2015

ANNUAL REPORT & FINANCIAL STATEMENTS

DTB
DIAMOND TRUST BANK

Achieve More

VISION

Enabling people to advance with confidence and success.

MISSION

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

VALUES

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

Excellence

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

Integrity

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

Customer focus

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

Meritocracy

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

Progressiveness

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

OUR REGIONAL BRANCH NETWORK

NAIROBI

1. Buru Buru Branch, off Mumias Road
2. Capital Centre Branch, Mombasa Road
3. Courtyard Branch, along General Mathenge Drive
4. Cross Road Branch, Cross Road
5. Diamond Plaza Branch, 4th Avenue, Parklands
6. DTB Centre Branch, Mombasa Road
7. Eastleigh Branch, 7th Street
8. Garden City Branch, along Thika Super Highway
9. Industrial Area Branch, Likoni Road
10. JKIA Branch, Airport Trade Centre, Tower Avenue
11. Karen Branch, Ngong Road
12. Kitengela Branch, Kajiado Road
13. Lavington Branch, James Gichuru Road
14. Madina Mall Branch, Starehe/Pumwani
15. Nation Centre Branch, Kimathi Street
16. OTC Branch, Gwasi Lane, off Racecourse Road
17. Parklands Branch, 3rd Avenue Parklands
18. Prestige Plaza Branch, Ngong Road
19. Ronald Ngala Branch, Uyoma Street
20. South C Branch, Popo Road, South C
21. T-Mall Branch, Langata Road
22. Thika Road Mall Branch, Thika Road Super Highway
23. Tom Mboya Street Branch, Mondlane/Tom Mboya Street
24. Upper Hill Branch, Kilimanjaro Road
25. Village Market Branch, Limuru Road
26. Wabera Street Branch, Wabera Street
27. Westgate Branch, Mwanzi Road
28. 9 West Branch, Westlands/Parklands Road

COAST REGION

29. Diani Branch, Diani
30. Jomo Kenyatta Branch, Jomo Kenyatta Avenue, Mombasa
31. Kilifi Branch, off Mombasa – Malindi Highway
32. Lamu Branch, Lamu
33. Malindi Branch, Lamu Road
34. Mariakani Branch, along Mombasa - Nairobi Road
35. Mombasa Branch, Moi Avenue
36. Mtwapa Branch, along Mombasa-Malindi Road
37. Nyali Branch, Links Road, Mombasa
38. Shimanzi Branch, Dar es Salaam Road, Mombasa
39. Voi Branch, Biashara Street

OTHER TOWNS

40. Bungoma Branch, Moi Avenue
41. Busia Branch, along Busia Main Road
42. Eldoret Branch, Uganda Road
43. Embu Branch, Jomo Kenyatta Avenue
44. Kakamega Branch, Canon Awori Road
45. Kericho Branch, Tengecha Road
46. Kisii Branch, Moi Highway
47. Kisumu Branch, Oginga Odinga Road
48. Kitale Branch, Kenyatta Street
49. Machakos Branch, Mbolu Malu Road
50. Meru Branch, Njuri Ncheke Road
51. Migori Branch, Isibania Road
52. Nakuru Branch, Kenyatta Avenue
53. Nakuru Biashara Branch, Biashara Street
54. Thika Branch, Kenyatta Highway
55. West End Mall Branch, Jomo Kenyatta Highway, Kisumu

KAMPALA

1. Bwaise Branch, Bombo Road
2. Freedom City Branch, Entebbe Road
3. George Street Branch, George Street
4. Hotel Equatoria Branch, William Street
5. Industrial Area Branch, Kibiira Road
6. ISBAT Branch, Lugogo Bypass
7. Kabalagala Branch, Ggaba Road
8. Kampala Road Branch, Kampala Road
9. Kamwokya Branch, Kira Road
10. Kikuubo Branch, Ben Kiwanuka Street
11. Kitintale Branch, Port Bell Road
12. Kyengera Branch, Masaka Road
13. Naalya Branch, off Northern Bypass
14. Nakasero Branch, Market Street
15. Nakivubo Branch, Channel Street
16. Nansana Branch, Hoima Road
17. Namanve Branch, Namanve Industrial Park
18. Nateete Branch, Masaka Road
19. Ndeeba Branch, Masaka Road
20. Ntinda Branch, Kiira Road
21. Oasis Mall Branch, Yusuf Lule Road
22. Old Kampala Branch, Old Kampala Road
23. Owino Branch, Ham Shopping Mall
24. Parliament Branch, Parliament Avenue
25. Seeta Branch, Block 110 Seeta
26. Usafi Market Branch, Kalitunsi Roundabout
27. Wandegeya Branch, Bombo Road

OTHER TOWNS

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

DAR ES SALAM

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

ARUSHA

12. Arusha City Branch, Sokoine Road
13. Arusha Main Branch, Moshi Road

OTHER TOWNS

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

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 Ntahangua

Table of Contents

2 COMPANY INFORMATION

BOARD OF DIRECTORS	Abdul Samji	Chairman
	Nasim Devji *	Managing Director
	Pamella Ager	
	Shaffiq Dharamshi	
	Rizwan Hyder***	Appointed on 29 March 2016
	Moez Jamal**	
	Irfan Keshavjee	
	Ismail Mawji	
	Amin Merali	
	Mwaghazi Mwachofi	
	Jamaludin Shamji	

*British
**Swiss
***Pakistani

COMPANY SECRETARY

Stephen Kodumbe

REGISTERED OFFICE

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

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
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

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 Kenya Region
Shibu Jacob	Head of Coast Region
Venkatramani Iyer	Head of Treasury
George Otiende	Head of Branches and Alternate Channels
Alkarim Jiwa	Head of Finance and Planning
Lillian Ngala	Head of Human Resources
Nizar Tundai	Head of Technology
Suraj Shah	Head of Operations
Milerangam Jayaraman	Head of Credit
Nita Shah	Head of Credit Support
Farouk Khimji	Head of Products and Marketing
Kennedy Nyangweso	Head of Money Transfer Services
Hilda Gituro	Head of Risk and Compliance
Peter Kimani	Head of Internal Audit
Naftali Mwangi	Head of Security, Fraud and Forensic Investigations

PRINCIPAL CORRESPONDENTS

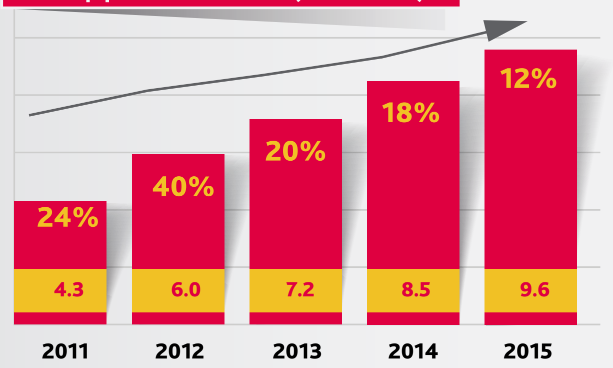
New York	Habib Bank Limited
	Standard Chartered Bank Plc
	Citibank N.A.
Frankfurt	Standard Chartered Bank Plc
	Commerzbank
	BHF Bank
London	Habibsons Bank Limited
	Standard Chartered Bank Plc
	Citibank N.A.
Mumbai	ICICI Bank
	DCB Bank Limited
Tokyo	Standard Chartered Bank Plc
Toronto	Citibank, Canada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

FIVE-YEAR FINANCIAL REVIEW

	2015 Shs '000	2014 Shs '000	2013 Shs '000	2012 Shs '000	2011 Shs '000
Net interest income	15,927,331	13,038,918	11,149,291	9,246,386	6,826,952
Non-fund based income	4,697,929	3,776,851	3,349,992	3,074,041	2,744,867
Gross operating income	20,625,260	16,815,769	14,499,283	12,320,427	9,571,819
Net operating profit before provisions	11,715,470	9,372,496	8,133,815	7,012,595	4,896,202
Charge for impairment of loans	(2,150,278)	(851,210)	(898,812)	(984,696)	(588,789)
Profit before income tax	9,565,192	8,521,286	7,235,003	6,027,899	4,307,413
Profit after tax and non-controlling interest	5,912,082	5,083,519	4,756,635	3,627,766	2,656,797
Total assets	271,608,597	211,539,412	166,520,351	135,461,412	107,765,064
Advances to customers (net)	177,544,871	137,654,551	110,945,439	87,707,243	71,297,721
Total deposits (customers and banks)	202,458,255	163,348,180	133,506,710	109,702,558	88,131,356
Shareholders' funds	34,134,437	28,963,235	20,950,855	16,522,162	11,593,302
Dividends for the year	605,275	581,064	462,210	418,190	332,596
Performance ratios					
Earnings per share - basic	Shs 24.42	Shs 21.92	Shs 20.97	Shs. 15.99	Shs. 11.71
-diluted	Shs 24.42	Shs 21.92	Shs 20.51	Shs. 15.64	Shs. 11.46
Dividend per share - basic	Shs. 2.50	Shs. 2.40	Shs. 2.10	Shs. 1.90	Shs. 1.70
- diluted	Shs. 2.50	Shs. 2.40	Shs. 1.90	Shs. 1.70	Shs. 1.40
Net loans to deposits	87.7%	84.3%	83.1%	80.0%	80.9%
Non performing loans to total loans (before provisions)	2.3%	1.1%	1.1%	1.1%	0.9%
Return on average assets	2.7%	3.0%	3.5%	3.3%	3.1%
Return on average shareholders funds	18.7%	20.4%	24.4%	25.8%	25.9%
Non-fund based income to total income	22.8%	22.5%	23.1%	25.0%	28.7%
Number of branches	117	110	98	90	76
Number of employees	2,075	1,885	1,745	1,514	1,264
Expenditure on property and equipment	1,467,494	1,388,890	3,051,222	1,258,974	666,208
Other indicators (Bank only)					
Core capital to customer deposits	20.1%	21.8%	18.3%	16.4%	13.7%
Core capital to total risk weighted assets	14.8%	16.8%	17.1%	17.7%	14.2%
Total capital to total risk weighted assets	17.7%	18.9%	20.5%	19.8%	16.8%

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

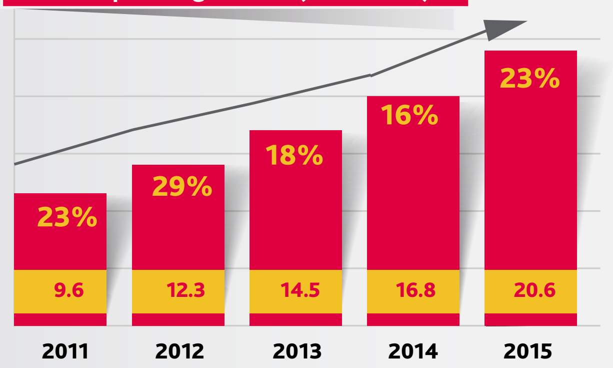
Group profit before tax (Shs Billion)



Group's pre-tax profit grew by 12% from Shs 8.5 billion in 2014 to Shs 9.6 billion in 2015, with the group's subsidiaries operations contributing 26% to the overall PBT.

Annual growth rate

Gross operating income (Shs Billion)

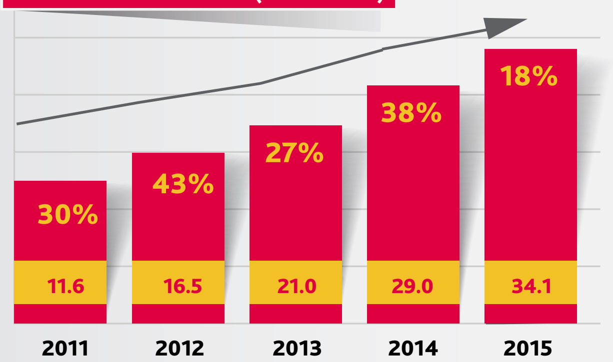


Gross operating Income grew by 23% to Shs 20.6 billion in 2015

This is on account of consistent growth of funded business, coupled with diversification of non-fund business streams.

Annual growth rate

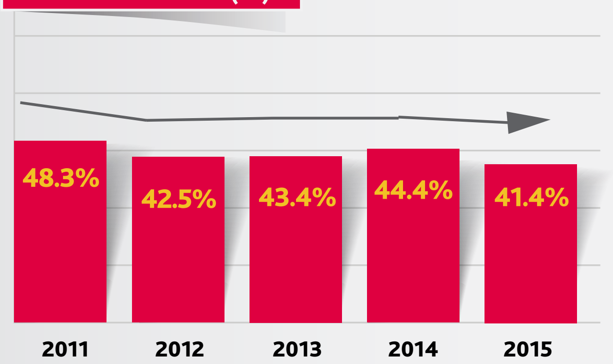
Shareholders' funds (Shs Billion)



The growth in Shareholders' fund by 18% is mainly attributed to KShs 5.9 billion profit after tax in 2015.

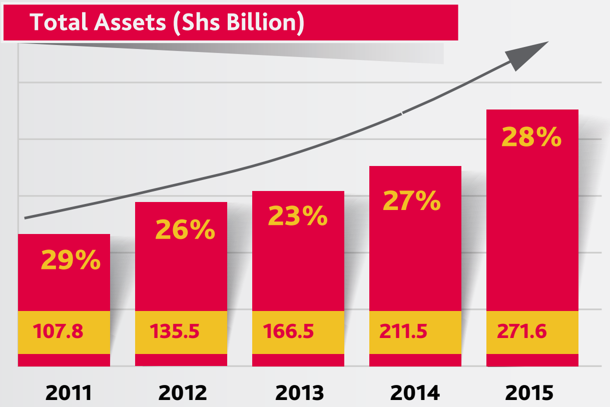
Annual growth rate

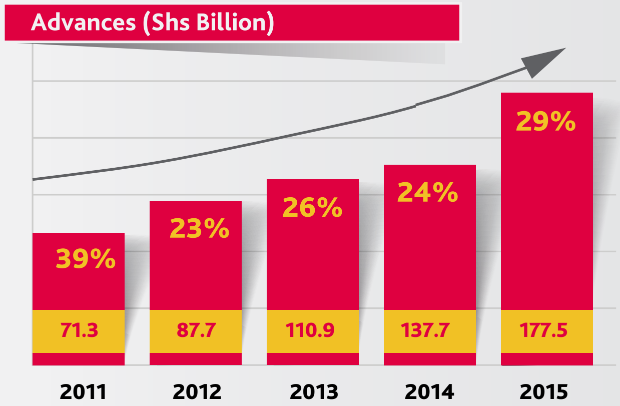
Cost income ratio (%)



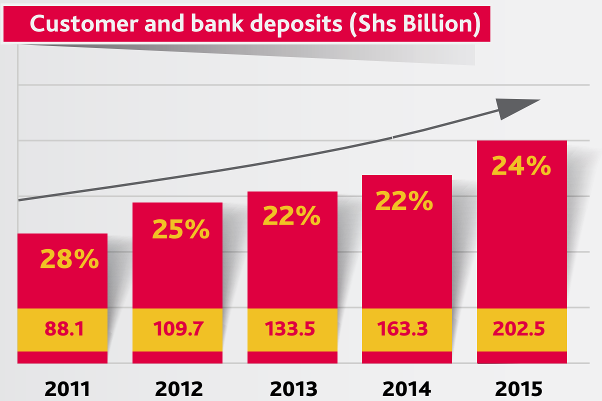
Cost to income ratio has benefited from continued cost management strategies implemented by the Group

Trend





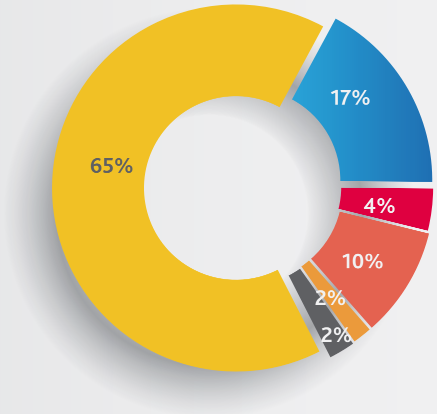
Total assets and net advances grew by 28% and 29% respectively, mainly supported by a 24% growth in deposits.



Customer and bank deposits grew by 24% supported by the Group's continuing expansion of its branch network and alternate delivery channels.

Annual growth rate

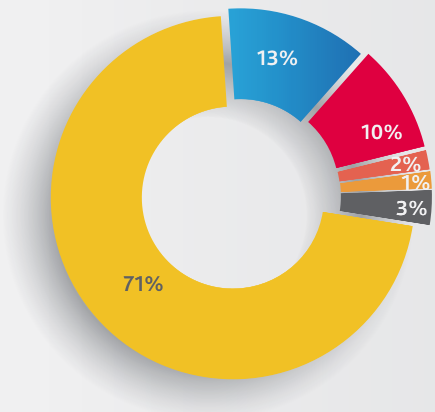
Composition of Assets - 2015



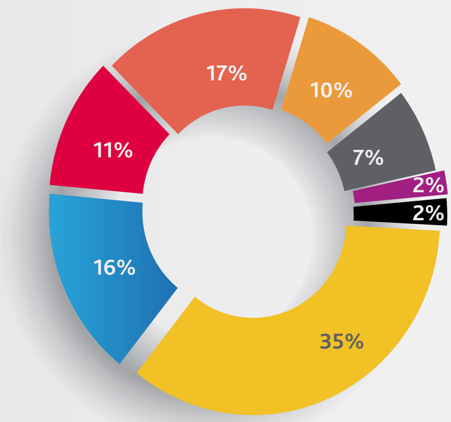
65%	Loans and advances to customers
17%	Government securities
4%	Deposits with banking institutions
10%	Cash and balances with Central Banks
2%	Other assets
2%	Property and equipment

Composition of Liabilities and Shareholders’ Equity - 2015

71%	Customer deposits
13%	Shareholders' equity
10%	Borrowed funds
2%	Other liabilities
1%	Non controlling interests
3%	Deposits to banking institutions



Utilisation of income - 2015



35%	Interest expense
16%	Other operating expenses
11%	Staff expenses
17%	Retention
10%	Income tax
7%	Impairment losses
2%	Shareholders’ dividends
2%	Non controlling interests

LEFT TO RIGHT

Shaffiq Dharamshi, **Director**

Mwaghazi Mwachofi, **Director**

Pamella Ager, **Director**

Amin Merali, **Director**

Moez Jamal, **Director**

Abdul Samji, **Chairman**

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

Irfan Keshavjee, **Director**

Ismail Mawji, **Director**

Jamaludin Shamji, **Director**

Rizwan Hyder, **Director**

Stephen Kodumbe, **Company Secretary**

Mr. Abdul Samji, *Chairman*

Mr. Samji became the Chairman of the DTB Group in May 2010 after having been appointed to the Board in 1997. He is a Certified Public Accountant and Management Consultant by profession, and a former Managing Partner of PKF Kenya, a firm of Certified Public Accountants. He is a B.Com (Hons) graduate, Fellow of the Association of Chartered Certified Accountants and a Fellow of the Institute of Certified Public Accountants of Kenya. 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 69 years.

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

Mrs. Devji joined the DTB Group in 1996 following which she was appointed Group Chief Executive Officer of Diamond Trust 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, Diamond Trust Insurance Agency Limited and Nairobi Securities Exchange Limited. She is also a member of the Kenya Deposit Insurance Corporation. Mrs. Devji is aged 62 years.

