga mwaka tukiwa na matawi 98, kukiwa na matawi 47 nchini Kenya, 28 Uganda, 19 Tanzania na manne kule Burundi. Mkakati huu, ukishadidiwa na ukuaji wa mfumo wa uwakala na uwekezaji katika njia mbadala za kufikisha huduma, zikitoa fursa muafaka kwa benki kuweza kukaribiana na kuwahudumia washikadau wake wakuu – Wateja wa DTB.

Sura nyingine muhimu katika hadithi hii ya DTB inatanda kwenye ukuaji wa kundi hili katika eneo la nje mipaka ya soko la humu nyumbani - Kenya, Tanzania na Uganda - na Burundi ambako DTB walianzisha shughuli zake katika 2009. Masoko tunayotazamia kuingia katika siku zijazo kufuatia upanuzi huu wetu ni pamoja na Rwanda, Madagascar, DRC na Mozambique. Katika kipindi cha miezi 24 inayokuja, tuko na mpango wa kustawi na kupanua shughuli zetu katika angalau moja ya maeneo ya masoko haya ya nje tuliyokusudia, tukiwa na malengo ya muda mrefu ya kugeza DTB kuwa hakika Benki ya Afrika yote.

Kadri miaka ilivyopita, DTB imejitahidi kuwa madhubuti na kuwa miongoni mwa benki 10m bora kati ya benki za Afrika Mashariki, ikilenga hasa sekta ya Biashara ndogo na za Wastaniha pamoja na soko la huduma za benki za kibinafsi ambazo ndiyo kiini halisi cha msingi wateja wetu. Moja ya mkakati muhimu unaopatia DTB nguvu pia ni ule wa kupanua vitengo vikuu vya wateja kwa kufuatilia kuwahusisha katika mipango ya kifedha zinazolenga sekta ya wafanyibiashara ndogo. Mpango huu, ambao ulianzishwa Kenya katikati ya mwaka jana, ni muhimu hasa kwa DTB kwa vile itatuwezesha siyo tu kuwasilisha huduma za kufidia mahitaji ya kitengo cha wateja wetu wapya pekee bali pia kuwezesha Kundi hili kuongeza katika kutekeleza jukumu la kufaa la chumi zinazoendelea kubadilika tunakoendesha shughuli zetu ili kuauni ustawi wa kiuchumi.

Mazingira ya ushindani yanayozidi kila kukicha yanayokabili DTB inapoendesha shughuli zake, yanahitaji Kundi hili kuwa katika mstari wa mbele katika kuwasilisha bidhaa na huduma bunifu kwa wateja wake. Bila shaka, ubunifu umekuwa jambo muhimu la kwanza katika kuwavutia na kuwadumisha wateja. Ninayo furaha kuwaeleza hapa kuwa DTB inatambua jambo hili na iko katika mstari wa mbele kuendelea kustawisha na kubadilisha aina za bidhaa na huduma zake. DTB ilikuwa miongoni mwa benki za kwanza kabisa kuzindua prepaid cards hapa Kenya miaka miwili tu iliyopita na matokeo yake ni dhahiri;

TAARIFA YA MWENYEKITI (Inaendelea)

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yote kutokana na mpango huu, DTB haikuweza tu kuongeza wateja wake maradufu, bali pia imeiweka benki hii kuwa kiongozi katika utoaji wa kadi hizo hapa Kenya. Malengo haya yote yametimizwa kwa kuegemezwa kwa mkakati wa ushirikiano ambao benki umeafikiana na mashirika yalifanikiwa sana kama vile Nation Media Group na Nakumatt Supermarkets Limited.

Ikiwa ubunifu unaweza kubadilisha mandhari ya utekelezaji wa kupata na kuwadumisha wateja, basi teknolojia ndiyo mwamba ambao juu yake tunaweza kustawisha na kuwasilisha thamani bora kwa wateja. DTB inatambua jamabo hili barabara na katika miaka ya hivi karibuni, imefanya uwekezaji wa maana katika kustawisha jukwaa la teknolojia la haadhi ya kimataifa. Kuthibitisha kujitolea huku, nimejawa na furaha ninapowajulisha kuwa katika 2013 pekee, Kundi hili liliwekeza US\$ 11 milioni katika kufanyiza upya jukwaa hili la teknolojia. Hii ilihusisha kuboresha mitambo muhimu ya huduma za kibenki kote kule DTB inakoendesha shughuli zake nchini Kenya, Tanzania na Uganda, pamoja na kujenga kituo cha Data Centre mjini Nairobi ambacho kitasaidia DTB kuwasilisha shughuli zake katika Afrika Mashariki pamoja na kujieneza katika masoko ya maeneo mengine ya Afrika yaliyo Karibu na Jangwa la Sahara. Kituo cha DTB Data Centre kimejengwa na kuwa kituo kijulikana katika sekta hii kama Data centre cha Daraja la Tier III. Kiwango hichi kinawezesha DTB Data Centre kuwa na uwezo na mjazo wa kutosha wa kuendelea na shughuli zake bila ya kusita, hata ikiwa huduma muhimu kama vile stima au vifaa vya kuzimizisha vikikatiwa kutokana na sababu za urekebishaji au zingine zisioweza kuhepukika. Najuvunia mno kuwatangazia kuwa kituo hiki cha DTB Data Centre ni kimoja tu kati ya vituo vingine vingi katika Afrika Mashariki ambavyo vimejengwa ili kufikia kiwango cha Daraja la III, ikilinganishwa tu watoa huduma wakubwa kama vile shirika la Safaricom. Hii bila shka inaiweka DTB katika kiwango bora Zaidi cha muundo msingi wa teknolojia ya mawasiliano katika kitengo hiki sio tu kwa sehemu hii ya Ulimwengu, bali duniani kote.

Kukiwa na uwekezaji katika mitambo muhimu ya kibenki na kituo cha Data Centre, DTB iko timamu kabisa kutekeleza mpango wake wa teknolojia na ubunifu hapa Kenya na katika maeneo mengine ambako Kundi – lilioko – linakotarajiwa kuweko.

2013 ulikuwa mwaka muhimu kwa DTB kwa sababu nyingine pia: ndiyo mwaka wa kukamilika kwa jengo la makao makuu ya shirika la DTB hapa Nairobi – kituo cha DTB kilichoko katika barabara ya Mombasa. Jengo hili limesanifiwa na kuweka vifaa vya kisasa na kulifanya kuwa zaidi ya mahala pa kazi pekee. Wakati wa kuchorwa kwa jumba hili, umuhimu mkubwa ulizingatiwa katika kuweka vifaa jumbani hilo ili wafanyikazi wa benki hii wapate mahala pa kazi palipo na mazingira sio salama, bila madhara na penye starehe tu bali watakapofurahia. Taswira ya kupendeza ya Mbuga ya Kitaifa ya wanyama pori, upande mmoja wa jumba hili, na barabara kuu ya Nairobi na anga safi inayobadilikabadilika upande mwingine wa jumba, bila shaka, huwapa wafanyikazi wa DTB fursa ya kutazama mandhari ya kupendeza na kusaidia kuwapunguzia shinikizo lisiloweza kuhepukwa la shughuli za kazi. Kwa kuongezea, ukumbi wa maonyesho na sehemu ya kutoa mafunzo katika kituo hiki cha DTB Centre zimeundwa ili kutoa mazigira yalo bora ya mafunzo kwa watu wetu kote katika eneo hili.

Bila shaka, DTB imeweza kufikia ufanisi huu wa kipekee katika muda wa miaka chache iliyopita, katika ustawishaji wa biashara, upataji faida na uboreshaji muundo msingi wake. Haya yote yametokana na kujitolea kwa kipekee na bidii isiyo kifani ya Mkurugenzi Mkuu, Bi. Nasim Devji na kundi lake la wasimamizi na usaidizi wenye hamasa kutoka kwa wafanyikazi wa viwango vyote wa benki hii. Kwa hivyo, kwa niaba ya Wenyekiti na Bodi ya Wakurugenzi, ningependa kuchukua fursa hii kuwashukuru wote kwa mwaka mwingine wa kazi iliyowasilisha mafanikio makubwa.

Kujitolea na bidii ya wafanyikazi wenzangu katika Bodi kunastahili sifa maalum. Mwakani kulishuhudiwa maendeleo na mbalimbali na mabadiliko muhimu, maendeleo mabaya hayangeweza kufikiwa bila ya uungwaji mkono uliyo thabiti na kujitolea. Vile vile ningependa kumkaribisha kwa moyo mkunjufu Bw. Irfan Keshavjee na Bi. Pamela Ager waliojiunga na Bodi mnamo mwezi wa Mei 2013, wote wawili wakileta ujuzi mkubwa, uzoefu na uwezo wa kutosha, ambao nina matumaini kuwa utafaidi pakubwa benki hii.

Ufanisi wetu, nafasi yetu, maono yetu hayangeweza kufikiwa bila ya usaidizi na kuweko kwa mazingira mazuri ambayo yamewezeshwa na Benki Kuu ya Kenya kwa sekta hii kuendesha shughuli zake kupitia uwekaji vigezo na kanuni zifaazo za kusimamia biashara hii. Shukrani zetu za dhati pia ziwaandee Halmashauri ya Usimamizi wa soko la mtaji yaani Capital Markets Authority pamoja na Nairobi Securities Exchange kwa kutekeleza jukumu lao kubwa la kudumisa matumaini na uaminifu wa undani kwa Halmashauri ya Usimamizi wa soko la mtaji la Kenya.

Itakuwa sio sawa kwangu iwapo nitakosa kutambua usaidizi mkubwa tuupatao kutoka kwa washikadau wetu wakuu, yaani, wateja wetu. Napenda kutoa hapa shukrani maalum kwa wawekaji pesa kwetu na wanaochukua mikopo kwa usaidizi wao wa kipekee na kwa kuwa na Imani na sisi. Kama ilivyo kila wakati, tutajitahidi kulipa matumaini hayo waliyo nayo kwetu kwa kutekeleza mahitaji yote ya wateja wetu na kwa kuwapa huduma bora isiyo na kifani.

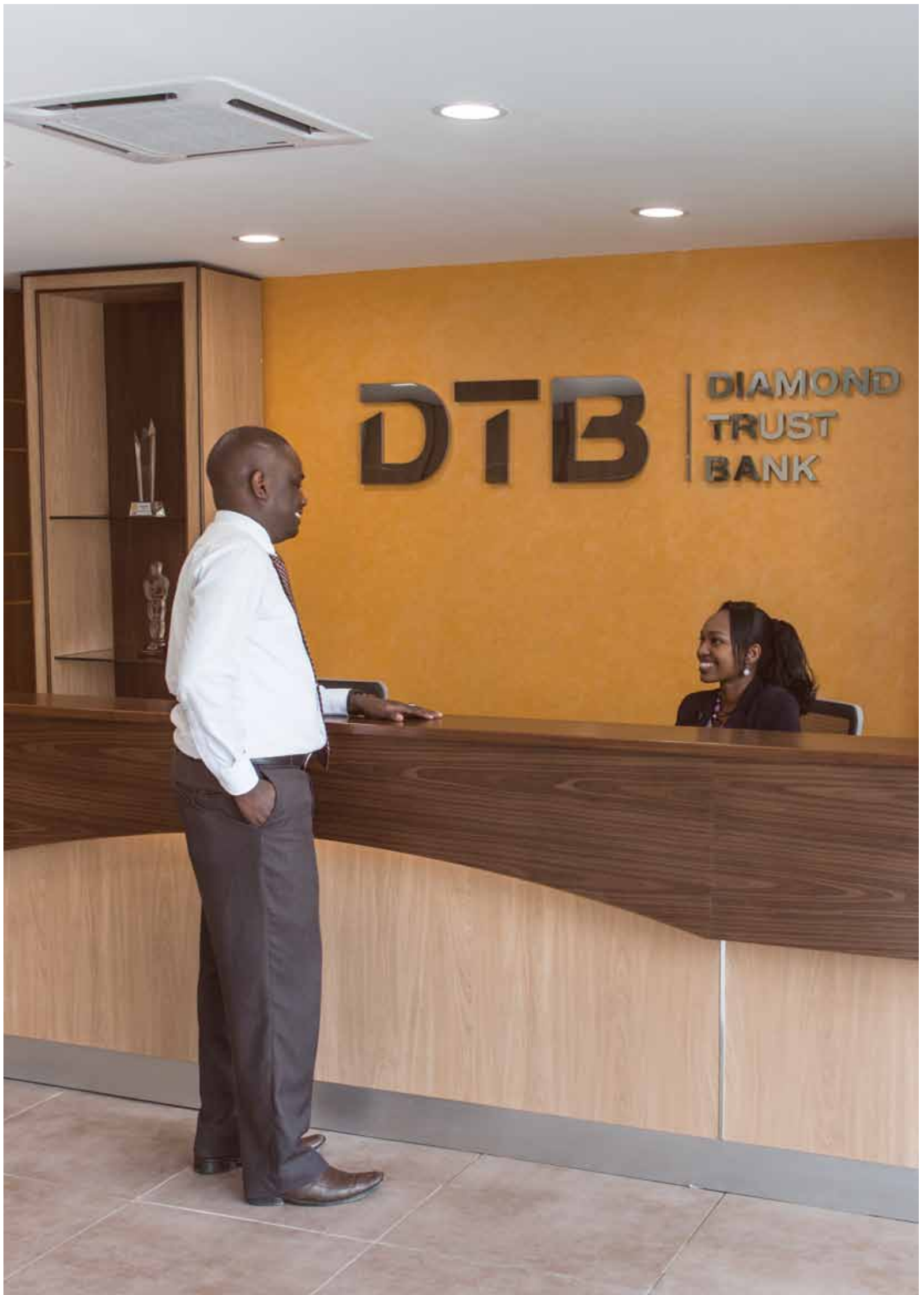
Kutamatisha, ningependa pia kutoa shukrani zangu za dhati kwa wenyekiti wetu zaidi ya 11,000, kwa kuendelea kutuunga mkono, uaminifu imara na kuwa na matumaini makubwa kwa DTB. Tunadhamiria kuendelea kustahili taadhima hii tunayopatiwa kwa kuwasilisha matokeo bora ya faida, thamani na huduma.



Abdul Samji
Mwenyekiti

Taarifa iliyoko hapa juu ni tafsiri ya Mwenyekiti iliyoko ukurasa wa 16-17. Iwapo patatokea utata katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya kingereza ndiyo itakayotawala.

The text set above is a Kiswahili translation of the Chairman's Statement, which appears in pages 16-17. In the event of any dispute in the interpretation of the Kiswahili version, the English version shall be the authoritative version.



STATEMENT OF CORPORATE GOVERNANCE

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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 the Bank's stakeholders about the policies, 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 policies 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 Guidelines 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, guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Bank's Managing Director to conduct the day-to-day business of the Bank.

The Board consists of nine non-executive 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 once every quarter, 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.

Board Remuneration

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.

Details of the directors' fees for the non-executive directors and remuneration of the executive directors paid in 2013 are set out on page 90.

Directors' Shareholding

None of the directors at the end of year 2013 held shares in their individual capacity that were more than 1% of the Bank's total equity.

Business transactions with the directors or their related parties are disclosed on pages 89 and 90.

The Board has set up various Board Committees to supplement its functions. These include:

Board Executive Committee ("BEC")

The membership of the BEC comprises of the Chairman of the Board and four other non-executive directors. The BEC is the link between the Board and management and assists the Board in reviewing and overseeing the operational and financial matters of the Bank during the intra-meeting periods, which then assists management discharge its duties and responsibilities for the day-to-day business of the Bank. The BEC meets at least once a quarter.

Board Nomination and Human Resource Committee ("BNHRC")

The membership of the BNHRC comprises of the Chairman of the Board and three other non-executive directors. The BNHRC is responsible for proposing new nominees for directorship to the Board, assessing the performance, effectiveness of directors and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise required. The BNHRC is also mandated to oversee all human resources matters on behalf of the Board and recommend to the full Board the remuneration and incentives for the executive directors and senior management. The BNHRC meets at least once a quarter.

Board Audit and Compliance Committee ("BACC")

The membership of the BACC comprises of four non-executive directors. The BACC meets at least once every quarter and is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, strengthening the control environment and the effectiveness of the internal and external auditing functions. In addition to advising the Board on best practice, the BACC also monitors management's compliance with relevant local legislation, regulations and guidelines issued by regulatory bodies, as well as the Bank's laid-down policies and procedures.

Board Risk Management Committee ("BRMC")

The membership of the BRMC comprises five non-executive directors. The BRMC meets at least once every quarter and its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's risk management framework except for credit risk management which is reviewed by the Board Credit Committee. It is also charged with setting out the nature, role, responsibility and authority of the risk management function of the Bank and defines the scope of the risk management work and ensures that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Bank is exposed to from time to time.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

Board Credit Committee ("BCC")

The membership of the BCC comprises of five non-executive directors. It meets formally at least once every quarter. Its primary purpose is to oversee and monitor the credit function of the Bank and further to ensure that it is professionally and effectively managed for business growth and in compliance with internal policy and external and statutory regulations.

Board Information Technology Committee ("BITC")

The membership of the BITC comprises three non-executive directors. The BITC meets at least once every quarter and its responsibilities include ensuring quality, integrity, effectiveness and reliability of the Bank's ICT risk management framework.

Board and Director Evaluation

In line with the requirements of the Bank's Corporate Governance Policy and the relevant Prudential Guideline issued by the CBK, 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 2013 is tabulated below:

MEETING	BOARD	BNHRC	BEC	BCC	BRMC	BACC	BITC	AGM
Abdul Samji	5/5	4/4	4/4	4/4	-	-	-	1/1
Nasim Devji	5/5	-	-	-	-	-	-	1/1
Amin Merali	5/5	3/4****	3/4****	3/4****	-	5/5	-	1/1
Moez Jamal	5/5	-	-	-	4/4	-	5/5	1/1
Mwaghazi Mwachofi	5/5	-	-	-	4/4	5/5	-	1/1
Nizar Juma	4/5****	-	-	-	-	-	-	1/1
Jamaludin Shamji	4/5****	3/4****	3/4****	3/4****	2/3****	2/2	4/5****	1/1
Zakir Mahmood*	3/4****	-	-	-	2/2	3/3	-	0/1****
Irfan Keshavjee**	4/4	2/2	2/2	2/2	-	3/3	3/3	1/1
Pamella Ager**	4/4	-	2/2	2/2	2/2	-	-	1/1
Farid Hamir***	1/2****	1/2****	1/2****	1/2****	1/2****	-	1/2****	***
Sukh Dev Nayyar***	0/2****	-	-	-	0/2****	-	-	***

KEY:

- Signifies that the subject Director is not a member of the indicated committee

* Appointed on 8 April 2013

** Appointed on 29 May 2013

*** Retired by Rotation at the AGM of 31 May 2013

**** Signifies that the subject Director was absent with apology

STATEMENT OF CORPORATE GOVERNANCE (Continued)

23

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

Assets and Liability Committee ("ALCO")

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

Operations Risk Committee ("ORCO")

The ORCO reports to the BRMC and is chaired by the Managing Director and has ten other members drawn from the Bank's senior management staff. The ORCO, which meets at least once 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.

Compliance and Audit Coordination Team ("CACT")

The CACT, which reports to the BACC and BRMC, is chaired by the Managing Director and has seven other members drawn from the Bank's risk, compliance, internal audit and branch monitoring functions. CACT meets once every month in line with its Board approved Terms

of Reference. The CACT provides a framework to ensure that the four respective functions are effective in coordinating and complementing their duties and optimising on synergies.

IT Steering Committee ("ITSC")

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

Product Committee ("PC")

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

Business Development Management Committee ("BDMC")

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

Human Resources Management Committee ("HRMC")

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

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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 respond to the correspondence received from the shareholders on a wide range of issues.

SHAREHOLDING STRUCTURE

The distribution of issued share capital of the Bank as at 31 December 2013 was as follows:

Range	Number of shareholders	Number of shares held	% Shareholding
Up to 500 shares	3,057	602,557	0.27
501 – 5,000 shares	4,731	10,653,294	4.84
5,001 – 10,000 shares	1,421	10,733,913	4.88
10,001 – 100,000 shares	1,654	40,400,335	18.36
100,001 – 1,000,000 shares	135	31,128,588	14.14
Over 1,000,000 shares	13	126,581,409	57.51
Total	11,012	220,100,096	100

SHAREHOLDERS PROFILE

	Number of shareholders	Number of shares held	% Shareholding
Local Individuals	5,371	30,597,827	13.90
Local Institutions	684	59,612,954	27.08
Foreign Individuals	2,158	23,019,264	10.46
Foreign Institutions	18	92,042,713	41.82
East African Individuals	2,752	13,315,759	6.05
East African Institutions	29	1,511,579	0.69
Total	11,012	220,100,096	100.00

STATEMENT OF CORPORATE GOVERNANCE (Continued)

25

The ten largest Shareholders of the Bank and their respective holdings as at 31 December 2013 were as follows:

Name	Number of shares	% Shareholding
Aga Khan Fund For Economic Development	38,124,163	17.32
Habib Bank Limited	26,208,238	11.91
The Jubilee Insurance Company of Kenya Limited	22,599,672	10.27
Standard Chartered Nominees A/C KE11752 (IFC)	21,673,066	9.85
The Diamond Jubilee Investment Trust (U) Limited	3,418,212	1.55
Standard Chartered Nominees A/C KE18965	2,940,161	1.34
Craysell Investments Limited	2,139,711	0.97
Mr. Amin Nanji Juma	2,031,548	0.92
Standard Chartered Nominees A/C KE18972	1,813,762	0.82
Standard Chartered Nominees A/C 9230	1,647,541	0.75



CORPORATE SOCIAL RESPONSIBILITY

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The Bank is committed to its Vision of 'Enabling people to advance with confidence and success'. This Vision is extended to the Bank's Corporate Social Responsibility (CSR) programme, which outlines the Bank's continued commitment to improve the living conditions and opportunities available to the disadvantaged in communities it operates in. As such, the Bank has chosen three pillars which embody its pledge to social and environmental concerns, Education, Health and Environment.

(a) Education:

The Bank's CSR activities are geared towards improving the quality of basic education by ensuring better early care and learning environments for young children, increased access to education, lowering the school drop-out rate, and raising the levels of academic achievements.

(b) Health:

The Bank has a specific focus on improving the health status of vulnerable groups - especially women and children by helping to develop ways to enable disadvantaged communities, both rural and urban, to acquire the knowledge and skills needed to protect and promote good health.

(c) Environment:

The Bank continuously endeavors to ensure effective social and environmental management practices in all its activities, products and services. Further, it is committed towards ensuring that its customers comply with the applicable legislation on environment, health, safety and social issues.

These pillars reflect the Bank's values in meeting its social and environmental responsibilities. The initiatives taken and activities conducted in 2013 with regard to these pillars are outlined below:

Western Union CSR Project



DTB Western Union founded a CSR initiative where they donate textbooks to primary and secondary schools. The Money Transfer Services team started the project in Nairobi where they donated over 20,000 textbooks to 23 primary and secondary schools. The team then proceeded to donate books to Kisumu, Mombasa and Eldoret.

Prestige Branch – Prince of Life Children's Home

Prestige Plaza branch staff visited the Prince of Life Children's home, based in Kibera Estate, Nairobi. The orphanage is home to 168 children rescued from the streets. The home acts as a rehabilitation centre for these children by offering accommodation and educational facilities. The ages range from infants to children in high school. The branch extended its support by providing learning materials such as books and stationery, food stuff, detergents, clothes and shoes donated by the branch staff members.



Buru Buru – St.Monica’s Children’s Home



The team at Buru Buru branch conducted a visit to St. Monica’s Children’s Home in Githurai. This home has 45 orphaned girls between the ages of 1 month to 18 years who have been abandoned or abused. The branch team donated various household materials and foodstuffs to the home, played with the children and shared life lessons that will be integral in providing them a solid foundation to become contributing members of society.

Meru CSR Marathon



The Meru Branch team participated in a CSR marathon organised by one of their customers, Ripples International, to raise funds for children who have been victims of sexual abuse. Ripples International is an NGO based in Githoka, Meru and is one of East Africa’s most successful AIDS relief operations receiving international acclaim for its innovative programmes. Ripples International organised a 10km marathon with the aim of raising Shs.100 million. The Meru Branch team fully participated in the race and helped raise funds to this worthy cause.

Mater Heart Run 2013

The Mater Heart Run is one of the most recognised and noble annual events in the Kenyan calendar. Kenyans from all walks of life come together to support this worthy cause, which helps raise funds to finance heart operations for children suffering from heart conditions. DTB donated Shs.100,000 towards this initiative and 100 staff members participated in the run.





DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2013, 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, insurance agency and other related services to the general public.

RESULTS AND DIVIDEND

	2013 Shs'000	2012 Shs'000
Group profit before income tax	7,235,003	6,027,899
Income tax expense	(2,004,249)	(1,959,921)
Profit for the year	5,230,754	4,067,978
Non controlling interests	(474,119)	(440,212)
Profit attributable to owners of the Bank	4,756,635	3,627,766
Dividends	(462,210)	(418,190)
Retained profit for the year	4,294,425	3,209,576

The directors recommend the approval of a final dividend of Shs 462,210,202 (2012: Shs 418,190,182).

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 and Mwaghazi Mwachofi retire by rotation and, being eligible, offer themselves for re-election.

Mr. Nizar Juma, who will have attained the age of 70 years as of the date of the Annual General Meeting, retires by virtue of Article 100 and Article 101 of the Bank's Articles of Association, and Section 186(2) of the Companies Act (Cap 486), and pursuant to Section 186(5) of the Act and the said Articles of Association, offers himself for re-election as a director for a further period of one year.

Auditor

The Bank's auditor, PricewaterhouseCoopers continues 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



Stephen Kodumbe
Company Secretary

3 March 2014
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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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 and Company'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 preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

1. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.
2. Selecting and applying appropriate accounting policies.
3. Making accounting estimates and judgements that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2013 and of the Group's and Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

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.

Approved by the Board of Directors on 3 March 2014 and signed on its behalf by:



Abdul Samji

Chairman



Nasim Devji

Managing Director

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" or "Bank") and its subsidiaries (together the "Group"), as set out on pages 33 to 90. These financial statements comprise the consolidated statement of financial position at 31 December 2013, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, together with the statement of financial position of the Company standing alone as at 31 December 2013, statement of profit or loss, statement of cashflows 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 and such controls as directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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 Company'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 position of the Group and of the Company at 31 December 2013 and of the profit and cash flows of the Group and Company 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 Company's statement of financial position and statement of profit or loss are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Richard Njoroge – P/No 1244.



Certified Public Accountants

Nairobi

3 March 2014

STATEMENT OF PROFIT OR LOSS

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FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group		Bank	
		2013	2012	2013	2012
		Shs'000	Shs'000	Shs'000	Shs'000
Interest income	5	17,179,061	16,579,014	12,124,436	12,682,015
Interest expense	6	(6,029,770)	(7,332,628)	(4,131,703)	(5,815,545)
Net interest income		11,149,291	9,246,386	7,992,733	6,866,470
Net fee and commission income	7	2,033,068	1,791,959	1,111,386	985,720
Foreign exchange income		1,223,278	1,186,297	796,330	810,445
Other operating income	8	93,646	95,785	77,731	68,417
Operating income		14,499,283	12,320,427	9,978,180	8,731,052
Operating expenses	9	(6,222,779)	(5,188,686)	(3,673,299)	(3,062,600)
Impairment loss on loans and advances	17	(898,812)	(984,696)	(594,069)	(879,606)
Profit from operations		7,377,692	6,147,045	5,710,812	4,788,846
Share of results of associate after tax	25	3,964	2,149	-	-
Finance costs	29 (d)	(146,653)	(121,295)	(144,416)	(119,183)
Profit before income tax		7,235,003	6,027,899	5,566,396	4,669,663
Income tax expense	11	(2,004,249)	(1,959,921)	(1,508,499)	(1,600,970)
Profit for the year		5,230,754	4,067,978	4,057,897	3,068,693
Profit attributable to:					
Owners of the Bank		4,756,635	3,627,766	4,057,897	3,068,693
Non controlling interests		474,119	440,212	-	-
		5,230,754	4,067,978	4,057,897	3,068,693
Earnings per share (Shs per share)					
Basic and diluted	12	21.61	17.44	18.44	14.75
Dividends					
Proposed final	13	462,210	418,190	462,210	418,190

The notes on pages 40 to 90 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	Notes	Group		Bank	
		2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Profit for the year		5,230,754	4,067,978	4,057,897	3,068,693
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Exchange differences on translating foreign operations		266,021	86,047	-	-
<i>Items that will not be reclassified to profit or loss</i>					
Fair value changes in equity investment	31	43,988	18,936	43,988	18,936
Other comprehensive income for the year, net of tax		310,009	104,983	43,988	18,936
Total comprehensive income for the year		5,540,763	4,172,961	4,101,885	3,087,629
Total comprehensive income attributable to:					
Owners of the Bank		4,902,007	3,585,997	4,101,885	3,087,629
Non controlling interests		638,756	586,964	-	-
		5,540,763	4,172,961	4,101,885	3,087,629

The notes on pages 40 to 90 are an integral part of these financial statements

STATEMENT OF FINANCIAL POSITION

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AS AT 31 DECEMBER 2013

	Notes	Group		Bank	
		2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Assets					
Cash and balances with Central Banks	14	12,708,759	11,508,861	7,672,267	5,348,310
Government securities	15	25,445,824	22,744,510	17,832,375	18,402,894
Deposits and balances due from banking institutions	16	8,786,032	7,722,752	4,120,113	4,404,676
Loans and advances to customers	17	110,945,439	87,707,243	75,292,211	59,930,459
Equity investments	18	-	64,391	-	64,391
Amounts due from group companies	19	-	-	384,072	431,118
Other assets	20	1,703,907	1,869,483	1,357,949	1,526,037
Intangible assets - software costs	21	560,351	214,405	377,522	178,389
Property and equipment	22	4,879,246	2,770,067	3,683,783	1,785,430
Intangible assets - goodwill	23	173,372	173,372	-	-
Current income tax		176,519	7,432	137,257	-
Deferred income tax	24	1,130,919	672,958	983,626	542,542
Investments in subsidiaries and associates	25	9,983	5,938	2,295,254	1,897,572
Total assets		166,520,351	135,461,412	114,136,429	94,511,818
Liabilities					
Customer deposits	26	128,788,398	106,975,254	84,671,817	72,505,118
Deposits and balances due to banking institutions	27	4,718,312	2,727,304	3,734,712	1,002,394
Other liabilities	28	3,496,980	2,867,416	2,299,713	1,935,699
Long term borrowings	29	5,760,214	3,807,801	4,861,910	3,746,320
Current income tax		12,143	456,716	-	443,795
Total liabilities		142,776,047	116,834,491	95,568,152	79,633,326
Shareholders' equity					
Share capital	30	880,400	880,400	880,400	880,400
Share premium	30	3,856,898	3,856,898	3,856,898	3,856,898
Retained earnings	30	15,477,589	11,012,392	12,995,575	9,229,632
Other reserves	31	273,758	238,991	373,194	378,081
Statutory loan loss reserve	30	-	115,291	-	115,291
Proposed dividend	13	462,210	418,190	462,210	418,190
Equity attributable to owners of the Bank		20,950,855	16,522,162	18,568,277	14,878,492
Non controlling interests		2,793,449	2,104,759	-	-
Total equity		23,744,304	18,626,921	18,568,277	14,878,492
Total liabilities and equity		166,520,351	135,461,412	114,136,429	94,511,818