Mr. Moez Jamal, *Director*

Mr. Jamal was appointed to the Board in December 2009. He has vast experience in banking and is currently a Director of Habib Bank Limited, Pakistan, Marcuard Family Office, Switzerland and Jubilee Holdings Limited, Kenya. He is also a Partner in JAAM AG 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 60 years.

Mr. Jamaludin Shamji, *Director*

Mr. Shamji was appointed to the Board in March 2010. He holds a B.A. (Honors) in Business Administration from Washington State University, U.S.A. and has undertaken courses towards an M.B.A. (Strategic Management) from Drexel University, U.S.A. He is a Fellow of the Kenya Institute of Bankers and a prominent businessman based in Kisii. Mr. Shamji is a director of various companies including Diamond Trust Bank Burundi S.A., A. Jiwa Shamji Limited and Sansora Bakers & Confectioners Limited. He has previously served on the Boards of the Aga Khan Health Services - Kenya, the Aga Khan Education Services - Kenya, and as the Chairman of the Board of Governors of Kisii Special School for the Mentally Handicapped. He is a member of the Kisii County Public Private Partnership Committee, Kisii County Budget & Economic Forum Committee, Board of Directors - Kisii Teaching & Referral Hospital and the Institute of Directors, Kenya. Mr. Shamji is aged 53 years.

Mr. Amin Merali, *Director*

Mr. Merali was appointed to the Board in 1998. Mr. Merali is a prominent businessman and is the 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 71 years.

Mr. Shaffiq Dharamshi, *Director*

Mr. Dharamshi was appointed to the Board in April 2015. He is a professional banker with over twenty years of senior management experience in the Middle East and Africa. Mr. Dharamshi is the Head of Banking for the Aga Khan Fund for Economic Development (AKFED), and responsible for providing oversight on operations of financial institutions in the AKFED portfolio across Asia and Africa. He also serves as a Director on the Boards of DTB Uganda and DTB Tanzania, Habib Bank Limited, Pakistan, Kyrgyz Investment and Credit Bank, Kyrgyzstan and DCB Bank, India. Prior to taking this position with AKFED, he was Senior Vice President, Wholesale Credit Risk Management at Mashreq Bank in Dubai. Before joining Mashreq Bank, Mr. Dharamshi spent 17 years with Citibank in a wide range of positions across different areas of the bank in Africa and the Middle East. Mr. Dharamshi holds a MSc. in Economics/Information Systems from the London School of Economics. Mr. Dharamshi is aged 56 years.

Mrs. Pamella Ager, *Director*

Mrs. Ager was appointed to the Board in May 2013. She is a partner in Oraro & Company Advocates and holds a First Class Honours LLM Degree from Auckland University and a Bachelor of Laws Degree from the University of Waikato - Hamilton, New Zealand. She also holds a diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya, Mrs. Ager is a member of the Law Society of Kenya, Federation of Women Lawyers, East African Law Society and Commonwealth Lawyers Association. Mrs. Ager also sits on various boards for education and non-profit organisations. Mrs. Ager is aged 45 years.

Mr. Irfan Keshavjee, *Director*

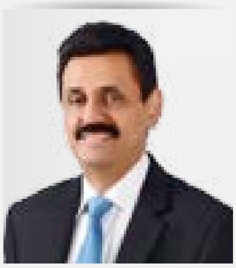
Mr. Keshavjee was appointed to the Board in May 2013. He has an MBA from the University of Oxford, UK and a Bachelors Degree in Civil-Environmental Engineering from Queen's University in Canada. He also holds a certificate in Housing Finance from the Wharton Real Estate Centre, University of Pennsylvania. Mr. Keshavjee has had over 20 years of commercial experience in East Africa as a Director of the White Rose Group of Companies. He is also the Founder of Karibu Homes, an organization dedicated to providing affordable housing to hardworking Kenyans, with over 1,000 homes currently under development in peri-urban Kenya. He was awarded the prestigious Ashoka Fellowship and the Acumen Fund East Africa Fellowship for having co-founded award-winning enterprises that impact on the livelihoods of low-income Kenyans. Mr. Keshavjee is aged 45 years.

Mr. Ismail Mawji, *Director*

Mr. Mawji was appointed a Director in September 2014. He is the founder and Senior Partner in Mawji Sennik and Company, Certified Public Accountants. Mr. Mawji is also a member of the Institute of Certified Public Secretaries of Kenya and a Chartered Accountant from the United Kingdom. For many years Mr. Mawji has served on the Insurance Committee of the Institute of Certified Public Accountants of Kenya and on the Corporate Governance Committee of The Institute of Certified Public Secretaries of Kenya. Mr. Mawji is aged 65 years.

Mr. Mwaghazi Mwachofi, *Director*

Mr. Mwachofi was appointed to the Board in May 2009. He formally served as a Permanent Secretary in the Ministry of Finance, Kenya and General Manager of the Aga Khan Agency for Microfinance in Geneva. Prior to his appointment to the Board, 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 also previously worked with Celtel International BV. 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 67 years.



Mr. Rizwan Hyder, *Director*

Mr. Hyder was appointed to the Board in March 2016. He is a seasoned banker with over thirty years of diverse banking experience, in senior management positions, with local and international banks. He is currently the Chief Risk Officer for Habib Bank Limited (HBL), Pakistan's largest bank. Mr. Hyder also serves on the Boards of HBL Asset Management Limited - Pakistan, Habib Finance International Limited - Hong Kong and Habib Financial Services Limited - Pakistan. He has previously served as the Regional General Manager - Far East and Africa regions and Head of International and Market Risks at HBL. Prior to joining HBL, Mr. Hyder was with Credit Agricole, where he held senior management positions in Corporate and Investment Banking and Risk Management. He holds a degree in Commerce from University of Karachi, Pakistan. Mr. Hyder is aged 59 years.

Mr. Stephen Kodumbe, *Company Secretary*

Mr. Kodumbe joined DTB in 2008 as the Manager, Legal Services and was appointed Company Secretary in August 2009. Mr. Kodumbe holds a Bachelor of Laws (LL.B) Degree and a Masters in Business Administration Degree from the University of Nairobi together with a Diploma from the Kenya School of Law. Besides being an Advocate of the High Court of Kenya and a registered Certified Public Secretary, Mr. Kodumbe is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya. Mr. Kodumbe is aged 39 years.

KEY

- 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

24/7 Digital lobby

NOTICE IS HEREBY GIVEN THAT THE FIFTIETH ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF DIAMOND TRUST BANK KENYA LIMITED WILL BE HELD AT THE LAICO REGENCY HOTEL, CRYSTAL BALLROOM, NAIROBI, ON THURSDAY, 26 MAY 2016 AT 11.00AM TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the minutes of the Forty Ninth Annual General Meeting held on 14 May 2015.

2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2015.

3. To approve payment of a final dividend of 62.5% on the Issued and Paid-up Share Capital of Shs 968 million to the shareholders registered in the Company's books as at 25 May 2016, to be made on or about 12 June 2016, as recommended by the Board.

4. To elect Directors:

   (a) Mr. Irfan Keshavjee retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers himself for re-election.

   (b) Mr. Abdul Samji retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers himself for re-election.

   (c) Mrs. Pamella Ager retires by rotation in accordance with Article 101 of the Company's Articles of Association and, being eligible, offers herself for re-election.

   (d) Mr. Amin Merali retires, having been appointed for a further term of one year at the preceding Annual General Meeting of the Company, and being eligible, offers himself for re-election.

   (e) Mr. Rizwan Hyder retires in accordance with Article 102 of the Company's Articles of Association and, being eligible, offers himself for re-election.

5. To approve Directors' fees.

6. To re-appoint PricewaterhouseCoopers, as the Company's Auditor.

7. To note the Auditor's remuneration for the year 2015, and to authorise the Directors to fix the Auditor's remuneration for the year 2016.

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

SPECIAL BUSINESS

9. To consider and, if deemed appropriate, adopt the following which will be proposed as an ordinary resolution:

   (a) That it is desirable to capitalise a sum of Shs 96.8 million being part of the amount standing to the credit of revenue reserve and accordingly that such sum be set free for distribution amongst the shareholders of existing ordinary shares in the capital of the Company in the share register as at the date of the closure of the register, on the condition that the same not be paid in cash but be applied in paying up in full at par 24.2 million of the unissued ordinary shares of Shs 4 each in the authorised share capital of the Company, and that such 24.2 million shares, credited as fully paid up, be accordingly allotted to such shareholders in the proportion of one new share for every ten of the existing 242 million shares then held by such shareholders respectively (fraction of a share to be disregarded) and that the shares so distributed shall be treated for all purposes as an increase of the nominal amount of the capital of the Company held by each such shareholder and not as income and further that such shares shall rank pari passu for all purposes with the existing shares in the capital of the Company and the directors be and are hereby authorised and directed to give effect to this resolution.

(b) That should any of the said 24.2 million bonus shares not be issued by reason of fractions of shares being disregarded, the directors be and are hereby authorised to allot and issue the same to such person and upon such terms and conditions as they may think fit.

By Order of the Board

Stephen Kodumbe

Company Secretary

15 April 2016

Nairobi

Note:

1. Every member of the Company is entitled to attend and vote at the above meeting and any adjournment thereof or in the alternative to appoint a proxy to attend and vote on his/her/its behalf. A proxy need not be a member of the Company. To be valid, a Proxy Form must be duly completed by a member and returned to the Company Secretary, Diamond Trust Bank Kenya Limited, DTB Centre, Mombasa Road, P.O Box 61711, City Square 00200, Nairobi, Kenya so as to reach him not later than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

2. In the case of a member being a corporation, the Proxy Form must be under the Common Seal or under the hand of an officer or Attorney duly authorised in writing.

It gives me great pleasure to present your Bank's Annual Report and Financial Statements for the year ended 31 December 2015.

In 2015, Kenya's gross domestic product (GDP) expanded by an estimated 5.6% p.a., on the back of broad- based growth across key sectors including agriculture, construction, financial services, trade and transport. The relatively robust growth registered in 2015, despite a turbulent year punctuated by significant currency instability and an aggressive bout of monetary tightening, points to the resilience of the Kenyan economy and the unwavering spirit of its people. Economic conditions in Kenya are set to improve in 2016 with GDP growth expected to quicken slightly, at a projected rate of 6.1%. While a number of sub- Saharan Africa's key economies are grappling with domestic and external challenges, Kenya continues to be one of the region's best performing economies. Kenya is not immune to global headwinds, but its diversified economy and the continuing significant investment in key infrastructure projects means that it is less exposed than many emerging markets to the downturn in commodity prices and the slowdown in China.

Despite the challenges experienced in the economic environment and some turbulence in the banking sector in the last quarter of 2015, your Bank was able to post impressive growth - a testament to the quality and efficacy of the Bank's leadership and supportive teams who continue to work collaboratively to deliver value to all of our stakeholders. DTB's Group profit before tax for 2015 was Kshs 9.6 billion, representing an increase of 12%, compared to Kshs 8.5 billion registered in the previous year. The Group's asset base went up by 28% to stand at Kshs 272 billion up from Kshs 212 billion in 2014. DTB Group's customer deposit base rose by 21%, from Kshs 161 billion in 2014 to Kshs 194 billion over the corresponding period ending December 2015. The loan book for the Group grew by a significant 29%, to stand at Kshs 178 billion, up from Kshs 138 billion, a year earlier; the total Group operating income rose by 20% to Kshs 19.9 billion up from Kshs 16.6 billion realised over the same period in the previous year.

Against the background of an expanding loan asset base, the Group was able to confine its non-performing loan portfolio at Kshs 4.3 billion in December 2015, which is 2.3% of the loan book, arguably one of the lowest in East Africa. Notwithstanding the relatively high quality of DTB's loan book, bad debt provisions were enhanced during the year, a reflection of the prudent provisioning practices adopted by the Group.

In light of the exemplary financial performance last year, your Directors have recommended a bonus share issue at the rate of one bonus share for every ten held, coupled with a dividend at the rate of 62.5%, equating to Kshs 2.50 per share, compared to a dividend rate of 60% or Kshs 2.40 per share in the previous year.

The sustained growth DTB has been able to achieve in recent years speaks of the robustness of the Group's growing presence and widening market share in Kenya, as well as – through its subsidiaries - the wider East African region: DTB's commercial banking operations in Tanzania, Uganda and Burundi continue to deliver sound and sustainable growth contributing, in aggregate, to 30% of the group's total assets and 26% of its profitability in 2015. DTB's widening footprint in the region, characterized, most notably, by the growing number of branches, which, at this writing, stood at 55 in Kenya, 37 in Uganda, 25 in Tanzania and 4 in Burundi. The expansion of such traditional channels, coupled with the growing alternate delivery channels, present DTB with new, evolving and multiple opportunities to entrench itself as a leading financial services provider in the region.

Recognising the growing potential of East Africa and, as a reflection of DTB's long- term commitment to and confidence in the region, your Bank invested an equivalent of Kshs 1.1 billion in DTB Tanzania last year when the latter undertook a rights issue to augment its capital base. Consequently, DTB Kenya increased its shareholding in DTB Tanzania from 62.93% to 65.68%. In 2016, DTB Uganda also plans to increase its capital base and, as the parent bank, DTB Kenya intends to subscribe fully to its share of the capital call, further re-inforcing DTB's commitment to and confidence in its home markets in East Africa.

To sustain and build on the growth momentum achieved in recent years, DTB continues to be guided by its long- term strategic blue print: dubbed as 'DTB Vision 2020'. As DTB continues to focus on implementing the various strategies and initiatives underpinning DTB Vision 2020, it is well poised to position itself as a Tier 1 bank in all the markets DTB operates in.

This transformational journey is anchored on DTB evolving as a regional, omnichannel bank that is centered on providing a seamless banking experience to its customers. Through the omnichannel banking proposition, DTB aims to enable its customers to interact with the Bank anytime, anywhere and anyhow through a multiplicity of channels, all working together at the same high standards.

This will involve not only leveraging the Bank's traditional channels, such as its extensive branch network, but also, increasingly, the other alternate – mainly digital- channels, including social media. I am pleased to advise that, in this regard, DTB has taken several important measures in the past year in providing digital banking services and solutions to an increasingly discerning and technology- driven customer base. These include:

- Presence of DTB in social media channels such as Facebook and Twitter through which the Bank engages interactively with its customers and interested followers and increases DTB's brand awareness and affinity.

- Launch of digital 'DTB 24/7' branches at high-end locations in Nairobi. The digital branch concept launched by DTB aims at providing a round- the- clock, throughout- the-year service and access to the Bank's customers and non- customers who wish to conduct various banking transactions. These digital branches are fitted out with intelligent automated teller machines (ATMs), cheque-deposit machines and other on-line banking devices; in most locations, these digital branches will also offer conventional face- to face interactions between DTB staff and customers. Thus far, DTB has launched the digital 'DTB 24/7' branches at two locations in Nairobi – Garden City Mall and the Oval building (Westlands), with plans to roll out more 'DTB 24/7' branches in 2016 and beyond.

- Selection of DTB, along with three other Kenyan banks, by the Huduma Secretariat to offer card- based payment solutions. Under this initiative, the Huduma Centres (which the Government has set up across the country to offer a one-stop service to Kenyans) will, once launched, enable payments for these services to be made using MasterCard branded prepaid cards issued by DTB and the other selected banks. Government disbursements for various public programmes and payments will also be made to beneficiaries using these cards.

- Partnership by DTB with Kenol Kobil Limited, a major locally-based oil marketing and distribution company, in offering a fuel management system, underpinned by the long- running loyalty card programme run by the oil marketer.

Looking ahead, DTB plans to scale up the initiatives mentioned above as well as offer new, digital- anchored payment solutions in partnership with corporates and other agencies. Your Board is confident that as DTB continues to focus on developing and offering innovative solutions to its customers, as underpinned by DTB Vision 2020, the Bank will not only adapt to its customers dynamically changing needs, but also excel as an agile and responsive player, taking advantage of the emerging opportunities ahead.

Importantly, it also provides the Bank with a unique opportunity to make an impact on financial inclusion – one of DTB group's key strategic objectives- as it engages across the spectrum of its diverse (and new) customer segments. Ultimately, it enables DTB to contribute positively and, God willing, meaningfully to the quality of life of its customers and the broader communities in which the Group operates.

In the year under review, the Board continued to play its role effectively under the Bank's robust corporate governance structure. Your directors provided leadership through oversight, review and guidance whilst setting the strategic direction. Whilst focusing on key strategic and risk issues, the Board also maintained a balance in pursuing growth opportunities in tandem with appropriate governance systems, controls, processes and information flows. I therefore thank them for their valuable contribution to the positive performance of DTB and for their continuing commitment to the Bank's progress in the years ahead.

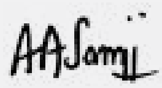
Turning to the composition of the Board, I extend a warm welcome to Mr. Rizwan Hyder to the Board. Mr. Hyder, who is of Pakistani nationality, was appointed as a director on 29 March 2016. He is a seasoned professional and brings with him diverse banking experience, spanning over 33 years, in leading commercial banks in Pakistan and other diverse geographies including Kenya, Mauritius, Seychelles, China, Singapore and Hong Kong. Currently, Mr. Hyder serves at Habib Bank Limited, Pakistan as the bank's Chief Risk Officer. I am confident that the Bank will benefit immensely from the wealth of experience and knowledge Mr. Hyder brings to the Board. I would also like to take this opportunity to sincerely thank Messrs. Nizar Juma and Zakir Mahmood who left the Board last year. Both Messrs. Juma and Mahmood made tremendous contributions to the Board, serving diligently throughout their tenures. We thank them for their support and wish them the very best for the future.

Our management team and staff very ably led by the Group CEO and Managing Director, Mrs. Nasim Devji, deserve special commendation for their unrelenting commitment, dedication to service, professionalism and unswerving loyalty to the institution.

I would also like to recognize the pivotal role that our primary regulator, the Central Bank of Kenya, continues to play in shepherding the development of a sound banking sector. 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.

On behalf of the entire DTB family, I would like to take this opportunity to recognise our foremost stakeholders: our customers. They are the reason for our business. We do not take their support and patronage for granted and continuously strive to be worthy of the trust bestowed on us.

Finally, on behalf of the Bank's Board, Management and Staff, I would like to recognise and appreciate the support, confidence and loyalty that our over 11,000 shareholders continue to extend to DTB. I would like to assure them that we will continue to steer the institution forward to add further value to their investment.



Abdul Samji

Chairman

31 March 2016

Nina furaha kuu kuwasilisha Ripoti na Taarifa za Kifedha za Kila mwaka za Benki yako kwa mwaka ulioisha 31 Desemba 2015.

Katika mwaka 2015, pato la ndani la bidhaa nchini Kenya (GDP) liliongezeka kwa makadirio ya 5.6% kwa mwaka, nyuma ya ukuaji wa kiwango cha juu katika sekta muhimu ikiwa ni pamoja na kilimo, ujenzi, huduma za kifedha, biashara na uchukuzi. Ukuaji madhubuti kabisa uliosajiliwa mwaka wa 2015, licha ya mwaka wa msukosuko uliokumbwa na udhaifu wa sarafu kwa kiwango kikubwa na pambano kali la kuimarika kwa pesa, alama za ustahimilivu wa uchumi wa Kenya na hali thabiti ya watu wake. Hali ya uchumi nchini Kenya inatarajiwa kuimarika katika mwaka wa 2016 huku ukuaji wa Pato la Taifa GDP ukitarajiwa kuhuishwa kiasi, kwa kiwango kilichokadiriwa cha 6.1%. Wakati idadi ya uchumi muhimu katika jangwa la Sahara la Afrika unakabiliana na changamoto za ndani na nje, Kenya inaendelea kuwa mojawapo ya uchumi unaofanya bora katika maeneo hayo. Kenya haina kinga kwa dhoruba ya ulimwengu, lakini uchumi wake ulioenea na uwekezaji muhimu wa kudumu katika miradi ya miundomsingi humaanisha kuwa haijafichuliwa kikamilifu kuliko masoko mengi yanayoibuka katika mtikisiko kwa bei ya bidhaa na kupunguka kwa mwendo nchini China.