The financial statements on pages 33 to 90 were approved for issue by the Board of Directors on 3 March 2014 and signed on its behalf by:

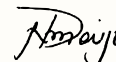
Abdul Samji
Chairman



Amin Merali
Director



Nasim Devji
Managing Director



Stephen Kodumbe
Company Secretary



The notes on pages 40 to 90 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Other reserves	Statutory loan loss reserve	Retained earnings	Proposed dividend	Attributable to equity holders of the Bank	Non controlling interests	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
For the year ended 31 December 2012									
At start of year	782,578	2,197,735	368,471	115,291	7,796,631	332,596	11,593,302	1,655,517	13,248,819
Profit for the year	-	-	-	-	3,627,766	-	3,627,766	440,212	4,067,978
Other comprehensive income	-	-	(41,769)	-	-	-	(41,769)	146,752	104,983
Transfer of excess depreciation	-	-	(8,836)	-	8,836	-	-	-	-
Deferred tax on transfer of excess depreciation	-	-	2,651	-	(2,651)	-	-	-	-
Total comprehensive income	-	-	(47,954)	-	3,633,951	-	3,585,997	586,964	4,172,961
Rights issue	97,822	1,659,163	-	-	-	-	1,756,985	-	1,756,985
Issue of additional shares to non controlling interests	-	-	-	-	-	-	-	48,428	48,428
Acquisition of interests from non controlling interests in Diamond Trust Bank Tanzania Limited.	-	-	(81,526)	-	-	-	(81,526)	(171,132)	(252,658)
Dividends:									
- Final for 2011 paid	-	-	-	-	-	(332,596)	(332,596)	(15,018)	(347,614)
- Proposed for 2012	-	-	-	-	(418,190)	418,190	-	-	-
Total transactions with owners, recognised directly in equity	97,822	1,659,163	(81,526)	-	(418,190)	85,594	1,342,863	(137,722)	1,205,141
At end of year	880,400	3,856,898	238,991	115,291	11,012,392	418,190	16,522,162	2,104,759	18,626,921

The notes on pages 40 to 90 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Statutory loan loss reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Attributable to equity holders of the Bank Shs'000	Non controlling interests Shs'000	Total Shs'000
At start of year		880,400	3,856,898	238,991	115,291	11,012,392	418,190	16,522,162	2,104,759	18,626,921
Profit for the year		-	-	-	-	4,756,635	-	4,756,635	474,119	5,230,754
Other comprehensive income		-	-	145,372	-	-	-	145,372	164,637	310,009
Transfer of fair value gain to retained earnings on disposal of equity investments	18	-	-	(44,627)	-	44,627	-	-	-	-
Transfer to retained earnings		-	-	-	(115,291)	115,291	-	-	-	-
Transfer of excess depreciation		-	-	(6,805)	-	6,805	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	2,041	-	(2,041)	-	-	-	-
Total comprehensive income		-	-	95,981	(115,291)	4,921,317	-	4,902,007	638,756	5,540,763
Write back of unclaimed dividends	(i)	-	-	-	-	6,090	-	6,090	-	6,090
Issue of additional shares to non controlling interests		-	-	-	-	-	-	-	123,360	123,360
Acquisition of interests from non controlling interests in Diamond Trust Bank Uganda Limited.	32	-	-	(61,214)	-	-	-	(61,214)	(54,437)	(115,651)
Dividends:										
- Final for 2012 paid	13	-	-	-	-	-	(418,190)	(418,190)	(18,989)	(437,179)
- Proposed for 2013	13	-	-	-	-	(462,210)	462,210	-	-	-
Total transactions with owners, recognised directly in equity		-	-	(61,214)	-	(456,120)	44,020	(473,314)	49,934	(423,380)
At end of year		880,400	3,856,898	273,758	-	15,477,589	462,210	20,950,855	2,793,449	23,744,304

(i) Dividends that have remained unclaimed for over six years as at 31 December 2013 were written back to retained earnings in line with the Bank's Articles of Association.

The notes on pages 40 to 90 are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY

	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Statutory loan loss reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
For the year ended 31 December 2012								
At start of year		782,578	2,197,735	364,794	115,291	6,573,480	332,596	10,366,474
Profit for the year		-	-	-	-	3,068,693	-	3,068,693
Other comprehensive income		-	-	18,936	-	-	-	18,936
Transfer of excess depreciation		-	-	(8,070)	-	8,070	-	-
Deferred tax on transfer of excess depreciation		-	-	2,421	-	(2,421)	-	-
Total comprehensive income for the year		-	-	13,287	-	3,074,342	-	3,087,629
Proceeds from shares issued	30	97,822	1,659,163	-	-	-	-	1,756,985
Dividends:								
- Final for 2011 paid	13	-	-	-	-	-	(332,596)	(332,596)
- Proposed for 2012	13	-	-	-	-	(418,190)	418,190	-
Total transactions with owners, recognised directly in equity		97,822	1,659,163	-	-	(418,190)	85,594	1,424,389
At end of year		880,400	3,856,898	378,081	115,291	9,229,632	418,190	14,878,492

For the year ended 31 December 2013

At start of year		880,400	3,856,898	378,081	115,291	9,229,632	418,190	14,878,492
Profit for the year		-	-	-	-	4,057,897	-	4,057,897
Other comprehensive income		-	-	43,988	-	-	-	43,988
Transfer of fair value gain to retained earnings on disposal of equity investments	18	-	-	(44,627)	-	44,627	-	-
Transfer to retained earnings		-	-	-	(115,291)	115,291	-	-
Transfer of excess depreciation		-	-	(6,068)	-	6,068	-	-
Deferred tax on transfer of excess depreciation		-	-	1,820	-	(1,820)	-	-
Total comprehensive income		-	-	(4,887)	(115,291)	4,222,063	-	4,101,885
Write back of unclaimed dividends	(i)	-	-	-	-	6,090	-	6,090
Dividends:								
- Final for 2012 paid	13	-	-	-	-	-	(418,190)	(418,190)
- Proposed for 2013	13	-	-	-	-	(462,210)	462,210	-
Total transactions with owners, recognised directly in equity		-	-	-	-	(456,120)	44,020	(412,100)
At end of year		880,400	3,856,898	373,194	-	12,995,575	462,210	18,568,277

(i) Dividends that have remained unclaimed for over six years as at 31 December 2013 were written back to retained earnings in line with the Bank's Articles of Association.

The notes on pages 40 to 90 are an integral part of these financial statements

STATEMENT OF CASH FLOWS

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FOR THE YEAR ENDED 31 DECEMBER 2013

Notes	Group		Bank	
	2013 Shs'000	2012 Shs'000	2,013 Shs'000	2012 Shs'000
Cash flows from/(used in) operating activities				
Interest receipts	16,397,303	16,190,267	11,373,289	12,246,790
Interest payments	(5,940,516)	(6,901,551)	(4,082,761)	(5,671,929)
Net fee and commission receipts	2,450,384	1,791,959	1,111,386	1,029,184
Other income received	882,906	1,265,926	831,136	852,158
Proceeds from sale of investment securities	1,097	6,518	1,097	6,518
Recoveries from loans previously written off	27,762	61,366	7,918	41,213
Payments to employees and suppliers	(5,477,858)	(4,549,858)	(3,305,201)	(2,754,154)
Income tax paid	(3,063,966)	(1,783,531)	(2,530,635)	(1,358,204)
	5,277,112	6,081,096	3,406,229	4,391,576
Cash flows from operating activities before changes in operating assets and liabilities				
Changes in operating assets and liabilities:				
- cash reserve requirement	1,145,012	(3,975,945)	(545,971)	(1,171,555)
- Government securities	(4,441,772)	(8,710,608)	(1,033,791)	(7,727,392)
- loans and advances to customers	(23,899,067)	(17,333,680)	(15,839,509)	(9,830,063)
- Balances due from subsidiary companies	-	-	47,046	(4,961)
- customer deposits	21,707,801	20,612,118	12,117,757	12,589,227
- other assets	176,977	(548,156)	168,088	(454,327)
- other liabilities	631,107	492,063	370,104	178,750
	597,170	(3,383,112)	(1,310,047)	(2,028,745)
Net cash from/(used in) operating activities				
Cash flows used in investing activities				
Purchase of property and equipment	(2,581,340)	(1,206,339)	(2,157,417)	(912,234)
Purchase of intangible assets - software costs	(469,882)	(52,635)	(311,048)	(34,291)
Purchase of shares in associate/subsidiary	-	(2,238)	(397,682)	(623,777)
Proceeds from sale of equity investment	113,802	-	113,802	-
Proceeds from sale of property and equipment	10,165	9,091	7,023	2,097
Dividend received	3,755	2,805	32,265	18,996
	(2,923,500)	(1,249,316)	(2,713,057)	(1,549,209)
Net cash used in investing activities				
Cash flows from financing activities				
Proceeds from long term loan	2,572,427	-	1,740,000	-
Repayment of long term loan	(627,109)	(130,925)	(627,109)	(130,925)
Finance costs	(145,292)	(122,793)	(141,717)	(120,087)
Net proceeds from rights issues	143,723	1,805,413	-	1,756,985
Dividends paid to equity holders of the bank	(418,190)	(332,596)	(418,190)	(332,596)
Dividends paid to non controlling interests	(18,989)	(15,018)	-	-
	1,506,570	1,204,081	552,984	1,173,377
Net cash from financing activities				
Net decrease in cash and cash equivalents				
	(819,760)	(3,428,347)	(3,470,120)	(2,404,577)
Cash and cash equivalents at start of year				
Translation difference	10,461,439	14,132,900	7,332,824	9,737,401
	(71,716)	(243,114)	-	-
	10,389,723	13,889,786	7,332,824	9,737,401
Cash and cash equivalents at end of year				
	9,569,963	10,461,439	3,862,704	7,332,824

The notes on pages 40 to 90 are an integral part of these financial statements

1 General information

Diamond Trust Bank Kenya Limited (the "Company"/"Bank") and its subsidiaries (together the "Group") provide banking, insurance agency and other related services to the general public. The Company is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 4. The shares of the Company are listed at the Nairobi Securities Exchange. Diamond Trust Bank Kenya Limited and its subsidiaries operate in Kenya, Tanzania, Uganda and Burundi through the subsidiaries Diamond Trust Insurance Agency, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited and Diamond Trust Bank Burundi SA.

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

Basis of measurement

The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible.

If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

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

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

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

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

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

Use of estimates

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

(i) New and amended standards adopted by the Group

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013

Standard/ Interpretation	Key Requirements	Applicable for financial years beginning on/after
Amendment to IAS 1, Presentation of items of other comprehensive income (OCI)	The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially classifiable to profit or loss subsequently (reclassification adjustments). The Group has applied the amendments to IAS 1 for the first time in the current year. Other than the above presentation changes, the application of the amendment does not result in any impact on the profit and loss, other comprehensive income and total comprehensive income.	1-Jul-2012
Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting.	This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP. As the Group does not have any offsetting arrangements in place, the application has had no impact on the disclosures or on the amounts recognised in the consolidated financial statements.	1-Jan-2013
IFRS 10, 'Consolidated financial statements'	IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Additional guidance is given to explain when an investor has control over an investee. The application of this standard has had no impact on the financial statements of the Group as the Bank has met the definition of control over the subsidiaries included in the consolidated financial statements.	1-Jan-2013
IFRS 11, 'Joint arrangements'	IFRS 11 focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted. The application of this standard has no material impact on the financial statements of the Group as the current joint operation with Nation Media Group on the 'Nation Hela prepaid card programme', is not significant and meets the criteria of a joint operation. The financial statements therefore include only the Group's share of assets and liabilities in the Nation Hela card operation.	1-Jan-2013

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

(i) New and amended standards adopted by the Group (Continued)

Standard/ Interpretation	Key Requirements	Applicable for financial years beginning on/after
IFRS 12, 'Disclosure of interests in other entities'	IFRS 12 sets out the required disclosures for entities reporting under IFRS 10 and IFRS 11 and it replaced the disclosure requirements currently found in IAS 28, 'Investments in associates'. IFRS 12 requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities. The impact of adopting IFRS 12 has increased disclosures in the financial statements.	1-Jan-2013
IAS 19, 'Employee benefits'	IAS 19 changes the accounting for defined benefit plans and termination benefits. The standard requires entities to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The application of this standard has had no impact on the group's financial statements as the Group operates only defined contributions plans.	1-Jan-2013
IFRS 13, 'Fair value measurement'	IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The adoption of IFRS 13 has increased the extent of fair value disclosures in the financial statements.	1-Jan-2013

ii) New and revised standards and interpretations which have been issued but are not yet effective

The Group has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2013.

- Amendments to IAS 32 titled Offsetting Financial Assets and Financial Liabilities (issued in December 2011) – The amendments address inconsistencies in current practice when applying the offsetting criteria in IAS 32, mainly by clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. They are effective for annual periods beginning on or after 1 January 2014, with retrospective application.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures (Continued)

ii) *New and revised standards and interpretations which have been issued but are not yet effective (Continued)*

- Amendments to IAS 36 titled Recoverable Amount Disclosures for Non-Financial Assets (issued in May 2013) – The amendments reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed, clarify the disclosures required, and introduce an explicit requirement to disclose the discount rate used in determining impairment (or reversals) where recoverable amount (based on fair value less costs of disposal) is determined using a present value technique. They are effective for annual periods beginning on or after 1 January 2014. Amendments to IAS 39 titled Novation of Derivatives and Continuation of Hedge Accounting (issued in June 2013) – The amendments permit the continuation of hedge accounting in a situation where the counterparty to a derivative designated as a hedging instrument is replaced by a new central counterparty (known as 'novation of derivatives'), as a consequence of laws or regulations, if specific conditions are met. They are effective for annual periods beginning on or after 1 January 2014.

- Amendments to IFRS 10, IFRS 12 and IAS 27 titled Investment Entities (issued in October 2012) – The amendments define "investment entities" and provide them an exemption from the consolidation of subsidiaries; instead, an investment entity is required to measure the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 / IAS 39 (the exception does not apply to subsidiaries that provide services relating to the investment entity's investment activities). An investment entity is required to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements, and additional disclosures are introduced. The amendments are effective for annual periods beginning on or after 1 January 2014, retrospectively with some transitional provisions.

- IFRIC 21 Levies (issued in May 2013) – The interpretation provides guidance on when to recognise a liability for a levy imposed by a government. The obligating event for the recognition of a liability is the activity that triggers the payment of the levy in accordance with the relevant legislation. It also provides guidance on recognition of a liability to pay levies: the liability is recognised either progressively if the obligating event occurs over a period of time, or when the minimum threshold is reached if an obligation is triggered on reaching that minimum threshold. The interpretation is effective for annual periods beginning on or after 1 January 2014.

The above standards are not expected to have a significant impact on the financial statements of the Group for 2014.

(b) Consolidation

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

entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The consolidated financial statements comprise the financial statements of Diamond Trust Bank Kenya Limited and its subsidiaries, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited, Diamond Trust Bank Burundi S.A, Diamond Trust Insurance Agency Limited and Premier Savings and Finance Limited, made up to 31 December 2013.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Changes in ownership interests in subsidiaries without change of control

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

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

2 Summary of significant accounting policies (Continued)

(b) Consolidation (Continued)

Investment in associates

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

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

A listing of the Group's associates is shown in Note 25.