Licha ya changamoto zinazopitiwa katika mazingira ya kiuchumi na baadhi ya msukosuko katika sekta ya benki katika robo ya mwisho ya mwaka iliyopita ya 2015, Benki yako iliweza kuchapisha ukuaji wa kuvutia - agano la ubora na ufanisi wa uongozi wa Benki na vikosi vya kutoa msaada vinavyoendelea kushirikiana ili kutoa thamani kwa washikadau wetu wote. Faida za Kikundi cha DTB kabla ya ushuru wa 2015 zilikuwa Kshs bilioni 9.6, inayoashiria ongezeko la 12% ukilinganisha na Kshs bilioni 8.5 iliyorekodiwa katika mwaka wa awali. Mali msingi ya Kikundi ilienda juu kwa 28% kusimamia katika Kshs bilioni 272 juu kutoka kwa Kshs bilioni 212 mwaka wa 2014. Amana msingi ya mteja wa Kikundi cha DTB ilipanda kwa 21%, kutoka Kshs bilioni 161 mwaka wa 2014 hadi Kshs bilioni 194 katika kipindi cha kulingana kinachoisha Desemba 2015. Kitabu cha mkopo cha Kikundi kilikua kwa 29% muhimu, ili kusimamia katika Kshs bilioni 178, juu kutoka kwa Kshs bilioni 138, mwaka mmoja baadaye; mapato ya jumla yanayotumika ya Kikundi yalipanda kwa 21% hadi Kshs bilioni 19.9 juu kutoka kwa Kshs bilioni 16.6 iliyopatikana katika kipindi hicho mwaka wa awali.

Kinyume na historia ya msingi unaoongezeka wa mali ya mkopo, Kikundi kiliweza kudhibiti uwekezaji wa mkopo usiotumika katika bilioni 4.3 mnamo Desemba 2015, ambayo ni 2.3% ya kitabu cha mkopo, inatambulika kuwa mojawapo ya kiwango cha chini zaidi katika Afrika Mashariki. Bila kujali ubora wa juu zaidi wa kitabu cha mkopo cha DTB, utoaji wa deni mbaya uliimarishwa mwaka huo, uakisi wa desturi za utoaji wa busara ulioigwa na Kikundi.

Kulingana na mifano ya utendaji wa kifedha mwaka jana, Wakurugenzi wako wamependekeza utoaji wa bonasi ya hisa kwa kiwango cha hisa moja ya bonasi kwa kila hisa kumi zilizopo, pamoja na mgao kwa kiwango cha 62.5%, ambayo ni sawa na Kshs 2.50 kwa kila hisa, ikilinganishwa na mgao wa kiwango cha 60% au Kshs 2.40 kwa kila hisa katika mwaka wa awali.

Ukuaji endelevu wa DTB umeweza kufanikishwa katika miaka ya hivi karibuni huzungumza kuhusu uthabiti wa uwepo wa ukuaji na upanukaji wa soko la Kikundi kushiriki nchini Kenya, vile vile - kupitia matawi tanzu yake - eneo lote la Afrika Mashariki. Operesheni za benki za kibiashara za DTB nchini Tanzania, Uganda na Burundin zinaendelea kutoa mchango wa ukuaji muhimu na endelevu, kwa 30% ya jumla ya mali ya kikundi na 26% ya faida zake mwaka wa 2015. Ueneaji wa shughuli za DTB katika kanda, inayochangiwa, na kutambulika zaidi, kwa idadi inayokua ya matawi, ambayo katika waraka huu yanafikia 55 nchini Kenya, 37 nchini Uganda, 25 nchini Tanzania na 4 nchini Burundi. Upanukaji wa njia hizo za kitamaduni, zikijumuishwa na njia za uwasilishaji m'badala zinazokua, DTB ya sasa na fursa anuwai mpya na zinazokuwa kwa kuwepo kwake kama mtoa huduma zinazoongoza za kifedha katika eneo.

Kutambua uwezekano wa ukuaji wa Afrika Mashariki na, kama uakisi, wa juhudi za kipindi kirefu cha DTB katika pamoja na ujasiri katika kanda, Benki yako iliwekeza kiwango ambacho ni sawa na bilioni Kshs 1.1 katika DTB ya Tanzania mwaka jana wakati baadaye ilichukua utoaji wa haki ili kuongeza mtaji wake. Kwa sababu hiyo, DTB Kenya iliongeza mtaji wake kwenye DTB Tanzania kutoka 62.93% hadi 65.68%. Kadhalika, katika 2016, DTB Uganda inapanga kuongeza mtaji wake na, kama benki mzazi, DTB Kenya inakusudia kujisajili kikamilifu kwa hisa zake za mtaji, huku ikiendelea kuimarisha juhudi za DTB na ujasiri katika masoko yake ya nyumbani katika Afrika Mashariki.

Ili kuendeleza na kujenga katika kasi ya ukuaji iliyofikiwa katka miaka ya hivi karibuni, DTB inaendelea kuongozwa na uchapishaji wa ruwaza wa mkakati wa muda mrefu: ulipewa jina 'Maono ya DTB 2020'. DTB inavyoendelea kulenga kuhusu kutekeleza mikakati na mipango mbalimbali inayoimarisha 'Maono ya DTB 2020, ipo katika nafasi kubwa kujielekeza kama benki ya Ngazi 1 katika masoko yote ambayo DTB huendesha shughuli zake.

Safari hii ya mageuzi inatangazwa katika DTB inabadilika kama benki ya kituo anuwa, ya eneo ambayo inakusudia uzoefu mzuri wa benki kwa wateja wake. Kupitia pendekezo la benki la vituo zaidi, DTB inalenga kuwezesha wateja wake kuwasiliana na benki wakati wowote, mahali popote na kwa vyovyote vile kupitia urudufishaji wa vituo, ambavyo vyote hufanya kazi kwa pamoja kwa viwango sawa vya hali ya juu.

Hii itajumuisha sio tu uinuaji wa vituo vya kitamaduni vya benki, kama vile mtandao wake mpana wa matawi, lakini pia, kuongeza njia nyingine m'badala – hususan ya vituo vya kidijitali, pamoja na mitandao ya kijamii. Ninafuraha kutoa ushauri kuwa, kwa uzingatiaji huu, DTB imechukua hatua kadhaa muhimu miaka iliyopita katika kutoa huduma na suluhisho za benki ya kidijitali ili kupambanua kwa kuongezeka na teknolojia- msingi unaoendeshwa na mteja. Hizi zinajumuisha:

- Uwepo wa DTB katika vituo vya mitandao ya kijamii kama vile Facebook na Twitter ambapo Benki huwasiliana na wateja wake na wafuasi wanaopendelea na kuongeza mwamko na mshikamano wa chapa ya DTB.

- Kuzinduliwa kwa matawi ya kidijitali 'DTB 24/7' katika maeneo makuu jijini nairobi. Dhana ya tawi la dijitali iliyozinduliwa na DTB inalenga kutoa huduma na ufikiaji wa kila wakati mwaka mzima kwa wateja wa Benki na watu wasio wateja wanaotamani kufanya miamala mbalimbali ya benki. Matawi haya ya kidijitali yanawekwa mashine bora zaidi ya ya kutoa hela kiotomatiki (ATMs), mashine ya kuweka hundi na vifaa vingine vya benki vya mtandaoni; katika maeneo mengi, matawi haya ya kidijitali pia yatatoa mtagusano wa kawaida wa ana kwa ana kati ya wafanya kazi wa DTB na wateja. Kufikia hapa, DTB imezindua matawi ya dijitali ya "DTB 24/7' katika maeneo mawili Nairobi - Garden City Mall na Oval building (Westlands), na mipango ya kusambaza matawi zaidi ya 'DTB 24/7' mwaka 2016 na mbeleni.
- Uteuzi wa DTB, pamoja na benki nyingine tatu za Kenya, na Huduma Sekretarieti zitatoa suluhisho za malipo zinazotegemea kadi. Chini ya mkakati huu, Vituo vya Huduma (ambavyo Serikali imeweka kote nchini ili kutoa huduma ya mara moja kwa Wakenya) pindi vitakapozinduliwa, vitawezesha malipo kwa huduma hizi kufanywa kwa kutumia kadi za malipo ya kabla zilizo na chapa ya MasterCard zinazotolewa na DTB na benki nyingine zilizoteuliwa. Matumizi ya serikali kwa mipango mbalimbali ya umma na malipo pia yatatolewa kwa wafaidi wanaotumia kadi hizi.
- Kwa ushirikiano wa DTB na Kenol Kobil Limited, kampuni kubwa inayopatikana nchini ya kuuza na kusambaza mafuta, katika kutoa mfumo wa usimamizi wa fueli, inayoimarishwa kwa mpango wa kadi za matumizi ya kipindi kirefu inayoendeshwa na mwanamauzo wa mafuta.

Kutazamia mbele, DTB inapanga kuongeza kipimo cha mikakati iliyotajwa hapo juu vile vile kutoa mpya, suluhisho za malipo zilizotangazwa kwa ushirikiano na mashirika na mawakala mengine. Bodi yako ina matumaini kuwa kadri DTB inavyoendelea kulenga katika ukuzaji na utoaji wa suluhisho za ubunifu pia wateja wake wanafanya vivyo hivyo, kama inavyoimarishwa na Maono ya DTB ya 2020, Benki haitashughuylikia tu mahitaji yanayobadilika ya wateja wake, lakini pia kufaulu zaidi kama mchezaji bora na anayewajibika, kwa kunufaika na nafasi zinazoibuka mbeleni.

Muhimu, pia inatoa fursa ya kipekee kwa Benki kuweka athari katika ujumuisho wa kifedha - mojawapo ya malengo ya mkakati muhimu wa kikundi cha DTB- kama inavyohusishwa katika wigo wake mbalimbali (na mpya) vitengo vya mteja. Hatimaye, inawezesha DTB kuchangia vilivyo na kwa mapenzi ya Mungu, umuhimu katika ubora wa maisha ya wateja wake na jamii pana ambapo Kikundi hiki hufanya shughuli zake.

Katika mwaka wa uhakiki, Bodi iliendelea kutekeleza majukumu yake kwa ufanisi chini ya muundo mpana wa uongozi wa shirika la Benki. Wakurugenzi wako walitoa uongozi kupitia uangalizi, uhakiki na mwongozo wakati wa mpangilio wa maelekezo ya kimkakati. Inapolenga mikakati muhimu na masuala ya hali ya hatari, kadhalika, Bodi inadumisha uwiano katika kutafuta nafasi za ukuaji katika sanjari na mifumo mwafaka ya uongozi, udhibiti, michakato na mitiririko ya habari. Kwa hivyo ninawashukuru kwa mchango wenye thamani kuhusu utendaji chanya wa DTB na kwa juhudi zake za kuendeleza maendeleo ya Benki katika miaka ijayo.

Kuhusu muundo wa Bodi, ninamkaribisha kwa dhati Bw. Rizwan Hyder kwenye Bodi. Bw. Hyder, ambaye ana utaifa wa Pakistani, aliteuliwa kama mkurugenzi mnamo 29 Machi 2016. Ni mtaalamu wa muda na analeta uzoefu mbalimbali ya benki, wa kipindi cha zaidi ya miaka 33, katika benki za kibiashara zinazoongoza nchini Pakistani na jiografia nyingine mbalimbali zikiwa ni pamoja na Kenya, Morisi, Ushelisheli, China, Singapuri na Hong Kong Kwa sasa, Bw. Hyder anafanya kazi katika Habib Bank Limited, Pakistani kama Afisa Mkuu wa Kushughulikia Masuala ya hali ya Hatari. Nina imani kuwa Benki hiyo itanufaika zaidi kutokana na ukwasi wa tajriba na maarifa ya ambayo Bw. Hyder ataleta kwenye Bodi. Kadhalika, ningependa kuchukua fursa hii kumshukuru Messrs. Nizar Juma na Zakir Mahmood aliyeondoka kwenye Bodi mwaka jana. Messrs. Juma na Mahmood walitoa michango mikubwa kwenye Bodi, huku wakitoa huduma kwa bidii wakati wa kipindi chao kwenye afisi. Tunawashukuru kwa msaada wao na tunawatakia kila la kheri maishani.

Kikosi chetu cha usimamizi na wafanya kazi unao ongozwa na Afisa Mkuu Mtendaji wa Kikundi na Mkurugenzi Mtendaji, Bi. Nasim Devji, anahitaji pongezi maalum kwa juhudi zake za dhati, kujitolea kutoa huduma, kuonyesha utaalam na kuwa mwaminifu katika taaisisi.

Kadhalika, ningependa kutambua jukumu muhimu ambalo mdhibiti msingi, Benki Kuu ya Kenya, inaendelea kucheza katika kuchunga maendeleo ya sekta ua benki ya sauti. Shukrani zetu pia zinaendea Mamlaka ya Masoko Makuu na Soko la Hisa la Nairobi kwa kuwajibika katika kukuza imani na kulingana na Masoko Makuu ya Kenya.

Kwa niaba ya familia nzima ya DTB, ningependa kuchukua fursa hii kutambua washikadau wetu wakuu: wateja wetu. Hao ndio wanafanya tuwe kwenye biashara. Hatutukulii mzaha msaada na uangalizi wao na tunaendelea kujitahidi kuendeleza uaminifu tuliopewa nao.

Hatimaye, kwa niaba ya Bodi ya Benki, Usimamizi na Wafanya kazi, ningependa kutambua na kushukuru msaada, ujasiri na uaminifu ambao zaidi ya washikadau wetu 11,000 wanaendelea kutoa kwa DTB. Ningependa kuwahakikishia kuwa tutaendelea kuendeleza taasisi hii mbele ili kuongeza thamani zaidi kwenye uwekezaji wao.

AA Samji

Abdul Samji
Mwenyekiti

31 Machi 2016

Taarifa iliyoko hapa juu ni tafsiri ya Mwenyekiti iliyoko ukurasa wa 15-16. Iwapo patatokea utata wowote 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 15-16. In the event of any dispute in the interpretation of the Kiswahili version, the English version shall be the authoritative version.


a seamless customer service experience

STATEMENT OF CORPORATE GOVERNANCE

Corporate governance, being the system by which companies are directed and controlled, is a Board priority and the Board of Directors have put in place procedures, systems and controls to achieve the highest standards of corporate governance, improve accountability and prevent malpractice or fraud.

The Board continues to be committed to full compliance with all the relevant laws, the "The Code of Corporate Governance Practices for Issuers of Securities to the Public 2015" 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 maintains responsibility for the governance of the Bank and is committed to ensuring 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 and regulations, 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 and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Bank's Managing Director to conduct the day-to-day business of the Bank.

The Board consists of ten 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 Bank's Staff Provident scheme and do not participate in any of its bonus schemes.

Details of the directors' fees for the non-executive directors and remuneration of the executive director paid in 2015 are set out on page 91.

Directors' Shareholding

None of the directors, at the end of year 2015, 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 91.

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 five 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 five other non-executive directors. The BNHRC is responsible for proposing new nominees for directorship to the Board, assessing the performance and effectiveness of directors and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise required. The 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 five 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 six 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.

Board Credit Committee ("BCC")

The membership of the BCC comprises of six non-executive directors. It formally meets 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 four 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 2015 is tabulated below:

Name of Director	BOARD	BNHRC	BEC	BCC	BACC	BRMC	BITC	AGM
Abdul Samji	5/5	5/5	4/4	4/4	-	-	-	1/1
Nasim Devji	5/5	-	-	-	-	-	-	1/1
Pamella Ager	3/5*	4/5*	4/4	4/4	-	3/4*	-	1/1
Shaffiq Dharamshi**	4/4				2/2	2/2	2/3*	1/1
Rizwan Hyder***	-	-	-	-	-	-	-	-
Moez Jamal	5/5	-	-	-	-	4/4	4/4	0/1*
*Nizar Juma - Retired^*	*2/2*	-	-	-	-	-	-	*0/1**
Irfan Keshavjee	4/5*	3/5*	3/4*	3/4*	2/2	4/4	4/4	1/1
*Zakir Mahmood - Resigned^^*	*3/4**	-	-	-	*3/4**	*3/4**	-	*1/1*
Ismail Mawji	5/5	5/5	4/4	4/4	4/4	-	-	1/1
Amin Merali	4/5*	4/5*	3/4*	3/4*	3/4*	-	-	1/1
Mwaghazi Mwachofi	3/5*	-	-	-	2/4*	3/4*	-	1/1
Jamaludin Shamji	5/5	5/5	4/4	4/4	2/2	4/4	4/4	1/1

KEY:

- Signifies that the subject Director was not a member of the indicated committee in year 2015

*Signifies that the subject Director was absent with apology

**Appointed to the Board on 25 April 2015

***Appointed to the Board on 29 March 2016

^Retired from the Board on 14 May 2015

^^Resigned from the Board on 18 November 2015

STATEMENT OF CORPORATE GOVERNANCE (Continued)

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 BRMC 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 regularly 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 and provide key leadership in driving the business development agenda for the Bank that would efficiently serve to benefit and ensure retention of the Bank's customer relationships. The BDMC meets regularly and is chaired by 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 is chaired by the Managing Director.

Outsourcing Committee (OC)

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

RELATIONS WITH SHAREHOLDERS

The Board recognizes 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 2015 was as follows:

Range	Number of shareholders	Number of shares held	% Shareholding
Up to 500 shares	3,142	599,242	0.25
501 - 5,000 shares	4,661	10,573,034	4.37
5,001 - 10,000 shares	1,411	10,657,870	4.40
10,001 - 100,000 shares	1,677	42,407,257	17.52
100,001 - 1,000,000 shares	162	42,042,904	17.37
Over 1,000,000 shares	17	135,829,798	56.10
Total	**11,070**	**242,110,105**	**100.00**

SHAREHOLDERS PROFILE

Criteria	Number of shareholders	Number of shares held	% Shareholding
Local Individuals	5,216	29,527,602	12.20
Local Institutions	854	76,668,164	31.67
Foreign Individuals	2,268	23,536,995	9.72
Foreign Institutional	31	98,044,002	40.50
East African Individuals	2,666	12,320,814	5.09
East African Institutions	35	2,012,528	0.83
Total	**11,070**	**242,110,105**	**100.00**

The ten largest Shareholders of the Bank and their respective holdings as at 31 December 2015 were as follows:

Name	Number of shares	% Shareholding
Aga Khan Fund For Economic Development	41,936,579	17.32
Habib Bank Limited	28,980,677	11.97
The Jubilee Insurance Company of Kenya Limited	25,261,716	10.43
Standard Chartered Nominees A/C KE18972	8,445,775	3.49
Standard Chartered Nominees A/C KE18965	6,908491	2.85
The Diamond Jubilee Investment Trust (U) Limited	3,489,488	1.44
Standard Chartered Nominees A/C KE18986	3,160,293	1.31
Standard Chartered Nominee Non Resd a/c KE11752	3,096,872	1.28
Mr. Amin Nanji Juma	2,234,702	0.92
Craysell Investments Limited	2,187,019	0.90


Growing branch network with extended banking hours
DTB

Corporate Social Responsibility

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 within the communities it operates in. The Bank has chosen three pillars which embody its pledge to social and environmental concerns, these pillars are 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 them to develop ways that 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. 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 CSR initiatives taken and activities conducted in 2015 are outlined below:

Yetu Initiative

DTB partnered with the Yetu initiative in conjunction with the Aga Khan Foundation (AKF) and the United States Agency for International Development (USAID) which seeks to enhance the culture of community philanthropy in Kenya by working with Kenyan Civil Society Organizations (CSOs) to strengthen their assets and capacity, while supporting them to build trust with a variety of stakeholder groups, including the private sector.