Investment in subsidiaries

Investments in the subsidiaries (details of which are disclosed in Note 25) are stated in the Bank's statement of financial position at cost less provision for impairment loss where applicable. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

(c) Foreign currency translation

(i) *Functional and presentation currency*

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

(ii) *Translation of foreign currencies*

Transactions and balances

Foreign currency transaction are transactions denominated or that require settlement, in a foreign currency. These are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, non-monetary items measured at historical cost denominated in a foreign currency are translated with the exchange rate as at the date of initial recognition; non-monetary items in a foreign currency that are measured at fair value are translated using the exchange rates at the date when the fair value was determined.

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

Group companies

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

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

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

(d) Interest income and expense

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

(e) Fees and commission income

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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(f) Property and equipment

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

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

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

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

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

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

(g) Intangible assets – software costs

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

(h) Intangible assets – goodwill

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2 Summary of significant accounting policies (Continued)

(i) Financial assets

The Group classifies its financial assets into the following categories: financial assets at fair value through profit and loss (FVTPL); equity investments designated as at fair value through other comprehensive income (FVTOCI) and financial assets at amortised cost.

Management determines the appropriate classification of its investment at initial recognition. The classification of financial instruments can be seen in the table below:

	Class as defined by IFRS 9 and as determined by the group	Subclasses
Financial assets	Financial assets at fair value through profit and loss (FVTPL) Equity investments designated as at fair value through other comprehensive income (FVTOCI)	Government securities held for trading
		Equity investments
	Financial assets at amortised cost	Loans and advances to customers
		Deposits and balances due from banking institutions
		Government securities held to maturity
Financial liabilities	Financial liabilities at armortised cost	Customer deposits
		Deposits and balances due to banking institutions
		Other liabilities
		Long term borrowings
Offbalance sheet financial instruments	Offbalance sheet financial instruments	Guarantees, acceptances and other financial facilities

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(iii) *Financial assets at amortised cost*

Financial assets are measured at amortised cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the instrument give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Subsequent to initial recognition, the Group is required to reclassify financial assets from amortised cost to FVTPL if the objective of the business model changes so that the amortised cost criteria are no longer met.

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

(iv) *Derecognition of financial assets*

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

(j) **Impairment and uncollectability of financial assets**

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

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

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

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

(k) **Financial liabilities**

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

(l) **Sale and repurchase agreements**

Securities purchased from Central Bank of Kenya under agreements to resell ('repos') are disclosed as Treasury bills as they are held at amortised cost after they are purchased and are not negotiable/discounted during the tenure. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities sold subject to repurchase agreement (reverse repos) are classified in the financial statements as pledged assets when the transferee has a right by contract to resell the collateral: the counter liability is included in amounts due to other banks, deposits from banks or balances due to Central Bank as appropriate.

(m) **Statutory loan loss reserve**

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

2 Summary of significant accounting policies (Continued)

(n) Leases

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

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

(o) Income tax expense

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act and in accordance with the tax legislation for the respective subsidiaries. The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

(p) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with maturities of three months or less from the date of acquisition, including: cash and balances with the Central Banks and amounts due from other banks. Cash and cash equivalent exclude the cash reserve requirement held with the Central Banks.

(q) Employee benefits

The Group operates a defined contribution retirement scheme, the assets of which are held in a separate trustee-administered fund. The Group's contributions to the defined contribution

scheme are charged to the statement of profit or loss in the year to which they relate. The Group has no further payment obligation once the contributions have been paid.

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

Employee entitlements to gratuity awards are calculated and recognized annually. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the reporting date. The entitlements to gratuity are only applicable for employees recruited prior to 2004 in Diamond Trust Bank Tanzania Limited.

(r) Proposed dividends

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

(s) Forward foreign exchange contracts

Forward foreign exchange contracts are carried at their fair value. Forward foreign exchange contracts are initially recognised at fair value, which is equal to cost on the date the contract is entered into, and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date. Changes in fair value of forward foreign exchange contracts are recognised immediately in the statement of profit or loss.

(t) Acceptances, guarantees and letters of credit

Acceptances, guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged in providing products or services within a particular economic environment which is subject to risks and rewards that are different from those of other segments (Geographic segments). Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

The chief operating decision-maker is the person or Group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Board of Directors as its chief operating decision-maker. All transactions between business segments are conducted on commercial terms basis with intra-segment revenue and costs being eliminated at Group level.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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3 Critical accounting estimates and judgements in applying accounting policies

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

(i) Impairment losses on loans and advances

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

(ii) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(iii) Impairment of goodwill

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

4 Financial risk management**Introduction**

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

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

The Group defines risk as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the Group appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and enhanced. The Group operates in an environment of numerous risks as shown below that may cause financial and non-financial results to differ significantly from anticipated objectives. The Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organisation. These risks are classified as follows:

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

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

a) Active Board and Senior Management Oversight

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

b) Adequate Policies, Procedures and Limits

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

c) Adequate Risk Monitoring and Management Information Systems

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

4 Financial risk management (Continued)

(d) Internal Controls

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

Risk management principles

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

- The Board of directors provides overall risk & capital management supervision of the bank. The Board, through its comprehensive sub-committee structure, oversees risk management, reviews and approves enterprise-wide risk policies and procedures and sets tolerance limits wherever required. The procedures describe the facility types, aggregate facility exposures and conditions under which the Group is prepared to do business.
- The risk management function is independent of the Group's business and operating units. This function which is headed by the Head of Risk Management manages Credit, Market, Reputational, Strategic and Regulatory risks on an integrated basis.
- Various committees at functional level oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units.
- Market and liquidity risks are overseen by the Board Risk Management Committee (BRMC) and managed by a well-represented Asset and Liabilities Committee (ALCO). The members of ALCO are the Chief Executive Officer and the heads of Risk, Treasury, Finance and business units.
- The compliance function is a function independent of the Group's business and operating units, reporting to the Board Audit Committee on a quarterly basis. The function, on a pro-active basis, identifies and assesses the compliance and operational risks associated with the Group's business. It helps management accomplish its objectives by addressing the current and prospective risk to earnings or capital arising from violations or on non-conformance with laws, rules, regulations, prescribed practice or ethical standards issued by the Board and the regulator from time to time.
- The Credit and Operational Risk Management committees are responsible for defining and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee respectively.
- Independent review of the effectiveness of the overall risk framework is undertaken by the internal audit function which reports directly to the Board Audit Committee. The Internal audit department independently monitors the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks.
- External audit has a statutory duty to report its independent opinion on the Group's financial statements to shareholders and acts as a third line of defence.

(a) Credit risk management

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

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

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

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

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

Salient features of the Group's risk approval process include:

- Every extension of credit to any counterparty requires approval by various pre-defined levels of approving authorities as defined in the Credit Policy manual.
- All business units must apply consistent standards in arriving at their credit decisions.
- Every material change to a credit facility requires approval at the appropriate/pre-defined level.

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

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(a) Credit risk management (Continued)

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

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Financial assets that are past due or impaired				
Loans and advances are summarised as follows:				
Neither past due nor impaired	83,432,724	66,746,517	55,255,763	43,947,993
Past due but not impaired	29,442,062	22,417,307	21,573,051	17,225,681
Impaired	1,210,827	957,054	972,023	809,946
Gross	114,085,613	90,120,878	77,800,837	61,983,620
Less: Provision for impairment of loans and advances				
Identified impairment	(1,192,393)	(887,294)	(972,023)	(809,946)
Unidentified impairment	(1,947,781)	(1,526,341)	(1,536,603)	(1,243,215)
	110,945,439	87,707,243	75,292,211	59,930,459

All financial assets other than loans and advances are neither past due or impaired.

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

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Past due up to 30 days	24,117,645	18,616,058	18,275,593	14,408,680
Past due 31 - 60 days	3,176,698	2,434,518	2,044,618	1,823,939
Past due 61 - 90 days	2,147,719	1,366,731	1,252,840	993,062
Total	29,442,062	22,417,307	21,573,051	17,225,681

Collateral, other credit enhancements and interest on impaired loans

Impaired loans and advances are backed by collateral in the form of cash, properties, motor vehicles, corporate and personal guarantees. Interest accruing on the impaired loans is not recognised in the statement of profit or loss but is suspended until such a time when the loans are recovered or the loans starts performing.

4 Financial risk management (Continued)

(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 regulators' prudential guidelines.

Past due but not impaired

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

Impaired loans and advances

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

Allowances for impairment

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

Settlement risk

The Group is exposed to settlement risk in its dealings with market counterparties (predominantly other financial institutions). These risks arise, for example, in foreign exchange transactions when the Group pays away its side of the transaction to another Bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. The risk is mitigated by setting counterparty limits. These limits are set after assessing the financial strength of the concerned counterparties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(b) Concentrations of risk

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The analysis of credit risk concentrations presented below are based on the economic sector in which they are engaged.

Economic sector risk concentrations within the customer loan and deposit portfolios were as follows:

Group

	Gross loans and advances		Credit commitments		Customer deposits	
	Shs'000	%	Shs'000	%	Shs'000	%
At 31 December 2013						
Manufacturing	12,553,230	11%	1,298,154	10%	3,354,374	3%
Wholesale and retail trade	26,148,008	23%	3,232,551	24%	10,183,855	8%
Transport and communications	10,248,825	9%	1,119,575	8%	4,598,376	4%
Business and financial services	19,070,480	17%	117,992	1%	31,812,397	25%
Agriculture	4,956,284	4%	421,997	3%	1,438,601	1%
Building, construction and real estate	23,799,728	21%	4,894,422	37%	5,764,113	4%
Retail housing	978,973	1%	246,701	2%	-	0%
Tourism and hotels	8,179,597	7%	1,159,385	9%	1,625,719	1%
Individuals	6,184,783	5%	660,551	5%	61,880,836	48%
Others	1,965,705	2%	196,702	1%	8,130,127	6%
	114,085,613	100%	13,348,030	100%	128,788,398	100%
At 31 December 2012						
Manufacturing	9,976,687	11%	597,254	6%	2,823,143	3%
Wholesale and retail trade	21,778,109	23%	2,804,518	28%	10,135,180	9%
Transport and communications	8,119,269	9%	1,376,595	14%	2,969,699	3%
Business and financial services	12,781,435	14%	532,187	5%	29,667,254	28%
Agriculture	3,268,550	4%	142,168	1%	630,913	1%
Building, construction and real estate	20,464,882	23%	2,856,261	29%	3,937,780	3%
Retail housing	796,367	1%	123,820	1%	-	0%
Tourism and hotels	7,975,916	9%	1,032,610	10%	1,185,620	1%
Individuals	4,271,134	5%	236,718	3%	49,899,767	47%
Others	688,529	1%	176,669	3%	5,725,898	5%
	90,120,878	100%	9,878,800	100%	106,975,254	100%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Financial risk management (Continued)

(b) Concentration of risk (Continued)

Bank

	Gross loans and advances		Credit commitments		Customer deposits	
	Shs'000	%	Shs'000	%	Shs'000	%
At 31 December 2013						
Manufacturing	6,736,797	9%	708,701	7%	2,353,257	3%
Wholesale and retail trade	14,534,722	19%	2,209,519	22%	4,976,823	6%
Transport and communications	7,423,945	10%	855,128	8%	3,851,366	5%
Business and financial services	18,203,610	23%	58,823	1%	21,209,788	25%
Agriculture	2,897,229	4%	159,363	2%	409,194	0%
Building, construction and real estate	15,728,350	20%	4,468,871	43%	4,759,283	6%
Retail housing	943,885	1%	80,235	1%	-	0%
Tourism and hotels	5,598,822	7%	1,142,276	11%	1,127,162	1%
Individuals	5,031,247	6%	457,896	5%	40,774,526	48%
Others	702,230	1%	-	0%	5,210,418	6%
	77,800,837	100%	10,140,812	100%	84,671,817	100%
At 31 December 2012						
Manufacturing	5,956,166	10%	299,429	4%	1,933,283	3%
Wholesale and retail trade	11,564,312	19%	2,185,793	27%	6,171,627	9%
Transport and communications	5,735,286	9%	1,245,137	15%	3,086,845	4%
Business and financial services	11,536,162	19%	430,000	5%	20,383,032	28%
Agriculture	2,243,678	4%	100,000	1%	592,494	1%
Building, construction and real estate	14,989,083	24%	2,760,183	34%	3,725,304	5%
Retail housing	748,053	1%	123,820	1%	-	0%
Tourism and hotels	5,884,599	9%	967,355	12%	976,100	1%
Individuals	3,293,971	5%	79,410	1%	34,141,546	47%
Other	32,310	0%	-	0%	1,494,887	2%
	61,983,620	100%	8,191,127	100%	72,505,118	100%

(c) Market Risk Management

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

Market risk management is undertaken by the Treasury function under the supervision of ALCO, while Risk department maintains an overall oversight role. 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 not exposed to price risk because none of its current investments is in quoted shares. The quoted shares held by the Bank in 2012 were disposed off in the year.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(c) Market Risk Management (Continued)

(ii) Interest rate risk

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

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

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

Group	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Non-interest sensitive Shs'000	Total Shs'000
At 31 December 2013							
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	12,708,759	12,708,759
Government securities	5,421,127	3,724,232	13,215,375	3,085,090	-	-	25,445,824
Deposits and balances due from banking institutions	4,818,132	1,343,757	721,226	-	-	1,902,917	8,786,032
Loans and advances to customers	19,039,856	91,287,517	617,990	76	-	-	110,945,439
Investment in associate	-	-	-	-	-	9,983	9,983
Other assets	-	-	-	-	-	1,253,880	1,253,880
Total financial assets	29,279,115	96,355,506	14,554,591	3,085,166	-	15,875,539	159,149,917
FINANCIAL LIABILITIES							
Customer deposits	20,628,355	29,846,794	28,744,606	1,169,458	10,335	48,388,850	128,788,398
Deposits and balances due to banking institutions	3,610,475	11,327	907,604	-	-	188,906	4,718,312
Long term borrowings	-	7,134	5,736,167	7,117	-	9,796	5,760,214
Other liabilities	-	-	-	-	-	2,903,092	2,903,092
Total financial liabilities	24,238,830	29,865,255	35,388,377	1,176,575	10,335	51,490,644	142,170,016
Interest sensitivity gap	5,040,285	66,490,251	(20,833,786)	1,908,591	(10,335)	(35,615,105)	16,979,901

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Financial risk management (Continued)

(c) Market risk management (Continued)

(ii) Interest rate risk (Continued)

Group (Continued)

At 31 December 2012

	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Non-interest sensitive Shs'000	Total Shs'000
Total financial assets	34,575,386	71,881,069	6,793,031	3,291,348	-	14,684,094	131,224,928
Total financial liabilities	28,819,555	27,603,944	24,716,418	837,634	10,435	33,701,530	115,689,516
Interest sensitivity gap	5,755,831	44,277,125	(17,923,387)	2,453,714	(10,435)	(19,017,436)	15,535,412

Bank

At 31 December 2013

FINANCIAL ASSETS

Cash and balances with Central Bank of Kenya	-	-	-	-	-	7,672,267	7,672,267
Government securities	3,495,113	2,926,928	9,028,302	2,382,032	-	-	17,832,375
Deposits and balances due from banking institutions	3,253,999	866,114	-	-	-	-	4,120,113
Loans and advances to customers	156,466	74,549,418	586,327	-	-	-	75,292,211
Investments in subsidiaries and associates	-	-	-	-	-	2,295,254	2,295,254
Amounts due from group companies	-	-	384,072	-	-	-	384,072
Other assets	-	-	-	-	-	1,053,097	1,053,097
Total financial assets	6,905,578	78,342,460	9,998,701	2,382,032	-	11,020,618	108,649,389

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(c) Market risk management (Continued)

(ii) Interest rate risk (Continued)

Bank (Continued)

FINANCIAL LIABILITIES

Customer deposits	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Non-interest sensitive Shs'000	Total Shs'000
Deposits and balances due to banking institutions	15,080,423	25,127,636	15,701,173	490,968	10,335	28,261,282	84,671,817
Long term borrowing	3,083,429	-	651,283	-	-	-	3,734,712
Other liabilities	-	-	4,861,910	-	-	-	4,861,910
	-	-	-	-	-	1,924,687	1,924,687
Total financial liabilities	18,163,852	25,127,636	21,214,366	490,968	10,335	30,185,969	95,193,126
Interest sensitivity gap	(11,258,274)	53,214,824	(11,215,665)	1,891,064	(10,335)	(19,165,351)	13,456,263
At 31 December 2012							
Total financial assets	3,973,617	71,116,119	4,872,684	2,418,723	-	9,375,365	91,756,508
Total financial liabilities	18,896,808	23,305,119	14,434,740	186,015	10,435	21,768,205	78,601,322
Interest sensitivity gap	(14,923,191)	47,811,000	(9,562,056)	2,232,708	(10,435)	(12,392,840)	13,155,186

Interest rate risk sensitivity analysis

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

	Group 2013 Shs'million	2012 Shs'million	Bank 2013 Shs'million	2012 Shs'million
+ 5% movement	145	143	259	301
- 5% movement	(145)	(143)	(259)	(301)
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Financial risk management (Continued)

(c) Market risk management (Continued)

(iii) Foreign exchange risk

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

The Group 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 2013. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

Group	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHERS Shs'000	TOTAL Shs'000
At 31 December 2013					
FINANCIAL ASSETS					
Cash and balances with Central banks	1,153,065	167,975	315,888	29,035	1,665,963
Deposits and balances due from banking institutions	5,356,960	521,822	396,605	348,757	6,624,144
Other assets	102,294	6,374	4,050	1,086	113,804
Loans and advances to customers	43,275,843	70,364	1,986,174	10	45,332,391
Total financial assets	49,888,162	766,535	2,702,717	378,888	53,736,302
FINANCIAL LIABILITIES					
Customer deposits	38,587,278	1,123,840	2,321,780	239,084	42,271,982
Deposits and balances due to banking institutions	3,879,378	13,584	2,118	87,475	3,982,555
Other liabilities	196,627	4,217	667	187	201,698
Long term borrowings	5,750,421	-	-	9,793	5,760,214
Total financial liabilities	48,413,704	1,141,641	2,324,565	336,539	52,216,449
Net balance sheet position	1,474,458	(375,106)	378,152	42,349	1,519,853
Net off balance sheet position	(2,060,375)	275,259	(349,546)	(23,467)	(2,158,129)
Overall net position	(585,917)	(99,847)	28,606	18,882	(638,276)
At 31 December 2012					
Total financial assets	42,715,964	538,399	1,892,021	201,493	45,347,877
Total financial liabilities	34,319,879	1,573,256	3,776,913	237,470	39,907,518
Net balance sheet position	8,396,085	(1,034,857)	(1,884,892)	(35,977)	5,440,359
Net off balance sheet position	(7,980,314)	1,034,232	1,784,618	61,696	(5,099,768)
Overall net position	415,771	(625)	(100,274)	25,719	340,591

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(c) Market risk management (Continued)

(iii) Foreign exchange risk (Continued)

Bank	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHERS Shs'000	TOTAL Shs'000
At 31 December 2013					
FINANCIAL ASSETS					
Cash and balances with Central banks	188,575	134,911	234,487	8,652	566,625
Deposits and balances due from banking institutions	1,331,774	314,804	185,969	316,831	2,149,378
Other assets	84,605	6,376	2,864	1,086	94,931
Loans and advances to customers	23,771,658	70,333	1,961,500	4	25,803,495
Amount due from group companies	384,072	-	-	-	384,072
Total financial assets	25,760,684	526,424	2,384,820	326,573	28,998,501
FINANCIAL LIABILITIES					
Customer deposits	15,862,920	852,141	1,938,381	222,251	18,875,693
Deposits and balances due to banking institutions	3,576,006	8,981	1,453	84,590	3,671,030
Other liabilities	101,792	1,123	664	29	103,608
Long term borrowings	4,861,909	-	-	-	4,861,909
Total financial liabilities	24,402,627	862,245	1,940,498	306,870	27,512,240
Net balance sheet position	1,358,057	(335,821)	444,322	19,703	1,486,261
Net off balance sheet position	(1,428,191)	307,509	(435,512)	(4,172)	(1,560,366)
Overall net position	(70,134)	(28,312)	8,810	15,531	(74,105)
At 31 December 2012					
Total financial assets	23,320,458	281,724	1,688,102	137,087	25,427,371
Total financial liabilities	15,310,170	1,010,743	3,474,587	226,177	20,021,677
Net balance sheet position	8,010,288	(729,019)	(1,786,485)	(89,090)	5,405,694
Net off balance sheet position	(7,906,217)	724,950	1,778,142	104,127	(5,298,998)
Overall net position	104,071	(4,069)	(8,343)	15,037	106,696

Currency risk sensitivity analysis

At 31 December 2013, if the local currency in each country the Group operates in, had strengthened or weakened by 5% against the major trading currencies, with all other variables held constant, the impact on the after-tax profit would have been as shown below:

	Group		Bank	
	2013 Shs'million	2012 Shs'million	2013 Shs'million	2012 Shs'million
+ 5% movement	(32)	17	(3.7)	5.3
- 5% movement	32	(17)	3.7	(5.3)
	=====	=====	=====	=====

NOTES TO THE FINANCIAL STATEMENTS (Continued)

4 Financial risk management (Continued)

(d) Liquidity risk management

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

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

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

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

Group	Up to 1	1-3	3-12	1-5	Over 5	
At 31 December 2013	month	months	months	years	years	Total
FINANCIAL ASSETS	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	10,589,341	1,276,569	785,291	55,855	1,703	12,708,759
Government securities	5,414,742	3,819,796	14,450,783	3,738,679	-	27,424,000
Deposits and balances due from banking institutions	8,627,741	1,346,064	979,212	-	-	10,953,017
Loans and advances to customers	9,912,334	14,325,644	36,320,263	49,210,121	23,217,407	132,985,769
Investment in associate	-	-	-	-	9,983	9,983
Other assets	1,177,544	76,118	218	-	-	1,253,880
Total financial assets	35,721,702	20,844,191	52,535,767	53,004,655	23,229,093	185,335,408
FINANCIAL LIABILITIES						
Customer deposits	69,329,043	31,155,995	30,830,361	1,608,538	25,881	132,949,818
Deposits and balances due to banking institutions	4,805,360	-	657,999	7,345	-	5,470,704
Long term borrowings	-	6,739	1,133,035	4,030,432	1,515,218	6,685,424
Other liabilities	2,902,563	71	1,036	119	-	2,903,789
Total financial liabilities	77,036,966	31,162,805	32,622,431	5,646,434	1,541,099	148,009,735
Net liquidity gap	(41,315,264)	(10,318,614)	19,913,336	47,358,221	21,687,994	37,325,673

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk management (Continued)

(d) Liquidity risk management (Continued)

Group (Continued)	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
At 31 December 2012						
Total financial assets	26,865,044	26,236,071	41,405,263	39,494,975	14,865,431	148,866,784
Total financial liabilities	63,921,383	28,771,597	23,529,286	4,600,699	135,183	120,958,148
Net liquidity gap	(37,056,339)	(2,535,526)	17,875,977	34,894,276	14,730,248	27,908,636

Bank

At 31 December 2013

FINANCIAL ASSETS

Cash and balances with Central Bank of Kenya	5,632,088	1,240,376	775,057	24,236	510	7,672,267
Government securities	3,500,000	3,000,000	9,898,284	2,954,180	-	19,352,464
Deposits and balances due from banking institutions	3,255,305	868,877	-	-	-	4,124,182
Loans and advances to customers	8,330,335	8,884,780	23,011,606	31,710,496	18,635,799	90,573,016
Investments in subsidiaries and associates	-	-	-	-	2,295,254	2,295,254
Amounts due from group companies	-	-	107,031	302,547	-	409,578
Other assets	979,022	74,075	-	-	-	1,053,097
Total financial assets	21,696,750	14,068,108	33,791,978	34,991,459	20,931,563	125,479,858

FINANCIAL LIABILITIES

Customer deposits	43,689,811	25,406,414	16,690,279	548,170	19,606	86,354,280
Deposits and balances due to banking institutions	2,791,478	-	655,551	-	-	3,447,029
Long term borrowing	-	-	929,110	3,469,279	1,081,957	5,480,346
Other liabilities	1,924,687	-	-	-	-	1,924,687
Total financial liabilities	48,405,976	25,406,414	18,274,940	4,017,449	1,101,563	97,206,342
Net liquidity gap	(26,709,226)	(11,338,306)	15,517,038	30,974,010	19,830,000	28,273,516

At 31 December 2012

Total financial assets	14,525,838	21,666,922	28,003,241	26,188,552	13,254,053	103,638,606
Total financial liabilities	40,085,627	24,079,987	12,528,883	3,671,492	129,392	80,495,381
Net liquidity gap	(25,559,789)	(2,413,065)	15,474,358	22,517,060	13,124,661	23,143,225

4 Financial risk management (Continued)

(e) Operational risk management

Operational risk is the risk that the Group will face direct or indirect loss resulting from inadequate or failed internal processes, people, technology failures and from external events. The Group has in place Board-approved Operations Risk Management Policy and Procedures.

At management level, the Operational Risk Management Committee (ORCO) has the responsibility for assessing the risk associated with the Group's activities, ensuring they are clearly identified, assessed and controlled in line with the Group's Operational Risk Management Policy.

ORCO is charged with ensuring that the Group has adequate internal policies and procedures, technology, business continuity, and ensuring that the appropriate knowledge, skills, resources and expertise are available within the Group to enable the staff to meet the risk management and control requirements within each of their respective areas of operation.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit and coordinated on an overall basis by the bank's compliance function.

(f) Fair values of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Level 1	-	64,391	-	64,391

The fair values of the Group's 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 in the previous maturity analysis.

(g) Capital management

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

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

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis. The risk weighted assets are measured by means of a hierarchy, classified according to the nature and reflecting an estimate, of the credit risk associated with each assets and counter party. A similar treatment is adopted for off balance sheet exposure, with some adjustment to reflect the more contingent nature of the potential losses.

The Group manages its capital to meet Central Bank of Kenya requirements listed below:

- (a) hold the minimum level or regulatory capital of Shs 1 billion ;
- (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 and statutory loan reserve. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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4 Financial risk Management (Continued)

(g) Capital Management (Continued)

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

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Tier I Capital	21,865,320	17,255,575	15,044,803	12,029,483
Tier I + Tier II Capital	24,951,032	18,778,870	18,020,720	13,510,704
Risk-weighted assets				
On-balance sheet	117,642,343	92,026,804	79,919,651	62,746,389
Off-balance sheet	11,618,712	8,124,620	7,897,314	5,350,054
Total risk-weighted assets	129,261,055	100,151,424	87,816,965	68,096,443
Basel ratio				
Tier I (CBK minimum - 8%)	16.9%	17.2%	17.1%	17.7%
Tier I + Tier II (CBK minimum - 12%)	19.3%	18.8%	20.5%	19.8%

The capital adequacy ratios for the subsidiaries are summarised below;

	2013	2012
Tier I		
DTB Tanzania - Bank of Tanzania (BOT) minimum - 10%;	16.1%	17.2%
DTB Uganda - Bank of Uganda (BOU) minimum - 8%	14.6%	12.1%
Tier I + Tier II		
DTB Tanzania (BOT) minimum - 12%;	17.9%	19.3%
DTB Uganda - (BOU) minimum -12%	16.7%	14.6%
DTB Burundi - Banque de la Republique du Burundi minimum - 8%	46.6%	50.5%

Compliance with prudential guidelines on capital adequacy applicable in 2014

In 2012, the Central Bank of Kenya (CBK) issued revised prudential guidelines introducing some elements of Basel II and Basel III principles in the measurement and assessment of capital adequacy requirements, mainly incorporating operational risk and market risk (applicable with effect from 1 January 2014). The minimum capital adequacy ratios (CARs) were also raised by creating a capital conservation buffer of 250 bps over the previous minimum CAR (applicable with effect from 1 January 2015). As at 31 December 2013, the bank has met all the new requirements as shown below;

Core capital / Total risk weighted assets ratio (CBK revised minimum - 10.5%)	15.4%
Total capital/ Total risk weighted assets ratio (CBK revised minimum - 14.5%)	18.3%
Core capital/ Deposits ratio (CBK revised minimum - 10.5%)	18.3%

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
5 Interest income				
Loans and advances	14,154,675	13,783,269	9,975,556	10,374,522
Government securities	2,374,025	2,319,756	2,053,099	2,062,918
Placements and bank balances	650,361	475,989	95,781	244,575
	17,179,061	16,579,014	12,124,436	12,682,015
6 Interest expense				
Customer deposits	5,771,402	7,166,937	3,966,134	5,727,639
Deposits due to banking institutions	258,368	165,691	165,569	87,906
	6,029,770	7,332,628	4,131,703	5,815,545
7 Net fee and commission income				
Fee and commission income	2,092,832	1,843,217	1,153,676	1,027,394
Inter-bank transaction fees	(59,764)	(51,258)	(42,290)	(41,674)
Net fees and commissions	2,033,068	1,791,959	1,111,386	985,720
8 Other operating income				
Gain on sale of investment securities	1,097	22,068	1,097	22,068
Gain on sale of equity investment	5,421	-	5,421	-
Rental income	23,107	21,905	22,652	21,448
Gain on sale of property and equipment	3,318	2,112	4,142	1,190
Other	60,703	49,700	44,419	23,711
	93,646	95,785	77,731	68,417
9 Operating expenses				
Operating expenses include:				
Staff costs (Note 10)	2,715,817	2,340,660	1,611,733	1,440,827
Depreciation (Note 22)	476,783	420,570	256,183	217,188
Amortisation of software costs (Note 21)	137,888	121,454	111,915	91,258
Operating lease rentals	438,030	378,138	255,361	209,957
Auditors' remuneration	14,829	11,724	6,044	5,185
10 Staff costs				
Salaries and allowances	2,425,323	2,094,567	1,504,039	1,345,550
Contribution to defined contribution retirement scheme	55,255	50,532	54,025	49,366
Accrual for gratuity pay	54	1,083	-	-
National Social Security Fund Contribution	69,450	67,908	2,135	1,994
Others including insurance and training expenses	165,735	126,570	51,534	43,917
	2,715,817	2,340,660	1,611,733	1,440,827

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
11 Income tax expense				
a) Tax charge				
Current income tax	2,457,451	2,175,551	1,949,583	1,743,232
Underprovision of income tax in previous year	4,759	12,300	-	-
Deferred income tax	(220,890)	(176,024)	(204,004)	(142,262)
Underprovision of deferred tax credit in previous year (note 24)	(237,071)	(51,906)	(237,080)	-
	2,004,249	1,959,921	(1,508,499)	1,600,970

- b) The tax on the profit before income tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	7,235,003	6,027,899	5,566,396	4,669,663
Tax calculated at the statutory tax rate of 30% (2012: 30%)	2,170,501	1,808,370	1,669,919	1,400,899
Tax effect of:				
Income not subject to tax	(98,856)	(76,853)	(11,730)	(5,718)
Expenses not deductible for tax purposes	111,870	224,102	87,390	205,789
Underprovision of current income tax in previous year	4,759	12,300	-	-
Underprovision of deferred tax credit in previous year	(237,071)	(51,906)	(237,080)	-
Final tax on investment income	53,046	43,908	-	-
Income Tax expense	2,004,249	1,959,921	1,508,499	1,600,970

12 Earnings per share

Basic earnings per share are calculated by dividing the profit attributable to the owners of the Bank by the weighted average number of ordinary shares outstanding during the year.