DTB donated Kshs.1 million toward the "Start a Library campaign", the first campaign under Yetu Initiatiave whose objective is to ensure that there is a book in every hand by installing libraries in public primary schools all around Kenya. The campaign was championed by a young girl in a primary school named Chela whose role was to advocate and rally support to corporates and individuals to donate directly towards adopting a library or to donate as little as ten shillings a word to become a co-author in the first collectively written book by a nation. DTB funded two libraries at Mathare Community Outreach Primary School and Farasi Lane Primary school where Chela is a student.

Pope's Visit to Kenya

DTB donated Kshs.1milion towards Pope Francis' visit to Kenya in November 2015. The Cheque donation and presentation was made to the Kenya Conference of Catholic Bishops (KCCB) by DTB's CEO Nasim Devji to Cardinal John Njue.

Faraja Cancer Support Trust

DTB supported the Faraja Cancer Support Trust by donating Kshs.250,000 towards "Shaira's cycle to conquer cancer". Shaira Adamali, one of the founders of Faraja Cancer Support Trust did a 350KM bicycle ride from Moshi to Ngorongoro in Tanzania to raise awareness and funds for cancer patients. Further to that, DTB also partnered with Faraja and hosted "Coffee morning" sessions where DTB staff collectively raised Kshs.70,000 toward the fight against cancer.

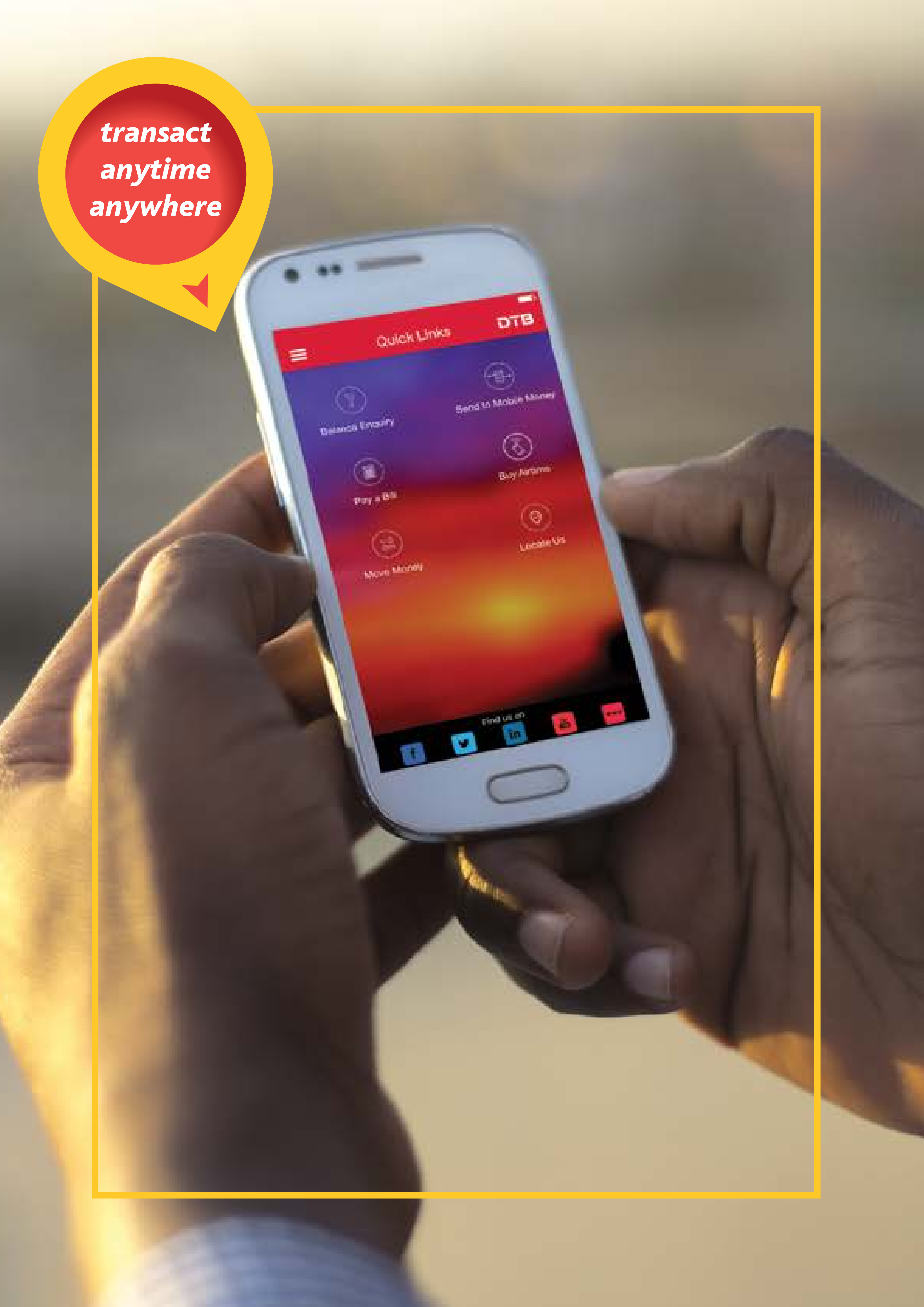
Mater Heart Run 2015

The Mater Heart Run is one of the most recognized 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.250,000 towards this initiative and 250 staff members participated in the run.

Kenyatta Hospital 2015

In August 2015, DTB staff members collectively raised money to buy various items which they donated to the Kenyatta National Hospital patients.

The teams visited the burn unit, the accident & casualties ward, and the cancer ward to which they donated wheelchairs and crutches among other items.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DIRECTORS' REPORT

The directors submit their report together with the audited financial statements for the year ended 31 December 2015, 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 2.

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

	2015 Shs'000	2014 Shs'000
Group profit before income tax	9,565,192	8,521,286
Income tax expense	(2,965,386)	(2,812,856)
Profit for the year	**6,599,806**	**5,708,430**
Non controlling interests	(687,724)	(624,911)
Profit atrributable to owners of the Bank	**5,912,082**	**5,083,519**
Dividends	(605,275)	(581,064)
Retained profit for the year	**5,306,807**	**4,502,455**

The directors recommend the approval of a final dividend of Shs 605,275,263 (2014: Shs 581,064,252).

ISSUE OF BONUS SHARES

The directors recommend, subject to regulatory approvals and that of the shareholders, to make a bonus issue in the proportion of 1 new ordinary share for every 10 fully paid up ordinary shares then held, to the shareholders registered at the close of business on 25 May 2016. Such new shares will rank pari passu in all respects with the existing shares in the capital of the Bank except for the aforementioned dividends and any further dividend paid prior to the bonus Issue.

DIRECTORS

The present membership of the Board is listed on page 2.

In accordance with Article No. 101 of the Bank's Articles of Association, Messrs Irfan Keshavjee and Abdul Samji and Mrs. Pamella Ager retire by rotation and, being eligible, offer themselves for re-election.

Mr. Amin Merali retires at the Company's 2015 Annual General Meeting and, being eligible, offers himself for re-election.

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

9 March 2016
Nairobi

STATEMENT OF DIRECTORS RESPONSIBILITIES

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

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

(i) 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.

(ii) Selecting and applying appropriate accounting policies;

(iii) 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 2015 and of the Group'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 9 March 2016 and signed on its behalf by:

AA Samji

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 31 to 91. These financial statements comprise the consolidated statement of financial position at 31 December 2015, 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 2015, statement of profit or loss, statement of comprehensive income, 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 mistatements, 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 2015 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 FCPA Richard Njoroge – P/No 1244.

PricewaterhouseCoopers

Certified Public Accountants

Nairobi

10 March 2016

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

		Group		Bank	
	Notes	2015	2014	2015	2014
		Shs'000	Shs'000	Shs'000	Shs'000
Interest income	5	25,825,179	20,808,016	18,033,177	14,275,788
Interest expense	6	(9,897,848)	(7,769,098)	(6,796,299)	(5,255,975)
Net interest income		**15,927,331**	**13,038,918**	**11,236,878**	**9,019,813**
Net fee and commission income	7	2,773,883	2,318,089	1,417,709	1,214,171
Foreign exchange income		1,763,096	1,361,732	1,060,551	806,657
Other operating income	8	160,950	97,030	120,188	66,930
Operating income		**20,625,260**	**16,815,769**	**13,835,326**	**11,107,571**
Operating expenses	9	(8,171,223)	(7,196,517)	(4,665,122)	(4,147,251)
Impairment loss on loans and advances	17	(2,150,278)	(851,210)	(1,535,711)	(475,973)
Profit from operations		**10,303,759**	**8,768,042**	**7,634,493**	**6,484,347**
Share of results of associate after tax	25	(1,443)	4,561	-	-
Finance costs	29(e)	(737,124)	(251,317)	(579,686)	(177,275)
Profit before income tax		**9,565,192**	**8,521,286**	**7,054,807**	**6,307,072**
Income tax expense	11	(2,965,386)	(2,812,856)	(2,261,956)	(2,154,634)
Profit for the year		**6,599,806**	**5,708,430**	**4,792,851**	**4,152,438**
Profit attributable to:					
Owners of the Bank		5,912,082	5,083,519	4,792,851	4,152,438
Non controlling interests		687,724	624,911	-	-
		6,599,806	**5,708,430**	**4,792,851**	**4,152,438**
Earnings per share (Shs per share)					
Basic and diluted	12	**24.42**	**21.92**	**19.80**	**17.90**
Dividend:					
Proposed final	13	**605,275**	**581,064**	**605,275**	**581,064**

The notes on pages 38 to 91 are an integral part of these financial statements

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2013

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Profit for the year	**6,599,806**	**5,708,430**	**4,792,851**	**4,152,438**
Other comprehensive income				
Items that may be subsequently reclassified to profit or loss				
Exchange differences on translating foreign operations	(163,375)	(227,790)	-	-
Other comprehensive income for the year, net of tax	**(163,375)**	**(227,790)**	**-**	**-**
Total comprehensive income for the year	**6,436,431**	**5,480,640**	**4,792,851**	**4,152,438**
Total comprehensive income attributable to:				
Owners of the Bank	5,876,793	4,948,681	4,792,851	4,152,438
Non controlling interests	559,638	531,959	-	-
	6,436,431	**5,480,640**	**4,792,851**	**4,152,438**

The notes on pages 38 to 91 are an integral part of these financial statements

		Group		Bank	
		2015	2014	2015	2014
	Notes	Shs'000	Shs'000	Shs'000	Shs'000
Assets					
Cash and balances with Central Banks	14	26,350,152	15,909,805	14,578,145	7,757,832
Government securities	15	46,939,146	35,100,784	34,310,709	22,725,437
Deposits and balances due from banking institutions	16	10,017,481	13,701,450	4,973,737	7,413,484
Loans and advances to customers	17	177,544,871	137,654,551	125,817,859	94,059,260
Corporate bond - held to maturity	18	127,769	-	-	-
Amounts due from group companies	19	-	-	227,794	302,906
Other assets	20	2,475,859	1,848,878	1,834,113	1,386,021
Intangible assets - software costs	21	595,492	586,043	386,186	339,303
Property and equipment	22	5,618,767	5,272,266	3,996,431	3,841,858
Intangible assets - goodwill	23	173,372	173,372	-	-
Current income tax		6,206	33,246	-	-
Deferred income tax	24	1,735,405	1,244,078	1,430,461	1,054,439
Investments in subsidiaries and associates	25	24,077	14,939	3,392,468	2,295,254
Total assets		**271,608,597**	**211,539,412**	**190,947,903**	**141,175,794**
Liabilities					
Customer deposits	26	194,051,857	160,955,609	126,228,706	101,593,506
Deposits and balances due to banking institutions	27	8,406,398	2,392,571	8,149,404	2,176,219
Other liabilities	28	4,411,306	3,510,043	3,257,684	2,220,212
Borrowings	29	26,141,690	12,287,227	23,076,632	9,310,392
Current income tax		291,958	130,404	239,276	91,051
Total liabilities		**233,303,209**	**179,275,854**	**160,951,702**	**115,391,380**
Shareholders' equity					
Share capital	30	968,440	968,440	968,440	968,440
Share premium	30	7,294,767	7,294,767	7,294,767	7,294,767
Retained earnings	30	25,293,925	19,986,040	20,760,865	16,572,440
Other reserves	31	(27,970)	132,924	366,854	367,703
Proposed dividend	13	605,275	581,064	605,275	581,064
Equity attributable to owners of the Bank		**34,134,437**	**28,963,235**	**29,996,201**	**25,784,414**
Non controlling interests		4,170,951	3,300,323	-	-
Total equity		**38,305,388**	**32,263,558**	**29,996,201**	**25,784,414**
Total liabilities and equity		**271,608,597**	**211,539,412**	**190,947,903**	**141,175,794**

The financial statements on pages 31 to 91 were approved for issue by the Board of Directors on 9 March 2016 and signed on its behalf by:

Abdul Samji
Chairman

Nasim Devji
Managing Director

Amin Merali
Director

Stephen Kodumbe
Company Secretary

The notes on pages 38 to 91 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

	Notes	Share capital	Share premium	Other reserves	Retained earnings	Proposed dividend	Attributable to equity holders of the Bank	Non controlling interests	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At start of year		880,400	3,856,898	273,758	15,477,589	462,210	20,950,855	2,793,449	23,744,304
Profit for the year		-	-	-	5,083,519	-	5,083,519	624,911	5,708,430
Other comprehensive income		-	-	(134,838)	-	-	(134,838)	(92,952)	(227,790)
Transfer of excess depreciation		-	-	(8,566)	8,566	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	2,570	(2,570)	-	-	-	-
Total comprehensive income		-	-	(140,834)	5,089,515	-	4,948,681	531,959	5,480,640
Rights issue		88,040	3,437,869	-	-	-	3,525,909	-	3,525,909
Dividends:									
- Final for 2013 paid	13	-	-	-	-	(462,210)	(462,210)	(25,085)	(487,295)
- Proposed for 2014	13	-	-	-	(581,064)	581,064	-	-	-
Total transactions with owners, recognised directly in equity		88,040	3,437,869	-	(581,064)	118,854	3,063,699	(25,085)	3,038,614
At end of year		**968,440**	**7,294,767**	**132,924**	**19,986,040**	**581,064**	**28,963,235**	**3,300,323**	**32,263,558**

The notes on pages 38 to 91 are an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Attributable to equity holders of the Bank Shs'000	Non controlling interests Shs'000	Total Shs'000
At start of year		968,440	7,294,767	132,924	19,986,040	581,064	28,963,235	3,300,323	32,263,558
Profit for the year		-	-	-	5,912,082	-	5,912,082	687,724	6,599,806
Other comprehensive income		-	-	(35,289)	-	-	(35,289)	(128,086)	(163,375)
Transfer of excess depreciation		-	-	(3,593)	3,593	-	-	-	-
Deferred tax on transfer of excess depreciation		-	-	2,515	(2,515)	-	-	-	-
Total comprehensive income		-	-	(36,367)	5,913,160	-	5,876,793	559,638	6,436,431
Issue of additional shares to non controlling interests		-	-	-	-	-	-	378,411	378,411
Acquisition of interests from non controlling interests in Diamond Trust Bank Tanzania Limited.	32	-	-	(124,527)	-	-	(124,527)	(43,597)	(168,124)
Dividends:									
- Final for 2014 paid	13	-	-	-	-	(581,064)	(581,064)	(23,824)	(604,888)
- Proposed for 2015	13	-	-	-	(605,275)	605,275	-	-	-
Total transactions with owners, recognised directly in equity		-	-	(124,527)	(605,275)	24,211	(705,591)	310,990	(394,601)
At end of year		**968,440**	**7,294,767**	**(27,970)**	**25,293,925**	**605,275**	**34,134,437**	**4,170,951**	**38,305,388**

The notes on pages 38 to 91 are an integral part of these financial statements

BANK STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2014

	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At start of year		880,400	3,856,898	373,194	12,995,575	462,210	18,568,277
Profit for the year		-	-	-	4,152,438	-	4,152,438
Transfer of excess depreciation		-	-	(7,844)	7,844	-	-
Deferred tax on transfer of excess depreciation		-	-	2,353	(2,353)	-	-
Total comprehensive income		-	-	(5,491)	4,157,929	-	4,152,438
Rights issue		88,040	3,437,869	-	-	-	3,525,909
Dividends:							
- Final for 2013 paid	13	-	-	-	-	(462,210)	(462,210)
- Proposed for 2014	13	-	-	-	(581,064)	581,064	-
Total transactions with owners, recognised directly in equity		**88,040**	**3,437,869**	**-**	**(581,064)**	**118,854**	**3,063,699**
At end of year		**968,440**	**7,294,767**	**367,703**	**16,572,440**	**581,064**	**25,784,414**

For the year ended 31 December 2015

	Notes	Share capital Shs'000	Share premium Shs'000	Other reserves Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
At start of year		968,440	7,294,767	367,703	16,572,440	581,064	25,784,414
Profit for the year		-	-	-	4,792,851	-	4,792,851
Transfer of excess depreciation		-	-	(2,831)	2,831	-	-
Deferred tax on transfer of excess depreciation		-	-	1,982	(1,982)	-	-
Total comprehensive income		-	-	(849)	4,793,700	-	4,792,851
Dividends:							
- Final for 2014 paid	13	-	-	-	-	(581,064)	(581,064)
- Proposed for 2015	13	-	-	-	(605,275)	605,275	-
Total transactions with owners, recognised directly in equity		-	-	-	(605,275)	24,211	(581,064)
At end of year		**968,440**	**7,294,767**	**366,854**	**20,760,865**	**605,275**	**29,996,201**

The notes on pages 38 to 91 are an integral part of these financial statements

	Notes	Group 2015 Shs'000	Group 2014 Shs'000	Bank 2015 Shs'000	Bank 2014 Shs'000
Cash flows (used in)/from operating activities					
Interest receipts		25,919,313	20,034,467	17,847,128	14,042,357
Interest payments		(9,618,526)	(7,274,656)	(6,302,151)	(5,069,207)
Net fee and commission receipts		2,773,883	2,318,089	1,417,709	1,214,171
Other income received		1,938,708	1,465,167	1,105,884	844,470
Recoveries from loans previously written off	17	27,897	19,879	21,191	14,407
Payments to employees and suppliers		(7,031,506)	(6,107,063)	(4,057,079)	(3,569,796)
Income tax paid		(3,273,623)	(2,655,689)	(2,489,753)	(1,997,139)
Cash flows from operating activities before changes in operating assets and liabilities		**10,736,146**	**7,800,194**	**7,542,929**	**5,479,263**
Changes in operating assets and liabilities:					
- cash reserve requirement		3,540,248	(2,359,678)	4,998,096	(803,132)
- Government securities		(11,942,940)	(10,621,096)	(11,585,272)	(4,715,473)
- loans and advances to customers		(40,504,840)	(32,354,776)	(33,129,451)	(19,201,587)
- Balances due from subsidiary companies		-	-	75,113	81,166
- customer deposits		31,625,351	37,551,985	24,141,052	16,734,921
- other assets		(459,844)	(172,041)	(448,092)	(28,072)
- other liabilities		1,911,761	220,066	2,659,083	(79,501)
Net cash (used in)/from operating activities		**(5,094,118)**	**64,654**	**(5,746,542)**	**(2,532,415)**
Cash flows used in investing activities					
Purchase of property and equipment	22	(1,226,345)	(1,210,649)	(623,020)	(612,910)
Purchase of intangible assets - software costs	21	(241,149)	(178,241)	(189,542)	(102,559)
Purchase of shares in associate/subsidiary		(8,441)	-	(1,097,214)	-
Proceeds from sale of property and equipment		47,132	13,030	44,616	10,459
Dividend received		-	-	33,301	36,816
Net cash used in investing activities		**(1,428,803)**	**(1,375,860)**	**(1,831,859)**	**(668,194)**
Cash flows from financing activities					
Proceeds from borrowings		12,865,300	6,999,370	12,865,300	4,966,500
Repayment of borrowings		(867,278)	(540,154)	(850,332)	(530,026)
Finance costs		(459,844)	(178,091)	(450,026)	(165,267)
Net proceeds from rights issue		322,982	3,525,909	-	3,525,909
Dividends paid to equity holders of the bank	13	(581,064)	(462,210)	(581,064)	(462,210)
Dividends paid to non controlling interests		(23,824)	(25,085)	-	-
Net cash from financing activities		**11,256,272**	**9,319,739**	**10,983,878**	**7,334,906**
Net increase in cash and cash equivalents		**4,733,351**	**8,008,533**	**3,405,477**	**4,134,297**
Cash and cash equivalents at start of year		17,777,150	9,569,963	7,997,001	3,862,704
Translation difference		(592,014)	198,654	-	-
		17,185,136	**9,768,617**	**7,997,001**	**3,862,704**
Cash and cash equivalents at end of year	36	**21,918,487**	**17,777,150**	**11,402,478**	**7,997,001**

The notes on pages 38 to 91 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 2. The shares of the Company are listed at the Nairobi Securities Exchange. Diamond Trust Bank Kenya Limited and its subsidiaries operate in Kenya, Tanzania, Uganda and Burundi through the subsidiaries Diamond Trust Insurance Agency, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited and Diamond Trust Bank Burundi SA respectively.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. For Kenyan Companies Act 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.