	Group		Bank	
	2013	2012	2013	2012
Profit attributable to shareholders (Shs thousands)	4,756,635	3,627,766	4,057,897	3,068,693
Weighted average number of ordinary shares in issue (thousands)	220,100	208,008	220,100	208,008
Earnings per share (Shs per share) - basic and diluted	21.61	17.44	18.44	14.75

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2013. There were no potentially dilutive shares outstanding at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

13 Dividends per share

At the Annual General Meeting to be held on 15 May 2014, a final dividend in respect of the year ended 31 December 2013 of Shs 2.10 per share amounting to a total of Shs 462,210,202 is to be proposed.

The total dividend for the year is Shs 2.10 per share (2012: Shs 1.90), amounting to a total of Shs 462,210,202 (2012: Shs 418,190,182).

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

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
14 Cash and balances with Central Banks				
Cash in hand	3,660,226	2,614,455	2,291,210	1,671,539
Balances with Central Banks	9,048,533	8,894,406	5,381,057	3,676,771
	12,708,759	11,508,861	7,672,267	5,348,310
15 Government securities - at amortised cost				
Treasury bills	18,951,117	11,956,778	13,050,084	8,390,530
Treasury bills under repo purchase agreement	-	749,573	-	749,573
Treasury bonds	6,494,707	10,038,159	4,782,291	9,262,791
Total Government securities	25,445,824	22,744,510	17,832,375	18,402,894

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

The maturity profile of Government securities is as follows:

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Included in cash and cash equivalents	63,537	2,475,019	-	2,231,225
Less than 1 year	22,297,197	16,254,343	15,450,343	13,752,946
1-5 years	3,085,090	4,015,148	2,382,032	2,418,723
Over 5 years	-	-	-	-
	25,445,824	22,744,510	17,832,375	18,402,894
16 Deposits and balances due from banking institutions				
Due from other banks	8,786,032	7,722,752	4,120,113	4,404,676

All deposits due from banking institutions are due within 91 days.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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17 Loans and advances to customers

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Loans and advances	108,954,328	85,115,619	72,669,552	56,978,361
Finance leases	5,131,285	5,005,259	5,131,285	5,005,259
Gross loans and advances	114,085,613	90,120,878	77,800,837	61,983,620
Less: Provision for impairment				
Identified impairment	(1,192,393)	(887,294)	(972,023)	(809,946)
Unidentified impairment	(1,947,781)	(1,526,341)	(1,536,603)	(1,243,215)
Net loans and advances	110,945,439	87,707,243	75,292,211	59,930,459

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

	Group		Bank	
	Identified Impairment Shs'000	Unidentified impairment Shs'000	Identified Impairment Shs'000	Unidentified impairment Shs'000
Year ended 31 December 2012				
At start of year	602,435	1,032,464	549,462	827,831
Provision for loan impairment	756,757	496,436	666,444	415,384
Loans written off during the year as uncollectible	(257,737)	-	(240,938)	-
Release of provision no longer required	(212,800)	-	(165,022)	-
Translation difference	(1,361)	(2,559)	-	-
At end of year	887,294	1,526,341	809,946	1,243,215

Year ended 31 December 2013

At start of year	887,294	1,526,341	809,946	1,243,215
Provision for loan impairment	703,117	412,340	439,366	293,388
Loans written off during the year as uncollectible	(182,422)	-	(119,191)	-
Release of provision no longer required	(218,063)	-	(158,098)	-
Translation difference	2,467	9,100	-	-
At end of year	1,192,393	1,947,781	972,023	1,536,603

	Identified impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
--	-------------------------------------	---------------------------------------	------------------

Charge to statement of profit or loss (Group)**Year ended 31 December 2012**

Provision for loan impairment	756,757	496,436	1,253,193
Release of provision no longer required	(212,800)	-	(212,800)
Net increase in provision	543,957	496,436	1,040,393
Amounts recovered previously written off	(61,366)	-	(61,366)
Loans written off through the statement of profit or loss	5,669	-	5,669
Net charge to the statement of profit or loss	488,260	496,436	984,696

Year ended 31 December 2013

Provision for loan impairment	703,117	412,340	1,115,457
Release of provision no longer required	(218,063)	-	(218,063)
Net increase in provision	485,054	412,340	897,394
Amounts recovered previously written off	(27,762)	-	(27,762)
Loans written off through the statement of profit or loss	29,180	-	29,180
Net charge to the statement of profit or loss	486,472	412,340	898,812

NOTES TO THE FINANCIAL STATEMENTS (Continued)

17 Loans and advances to customers (Continued)

	Identified impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
Charge to statement of profit or loss (Bank)			
Year ended 31 December 2012			
Provision for loan impairment	666,444	415,384	1,081,828
Release of provision no longer required	(165,022)	-	(165,022)
Net increase in provision	501,422	415,384	916,806
Amounts recovered previously written off	(41,213)	-	(41,213)
Loans written off through statement of profit or loss	4,013	-	4,013
Net charge to statement of profit or loss	464,222	415,384	879,606
Year ended 31 December 2013			
Provision for loan impairment	439,366	293,388	732,754
Release of provision no longer required	(158,098)	-	(158,098)
Net increase in provision	281,268	293,388	574,656
Amounts recovered previously written off	(7,918)	-	(7,918)
Loans written off through statement of profit or loss	27,331	-	27,331
Net charge to statement of profit or loss	300,681	293,388	594,069

All non performing loans have been written down to their estimated recoverable amount. The aggregate amount of non- performing loans, net of provision for identified impairment losses, at 31 December 2013, was Group: Shs 29,756,000, Bank: Shs nil (2012 - Group: Shs 67,666,000, Bank: Shs nil).

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

	Group and Bank	
	2013	2012
	Shs'000	Shs'000
Gross investment in finance leases:		
Not later than 1 year	773,784	755,020
Later than 1 year and not later than 5 years	5,129,614	5,179,023
Later than 5 years	-	52,194
	5,903,398	5,986,237
Unearned future finance income on finance leases	(772,113)	(980,978)
Net investment in finance leases	5,131,285	5,005,259
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	730,152	708,540
Later than 1 year and not later than 5 years	4,401,133	4,249,485
Later than 5 years	-	47,234
Net investment in finance leases	5,131,285	5,005,259

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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	Group and Bank	
	2013 Shs'000	2012 Shs'000
18 Equity investments		
At start of year	64,391	37,614
Fair value gain (Note 31)	43,988	26,777
Transfer of fair value gain to retained earnings on disposal	(44,627)	-
Disposal	(63,752)	-
At end of year	-	64,391

The quoted shares were valued at the close of business every month by reference to the prices quoted on the Nairobi Securities Exchange. The shares were disposed off in the year and the fair value gain recognised through other comprehensive income, at the time of sale, transferred to retained earnings.

	Bank	
	2013 Shs'000	2012 Shs'000
19 Amount due from group companies		
Subordinated debts to Diamond Trust Bank Tanzania and Diamond Trust Bank Uganda	384,072	431,118

The balances due from group companies relate to 7.5 year and 6.5 year loans issued in 2010 and 2011 respectively to two of the subsidiaries to enhance their capital base. The debts are redeemable on maturity and bear interest at a rate referenced to the six months Libor.

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
20 Other assets				
Uncleared effects	615,497	941,558	478,528	819,341
Deposits and prepayments	450,027	398,250	304,852	248,949
Others	638,383	529,675	574,569	457,747
	1,703,907	1,869,483	1,357,949	1,526,037
21 Intangible assets-software costs				
At start of year	214,405	281,030	178,389	235,356
Additions	469,882	52,635	311,048	34,291
Transfer from property and equipment (note 22)	13,623	4,468	-	-
Amortisation charge for the year	(137,888)	(121,454)	(111,915)	(91,258)
Translation difference	329	(2,274)	-	-
At the end of year	560,351	214,405	377,522	178,389
Cost	1,210,062	726,228	814,947	503,899
Accumulated amortisation	(649,711)	(511,823)	(437,425)	(325,510)
Net book amount	560,351	214,405	377,522	178,389

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Property and equipment

(a) Group

At 1 January 2012

Cost or valuation
Accumulated depreciation

Net book amount

Year ended 31 December 2012

Opening net book amount
Translation difference
Additions
Transfer from work in progress
Transfer to intangible assets (note 21)
Disposals
Disposals - accumulated depreciation
Depreciation charge

Closing net book amount

At 31 December 2012

Cost or valuation
Accumulated depreciation

Net book amount

At 31 December 2012

Cost
Revaluation surplus
Cost or valuation

Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
321,645 (346)	368,694 (5,752)	846,168 (284,838)	73,123 (37,826)	1,662,064 (961,329)	32,340 -	3,304,034 (1,290,091)
321,299	362,942	561,330	35,297	700,735	32,340	2,013,943
321,299 (368)	362,942 (4,058)	561,330 (9,513)	35,297 58	700,735 (7,896)	32,340 (481)	2,013,943 (22,258)
-	711,395	180,860	16,423	263,907	33,754	1,206,339
-	-	15,837	-	10,988	(26,825)	-
-	-	-	-	-	(4,468)	(4,468)
-	-	(5,511)	(12,704)	-	-	(18,215)
-	-	4,794	10,502	-	-	15,296
(3,569)	(13,982)	(105,266)	(16,511)	(281,242)	-	(420,570)
317,362	1,056,297	642,531	33,065	686,492	34,320	2,770,067
321,277 (3,915)	1,076,031 (19,734)	1,027,841 (385,310)	76,900 (43,835)	1,929,063 (1,242,571)	34,320 -	4,465,432 (1,695,365)
317,362	1,056,297	642,531	33,065	686,492	34,320	2,770,067
67,324 253,953	935,984 140,047	1,027,841 -	76,900 -	1,929,063 -	34,320 -	4,071,432 394,000
321,277	1,076,031	1,027,841	76,900	1,929,063	34,320	4,465,432

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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22 Property and equipment (Continued)

(a) Group (Continued)

Year ended 31 December 2013

Opening net book amount

Translation difference

Additions

Transfer from work in progress

Transfer to intangible assets (note 21)

Disposals

Disposals - accumulated depreciation

Depreciation charge

Closing net book amount

At 31 December 2013

Cost or valuation

Accumulated depreciation

Net book amount

At 31 December 2013

Cost

Revaluation surplus

Cost or valuation

	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor Vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in Progress Shs'000	Total Shs'000
Year ended 31 December 2013							
Opening net book amount	317,362	1,056,297	642,531	33,065	686,492	34,320	2,770,067
Translation difference	1	(1,072)	16,602	(67)	8,447	1,156	25,067
Additions	-	1,151,507	141,428	36,543	999,249	252,613	2,581,340
Transfer from work in progress	-	-	8,872	-	15,343	(24,215)	-
Transfer to intangible assets (note 21)	-	-	-	-	-	(13,623)	(13,623)
Disposals	-	-	(14,677)	(26,966)	-	-	(41,643)
Disposals - accumulated depreciation	-	-	12,291	22,530	-	-	34,821
Depreciation charge	(4,085)	(28,072)	(107,221)	(21,345)	(316,060)	-	(476,783)
Closing net book amount	313,278	2,178,660	699,826	43,760	1,393,471	250,251	4,879,246
At 31 December 2013							
Cost or valuation	321,278	2,226,466	1,180,066	86,410	2,952,102	250,251	7,016,573
Accumulated depreciation	(8,000)	(47,806)	(480,240)	(42,650)	(1,558,631)	-	(2,137,327)
Net book amount	313,278	2,178,660	699,826	43,760	1,393,471	250,251	4,879,246
At 31 December 2013							
Cost	67,325	2,086,419	1,180,066	86,410	2,952,102	250,251	6,622,573
Revaluation surplus	253,953	140,047	-	-	-	-	394,000
Cost or valuation	321,278	2,226,466	1,180,066	86,410	2,952,102	250,251	7,016,573

NOTES TO THE FINANCIAL STATEMENTS (Continued)

22 Property and equipment (Continued)

Bank	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
At 1 January 2012							
Cost or valuation	318,300	211,700	317,532	34,212	942,723	23,754	1,848,221
Accumulated depreciation	-	-	(153,667)	(22,476)	(580,787)	-	(756,930)
Net book amount	318,300	211,700	163,865	11,736	361,936	23,754	1,091,291
Year ended 31 December 2012							
Opening net book amount	318,300	211,700	163,865	11,736	361,936	23,754	1,091,291
Additions	-	711,395	57,581	9,212	116,176	17,870	912,234
Transfers - Cost	-	-	14,774	-	8,696	(23,470)	-
Disposals	-	-	-	(2,850)	(8,460)	-	(11,310)
Disposals - accumulated depreciation	-	-	-	2,316	8,087	-	10,403
Depreciation charge	(3,443)	(7,815)	(48,498)	(8,159)	(149,273)	-	(217,188)
Closing net book amount	314,857	915,280	187,722	12,255	337,162	18,154	1,785,430
At 31 December 2012							
Cost or valuation	318,300	923,095	389,887	40,574	1,059,135	18,154	2,749,145
Accumulated depreciation	(3,443)	(7,815)	(202,165)	(28,319)	(721,973)	-	(963,715)
Net book amount	314,857	915,280	187,722	12,255	337,162	18,154	1,785,430
At 31 December 2012							
Cost	64,331	792,880	389,887	40,574	1,059,135	18,154	2,364,961
Revaluation surplus	253,969	130,215	-	-	-	-	384,184
Cost or valuation	318,300	923,095	389,887	40,574	1,059,135	18,154	2,749,145

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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22 Property and equipment (Continued)
(b) Bank (Continued)

	Leasehold land Shs'000	Buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Work in progress Shs'000	Total Shs'000
Year ended 31 December 2013							
Opening net book amount	314,857	915,280	187,722	12,255	337,162	18,154	1,785,430
Additions	-	1,151,507	72,791	32,949	683,046	217,124	2,157,417
Transfers - Cost	-	-	8,872	-	16,351	(25,223)	-
Disposals	-	-	-	(13,357)	(19,669)	-	(33,026)
Disposals - accumulated depreciation	-	-	-	11,204	18,941	-	30,145
Depreciation charge	(3,969)	(22,076)	(40,244)	(12,643)	(177,251)	-	(256,183)
Closing net book amount	310,888	2,044,711	229,141	30,408	858,580	210,055	3,683,783
At 31 December 2013							
Cost or revaluation	318,300	2,074,602	471,550	60,166	1,738,863	210,055	4,873,536
Accumulated depreciation	(7,412)	(29,891)	(242,409)	(29,758)	(880,283)	-	(1,189,753)
Net book amount	310,888	2,044,711	229,141	30,408	858,580	210,055	3,683,783
At 31 December 2013							
Cost	64,331	1,944,387	471,550	60,166	1,738,863	210,055	4,489,352
Revaluation surplus	253,969	130,215	-	-	-	-	384,184
Cost or valuation	318,300	2,074,602	471,550	60,166	1,738,863	210,055	4,873,536

Land and buildings for Diamond Trust Bank Kenya Limited and Buildings for Diamond Trust Bank Tanzania Limited were revalued as at 31 December 2011 by independent valuers, Mohamed Samji & Co 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, was credited to reserves in shareholders' equity. If leasehold land and buildings were stated at the historical cost basis, the amounts would be as follows:

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Cost	2,101,852	951,354	2,008,718	857,211
Accumulated depreciation	(47,956)	(32,441)	(42,435)	(26,860)
Net book amount	2,053,896	918,913	1,966,283	830,351

NOTES TO THE FINANCIAL STATEMENTS (Continued)

23 Intangible assets - goodwill

	Group	
	2013 Shs'000	2012 Shs'000
Goodwill on acquisition of control in subsidiaries	173,372	173,372

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

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-generating units (CGUs) identified according to subsidiaries. The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the Board of Directors covering a three-year period and discounted at rates comparable to that earned from risk assets.

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

24 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2012: 30%). The movement on the deferred tax account is as follows:

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Deferred tax asset				
At start of year	672,958	459,092	542,542	408,121
Charged through the statement of profit or loss	220,873	176,024	204,004	142,262
Understatement of deferred tax in previous year	237,071	51,906	237,080	-
Charged through other comprehensive income	-	(7,841)	-	(7,841)
Translation difference	17	(6,223)	-	-
At end of the year	1,130,919	672,958	983,626	542,542

Consolidated deferred income tax assets and liabilities, deferred tax charge in the statement of profit or loss and deferred tax charge through other comprehensive income are attributable to the following items:

Group

	1.1.2012 Shs'000	Charged to the statement of profit or loss Shs'000	Charged through other comprehensive income Shs'000	31.12.2012 Shs'000
Deferred income tax liabilities				
Unrealised foreign exchange gain	-	(26,808)	-	(26,808)
Revaluation surplus	(5,761)	1,476	-	(4,285)
	(5,761)	(25,332)	-	(31,093)
Deferred income tax assets				
Property and equipment	(7,868)	45,438	-	37,570
Provisions for loan impairment	332,370	150,598	-	482,968
Provisions for gratuity and staff bonus	123,952	22,924	-	146,876
Investment credit carried forward	8,558	28,079	-	36,637
Fair value changes	7,841	-	(7,841)	-
	464,853	247,039	(7,841)	704,051
Net deferred income tax asset	459,092	221,707	(7,841)	672,958

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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24 Deferred income tax (Continued)

Group (Continued)

Year ended 31 December 2013

Deferred income tax liabilities

Unrealised foreign exchange gain

Revaluation surplus

Deferred income tax assets

Property and equipment

Provisions for loan impairment

Provisions for gratuity and staff bonus

Investment credit carried forward

Net deferred income tax asset

1.1.2013	Charged to the statement of profit or loss	Charged through other comprehensive income	31.12.2013
Shs'000	Shs'000	Shs'000	Shs'000
(26,808)	10,362	-	(16,446)
(4,285)	722	-	(3,563)
(31,093)	11,084	-	(20,009)
37,570	(59,175)	-	(21,605)
482,968	482,280	-	965,248
146,876	31,837	-	178,713
36,637	(8,065)	-	28,572
704,051	446,877	-	1,150,928
672,958	457,961	-	1,130,919

Bank

Year ended 31 December 2012

Deferred income tax assets/(liabilities)

Property and equipment

Provisions for loan impairment

Provisions for gratuity and staff bonus

Unrealised foreign exchange gain

Fair value changes

Net deferred tax asset

1.1.2012	Charged to the statement of profit or loss	Charged through other comprehensive income	31.12.2012
Shs'000	Shs'000	Shs'000	Shs'000
17,114	31,772	-	48,886
259,585	113,379	-	372,964
123,581	23,919	-	147,500
-	(26,808)	-	(26,808)
7,841	-	(7,841)	-
408,121	142,262	(7,841)	542,542

Year ended 31 December 2013

Deferred income tax assets/(liabilities)

Property and equipment

Provisions for loan impairment

Provisions for gratuity and staff bonus

Unrealised foreign exchange gain

Net deferred tax asset

1.1.2013	Charged to the statement of profit or loss	Charged through other comprehensive income	31.12.2013
Shs'000	Shs'000	Shs'000	Shs'000
48,886	(15,084)	-	33,802
372,964	414,806	-	787,770
147,500	31,000	-	178,500
(26,808)	10,362	-	(16,446)
542,542	441,084	-	983,626

NOTES TO THE FINANCIAL STATEMENTS (Continued)

25 Investments in subsidiaries and associates

Associate - Jubilee Insurance Company of Burundi S.A.

At start of year

Additional investment in the year

Share of results after tax

Translation

At end of year

Group	
2013 Shs'000	2012 Shs'000
5,938	1,940
-	2,238
3,964	2,149
81	(389)
9,983	5,938

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

	Beneficial Ownership		Group		Bank	
			2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Subsidiaries	2013	2012				
Diamond Trust Bank Tanzania Limited	62.93%	62.93%	-	-	961,361	961,361
Diamond Trust Bank Uganda Limited	56.97%	54.07%	-	-	818,144	420,462
Diamond Trust Bank Burundi S.A.	67.33%	67.33%	-	-	484,611	484,611
Diamond Trust Insurance Agency Limited	100%	100%	-	-	2,000	2,000
Premier Savings and Finance Limited	100%	100%	-	-	29,137	29,137
			-	-	2,295,253	1,897,571
Associates						
Services and Systems Limited	40%	40%	1	1	1	1
Jubilee Insurance Company of Burundi S.A.	20%	20%	6,079	6,079	-	-
Total investments in subsidiaries and associates			6,080	6,080	2,295,254	1,897,572

Premier Savings and Finance Limited and Services and Systems Limited, which are incorporated in Kenya, are dormant. All subsidiaries undertakings are included in the consolidation.

The total non-controlling interest at 31 December 2013 is Shs 2,791,940,000 (2012: Shs 2,104,759,000), of which Shs 1,284,056,000 is for Diamond Trust Bank Tanzania Limited, Shs 1,290,854,000 for Diamond Trust Bank Uganda Limited and Shs 217,030,000 is attributable to Diamond Trust Bank Burundi SA. Transactions with non-controlling interests during the year are as detailed under note 32.

Significant restrictions

There are no restrictions on the Group's ability to access or use assets and settle liabilities in the countries the Group operates in.

Summarised financial information on subsidiaries with material non-controlling interests

Summarised balance sheet

	Diamond Trust Bank Tanzania Limited Shs'000	Diamond Trust Bank Uganda Limited Shs'000	Diamond Trust Bank Burundi SA Shs'000
Total assets	27,145,094	27,039,171	1,731,777
Liabilities	23,679,653	24,039,302	1,064,394
Shareholders funds	3,465,441	2,999,869	667,383
Total liabilities and equity	27,145,094	27,039,171	1,731,777

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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25 Investments in subsidiaries and associates (Continued)

Summarised financial information on subsidiaries with material non-controlling interests (Continued)

Summarised statement of profit or loss

	Diamond Trust Bank Tanzania Limited Shs'000	Diamond Trust Bank Uganda Limited Shs'000	Diamond Trust Bank Burundi SA Shs'000
Total operating income	2,211,178	2,137,724	168,557
Profit before tax	860,783	785,981	19,017
Income tax expense	(256,943)	(223,979)	(5,394)
Profit for the year	603,840	562,002	13,623
Total comprehensive income allocated to non-controlling interests	213,733	420,353	4,671
Dividends paid to non-controlling interests	18,989	-	-

Summarised Statement of cash flows

Cash generated from operations	124,813	1,722,006	84,443
Net cash used in investing activities	(274,855)	(296,811)	(7,910)
Net cash (used in)/from financing activities	(68,183)	1,325,681	-
Net (decrease)/increase in cash and cash equivalents	(218,225)	2,750,876	76,533
Cash and cash equivalents at start of year	1,053,708	1,720,292	354,855
Exchange differences in cash and cash equivalents	(89,351)	43,745	13,471
Cash and cash equivalents at end of year	746,132	4,514,913	444,859

26 Customer deposits

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Current and demand deposits	36,311,336	31,350,973	22,986,825	20,256,281
Savings accounts	12,076,294	9,808,232	4,990,957	4,159,547
Fixed and call deposit accounts	80,400,768	65,815,841	56,694,035	48,089,082
Unredeemed bearer certificates of deposit	-	208	-	208
	128,788,398	106,975,254	84,671,817	72,505,118

27 Deposits and balances due to banking institutions

Deposits due to banking institutions	4,130,825	2,159,068	3,442,343	591,166
Current account balances due to banking institutions	587,487	568,236	292,369	411,228
	4,718,312	2,727,304	3,734,712	1,002,394

28 Other liabilities

Due to subsidiary company	-	-	79,560	79,560
Gratuity provision	13,004	13,090	-	-
Outstanding bankers' cheques	285,645	232,453	240,145	188,008
Accrued expenses	507,874	737,092	902,224	577,741
Revenue collected on behalf of Revenue Authorities	1,145,364	438,600	-	-
Deferred income	593,888	688,259	375,026	588,209
Other payables	951,205	757,922	702,758	502,181
	3,496,980	2,867,416	2,299,713	1,935,699

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
28 Other liabilities (Continued)				
Movement in gratuity provision is as follows:				
At start of year	13,090	16,939	-	3,850
Increase during the year	54	1,083	-	-
Utilised during the year	-	(5,209)	-	(3,850)
Translation difference	(140)	277	-	-
At end of year	13,004	13,090	-	-
29 Long-term borrowings				
International Finance Corporation				
Subordinated debts				
At start of year	1,293,121	1,278,245	1,293,121	1,278,245
Additions during the year	1,740,000	-	1,740,000	-
Accrued interest	73,651	42,054	73,651	42,054
Paid during the year	(214,461)	(42,641)	(214,461)	(42,641)
Translation difference	(10,754)	15,463	(10,754)	15,463
	2,881,557	1,293,121	2,881,557	1,293,121
Senior loans				
At start of year	2,453,199	2,556,441	2,453,199	2,556,441
Accrued interest	59,887	71,959	59,887	71,959
Paid during the year	(537,054)	(204,442)	(537,054)	(204,442)
Translation difference	4,321	29,241	4,321	29,241
	1,980,353	2,453,199	1,980,353	2,453,199
Total due to International Finance Corporation	4,861,910	3,746,320	4,861,910	3,746,320
Deutsche Investitions- und Entwicklungsgesellschaft (DEG)				
Senior loan				
At start of year	-	-	-	-
Additions during the year	858,638	-	-	-
Accrued interest	795	-	-	-
Translation difference	7,903	-	-	-
Total due to DEG	867,336	-	-	-
Administered funds				
Bank of Uganda	9,793	27,420	-	-
European Investment Bank	21,175	34,061	-	-
	30,968	61,481	-	-
Long-term borrowings	5,760,214	3,807,801	4,861,910	3,746,320

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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29 Long term borrowings (Continued)**a. Subordinated debts**

Diamond Trust Bank Kenya Limited has two sets of long-term subordinated debts facilities amounting to US\$ 33.3 million (2012: US\$ 15 million) raised from the International Finance Corporation (IFC) which is a related party.

The subordinated debts are unsecured 9.5 year and 7 year loan capital facilities issued by the International Finance Corporation in October 2008 and July 2013 respectively 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 six months Libor.

In December 2013, Diamond Trust Bank Tanzania Limited successfully negotiated for a 7 year subordinated debt of US\$ 5 million with IFC. This facility will be drawn down early 2014 and is therefore not part of the outstanding balances.

b. Senior loans

Diamond Trust Bank Kenya Limited has two long-term senior loans (ten years and six and a half years respectively) raised from the International Finance Corporation (IFC), a related party, in 2011 and 2008 totalling US\$ 22.9 million (2012 US\$ 30 million).

In December 2013, Diamond Trust Bank Uganda Limited received an additional 8 year loan of US\$ 10 million from Deutsche Investitions - und Entwicklungsgesellschaft (DEG) for a period of 8 years.

These loans also bear interest at rates referenced to the six months Libor.

c. Administered funds

The administered funds relate to long term loans from Bank of Uganda (BoU) and European Investment Bank (EIB) to Diamond Trust Bank Uganda Limited (DTBU). These funds were advanced to the DTBU to lend to the agriculture and the real estate sectors respectively. The BoU loan is interest free and has a tenor of seven years. The EIB funding was disbursed in 2008 and attracts an interest rate of 5.52%. The funds are repayable over a period of six years.

d. Finance costs

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Subordinated debts	73,650	42,053	73,650	42,053
Senior loans	60,682	71,959	59,887	71,959
Administered funds	1,442	2,112	-	-
Amortised appraisal fees	10,879	5,171	10,879	5,171
	146,653	121,295	144,416	119,183

NOTES TO THE FINANCIAL STATEMENTS (Continued)

30 Share capital and reserves

a) *Share capital and Share premium*

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000
1 January 2012	195,644	782,578	2,197,735
Rights issue (net of expenses)	24,456	97,822	1,659,163
31 December 2012	220,100	880,400	3,856,898
1 January 2013 and 31 December 2013	220,100	880,400	3,856,898

The total authorised number of ordinary shares as at 31 December 2013 was 250,000,000 (2012: 250,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2013 are 220,100,096 (2012 - 220,100,096) and are fully paid.

b) *Revaluation surplus on property*

Revaluation reserve is made up of the periodic adjustments arising from the fair valuation of leasehold land and buildings, net of the related deferred taxation. The reserve is not available for distribution to the shareholders.

c) *Fair value reserves on equity investments*

This represents the unrealized increase or decrease in the fair value of equity investments designated as at fair value through other comprehensive income, excluding impairment losses. The reserve is not available for distribution to the shareholders.

d) *Translation reserve*

The reserves represent exchange differences arising from translation of the net assets of the Group's foreign operation in Tanzania, Uganda and Burundi from their functional currency to the Group's presentation currency (Kenya Shillings). These differences are recognised through other comprehensive income and accumulated in the translation reserve.

e) *Statutory loan loss reserve*

Where impairment losses required by prudential guidelines issued by the banking regulators exceed those computed under the International Financial Reporting Standards (IFRS), the excess is recognised as a statutory reserve and accounted for as an appropriation from revenue reserves. The reserve is not available for distribution to the shareholders.

f) *Retained earnings*

This represents undistributed profits from current and previous years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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31 Other reserves

Consolidated statement of changes in other reserves

	Notes	Revaluation surplus	Fair value reserve on equity investments	Translation reserve	Other reserves	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2012						
At start of year		403,464	(18,297)	(57,959)	41,263	368,471
Fair value changes in equity investments		-	26,777	-	-	26,777
Deferred tax on fair value changes in equity investments		-	(7,841)	-	-	(7,841)
Excess depreciation		(8,836)	-	-	-	(8,836)
Deferred tax on transfer of excess depreciation		2,651	-	-	-	2,651
Translation adjustment		-	-	(60,705)	-	(60,705)
Increase in interest in Diamond Trust Bank Tanzania Limited	(i)	-	-	-	(81,526)	(81,526)
At end of year		397,279	639	(118,664)	(40,263)	238,991
Year ended 31 December 2013						
At start of year		397,279	639	(118,664)	(40,263)	238,991
Fair value changes in equity investments		-	43,988	-	-	43,988
Transfer to retained earnings on disposal of equity investments		-	(44,627)	-	-	(44,627)
Excess depreciation		(6,805)	-	-	-	(6,805)
Deferred tax on transfer of excess depreciation		2,041	-	-	-	2,041
Translation adjustment		-	-	101,384	-	101,384
Increase in interest in Diamond Trust Bank Uganda Limited	(i)	-	-	-	(61,214)	(61,214)
At end of year		392,515	-	(17,280)	(101,477)	273,758

(i) These differences arise on translation of the financial statements of the foreign subsidiaries at the end of exchange rates.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

31 Other reserves (Continued)

Bank statement of changes in reserves

	Revaluation surplus Shs'000	Fair value reserve on equity investments Shs'000	Total Shs'000
Year ended 31 December 2012			
At start of year	383,091	(18,297)	364,794
Fair value changes in equity investments	-	26,777	26,777
Deferred tax on fair value changes in equity investments	-	(7,841)	(7,841)
Transfer of excess depreciation	(8,070)	-	(8,070)
Deferred tax on transfer of excess depreciation	2,421	-	2,421
At end of year	377,442	639	378,081
Year ended 31 December 2013			
At start of year	377,442	639	378,081
Fair value changes in equity investments	-	43,988	43,988
Transfer of fair value gain to retained earnings on disposal	-	(44,627)	(44,627)
Transfer of excess depreciation	(6,068)	-	(6,068)
Deferred tax on transfer of excess depreciation	1,820	-	1,820
At end of year	373,194	-	373,194

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

32 Transactions with non-controlling interests

a) *Diamond Trust Bank Uganda Limited*

On 27 February 2013, Diamond Trust Bank Kenya Limited acquired an additional 2.90% stake in Diamond Trust Bank Uganda Limited (DTBU), at a consideration of Shs 115,651,000, by taking up the rights of one of the shareholders who renounced their rights. The Group now holds 56.97% from 54.07% before the rights issue. The carrying amount of the net assets the Group acquired was Shs 54,437,000.

b) *Diamond Trust Bank Tanzania Limited*

On 31 December 2012, Diamond Trust Bank Kenya Limited acquired an additional 7.53% stake in Diamond Trust Bank Tanzania Limited (DTBT), at a consideration of Shs 252,658,057, by subscribing for the untaken rights of other shareholders. The Group now holds 62.93% from 55.40% before the rights issue. The carrying amount of the net assets the Group acquired was Shs 171,132,156.