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

Changes in accounting policy and disclosures

The following standards and amendments have been applied by the company for the first time for the financial year beginning 1 January 2015:

(i) New and amended standards adopted by the Group

Standard/ Interpretation	Key Requirements	Applicable for financial years beginning on/after
Amendments to IFRS 3	This amendment clarifies that an obligation to pay contingent consideration is classified as financial liability or equity under the principles in IAS 32 and that all non-equity contingent consideration (financial and non-financial) is measured at fair value at each reporting date and that; IFRS 3 does not apply to the accounting for the formation of any joint arrangement	1-Jul-14
Amendments to IFRS 13	This amendment confirms that short-term receivables and payables can continue to be measured at invoice amounts if the impact of discounting is immaterial and further clarifies that the portfolio exception in IFRS 13 (measuring the fair value of a group of financial assets and financial liabilities on a net basis) applies to all contracts within the scope of IAS 39 or IFRS 9	1-Jul-14
Amendments to IAS 16 and IAS 38	This amendment clarifies how the gross carrying amount and accumulated depreciation are treated where an entity measures its assets at revalued amounts	1-Jul-14
Amendments to IFRS 40	This amendment clarifies that IAS 40 and IFRS 3 are not mutually exclusive when distinguishing between investment property and owner-occupied property and determining whether the acquisition of an investment property is a business combination	1-Jul-14

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

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 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 2015.

Standard/ Interpretation	Key Requirements	Effective date
IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities.	The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. In 2011, the Group early adopted the earlier released version of IFRS 9 - 'Financial instruments' which required that all financial assets be classified into two measurement categories: those to be measured subsequently at fair value, and those to be measured subsequently at amortised cost. The complete version of IFRS 9 is effective for period beginning on or after 1 January 2018. The Group will assess the full impact of adopting the complete version of IFRS 9, prior to its effective date.	Effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted.

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 not yet effective (Continued)

Standard/ Interpretation	Key Requirements	Effective date
IFRS 15, 'Revenue from contracts with customers'	This standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The Group is assessing the impact of IFRS 15.	Effective for accounting periods beginning on or after 1 January 2018 with early adoption permitted.
IFRS 11, 'Joint arrangements'	This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.	Effective for annual periods beginning on or after 1 January 2016.
IAS 27, 'Separate financial statements'	These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.	Effective for annual periods beginning on or after 1 January 2016.
IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures'	These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. None of the amendments above are expected to have a significant impact on the Group's financial statements.	Effective for annual periods beginning on or after 1 January 2016

(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 2015.

2 **Summary of significant accounting policies (Continued)**

(b) Consolidation (Continued)

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.

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.

2 Summary of significant accounting policies (Continued)

(c) Foreign currency translation (Continued)

(ii) Transactions and balances

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

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

(iii) Group companies

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

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

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

(d) Interest income and expense

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

(e) Fees and commission income

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

(f) Property and equipment

Property and equipment are initially recorded at cost. Leasehold land and buildings are subsequently shown at market value, based on 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.

2 **Summary of significant accounting policies (Continued)**

(f) **Property and equipment (Continued)**

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.

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

(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.

2 Summary of significant accounting policies (Continued)

(i) Financial assets (Continued)

(iii) Financial assets at amortised cost (Continued)

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.

2 Summary of significant accounting policies (Continued)

(l) Sale and repurchase agreements

Securities purchased from Central Bank of Kenya under agreements to resell ('repos') are disclosed as Treasury bills as they are held at amortised cost after they are purchased and are not negotiable/discounted during the tenure. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

Securities sold subject to repurchase agreement (reverse repos) are classified in the financial statements as pledged assets when the transferee has a right by contract to resell the collateral: the counter liability is included in amounts due to other banks, deposits from banks or balances due to Central Bank as appropriate.

(m) Statutory loan loss reserve

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

(n) Leases

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

Leasehold 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.

(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.

2 Summary of significant accounting policies (Continued)

(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.

3 Critical accounting estimates and judgements in applying accounting policies

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

(i) Impairment losses on loans and advances

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

(ii) Income taxes

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

(iii) Impairment of goodwill

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

4 Financial risk management

Introduction

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

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

The Group defines risk as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the Group appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and enhanced.

The Group operates in an environment of numerous risks as shown below that may cause financial and non-financial results to differ significantly from anticipated objectives. The Group has an enterprise-wide approach to the identification, measurement, monitoring and management of risks faced across the organisation. These risks are classified as follows;

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

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

a) Active Board and Senior Management Oversight

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

b) Adequate Policies, Procedures and Limits

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

c) Adequate Risk Monitoring and Management Information Systems

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

4 **Financial risk management (Continued)**

Introduction (Continued)

d) **Internal Controls**

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

Risk management principles

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

- The Board of directors provides overall risk & capital management supervision of the bank. The Board, through its comprehensive sub-committee structure, oversees risk management, reviews and approves enterprise- wide risk policies and procedures and sets tolerance limits wherever required. The procedures describe the facility types, aggregate facility exposures and conditions under which the Group is prepared to do business.
- The risk management function is independent of the Group's business and operating units. This function which is headed by the Head of Risk and Compliance manages Credit, Market, Reputational, Strategic and Regulatory risks on an integrated basis.
- Various committees at functional level oversee the implementation of risk management policies and procedures. These committees are closely aligned with the structure of the Group's business and operating units.
- Market and liquidity risks are overseen by the Board Risk Management Committee (BRMC) and managed by a well-represented Asset and Liabilities Committee (ALCO). The members of ALCO are the Chief Executive Officer and the heads of Risk, Treasury, Finance and business units.

- The compliance function is independent of the Group's business and operating units, reporting to the Board Audit & Compliance Committee on a quarterly basis. The function, on a pro-active basis, identifies and assesses the compliance and operational risks associated with the Group's business. It helps management accomplish its objectives by addressing the current and prospective risk to earnings or capital arising from violations or on non-conformance with laws, rules, regulations, prescribed practice or ethical standards issued by the Board and the regulator from time to time.
- The Credit and Operational Risk Management committees are responsible for defining and implementation of their respective policies and procedures. The work of these two management committees is overseen by the Board Credit Committee and Board Risk Management Committee respectively.
- Independent review of the effectiveness of the overall risk framework is undertaken by the internal audit function which reports directly to the Board Audit& Compliance Committee. The Internal audit department independently monitors the effectiveness of the risk management programs and internal controls through periodic testing of the design and operations of processes related to identification, measurement or assessment, monitoring, controlling and reporting of risks.
- External audit has a statutory duty to report its independent opinion on the Group's financial statements to shareholders and acts as a third line of defence.

(a) **Credit risk management**

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

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.

4 **Financial risk management (Continued)**

Risk management principles (Continued)

(a) Credit risk management (Continued)

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.

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	
	2015	**2014**	**2015**	**2014**
	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	138,213,219	102,468,014	97,361,544	69,655,577
Past due but not impaired	40,366,587	37,221,119	29,128,928	26,082,664
Impaired	4,274,897	1,603,182	3,269,570	1,068,412
Gross	**182,854,703**	**141,292,315**	**129,760,042**	**96,806,653**
Less: Provision for impairment of loans and advances				
Identified impairment	(2,820,579)	(1,450,582)	(2,061,470)	(1,068,412)
Unidentified impairment	(2,489,253)	(2,187,182)	(1,880,713)	(1,678,981)
	177,544,871	**137,654,551**	**125,817,859**	**94,059,260**

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:

4 Financial risk management (Continued)

(a) Credit risk management (Continued)

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Past due up to 30 days	27,964,138	27,930,685	22,622,470	20,663,643
Past due 31 - 60 days	9,036,114	6,747,458	4,070,106	3,595,214
Past due 61 - 90 days	3,366,335	2,542,976	2,436,352	1,823,807
Total	**40,366,587**	**37,221,119**	**29,128,928**	**26,082,664**

Collateral, other credit enhancements

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

Loans and advances that are neither past due nor impaired

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

Past due but not impaired

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

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.

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	
At 31 December 2015	**Shs'000**	**%**	**Shs'000**	**%**	**Shs'000**	**%**
Manufacturing	23,679,602	13%	2,757,401	13%	4,917,553	3%
Wholesale and retail trade	38,115,390	21%	3,445,813	16%	20,331,631	10%
Transport and communications	13,902,934	7%	2,622,458	12%	5,052,199	3%
Business and financial services	32,017,674	18%	1,095,512	5%	48,192,120	24%
Agriculture	8,404,568	4%	210,261	1%	1,146,433	1%
Building, construction and real estate	43,351,496	24%	7,068,075	34%	7,845,388	4%
Retail housing	853,464	1%	134,635	1%	-	0%
Tourism and hotels	13,658,005	7%	2,673,051	13%	620,713	1%
Individuals	7,096,677	4%	688,616	3%	91,222,992	47%
Others	1,774,893	1%	392,168	2%	14,722,828	7%
	182,854,703	**100%**	**21,087,990**	**100%**	**194,051,857**	**100%**
At 31 December 2014						
Manufacturing	18,810,328	13%	2,426,645	12%	3,245,324	2%
Wholesale and retail trade	31,140,952	22%	3,485,586	17%	14,914,374	9%
Transport and communications	11,258,624	8%	2,776,289	13%	6,188,440	4%
Business and financial services	18,332,143	13%	807,031	4%	40,847,578	25%
Agriculture	8,576,289	6%	168,115	1%	1,469,027	1%
Building, construction and real estate	35,251,073	24%	6,829,970	32%	6,095,249	4%
Retail housing	801,691	1%	134,635	1%	-	0%
Tourism and hotels	8,325,069	6%	2,818,233	14%	2,084,922	1%
Individuals	6,655,206	5%	967,002	5%	76,268,863	48%
Others	2,140,940	2%	194,696	1%	9,841,832	6%
	141,292,315	**100%**	**20,608,202**	**100%**	**160,955,609**	**100%**

4 **Financial risk management (Continued)**

(b) **Concentrations of risk (Continued)**

Bank	Gross loans and advances		Credit commitments		Customer deposits	
At 31 December 2015	**Shs'000**	**%**	**Shs'000**	**%**	**Shs'000**	**%**
Manufacturing	15,462,650	12%	827,436	7%	3,566,638	3%
Wholesale and retail trade	21,831,851	17%	2,609,300	27%	9,875,791	8%
Transport and communications	10,412,930	8%	1,435,473	15%	4,007,896	3%
Business and financial services	27,733,637	21%	395,573	4%	37,208,973	29%
Agriculture	6,140,507	5%	54,654	1%	947,954	1%
Building, construction and real estate	31,507,669	24%	2,225,797	23%	6,326,770	5%
Retail housing	840,079	1%	83,938	1%	-	0%
Tourism and hotels	9,397,725	7%	1,660,864	17%	281,187	1%
Individuals	6,203,514	5%	393,492	4%	55,984,872	44%
Others	229,480	0%	74,364	1%	8,028,625	6%
	129,760,042	**100%**	**9,760,891**	**100%**	**126,228,706**	**100%**
At 31 December 2014						
Manufacturing	11,757,019	12%	1,808,393	10%	2,252,418	2%
Wholesale and retail trade	15,217,232	16%	2,581,297	15%	6,080,988	6%
Transport and communications	8,416,440	9%	2,302,482	13%	5,288,177	5%
Business and financial services	17,807,566	18%	634,494	4%	28,321,805	28%
Agriculture	5,608,339	6%	87,664	0%	558,622	1%
Building, construction and real estate	26,463,303	27%	6,778,127	38%	4,493,805	4%
Retail housing	778,841	1%	134,635	1%	-	0%
Tourism and hotels	4,769,136	5%	2,664,006	15%	1,557,768	2%
Individuals	5,614,391	6%	631,157	4%	47,498,543	47%
Others	374,386	0%	7,000	0%	5,541,380	5%
	96,806,653	**100%**	**17,629,255**	**100%**	**101,593,506**	**100%**

(c) **Market Risk Management**

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

Market risk management is undertaken by the Treasury function under the supervision of ALCO, while Risk and Compliance department maintains an overall oversight role.

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 securities at fair value.

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	1-3	3-12	1-5	Over 5	Non-interest	
	month	months	months	years	years	sensitive	Total
At 31 December 2015	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
FINANCIAL ASSETS							
Cash and balances with Central Banks	-	-	-	-	-	26,350,152	**26,350,152**
Government securities	1,201,303	18,300,029	23,036,451	4,401,363	-	-	**46,939,146**
Deposits and balances due from banking institutions	5,158,681	1,316,525	-	126,038	-	3,416,237	**10,017,481**
Loans and advances to customers	25,546,744	150,707,928	1,290,199	-	-	-	**177,544,871**
Investment in associate	-	-	-	-	-	24,077	**24,077**
Other assets	-	-	-	-	-	1,801,345	**1,801,345**
Total financial assets	**31,906,728**	**170,324,482**	**24,326,650**	**4,527,401**	**-**	**31,591,811**	**262,677,072**
FINANCIAL LIABILITIES							
Customer deposits	44,355,846	46,641,575	37,808,668	1,245,234	10,335	63,990,199	194,051,857
Deposits and balances due to banking institutions	8,024,056	164,243	92,503	-	-	125,596	8,406,398
Borrowings	-	4,881,756	21,235,899	-	-	24,035	26,141,690
Other liabilities	-	-	-	-	-	3,704,569	3,704,569
Total financial liabilities	**52,379,902**	**51,687,574**	**59,137,070**	**1,245,234**	**10,335**	**67,844,399**	**232,304,514**
Interest sensitivity gap	**(20,473,174)**	**118,636,908**	**(34,810,420)**	**3,282,167**	**(10,335)**	**(36,252,588)**	**30,372,558**

4 **Financial risk management (Continued)**

(c) **Market Risk Management (Continued)**

(ii) Interest rate risk (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	Non-interest sensitive Shs'000	Total Shs'000
Group (Continued)							
At 31 December 2014							
Total financial assets	38,989,275	96,958,031	45,428,454	3,138,983	-	19,227,420	**203,742,163**
Total financial liabilities	29,725,722	32,698,032	46,745,737	1,831,644	10,335	67,533,541	**178,545,011**
Interest sensitivity gap	**9,263,553**	**64,259,999**	**(1,317,283)**	**1,307,339**	**(10,335)**	**(48,306,121)**	**25,197,152**
Bank							
At 31 December 2015							
FINANCIAL ASSETS							
Cash and balances with Central Bank of Kenya	-	-	-	-	-	14,578,145	**14,578,145**
Government securities	997,323	16,735,440	13,824,751	2,753,195	-	-	**34,310,709**
Deposits and balances due from banking institutions	4,973,737	-	-	-	-	-	**4,973,737**
Loans and advances to customers	68,518	125,683,884	65,457	-	-	-	**125,817,859**
Investments in subsidiaries and associates	-	-	-	-	-	3,392,468	**3,392,468**
Amounts due from group companies	-	-	227,794	-	-	-	**227,794**
Other assets	-	-	-	-	-	1,483,819	**1,483,819**
Total financial assets	**6,039,578**	**142,419,324**	**14,118,002**	**2,753,195**	**-**	**19,454,432**	**184,784,531**

4 **Financial risk management (Continued)**

(c) **Market risk management (Continued)**

(ii) Interest rate risk (Continued)

Bank (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**	**Non-interest sensitive Shs'000**	**Total Shs'000**
FINANCIAL LIABILITIES							
Customer deposits	24,407,501	37,671,758	17,277,263	304,188	10,335	46,557,661	126,228,706
Deposits and balances due to banking institutions	8,149,404	-		-	-	-	8,149,404
Borrowings	-	2,593,012	20,483,620	-	-	-	23,076,632
Other liabilities	-	-	-	-	-	2,851,726	2,851,726
Total financial liabilities	**32,556,905**	**40,264,770**	**37,760,883**	**304,188**	**10,335**	**49,409,387**	**160,306,468**
Interest sensitivity gap	**(26,517,327)**	**102,154,554**	**(23,642,881)**	**2,449,007**	**(10,335)**	**(29,954,955)**	**24,478,063**
At 31 December 2014							
Total financial assets	11,595,924	74,566,217	37,108,826	1,230,120	-	11,161,175	135,662,262
Total financial liabilities	24,773,390	25,188,027	24,805,691	998,178	10,335	39,212,284	114,987,905
Interest sensitivity gap	**(13,177,466)**	**49,378,190**	**12,303,135**	**231,942**	**(10,335)**	**(28,051,109)**	**20,674,357**

Interest rate risk sensitivity analysis

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

	Group		**Bank**	
	2015 Shs'million	**2014 Shs'million**	**2015 Shs'million**	**2014 Shs'million**
+ 5% movement	238	580	324	693
- 5% movement	(238)	(580)	(324)	(693)

4 **Financial risk management (Continued)**

(c) **Market risk management (Continued)**

(iii) Foreign exchange risk

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

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

The table below summarises the Group's and Bank's exposure to foreign currency exchange rate risk at 31 December 2015. Included in the table are the Group's and Bank's financial instruments, categorised by currency.

Group	USD	GBP	EURO	OTHERS	TOTAL
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 31 December 2015					
FINANCIAL ASSETS					
Cash and balances with Central banks	4,208,068	129,278	221,699	36,281	4,595,326
Deposits and balances due from banking institutions	7,646,810	745,793	688,876	300,707	9,382,186
Other assets	69,111	-	-	-	69,111
Loans and advances to customers	82,012,267	48,242	3,162,957	42	85,223,508
Total financial assets	**93,936,256**	**923,313**	**4,073,532**	**337,030**	**99,270,131**
FINANCIAL LIABILITIES					
Customer deposits	56,687,222	2,642,637	2,271,992	438,350	62,040,201
Deposits and balances due to banking institutions	7,794,912	2,462	839,326	41,476	8,678,176
Other liabilities	408,723	4,613	640	596	414,572
Borrowings	26,117,657	-	-	24,033	26,141,690
Total financial liabilities	**91,008,514**	**2,649,712**	**3,111,958**	**504,455**	**97,274,639**
Net balance sheet position	**2,927,742**	**(1,726,399)**	**961,574**	**(167,425)**	**1,995,492**
Net off balance sheet position	**(1,552,883)**	**1,358,196**	**(1,156,418)**	**(89,953)**	**(1,441,058)**
Overall net position	**1,374,859**	**(368,203)**	**(194,844)**	**(257,378)**	**554,434**
At 31 December 2014					
Total financial assets	72,378,320	895,503	3,639,645	406,165	77,319,633
Total financial liabilities	67,673,610	1,815,882	2,362,973	386,937	72,239,402
Net balance sheet position	**4,704,710**	**(920,379)**	**1,276,672**	**19,228**	**5,080,231**
Net off balance sheet position	**(4,696,841)**	**906,477**	**(1,017,316)**	**(16,290)**	**(4,823,970)**
Overall net position	**7,869**	**(13,902)**	**259,356**	**2,938**	**256,261**

4 Financial risk management (Continued)

(c) Market risk management (Continued)

(iii) Foreign exchange risk (Continued)

Bank At 31 December 2015	USD Shs'000	GBP Shs'000	EURO Shs'000	OTHERS Shs'000	TOTAL Shs'000
FINANCIAL ASSETS					
Cash and balances with Central banks	325,505	48,685	112,293	20,912	507,395
Deposits and balances due from banking institutions	2,207,975	388,794	410,284	218,407	3,225,460
Other assets	25,993	-	-	-	25,993
Loans and advances to customers	50,036,232	48,109	3,000,358	-	53,084,699
Amount due from group companies	227,794	-	-	-	227,794
Total financial assets	**52,823,499**	**485,588**	**3,522,935**	**239,319**	**57,071,341**
FINANCIAL LIABILITIES					
Customer deposits	20,207,366	1,965,209	1,717,561	424,354	24,314,490
Deposits and balances due to banking institutions	7,266,202	2,448	839,278	41,476	8,149,404
Other liabilities	242,788	-	-	-	242,788
Borrowings	23,076,632	-	-	-	23,076,632
Total financial liabilities	**50,792,988**	**1,967,657**	**2,556,839**	**465,830**	**55,783,314**
Net balance sheet position	**2,030,511**	**(1,482,069)**	**966,096**	**(226,511)**	**1,288,027**
Net off balance sheet position	**(1,345,282)**	**1,369,559**	**(1,094,168)**	**(27,265)**	**(1,097,156)**
Overall net position	**685,229**	**(112,510)**	**(128,072)**	**(253,776)**	**190,871**
At 31 December 2014					
Total financial assets	40,978,979	451,371	2,912,304	352,915	44,695,569
Total financial liabilities	36,397,885	1,410,998	1,729,702	357,565	39,896,150
Net balance sheet position	**4,581,094**	**(959,627)**	**1,182,602**	**(4,650)**	**4,799,419**
Net off balance sheet position	**(4,628,953)**	**949,713**	**(1,175,604)**	**25,103**	**(4,829,741)**
Overall net position	**(47,859)**	**(9,914)**	**6,998**	**20,453**	**(30,322)**

Currency risk sensitivity analysis

At 31 December 2015, 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	
	2015 Shs'million	2014 Shs'million	2015 Shs'million	2014 Shs'million
+ 5% movement	18.0	8.3	6.2	(1.0)
- 5% movement	(18.0)	(8.3)	(6.2)	1.0

4 Financial risk management (Continued)

(d) Liquidity risk management

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

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

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

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

Group

At 31 December 2015	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
FINANCIAL ASSETS	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Cash and balances with Central Banks	19,673,930	3,044,596	3,476,589	148,950	6,087	26,350,152
Government securities	1,849,297	18,129,883	25,940,166	5,019,376	-	50,938,722
Deposits and balances due from banking institutions	9,940,082	1,410,756	102,147	-	-	11,452,985
Loans and advances to customers	11,068,374	32,462,892	55,868,325	70,511,191	25,112,633	195,023,415
Corporate bond - held to maturity	-	-	40,162	136,562	-	176,724
Investment in associate	-	-	-	-	24,077	24,077
Other assets	1,789,827	11,430	88	-	-	1,801,345
Total financial assets	**44,321,510**	**55,059,557**	**85,427,477**	**75,816,079**	**25,142,797**	**285,767,420**
FINANCIAL LIABILITIES						
Customer deposits	110,128,247	47,915,118	39,526,393	1,356,818	57,565	198,984,141
Deposits and balances due to banking institutions	9,263,859	10,411	3,855	1,970	-	9,280,095
Borrowings	-	3,550,627	11,565,391	11,254,581	1,800,645	28,171,244
Other liabilities	3,701,725	71	2,773	-	-	3,704,569
Total financial liabilities	**123,093,831**	**51,476,227**	**51,098,412**	**12,613,369**	**1,858,210**	**240,140,049**
Net liquidity gap	**(78,772,321)**	**3,583,330**	**34,329,065**	**63,202,710**	**23,284,587**	**45,627,371**

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 2014						
Total financial assets	45,793,941	23,426,521	74,459,514	68,992,974	25,837,706	**238,510,656**
Total financial liabilities	97,357,366	34,805,333	37,634,733	11,641,906	2,815,913	**184,255,251**
Net liquidity gap	**(51,563,425)**	**(11,378,812)**	**36,824,781**	**57,351,068**	**23,021,793**	**54,255,405**

Bank

At 31 December 2015	Up to 1 month Shs'000	1-3 months Shs'000	3-12 months Shs'000	1-5 years Shs'000	Over 5 years Shs'000	Total Shs'000
FINANCIAL ASSETS						
Cash and balances with Central Bank of Kenya	11,749,671	1,910,684	899,706	17,228	856	**14,578,145**
Government securities	1,000,000	17,140,530	15,476,202	2,945,641	-	**36,562,373**
Deposits and balances due from banking institutions	4,973,737	-	-	-	-	**4,973,737**
Loans and advances to customers	7,021,915	24,772,373	37,793,701	45,760,670	14,992,093	**130,340,752**
Investments in subsidiaries and associates	-	-	-	-	3,392,468	**3,392,468**
Amounts due from group companies	-	-	119,889	115,783	-	**235,672**
Other assets	1,483,819	-	-	-	-	**1,483,819**
Total financial assets	**26,229,142**	**43,823,587**	**54,289,498**	**48,839,322**	**18,385,417**	**191,566,966**
FINANCIAL LIABILITIES						
Customer deposits	71,124,548	38,406,903	18,085,100	346,305	17,210	**127,980,066**
Deposits and balances due to banking institutions	8,149,404	-	-	-	-	**8,149,404**
Borrowings	-	3,530,411	11,292,585	9,809,640	1,032,704	**25,665,340**
Other liabilities	2,851,726	-	-	-	-	**2,851,726**
Total financial liabilities	**82,125,678**	**41,937,314**	**29,377,685**	**10,155,945**	**1,049,914**	**164,646,536**
Net liquidity gap	**(55,896,536)**	**1,886,273**	**24,911,813**	**38,683,377**	**17,335,503**	**26,920,430**
At 31 December 2014						
Total financial assets	27,973,767	15,858,924	49,020,071	45,255,977	20,537,000	158,645,739
Total financial liabilities	63,287,356	28,073,350	16,997,294	8,716,697	1,599,191	118,673,888
Net liquidity gap	**(35,313,589)**	**(12,214,426)**	**32,022,777**	**36,539,280**	**18,937,809**	**39,971,851**

4 **Financial risk management (Continued)**

(e) Operational risk management

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

At management level, the Operational Risk Management Committee (ORCO) has the responsibility for assessing the risk associated with the Group's activities, ensuring they are clearly identified, assessed and controlled in line with the Group's Operational Risk Management Policy. ORCO is charged with ensuring that the Group has adequate internal policies and procedures, technology, business continuity, and ensuring that the appropriate knowledge, skills, resources and expertise are available within the Group to enable the staff to meet the risk management and control requirements within each of their respective areas of operation.

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

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

(f) Fair values of financial assets and liabilities

IFRS 7 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the 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).

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.

With effect from 1 January 2015, Banks in Kenya are required to maintain a capital conservation buffer of 2.5% over and above the minimum capital requirements. The minimum capital adequacy ratios (CARs) including the buffer are as follows:

4 **Financial risk management (Continued)**

(g) **Capital management (Continued)**

a. Core capital to Total risk weighted assets ratio 10.50%

b. Core capital to deposits ratio 8.00%

c. Total capital to Total risk weighted assets ratio 14.50%

As at 31 December 2015, the bank's capital ratios are above the enhanced minimum capital requirements.

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

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

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

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

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Tier 1 Capital	35,876,551	30,215,645	25,420,505	22,245,196
Tier 1 + Tier 2 Capital	43,823,890	35,798,348	30,299,471	25,064,558
Risk-weighted assets				
On-balance sheet	186,086,907	147,390,696	130,647,566	99,717,967
Off-balance sheet	26,020,761	19,814,204	20,733,129	15,326,835
Operational and market risk	19,900,001	17,229,603	19,900,001	17,229,603
Total risk-weighted assets	**232,007,669**	**184,434,503**	**171,280,696**	**132,274,405**
Basel ratio				
Tier 1 (CBK minimum - 10.5%)	15.5%	16.4%	14.8%	16.8%
Tier I + Tier II (CBK minimum - 14.5%)	18.9%	19.4%	17.7%	18.9%

The capital adequacy ratios for the subsidiaries are summarised below;

	2015	**2014**
Tier 1		
DTB Tanzania - Bank of Tanzania (BOT) minimum - 10%;	19.1%	15.4%
DTB Uganda - Bank of Uganda (BOU) minimum - 8%	13.5%	13.6%
DTB Burundi - Banque de la Republique du Burundi minimum - 10%	41.0%	36.0%
Tier I + Tier II		
DTB Tanzania (BOT) minimum - 12%;	24.7%	21.4%
DTB Uganda - (BOU) minimum -12%	18.2%	18.5%
DTB Burundi - Banque de la Republique du Burundi minimum - 12%	41.4%	36.8%

		Group		Bank	
5	**Interest income**	**2015**	**2014**	**2015**	**2014**
		Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
	Loans and advances	21,347,025	17,290,845	15,272,948	11,968,878
	Government securities	4,213,348	3,213,953	2,573,450	2,199,023
	Placements and bank balances	264,806	303,218	186,779	107,887
		25,825,179	**20,808,016**	**18,033,177**	**14,275,788**
6	**Interest expense**				
	Customer deposits	9,674,934	7,542,290	6,674,287	5,089,101
	Deposits due to banking institutions	222,914	226,808	122,012	166,874
		9,897,848	**7,769,098**	**6,796,299**	**5,255,975**
7	**Net fee and commission income**				
	Fee and commission income	2,849,420	2,374,387	1,475,787	1,257,899
	Inter-bank transaction fees	(75,537)	(56,298)	(58,078)	(43,728)
	Net fees and commissions	**2,773,883**	**2,318,089**	**1,417,709**	**1,214,171**
8	**Other operating income**				
	Rental income	45,823	37,446	45,333	37,006
	Commission from insurance business	67,965	56,210	-	-
	Gain/(loss) on sale of property and equipment	43,490	(7,212)	41,554	(7,699)
	Other	3,672	10,586	33,301	37,623
		160,950	**97,030**	**120,188**	**66,930**
9	**Operating expenses**				
	Operating expenses include:				
	Staff costs (Note 10)	3,350,670	2,941,895	1,974,328	1,655,516
	Depreciation (Note 22)	772,335	705,726	465,384	429,844
	Amortisation of software costs (Note 21)	213,844	205,264	142,659	147,611
	Operating lease rentals	554,991	452,507	261,308	227,393
	Auditors' remuneration	16,160	15,681	6,664	6,346
10	**Staff costs**				
	Salaries and allowances	2,935,693	2,563,903	1,831,747	1,525,633
	Contribution to defined contribution retirement scheme	74,390	62,096	72,688	60,726
	Accrual for gratuity pay	-	425	-	-
	National Social Security Fund contribution	97,113	88,140	2,319	2,227
	Others including insurance and training expenses	243,474	227,331	67,574	66,930
		3,350,670	**2,941,895**	**1,974,328**	**1,655,516**

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
11 Income tax expense				
a) Tax charge				
Current income tax	3,468,371	2,865,843	2,636,140	2,176,663
Underprovision of income tax in previous year	2,488	64,008	1,838	48,784
Deferred income tax (note 24)	(509,648)	(174,006)	(380,197)	(127,749)
Under provision of deferred tax credit in previous year (note 24)	4,175	57,011	4,175	56,936
	2,965,386	**2,812,856**	**2,261,956**	**2,154,634**

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	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Profit before income tax	9,565,192	8,521,286	7,054,807	6,307,072
Tax calculated at the statutory tax rate of 30% (2014: 30%)	2,869,558	2,556,386	2,116,442	1,892,122
Tax effect of:				
Income not subject to tax	(215,801)	(130,898)	(22,537)	(11,043)
Expenses not deductible for tax purposes	167,916	183,606	162,038	167,835
Under provision of current income tax in previous year	2,488	64,008	1,838	48,784
Over provision of deferred tax credit in previous year	4,175	57,011	4,175	56,936
Final tax on investment income	137,050	82,743	-	-
Income tax expense	**2,965,386**	**2,812,856**	**2,261,956**	**2,154,634**

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	
	2015	2014	2015	2014
Profit attributable to shareholders (Shs thousands)	5,912,082	5,083,519	4,792,851	4,152,438
Weighted average number of ordinary shares in issue (thousands)	242,110	231,926	242,110	231,926
Earnings per share (Shs per share) - basic and diluted	24.42	21.92	19.80	17.90

The earnings per share have been calculated on the basis of the number of weighted ordinary shares issued as at 31 December 2015. There were no potentially dilutive shares outstanding at 31 December 2015.

13 Dividends per share

At the Annual General Meeting to be held on 26 May 2016, a final dividend in respect of the year ended 31 December 2015 of Shs 2.50 per share amounting to a total of Shs 605,275,263 is to be proposed.

The total dividend for the year is Shs 2.50 per share (2014: Shs 2.40), amounting to a total of Shs 605,275,263 (2014: Shs 581,064,252).

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.

14 Cash and balances with Central Banks

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Cash in hand	4,325,186	4,209,824	2,208,872	2,506,750
Balances with Central Banks	22,024,966	11,699,981	12,369,273	5,251,082
	26,350,152	**15,909,805**	**14,578,145**	**7,757,832**

15 Government securities - at amortised cost

Treasury bills	36,838,734	26,372,920	30,525,670	19,310,068
Treasury bonds	10,100,412	8,727,864	3,785,039	3,415,369
Total Government securities	**46,939,146**	**35,100,784**	**34,310,709**	**22,725,437**

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	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Included in cash and cash equivalents	-	40,020	-	-
Less than 1 year	42,537,783	31,921,781	31,557,514	21,495,317
1-5 years	4,401,363	3,138,983	2,753,195	1,230,120
	46,939,146	**35,100,784**	**34,310,709**	**22,725,437**

16 Deposits and balances due from banking institutions

Due from other banks	10,017,481	13,701,450	4,973,737	7,413,484

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

17 Loans and advances to customers

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Loans and advances	176,176,313	136,179,489	123,081,652	91,693,827
Finance leases	6,678,390	5,112,826	6,678,390	5,112,826
Gross loans and advances	182,854,703	141,292,315	129,760,042	96,806,653
Less: Provision for impairment				
Identified impairment	(2,820,579)	(1,450,582)	(2,061,470)	(1,068,412)
Unidentified impairment	(2,489,253)	(2,187,182)	(1,880,713)	(1,678,981)
Net loans and advances	**177,544,871**	**137,654,551**	**125,817,859**	**94,059,260**

17 **Loans and advances to customers (Continued)**

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 2014				
At start of year	1,192,393	1,947,781	972,023	1,536,603
Provision for loan impairment	1,122,660	253,927	706,843	142,378
Loans written off during the year as uncollectible	(369,288)	-	(236,158)	-
Release of provision no longer required	(488,059)	-	(374,296)	-
Translation difference	(7,124)	(14,526)	-	-
At end of year	**1,450,582**	**2,187,182**	**1,068,412**	**1,678,981**
Year ended 31 December 2015				
At start of year	1,450,582	2,187,182	1,068,412	1,678,981
Provision for loan impairment	2,056,976	375,553	1,486,474	201,732
Loans written off during the year as uncollectible	(383,258)	(39,253)	(344,713)	-
Release of provision no longer required	(273,905)	-	(148,703)	-
Translation difference	(29,816)	(34,229)	-	-
At end of year	**2,820,579**	**2,489,253**	**2,061,470**	**1,880,713**

	Identified impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
Charge to statement of profit or loss (Group)			
Year ended 31 December 2014			
Provision for loan impairment	1,029,448	253,927	1,283,375
Release of provision no longer required	(438,062)	-	(438,062)
Net increase in provision	591,386	253,927	845,313
Amounts recovered previously written off	(19,879)	-	(19,879)
Loans written off through the statement of profit or loss	25,776	-	25,776
Net charge to the statement of profit or loss	**597,283**	**253,927**	**851,210**
Year ended 31 December 2015			
Provision for loan impairment	2,056,976	375,553	2,432,529
Release of provision no longer required	(273,905)	-	(273,905)
Net increase in provision	1,783,071	375,553	2,158,624
Amounts recovered previously written off	(27,897)	-	(27,897)
Loans written off through the statement of profit or loss	19,551	-	19,551
Net charge to the statement of profit or loss	**1,774,725**	**375,553**	**2,150,278**

17 Loans and advances to customers (Continued)

	Identified impairment	Unidentified impairment	Total
Charge to statement of profit or loss (Bank)	**Shs'000**	**Shs'000**	**Shs'000**
Year ended 31 December 2014			
Provision for loan impairment	706,843	142,378	849,221
Release of provision no longer required	(374,296)	-	(374,296)
Net increase in provision	**332,547**	**142,378**	**474,925**
Amounts recovered previously written off	(14,407)	-	(14,407)
Loans written off through statement of profit or loss	15,455	-	15,455
Net charge to statement of profit or loss	**333,595**	**142,378**	**475,973**
Year ended 31 December 2015			
Provision for loan impairment	1,486,474	201,732	1,688,206
Release of provision no longer required	(148,703)	-	(148,703)
Net increase in provision	1,337,771	201,732	1,539,503
Amounts recovered previously written off	(21,191)	-	(21,191)
Loans written off through statement of profit or loss	17,399	-	17,399
Net charge to statement of profit or loss	**1,333,979**	**201,732**	**1,535,711**

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 2015, was Group: Shs 1.4 billion, Bank: Shs 1.2 billion (2014 - Group: Shs 152.6 million, Bank: Shs nil).