The effect of changes in the ownership interest of DTBU and DTBT in equity attributable to owners of the Bank in 2013 and 2012 is summarised as follows:

	Group	
	2013 Shs'000	2012 Shs'000
Carrying amount of non-controlling interests acquired	54,437	171,132
Consideration paid for the interests	(115,651)	(252,658)
Excess of consideration paid recognised in parent's equity	(61,214)	(81,526)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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33 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	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Contingent liabilities				
Acceptances and letters of credit	6,291,196	5,711,189	4,774,340	4,659,222
Guarantee and performance bonds	8,000,859	4,821,361	7,122,099	4,090,359
	14,292,055	10,532,550	11,896,439	8,749,581

Nature of contingent liabilities

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

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

Commitments

	Group		Bank	
	2013	2012	2013	2012
	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn credit lines and other commitments to lend	13,348,030	9,878,800	10,140,812	8,191,127
Foreign exchange forward contracts	11,052,275	16,359,271	9,059,281	14,713,287
Foreign exchange spot transactions	2,073,645	1,703,725	1,616,230	1,586,985
Operating lease rentals (i)	1,355,534	1,307,857	599,747	712,739
Capital commitments	393,684	60,044	368,434	48,155
	28,223,168	29,309,697	21,784,504	25,252,293
(i) Operating lease rentals are analysed as follows:				
Not later than 1 year	302,798	324,369	132,585	174,450
Later than 1 year and not later than 5 years	849,174	792,511	372,808	404,179
Later than 5 years	203,562	190,977	94,354	134,110
	1,355,534	1,307,857	599,747	712,739

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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Business segments information

IFRS 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the Board of Directors in order to allocate resources to the segment and to assess its performance. Information reported to the Group's Board for the purposes of resource allocation and assessment of segment performance is focused on geographical regions. Although the Burundi segment does not meet the quantitative thresholds required by IFRS 8, management has concluded that this segment should be reported, as it is closely monitored by the Board.

The reportable operating segments derive their revenue primarily from banking services including current, savings and deposits accounts, credit cards, asset finance, money transmission, treasury and commercial lending. The parent Bank also operates a fully owned insurance agency in Kenya. The assets and profit of the agency are not material and make up less than 10% of the combined assets and profit of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2.

For management and reporting purposes, Diamond Trust Bank is organised into the following business segments:

- Diamond Trust Bank Tanzania Limited, which became a subsidiary company in June 2007, operates in Tanzania.
- Diamond Trust Bank Uganda Limited, which became a subsidiary company in October 2008, operates in Uganda. Network Insurance Agency Limited, which is a wholly owned subsidiary of Diamond Trust Bank Uganda Limited, operates in Uganda.
- Diamond Trust Bank Burundi S.A., which was set up as a subsidiary company in November 2008, operates in Burundi.
- Kenya is the home country of the parent Bank and its fully owned insurance agency, Diamond Trust Insurance Agency Limited.

The Group did not have any single customer who represented more than 10% of its revenues. The following is the segment information:

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000	Consolidation adjustments Shs'000	Group Shs'000
At 31 December 2013							
Interest income from external customers	12,111,605	2,375,491	2,502,312	189,653	17,179,061		17,179,061
Other income from external customers	1,994,176	635,621	686,071	34,124	3,349,992		3,349,992
Total income from external customers	14,105,781	3,011,112	3,188,383	223,777	20,529,053		20,529,053
Share of results of associate after tax	-	-	-	3,964	3,964		3,964
Inter-segment income	23,609	3,529	2,943	48	30,129	(30,129)	-
Total income	14,129,390	3,014,641	3,191,326	227,789	20,563,146		20,533,017
Interest expense from external customers	(4,117,437)	(803,463)	(1,053,602)	(55,268)	(6,029,770)		(6,029,770)
Other expenses – external	(3,321,446)	(1,078,338)	(1,112,322)	(96,002)	(5,608,108)		(5,608,108)
Inter-segment expenses	(14,266)	(7,582)	(8,281)	-	(30,129)	30,129	-
Finance costs	(144,416)	-	(2,237)	-	(146,653)		(146,653)
Depreciation and amortisation	(368,534)	(99,306)	(122,537)	(24,294)	(614,671)		(614,671)
Provision for bad debts	(594,069)	(165,169)	(106,366)	(33,208)	(898,812)		(898,812)
Total expenses	(8,560,168)	(2,153,858)	(2,405,345)	(208,772)	(13,328,143)		(13,298,014)
Segment profit before tax	5,569,222	860,783	785,981	19,017	7,235,003		7,235,003
Income tax expense	(1,517,933)	(256,943)	(223,979)	(5,394)	(2,004,249)		(2,004,249)
Segment profit after tax	4,051,289	603,840	562,002	13,623	5,230,754		5,230,754
Segment assets	114,320,914	27,145,094	27,039,171	1,731,777	170,236,956	(3,716,605)	166,520,351
Segment liabilities	95,587,419	23,679,653	24,039,302	1,064,394	144,370,768	(1,594,721)	142,776,047

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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34 Business segments information (Continued)

At 31 December 2012	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000	Consolidation adjustments Shs'000	Group Shs'000
Interest income from external customers	12,667,308	1,679,261	2,035,979	196,466	16,579,014		16,579,014
Other income from external customers	1,883,726	518,591	642,342	29,382	3,074,041		3,074,041
Total income from external customers	14,551,034	2,197,852	2,678,321	225,848	19,653,055		19,653,055
Share of results of associate after tax	-	-	-	2,149	2,149		2,149
Inter-segment income	21,437	222	188	67	21,914	(21,914)	-
Total income	14,572,471	2,198,074	2,678,509	228,064	19,677,118		19,655,204
Interest expense from external customers	(5,807,704)	(531,793)	(937,825)	(55,306)	(7,332,628)		(7,332,628)
Other expenses – external	(2,766,570)	(840,116)	(944,116)	(95,860)	(4,646,662)		(4,646,662)
Inter-segment expenses	(7,203)	(7,675)	(7,036)	-	(21,914)	21,914	-
Finance costs	(119,183)	-	(2,112)	-	(121,295)		(121,295)
Depreciation and amortisation	(309,079)	(97,238)	(96,442)	(39,265)	(542,024)		(542,024)
Provision for bad debts	(879,606)	(76,444)	(8,018)	(20,628)	(984,696)		(984,696)
Total expenses	(9,889,345)	(1,553,266)	(1,995,549)	(211,059)	(13,649,219)		(13,627,305)
Segment profit before tax	4,683,126	644,808	682,960	17,005	6,027,899		6,027,899
Income tax expense	(1,610,141)	(203,652)	(179,634)	33,506	(1,959,921)		(1,959,921)
Segment profit after tax	3,072,985	441,156	503,326	50,511	4,067,978		4,067,978
Segment assets	94,669,809	21,716,706	20,103,291	1,650,765	138,140,571	(2,679,159)	135,461,412
Segment liabilities	79,648,029	18,775,436	18,359,041	997,685	117,780,191	(945,700)	116,834,491

NOTES TO THE FINANCIAL STATEMENTS (Continued)

34 Business segments information (Continued)

(b) Additions to non current assets

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2013					
Property and equipment	2,157,490	227,539	188,401	7,910	2,581,340
Intangible assets- software	311,048	50,212	108,622	-	469,882
	2,468,538	277,751	297,023	7,910	3,051,222
At 31 December 2012					
Property and equipment	912,258	106,380	185,722	1,979	1,206,339
Intangible assets- software	34,291	9,772	5,657	2,915	52,635
	946,549	116,152	191,379	4,894	1,258,974

(c) Revenue by products

An analysis of revenue by product from external customers is presented below:

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2013					
Interest income					
Loans and advances	9,962,725	1,835,555	2,182,866	173,529	14,154,675
Government securities	2,053,099	58,498	259,480	2,948	2,374,025
Placement and bank balances	89,261	484,967	62,909	13,224	650,361
	12,105,085	2,379,020	2,505,255	189,701	17,179,061
Interest expense					
Customer deposits	3,958,388	726,127	1,031,743	55,144	5,771,402
Deposits due to banking institutions	159,049	77,336	21,859	124	258,368
	4,117,437	803,463	1,053,602	55,268	6,029,770
Net interest income	7,987,648	1,575,557	1,451,653	134,433	11,149,291
Non interest income					
Fee and commission income	1,111,386	428,962	470,626	22,094	2,033,068
Foreign exchange income	796,330	207,646	209,475	9,827	1,223,278
Other income	86,460	(987)	5,970	2,203	93,646
	1,994,176	635,621	686,071	34,124	3,349,992

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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34 Business segments information (Continued)

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2012					
Interest income					
Loans and advances	10,360,449	1,467,341	1,783,671	171,808	13,783,269
Government securities	2,062,918	20,588	223,651	12,599	2,319,756
Placement and bank balances	244,575	190,756	28,599	12,059	475,989
	12,667,942	1,678,685	2,035,921	196,466	16,579,014
Interest expense					
Customer deposits	5,720,913	490,208	900,885	54,931	7,166,937
Deposits due to banking institutions	87,906	40,787	36,690	308	165,691
	5,808,819	530,995	937,575	55,239	7,332,628
Net interest income	6,859,123	1,147,690	1,098,346	141,227	9,246,386
Non interest income					
Fee and commission income	985,720	368,735	419,298	18,206	1,791,959
Foreign exchange income	810,445	148,762	218,339	8,751	1,186,297
Other income	87,561	1,094	4,705	2,425	95,785
	1,883,726	518,591	642,342	29,382	3,074,041

NOTES TO THE FINANCIAL STATEMENTS (Continued)

35 Fair values and effective interest rates of financial assets and liabilities

In the opinion of the directors, the fair values of the Group's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out in Note 4.

The effective interest rates for the principal financial assets and liabilities at 31 December 2013 and 31 December 2012 were as follows:

Bank

	2013			2012		
	In Shs	In US\$	In GBP	In Shs	In US\$	In GBP
Assets						
Government securities	11.66%	-	-	13.59%	-	-
Deposits with banking institutions	12.19%	2.65%	-	10.00%	2.86%	-
Loans and advances to customers	16.46%	7.54%	6.90%	18.50%	8.25%	6.92%
Amounts due from group companies	-	2.85%	-	-	3.01%	-
Liabilities						
Customer deposits	6.98%	2.12%	1.73%	7.61%	1.92%	1.93%
Deposits due to banking institutions	0.90%	0.23%	-	7.37%	0.54%	-
Subordinated debt 1	-	2.85%	-	-	3.01%	-
Subordinated debt 2	-	4.33%	-	-	-	-
Senior loan 1	-	2.10%	-	-	2.26%	-
Senior loan 2	-	2.60%	-	-	2.76%	-

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

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Cash and balances with the Central Banks (Note 14)	12,708,759	11,508,861	7,672,267	5,348,310
Cash reserve requirement	(7,270,053)	(8,517,889)	(4,194,964)	(3,648,993)
Government securities maturing within 91 days at the point of acquisition	63,537	2,475,019	-	2,231,225
Deposits and balances due from banking institutions (Note 16)	8,786,032	7,722,752	4,120,113	4,404,676
Deposits and balances due to banking institutions (Note 27)	(4,718,312)	(2,727,304)	(3,734,712)	(1,002,394)
	9,569,963	10,461,439	3,862,704	7,332,824

NOTES TO THE FINANCIAL STATEMENTS (Continued)

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36 Analysis of cash and cash equivalents as shown in the statement of cash flows (Continued)

For purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 91 days maturity from the date of acquisition, including: cash and balances with Central Banks, treasury bills and bonds and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Banks.

Banks are required to maintain a prescribed minimum cash balance with the Central Banks that is not available to finance the banks' day-to-day activities. In the case of the Bank, the amount is determined as 5.25 % (2012: 5.25%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

37 Related party transactions

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

The group holds deposits from directors, companies associated with directors and employees. Advances to customers include advances and loans to directors, companies associated with directors and employees. Contingent liabilities include guarantees and letters of credit for companies associated with the directors.

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

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Group companies				
Amounts due to:				
Other group companies	-	-	1,013,546	426,835
Interest expense incurred	-	-	14,266	7,202
Amounts due from:				
Other group companies	-	-	398,088	439,305
Interest income received	-	-	12,831	14,711
Directors				
Loans to directors:				
At start of year	1,314	1,257	1,083	917
Advanced during the year	13,429	1,083	13,086	1,083
Repaid during the year	(1,236)	(1,007)	(1,083)	(917)
Translation adjustment	17	(19)	-	-
At end of year	13,524	1,314	13,086	1,083
Interest income earned from directors loans	198	51	161	-
Deposits by directors:				
At start of year	139,430	104,747	98,498	64,353
Net movement during the year	(56,493)	39,773	(42,504)	34,145
Translation adjustment	331	(5,090)	-	-
At end of year	83,268	139,430	55,994	98,498
Interest paid on directors' deposits	3,920	9,542	2,684	7,249

NOTES TO THE FINANCIAL STATEMENTS (Continued)

37 Related Party Transactions (Continued)	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Other disclosures				
Advances to other related parties				
Advances to companies related through control by a common shareholder, controlled by directors or their families	2,251,313	1,889,731	1,848,786	1,620,892
Advances to employees	474,235	439,477	358,234	341,001
Contingent liabilities including letters of credit and guarantees issued for the account of companies related through shareholding, common directorship and companies controlled by directors or their families	489,853	329,566	460,963	284,893
Interest income earned from related companies and employees	205,418	150,008	153,352	111,988
Deposits with other related parties				
Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families	6,689,177	3,213,507	3,028,244	2,597,907
Deposits by employees	225,741	202,560	191,528	179,431
Interest expense incurred on deposits by related companies and employees	159,615	168,858	153,352	163,153

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 4,861,910,000 (2012: Shs 3,746,320,000). Details of this are shown under Note 29.

At 31 December 2013 placements and/ or deposits with companies related through common directorship amounted to Shs Nil (2012: Shs 5,647,121).

	Group		Bank	
	2013 Shs'000	2012 Shs'000	2013 Shs'000	2012 Shs'000
Key management compensation				
Salaries and other short-term employment benefits	537,008	465,004	314,058	279,599
Termination benefits	23,912	19,242	12,869	10,932
	560,920	484,246	326,927	290,531
Director's remuneration				
-fees for services as a director	8,899	8,640	4,384	4,095
-other emoluments (included in key management compensation above)	74,848	57,284	36,616	28,581
	83,747	65,924	41,000	32,676

PROXY FORM

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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 Convention Centre, Harambee Avenue, Nairobi, on Friday, 15th May 2014 at 11:00 a.m., and at any adjournment thereof.

Dated this day of 2014

Signature:

Important Notes

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.

The person appointed as proxy need not be a shareholder of the Company.

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