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

	Group and Bank	
	2015	**2014**
	Shs'000	**Shs'000**
Gross investment in finance leases:		
Not later than 1 year	556,766	677,561
Later than 1 year and not later than 5 years	6,989,474	5,299,616
	7,546,240	5,977,177
Unearned future finance income on finance leases	(867,850)	(864,351)
Net investment in finance leases	**6,678,390**	**5,112,826**
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	530,345	629,539
Later than 1 year and not later than 5 years	6,148,045	4,483,287
Net investment in finance leases	**6,678,390**	**5,112,826**

18 Corporate bond at amortised cost

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

19 Amount due from group companies	**Bank**	
	2015	**2014**
	Shs'000	**Shs'000**
Subordinated debts to Diamond Trust Bank Uganda	113,897	151,453
Subordinated debts to Diamond Trust Bank Tanzania	113,897	151,453
	227,794	**302,906**

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

	Group		**Bank**	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
20 Other assets				
Uncleared effects	659,652	715,206	582,989	551,787
Deposits and prepayments	674,514	488,244	350,294	277,932
Others	1,141,693	645,428	900,830	556,302
	2,475,859	**1,848,878**	**1,834,113**	**1,386,021**
21 Intangible assets-software costs				
At start of year	586,043	560,351	339,303	377,522
Additions	241,149	178,241	189,542	102,559
Transfer from property and equipment (note 22)	1,508	58,426	-	6,833
Amortisation charge for the year	(213,844)	(205,264)	(142,659)	(147,611)
Translation difference	(19,364)	(5,711)	-	-
At the end of year	**595,492**	**586,043**	**386,186**	**339,303**
Cost	1,664,311	1,441,018	1,113,881	924,339
Accumulated amortisation	(1,068,819)	(854,975)	(727,695)	(585,036)
Net book amount	**595,492**	**586,043**	**386,186**	**339,303**

22 Property and equipment

(a) Group

	Leasehold land	Buildings	Leasehold improvements	Motor vehicles	Furniture, fittings & equipment	Work in progress	Total
At 1 January 2014	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
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**
Year ended 31 December 2014							
Opening net book amount	313,278	2,178,660	699,826	43,760	1,393,471	250,251	4,879,246
Translation difference	91	(803)	(15,771)	(377)	(14,036)	(1,841)	(32,737)
Additions	-	111,706	211,881	20,905	364,232	501,925	1,210,649
Transfer from work in progress	-	95,588	145,618	-	166,972	(408,178)	-
Transfer to intangible assets (note 21)	-	-	-	-	-	(58,426)	(58,426)
Write off - Cost	-	-	(29,250)	-	(21)	-	(29,271)
Write off - accumulated depreciation	-	-	24,522	-	21	-	24,543
Disposals	-	-	(77,456)	(1,196)	(85,264)	-	(163,916)
Disposals - accumulated depreciation	-	-	68,734	1,078	78,092	-	147,904
Depreciation charge	(4,760)	(94,087)	(138,042)	(20,564)	(448,273)	-	(705,726)
Closing net book amount	**308,609**	**2,291,064**	**890,062**	**43,606**	**1,455,194**	**283,731**	**5,272,266**
At 31 December 2014							
Cost or valuation	321,369	2,432,957	1,415,088	105,742	3,384,006	283,731	7,942,893
Accumulated depreciation	(12,760)	(141,893)	(525,026)	(62,136)	(1,928,812)	-	(2,670,627)
Net book amount	**308,609**	**2,291,064**	**890,062**	**43,606**	**1,455,194**	**283,731**	**5,272,266**
At 31 December 2014							
Cost	67,416	2,292,910	1,415,088	105,742	3,384,006	283,731	7,548,893
Revaluation surplus	253,953	140,047	-	-	-	-	394,000
Cost or valuation	**321,369**	**2,432,957**	**1,415,088**	**105,742**	**3,384,006**	**283,731**	**7,942,893**

22 Property and equipment (Continued)

(a) Group (Continued)

	Leasehold land	Buildings	Leasehold improvements	Motor vehicles	Furniture, fittings & equipment	Work in progress	Total
Year ended 31 December 2015	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**	**Shs'000**
Opening net book amount	308,609	2,291,064	890,062	43,606	1,455,194	283,731	5,272,266
Translation difference	332	(2,799)	(44,775)	(763)	(44,858)	(9,551)	(102,414)
Additions	-	-	154,286	5,153	538,042	528,864	1,226,345
Transfer from work in progress	-	-	537	2,586	36,069	(39,192)	-
Transfer to intangible assets (note 21)	-	-	-	-	-	(1,508)	(1,508)
Disposals	-	-	(7,182)	(2,819)	(60,751)	-	(70,752)
Disposals - accumulated depreciation	-	-	4,906	2,558	59,701	-	67,165
Depreciation charge	(4,150)	(90,176)	(164,556)	(22,171)	(491,282)	-	(772,335)
Closing net book amount	**304,791**	**2,198,089**	**833,278**	**28,150**	**1,492,115**	**762,344**	**5,618,767**
At 31 December 2015							
Cost or valuation	321,701	2,430,158	1,517,954	109,899	3,852,508	762,344	8,994,564
Accumulated depreciation	(16,910)	(232,069)	(684,676)	(81,749)	(2,360,393)	-	(3,375,797)
Net book amount	**304,791**	**2,198,089**	**833,278**	**28,150**	**1,492,115**	**762,344**	**5,618,767**
At 31 December 2015							
Cost	67,748	2,290,111	1,517,954	109,899	3,852,508	762,344	8,600,564
Revaluation surplus	253,953	140,047	-	-	-	-	394,000
Cost or valuation	**321,701**	**2,430,158**	**1,517,954**	**109,899**	**3,852,508**	**762,344**	**8,994,564**

22 Property and equipment (Continued)

(b) Bank

	Leasehold land	Buildings	Leasehold improvements	Motor Vehicles	Furniture, fittings & equipment	Work in Progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2014							
Cost or valuation	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**
Year ended 31 December 2014							
Opening net book amount	310,888	2,044,711	229,141	30,408	858,580	210,055	3,683,783
Additions	-	111,553	137,166	17,348	188,072	158,771	612,910
Transfers from work in progress	-	95,588	20,631	-	85,533	(201,752)	-
Transfers to intangible assets (note 21)	-	-	-	-	-	(6,833)	(6,833)
Write off - Cost	-	-	(29,250)	-	(21)	-	(29,271)
Write off - accumulated depreciation	-	-	24,522	-	21	-	24,543
Disposals	-	-	(75,581)	(155)	(50,900)	-	(126,636)
Disposals - accumulated depreciation	-	-	68,566	155	44,485	-	113,206
Depreciation charge	(4,642)	(88,091)	(61,930)	(11,930)	(263,251)	-	(429,844)
Closing net book amount	**306,246**	**2,163,761**	**313,265**	**35,826**	**862,519**	**160,241**	**3,841,858**
At 31 December 2014							
Cost or valuation	318,300	2,281,743	524,516	77,359	1,961,568	160,241	5,323,727
Accumulated depreciation	(12,054)	(117,982)	(211,251)	(41,533)	(1,099,049)	-	(1,481,869)
Net book amount	**306,246**	**2,163,761**	**313,265**	**35,826**	**862,519**	**160,241**	**3,841,858**
At 31 December 2014							
Cost	64,331	2,151,528	524,516	77,359	1,961,568	160,241	4,939,543
Revaluation surplus	253,969	130,215	-	-	-	-	384,184
Cost or valuation	**318,300**	**2,281,743**	**524,516**	**77,359**	**1,961,568**	**160,241**	**5,323,727**

22 Property and equipment (Continued)

(b) Bank (Continued)

	Leasehold land	Buildings	Leasehold improvements	Motor vehicles	Furniture, fittings & equipment	Work in progress	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2015							
Opening net book amount	306,246	2,163,761	313,265	35,826	862,519	160,241	3,841,858
Additions	-	-	66,988	-	249,128	306,904	623,020
Transfers from work in progress	-	-	-	-	4,160	(4,160)	-
Disposals	-	-	(7,181)	-	(42,024)	-	(49,205)
Disposals - accumulated depreciation	-	-	4,906	-	41,236	-	46,142
Depreciation charge	(4,018)	(84,271)	(79,999)	(14,500)	(282,596)	-	(465,384)
Closing net book amount	**302,228**	**2,079,490**	**297,979**	**21,326**	**832,423**	**462,985**	**3,996,431**
At 31 December 2015							
Cost or revaluation	318,300	2,281,743	584,323	77,359	2,172,832	462,985	5,897,542
Accumulated depreciation	(16,072)	(202,253)	(286,344)	(56,033)	(1,340,409)	-	(1,901,111)
Net book amount	**302,228**	**2,079,490**	**297,979**	**21,326**	**832,423**	**462,985**	**3,996,431**
At 31 December 2015							
Cost	64,331	2,151,528	584,323	77,359	2,172,832	462,985	5,513,358
Revaluation surplus	253,969	130,215	-	-	-	-	384,184
Cost or valuation	**318,300**	**2,281,743**	**584,323**	**77,359**	**2,172,832**	**462,985**	**5,897,542**

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	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Cost	2,306,672	2,306,672	2,215,859	2,215,859
Accumulated depreciation	(94,623)	(69,992)	(82,641)	(58,010)
Net book amount	**2,212,049**	**2,236,680**	**2,133,218**	**2,157,849**

23 Intangible assets - goodwill

	Group	
	2015	2014
	Shs'000	Shs'000
	173,372	173,372

Goodwill on acquisition of control in subsidiaries

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% (2014: 30%). The movement on the deferred tax account is as follows:

Deferred tax asset	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
At start of year	1,244,078	1,130,919	1,054,439	983,626
Charged through the statement of profit or loss	509,648	174,006	380,197	127,749
Understatement of deferred tax in previous year	(4,175)	(57,011)	(4,175)	(56,936)
Translation difference	(14,146)	(3,836)	-	-
At end of the year	**1,735,405**	**1,244,078**	**1,430,461**	**1,054,439**

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

Group

Year ended 31 December 2014	1.1.2014	Charged to the statement of profit or loss	31.12.2014
	Shs'000	Shs'000	Shs'000
Deferred income tax liabilities			
Unrealised foreign exchange gain	(16,446)	5,796	(10,650)
Revaluation surplus	(3,563)	351	(3,212)
	(20,009)	6,147	(13,862)
Deferred income tax assets			
Property and equipment	(21,605)	13,019	(8,586)
Provisions for loan impairment	965,248	126,433	1,091,681
Provisions for gratuity and staff bonus	178,713	(12,772)	165,941
Investment credit carried forward	28,572	(19,668)	8,904
	1,150,928	107,012	1,257,940
Net deferred income tax asset	**1,130,919**	**113,159**	**1,244,078**

24 Deferred income tax (Continued)

Group (Continued)

Year ended 31 December 2015	1.1.2015 Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2015 Shs'000
Deferred income tax liabilities			
Unrealised foreign exchange gain	(10,650)	4,563	(6,087)
Revaluation surplus	(3,212)	(5,587)	(8,799)
	(13,862)	(1,024)	(14,886)
Deferred income tax assets			
Property and equipment	(8,586)	38,715	30,129
Provisions for loan impairment	1,091,681	450,856	1,542,537
Provisions for staff bonus	165,941	11,684	177,625
Investment credit carried forward	8,904	(8,904)	-
	1,257,940	492,351	1,750,291
Net deferred income tax asset	**1,244,078**	**491,327**	**1,735,405**

Bank

Year ended 31 December 2014	1.1.2014 Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2014 Shs'000
Deferred income tax assets			
Property and equipment	33,802	16,333	50,135
Provisions for loan impairment	787,770	61,585	849,355
Provisions for gratuity and staff bonus	178,500	(12,900)	165,600
Unrealised foreign exchange gain	(16,446)	5,795	(10,651)
Net deferred tax asset	**983,626**	**70,813**	**1,054,439**

Year ended 31 December 2015	1.1.2015 Shs'000	Charged to the statement of profit or loss Shs'000	31.12.2015 Shs'000
Deferred income tax assets			
Property and equipment	50,135	9,334	59,469
Provisions for loan impairment	849,355	350,724	1,200,079
Provisions for staff bonus	165,600	11,400	177,000
Unrealised foreign exchange gain	(10,651)	4,564	(6,087)
Net deferred tax asset	**1,054,439**	**376,022**	**1,430,461**

25 Investments in subsidiaries and associates

	2015 Shs'000	2014 Shs'000
Associate - Jubilee Insurance Company of Burundi S.A.		
At start of year	14,939	9,983
Additional investment in the year	8,441	-
Share of results after tax	(1,443)	4,561
Translation	2,140	395
At end of year	**24,077**	**14,939**

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

	Beneficial Ownership		Group		Bank	
			2015 Shs'000	2014 Shs'000	2015 Shs'000	2014 Shs'000
Subsidiaries	**2015**	**2014**				
Diamond Trust Bank Tanzania Limited	65.68%	62.93%	-	-	2,058,575	961,361
Diamond Trust Bank Uganda Limited	56.97%	56.97%	-	-	818,144	818,144
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
			-	**-**	**3,392,467**	**2,295,253**
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**	**3,392,468**	**2,295,254**

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 2015 is Shs 4,170,951,000 (2014: Shs 3,300,323,000), of which Shs 2,078,145,000 is for Diamond Trust Bank Tanzania Limited, Shs 1,798,746,000 for Diamond Trust Bank Uganda Limited and Shs 294,060,000 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.

25 Investments in subsidiaries and associates (Continued)

Summarised financial information on subsidiaries with material non-controlling interests

Summarised balance sheet	Diamond Trust Bank Tanzania Limited	Diamond Trust Bank Uganda Limited	Diamond Trust Bank Burundi SA
	Shs'000	Shs'000	Shs'000
Total assets	**42,619,447**	**40,247,729**	**2,470,263**
Liabilities	36,406,546	36,067,514	1,569,895
Shareholders funds	6,212,900	4,180,215	900,368
Total liabilities and equity	**42,619,446**	**40,247,729**	**2,470,263**
Summarised statement of profit or loss			
Total operating income	3,399,004	3,112,000	247,197
Profit before tax	1,326,041	1,081,722	80,166
Income tax expense	(389,032)	(272,980)	(24,752)
Profit for the year	**937,009**	**808,742**	**55,414**
Total comprehensive income allocated to non-controlling interests	273,641	345,458	53,566
Dividends paid to non-controlling interests	23,824	-	-
Summarised Statement of cash flows			
Cash generated from operations	606,384	1,013,388	(192,552)
Net cash used in investing activities	(221,029)	(423,924)	(15,885)
Net cash generated from financing activities	1,401,021	(155,711)	-
Net increase in cash and cash equivalents	1,786,376	433,753	(208,437)
Cash and cash equivalents at start of year	3,804,354	5,763,618	212,177
Exchange differences in cash and cash equivalents	(887,098)	(586,944)	198,209
Cash and cash equivalents at end of year	**4,703,632**	**5,610,427**	**201,949**

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
26 Customer deposits				
Current and demand deposits	58,311,968	55,456,971	38,498,143	36,963,834
Savings accounts	19,745,273	14,686,328	8,059,517	5,867,033
Fixed and call deposit accounts	115,994,616	90,812,310	79,671,046	58,762,639
	194,051,857	**160,955,609**	**126,228,706**	**101,593,506**

27 Deposits and balances due to banking institutions

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
Deposits due to banking institutions	7,334,398	1,770,090	7,812,816	1,641,560
Current account balances due to banking institutions	1,072,000	622,481	336,588	534,659
	8,406,398	**2,392,571**	**8,149,404**	**2,176,219**

28 Other liabilities

Due to subsidiary company	-	-	79,560	79,560
Outstanding bankers' cheques	325,268	316,887	289,790	266,020
Accrued expenses	1,259,362	1,079,855	1,045,029	850,026
Revenue collected on behalf of Revenue Authorities	324,268	463,398	-	-
Deferred income	706,737	600,439	405,958	312,424
Refundable deposits	118,443	123,105	116,892	93,262
Other payables	1,677,228	926,359	1,320,455	618,920
	4,411,306	**3,510,043**	**3,257,684**	**2,220,212**

29 Borrowings

(a) Subordinated debt

(i) International Finance Corporation (IFC)

At start of year	3,637,016	2,881,557	2,727,436	2,881,557
Additions during the year	1,845,000	867,159	1,845,000	-
Accrued interest	295,982	128,320	192,011	110,809
Paid during the year	(520,869)	(408,392)	(520,869)	(408,392)
Translation difference	282,193	168,372	543,463	143,462
	5,539,322	**3,637,016**	**4,787,041**	**2,727,436**

(ii) Deutsche Investitions- und Entwicklungsgesellschaft (DEG)

At start of year	2,052,673	867,336	-	-
Additions during the year	-	1,091,294	-	-
Accrued interest	4,745	27,317	-	-
Paid during the year	-	-	-	-
Translation difference	90,634	66,726	-	-
	2,148,052	**2,052,673**	**-**	**-**
Total - Subordinated debt	**7,687,374**	**5,689,689**	**4,787,041**	**2,727,436**

29 Borrowings (Continued)

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
(b) Senior loan				
(i) IFC				
At start of year	1,579,920	1,980,353	1,579,920	1,980,353
Accrued interest	39,172	35,801	39,172	35,801
Paid during the year	(593,041)	(542,034)	(593,041)	(542,034)
Translation difference	188,026	105,800	188,026	105,800
	1,214,077	**1,579,920**	**1,214,077**	**1,579,920**
(ii) DEG				
At start of year	2,273,989	-	2,273,989	-
Additions during the year	-	2,257,500	-	2,257,500
Accrued interest	333,032	5,239	85,316	5,239
Paid during the year	(152,122)	-	(57,976)	-
Translation difference	278,805	11,250	291,683	11,250
	2,733,704	**2,273,989**	**2,593,012**	**2,273,989**
(iii) Societe de Promotion et de Participation pour la Cooperation Economique S.A (PROPARCO)				
At start of year	2,729,047	-	2,729,047	-
Additions during the year	-	2,709,000	-	2,709,000
Accrued interest	102,399	6,547	102,399	6,547
Paid during the year	(87,580)	-	(87,580)	-
Translation difference	350,053	13,500	350,053	13,500
	3,093,919	**2,729,047**	**3,093,919**	**2,729,047**
Total - Senior loans	**7,041,700**	**6,582,956**	**6,901,008**	**6,582,956**
(c) Trade Finance				
(i) ICICI Bank Limited				
At start of year	-	-	-	-
Additions during the year	5,169,790	-	5,169,790	-
Accrued interest	71,480	-	71,480	-
Paid during the year	(38,635)	-	(38,635)	-
Translation difference	260,546	-	260,546	-
	5,463,181	**-**	**5,463,181**	**-**
(ii) Standard Chartered Bank London				
At start of year	-	-	-	-
Additions during the year	2,458,650	-	2,458,650	-
Accrued interest	39,003	-	39,003	-
Translation difference	99,996	-	99,996	-
	2,597,649	**-**	**2,597,649**	**-**

29 Borrowings (Continued)

(c) Trade Finance (Continued)

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
(iii) Sumitomo Mitsui Banking Corp				
At start of year	-	-	-	-
Additions during the year	778,110	-	778,110	-
Accrued interest	4,734	-	4,734	-
Paid during the year	(2,257)	-	(2,257)	-
Translation difference	(22,535)	-	(22,535)	-
	758,052	**-**	**758,052**	**-**
(iv) Citibank N.A. Nairobi				
At start of year	-	-	-	-
Additions during the year	2,613,750	-	2,613,750	-
Accrued interest	12,530	-	12,530	-
Translation difference	(56,579)	-	(56,579)	-
	2,569,701	**-**	**2,569,701**	**-**
Total - Trade finance	**11,388,583**	**-**	**11,388,583**	**-**
(d) Administered funds				
Bank of Uganda	24,033	7,009	-	-
European Investment Bank	-	7,573	-	-
	24,033	**14,582**	**-**	**-**
Total - Borrowings	**26,141,690**	**12,287,227**	**23,076,632**	**9,310,392**

(a) **Subordinated debts**

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited has three sets of long-term subordinated debts facilities amounting to US$ 46.7 million (2014: US$ 30.0 million) raised from the IFC. These facilities comprise of:

- US$ 15 million unsecured facility issued in October 2008, with a tenure of 9.5 years. Outstanding balance as at 31 December 2015 was US$6.7 million
- US$ 20 million unsecured facility issued in July 2013, with a tenure of 7 years. Outstanding balance as at 31 December 2015 was US$20 million
- US$ 20 million unsecured facility issued in March 2015, with a tenure of 8 years. Outstanding balance as at 31 December 2015 was US$20 million

Diamond Trust Bank Tanzania Limited

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

Diamond Trust Bank Uganda Limited

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

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

29 **Borrowings (Continued)**

(b) Senior loans

Diamond Trust Bank Kenya Limited

Diamond Trust Bank Kenya Limited has two long-term senior loans (ten years and six and a half years respectively) raised from the IFC, in 2011 and 2008 totalling US$ 11.8 million (2014 US$ 17.4 million).

In December 2014, Diamond Trust Bank Kenya Limited received an additional 7 year loan of US$ 25 million from DEG and a further 7 year loan of US$ 30 million from Proparco.

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

Diamond Trust Bank Uganda Limited

In December 2013, Diamond Trust Bank Uganda Limited received a loan of US$ 10 million from DEG for a period of 8 years.

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

(c) Trade finance

The trade finance borrowing relate to funds sourced to finance trade transactions. These facilities have a tenure of up to one year and will mature in 2016. The interest rates are referenced to the Libor.

(d) Administered funds

Bank of Uganda (BOU) operates a loan scheme known as Agriculture credit facility. Qualifying customers apply for the facilty through their bank. As at December 2015, DTB Uganda drew down Shs 24 million. This loan is for a period of 7 years at zero interest rate.

European Investment Bank operates a loan scheme known as Global facility to Projects. Qualifying customers of the bank apply for the facilty through their bank. As at December 2015, DTB Uganda had fully paid off the loan.

	Group		Bank	
	2015	2014	2015	2014
	Shs'000	Shs'000	Shs'000	Shs'000
(e) Finance costs				
Subordinated debts	309,345	94,570	192,012	58,541
Senior loans	262,762	141,703	226,885	108,636
Trade finance borrowings	127,747	-	127,747	-
Administered funds	61	702	-	-
Amortised appraisal fees	37,209	14,342	33,042	10,098
	737,124	**251,317**	**579,686**	**177,275**

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 and 31 December 2015	**242,110**	**968,440**	**7,294,767**

The total authorised number of ordinary shares is 300,000,000 (2014: 250,000,000) with a par value of Shs 4 per share. The issued shares as at 31 December 2015 are 242,110,105 (2014 - 242,110,105) and are fully paid.

30 Share capital and reserves (Continued)

(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) *Translation reserve*

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

(d) *Retained earnings*

This represents undistributed profits from current and previous years.

31 Other reserves

Consolidated statement of changes in other reserves

	Notes	Revaluation surplus	Translation reserve	Other reserves	Total
		Shs'000	Shs'000	Shs'000	Shs'000
Year ended 31 December 2014					
At start of year		392,515	(17,280)	(101,477)	273,758
Excess depreciation		(8,566)	-	-	(8,566)
Deferred tax on transfer of excess depreciation		2,570	-	-	2,570
Translation adjustment	(i)	-	(134,838)	-	(134,838)
At end of year		**386,519**	**(152,118)**	**(101,477)**	**132,924**
Year ended 31 December 2015					
At start of year		386,519	(152,118)	(101,477)	132,924
Excess depreciation		(3,593)	-	-	(3,593)
Deferred tax on transfer of excess depreciation		2,515	-	-	2,515
Translation adjustment	(i)	-	(35,289)	-	(35,289)
Increase in interest in Diamond Trust Bank Tanzania Limited		-	-	(124,527)	(124,527)
At end of year		**385,441**	**(187,407)**	**(226,004)**	**(27,970)**

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

Bank statement of changes in reserves

Revaluation surplus	2015	2014
	Shs'000	Shs'000
At start of year	367,703	373,194
Transfer of excess depreciation	(2,831)	(7,844)
Deferred tax on transfer of excess depreciation	1,982	2,353
At end of year	**366,854**	**367,703**

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

Diamond Trust Bank Tanzania Limited

On 6 November 2015, Diamond Trust Bank Kenya Limited acquired an additional 2.75% stake in Diamond Trust Bank Tanzania Limited (DTBT) by taking up the rights of some shareholders who renounced their rights at a consideration of Shs 168,124,000. The Group now holds 65.68% from 62.93% before the rights issue. The carrying amount of the net assets the group acquired was Shs 43,597,000.

The effect of changes in the ownership interest of DTBT in equity attributable to owners of the bank in 2015 is summarised as follows:

	2015
	Shs'000
Carrying amount of non-controlling interests acquired	43,597
Consideration paid for the interests	(168,124)
Excess of consideration paid recognised in parent's equity	**(124,527)**

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	
	2015	2014	2015	2014
Contingent liabilities	Shs'000	Shs'000	Shs'000	Shs'000
Acceptances and letters of credit	16,899,314	14,424,860	14,670,494	11,938,045
Guarantees and performance bonds	12,091,257	9,881,075	10,147,808	7,750,908
	28,990,571	**24,305,935**	**24,818,302**	**19,688,953**

Nature of contingent liabilities

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

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

	Group		Bank	
Commitments	2015	2014	2015	2014
Undrawn credit lines and other commitments to lend	13,074,130	20,608,202	9,760,891	17,629,255
Foreign exchange forward contracts	13,503,126	23,022,042	12,574,252	20,776,184
Foreign exchange spot transactions	2,535,025	3,878,178	1,873,802	3,336,000
Operating lease rentals	2,241,053	1,735,315	910,485	863,000
Capital commitments	248,164	410,232	217,058	362,840
	31,601,498	**49,653,969**	**25,336,488**	**42,967,279**
(i) Operating lease rentals are analysed as follows:				
Not later than 1 year	477,490	443,933	235,701	258,117
Later than 1 year and not later than 5 years	1,554,637	1,066,833	624,910	540,061
Later than 5 years	208,926	224,549	49,874	64,822
	2,241,053	1,735,315	910,485	863,000

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.

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, with operations in Tanzania.

- Diamond Trust Bank Uganda Limited, which became a subsidiary company in October 2008, with operations in Uganda. Network Insurance Agency Limited, which is a wholly owned subsidiary of Diamond Trust Bank Uganda Limited, operates in Uganda.

- Diamond Trust Bank Burundi S.A., which was set up as a subsidiary company in November 2008, with operations in Burundi.

- Kenya is the home country of the parent Bank and its fully owned insurance agency, Diamond Trust Insurance Agency Limited.

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

34 Business segments information (Continued)

At 31 December 2015	Kenya	Tanzania	Uganda	Burundi	Total	Consolidation adjustments	Group
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Interest income from external customers	18,024,490	3,635,217	3,875,783	289,689	25,825,179		25,825,179
Other income from external customers	2,624,308	1,050,145	966,527	56,949	4,697,929		4,697,929
Total income from external customers	20,648,798	4,685,362	4,842,310	346,638	30,523,108		30,523,108
Share of results of associate after tax	-	-	-	(1,443)	(1,443)		(1,443)
Inter-segment income	23,247	-	15,592	-	38,839	(38,839)	-
Total income	20,672,045	4,685,362	4,857,902	345,195	30,560,504		30,521,665
Interest expense from external customers	(6,766,147)	(1,286,358)	(1,745,902)	(99,441)	(9,897,848)		(9,897,848)
Other expenses – external	(4,075,024)	(1,518,034)	(1,477,306)	(114,680)	(7,185,044)		(7,185,044)
Inter-segment expenses	(30,152)	(32,614)	23,927	-	(38,839)	38,839	-
Finance costs	(579,686)	(35,018)	(122,420)	-	(737,124)		(737,124)
Depreciation and amortisation	(608,062)	(168,546)	(194,987)	(14,584)	(986,179)		(986,179)
Provision for bad debts	(1,535,711)	(318,751)	(259,492)	(36,324)	(2,150,278)		(2,150,278)
Total expenses	(13,594,782)	(3,359,321)	(3,776,180)	(265,029)	(20,995,312)		(20,956,473)
Segment profit before tax	**7,077,263**	**1,326,041**	**1,081,722**	**80,166**	**9,565,192**		**9,565,192**
Income tax expense	(2,278,622)	(389,032)	(272,980)	(24,752)	(2,965,386)		(2,965,386)
Segment profit after tax	**4,798,641**	**937,009**	**808,742**	**55,414**	**6,599,806**		**6,599,806**
Segment assets	**191,204,081**	**42,619,447**	**40,247,729**	**2,470,263**	**276,541,520**	**(4,932,923)**	**271,608,597**
Segment liabilities	**160,973,079**	**36,406,546**	**36,067,514**	**1,569,895**	**235,017,034**	**(1,713,825)**	**233,303,209**

34 Business segments information (Continued)

At 31 December 2014	Kenya	Tanzania	Uganda	Burundi	Total	Consolidation adjustments	Group
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Interest income from external customers	14,265,373	3,024,120	3,287,811	230,712	20,808,016		20,808,016
Other income from external customers	2,100,771	858,352	787,988	29,740	3,776,851		3,776,851
Total income from external customers	16,366,144	3,882,472	4,075,799	260,452	24,584,867		24,584,867
Share of results of associate after tax	-	-	-	4,561	4,561		4,561
Inter-segment income	20,038	4,371	3,385	-	27,794	(27,794)	-
Total income	16,386,182	3,886,843	4,079,184	265,013	24,617,222		24,589,428
Interest expense from external customers	(5,238,596)	(1,098,205)	(1,355,480)	(76,817)	(7,769,098)		(7,769,098)
Other expenses – external	(3,585,413)	(1,283,208)	(1,313,270)	(103,636)	(6,285,527)		(6,285,527)
Inter-segment expenses	(17,379)	(5,288)	(5,127)	-	(27,794)	27,794	-
Finance costs	(177,275)	(21,705)	(52,337)	-	(251,317)		(251,317)
Depreciation and amortisation	(577,539)	(146,196)	(173,536)	(13,719)	(910,990)		(910,990)
Provision for bad debts	(475,973)	(271,647)	(90,412)	(13,178)	(851,210)		(851,210)
Total expenses	(10,072,175)	(2,826,249)	(2,990,162)	(207,350)	(16,095,936)		(16,068,142)
Segment profit before tax	**6,314,007**	**1,060,594**	**1,089,022**	**57,663**	**8,521,286**		**8,521,286**
Income tax expense	(2,167,892)	(338,474)	(290,436)	(16,054)	(2,812,856)		(2,812,856)
Segment profit after tax	**4,146,115**	**722,120**	**798,586**	**41,609**	**5,708,430**		**5,708,430**
Segment assets	**141,399,632**	**36,135,356**	**34,819,494**	**2,253,034**	**214,607,516**	**(3,068,104)**	**211,539,412**
Segment liabilities	**115,419,507**	**32,106,451**	**31,179,439**	**1,516,678**	**180,222,075**	**(946,221)**	**179,275,854**

34 Business segments information (Continued)

(a) Additions to non current assets

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2015					
Property and equipment	623,039	188,541	411,637	3,128	1,226,345
Intangible assets- software	189,542	32,488	13,139	5,980	241,149
	812,581	**221,029**	**424,776**	**9,108**	**1,467,494**
At 31 December 2014					
Property and equipment	612,910	207,015	385,378	5,346	1,210,649
Intangible assets- software	102,559	66,621	6,519	2,542	178,241
	715,469	273,636	391,897	7,888	1,388,890

(b) Revenue by products

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

At 31 December 2015	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
Interest income					
Loans and advances	15,264,261	2,626,889	3,195,145	260,730	21,347,025
Government securities	2,573,450	972,151	644,600	23,147	4,213,348
Placement and bank balances	171,187	36,177	51,630	5,812	264,806
	18,008,898	**3,635,217**	**3,891,375**	**289,689**	**25,825,179**
Interest expense					
Customer deposits	6,659,727	1,248,162	1,668,019	99,026	9,674,934
Deposits due to banking institutions	106,420	38,196	77,883	415	222,914
	6,766,147	**1,286,358**	**1,745,902**	**99,441**	**9,897,848**
Net interest income	**11,242,751**	**2,348,859**	**2,145,473**	**190,248**	**15,927,331**
Non interest income					
Fee and commission income	1,417,709	651,589	655,193	49,392	2,773,883
Foreign exchange income	1,060,551	397,440	300,527	4,578	1,763,096
Other income	146,048	1,116	10,807	2,979	160,950
	2,624,308	**1,050,145**	**966,527**	**56,949**	**4,697,929**

34 Business segments information (Continued)

(b) Revenue by products (Continued)

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

	Kenya Shs'000	Tanzania Shs'000	Uganda Shs'000	Burundi Shs'000	Total Shs'000
At 31 December 2014					
Interest income					
Loans and advances	11,958,463	2,360,479	2,757,015	214,888	17,290,845
Government securities	2,199,023	609,173	397,598	8,159	3,213,953
Placement and bank balances	100,131	58,839	136,583	7,665	303,218
	14,257,617	3,028,491	3,291,196	230,712	20,808,016
Interest expense					
Customer deposits	5,079,478	1,038,914	1,347,409	76,489	7,542,290
Deposits due to banking institutions	159,118	59,291	8,071	328	226,808
	5,238,596	**1,098,205**	**1,355,480**	**76,817**	**7,769,098**
Net interest income	**9,019,021**	**1,930,286**	**1,935,716**	**153,895**	**13,038,918**
Non interest income					
Fee and commission income	1,214,171	524,912	554,688	24,318	2,318,089
Foreign exchange income	806,657	327,459	224,844	2,772	1,361,732
Other income	79,943	5,981	8,456	2,650	97,030
	2,100,771	858,352	787,988	29,740	3,776,851

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 2015 and 31 December 2014 were as follows:

Bank

	2015			2014		
	In Shs	In US$	In GBP	In Shs	In US$	In GBP
Assets						
Government securities	11.36%	-	-	10.53%	-	-
Deposits with banking institutions	-	3.71%	-	-	3.36%	-
Loans and advances to customers	17.29%	8.64%	9.72%	16.33%	8.11%	9.50%
Amounts due from group companies	-	2.96%	-	-	2.92%	-

35 Fair values and effective interest rates of financial assets and liabilities (Continued)

Bank (Continued)

	2015			2014		
	In Shs	**In US$**	**In GBP**	**In Shs**	**In US$**	**In GBP**
Liabilities						
Customer deposits	7.71%	2.89%	3.14%	6.57%	2.87%	2.45%
Deposits due to banking institutions	0.63%	0.96%	-	0.63%	0.16%	-
Subordinated debts	-	4.75%	-	-	3.84%	-
Senior loans	-	3.40%	-	-	3.16%	-
Trade finance	-	2.57%	-	-	-	-

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

	Group		Bank	
	2015	**2014**	**2015**	**2014**
	Shs'000	**Shs'000**	**Shs'000**	**Shs'000**
Cash and balances with the central banks (Note 14)	26,350,152	15,909,805	14,578,145	7,757,832
Cash reserve requirement	(6,042,748)	(9,481,554)	-	(4,998,096)
Government securities maturing within 91 days at the point of acquisition	-	40,020	-	-
Deposits and balances due from banking institutions (Note 16)	10,017,481	13,701,450	4,973,737	7,413,484
Deposits and balances due to banking institutions (Note 27)	(8,406,398)	(2,392,571)	(8,149,404)	(2,176,219)
	21,918,487	**17,777,150**	**11,402,478**	**7,997,001**

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 % (2014: 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.

37 Related Party Transactions (Continued)

		Group		Bank	
		2015	2014	2015	2014
(a)	**Group Companies**	Shs'000	Shs'000	Shs'000	Shs'000
	Amounts due to:				
	Other group companies	-	-	681,276	994,137
	Interest expense incurred	-	-	15,442	13,238
	Amounts due from:				
	Other group companies	-	-	241,549	309,426
	Interest income received	-	-	11,220	11,331
(b)	**Directors**				
	Loans to directors:				
	At start of year	16,498	13,524	16,164	13,086
	Advanced during the year	317,626	19,234	119	6,151
	Repaid during the year	(315,593)	(16,240)	(3,052)	(3,073)
	Translation adjustment	(2,571)	(20)	-	-
	At end of year	**15,960**	**16,498**	**13,231**	**16,164**
	Interest income earned from directors loans	**22,417**	**2,667**	**1,876**	**1,811**
	Deposits by directors:				
	At start of year	149,291	83,268	100,889	55,994
	Net movement during the year	198,071	66,884	234,738	44,895
	Translation adjustment	(2,932)	(861)	-	-
	At end of year	344,430	149,291	335,627	100,889
	Interest paid on directors' deposits	**30,362**	**12,144**	**22,701**	**9,885**
(c)	**Other disclosures**				
	Advances to other related parties				
-	Advances to companies related through control by a common shareholder, controlled by directors or their families	3,523,047	2,945,997	3,046,544	2,525,535
-	Advances to employees	1,193,080	644,169	988,122	485,234
-	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	262,228	386,520	253,063	353,236
-	Interest income earned from related companies and employees	358,337	275,049	311,477	220,645

37 Related Party Transactions (Continued)

		Group		Bank	
		2015	2014	2015	2014
		Shs'000	Shs'000	Shs'000	Shs'000
	Deposits with other related parties				
-	Deposits by companies related through common shareholding, common directorship and companies controlled by directors or their families	8,494,469	7,061,319	4,726,756	3,509,960
-	Deposits by employees	247,003	192,509	204,708	192,509
-	Interest expense incurred on deposits by related companies and employees	350,252	531,809	245,652	388,700
	Key management compensation				
	Salaries and other short-term employment benefits	632,685	608,608	401,692	355,599
	Termination benefits	20,681	23,479	13,332	11,747
		653,366	**632,087**	**415,024**	**367,346**
	Director's remuneration				
	-fees for services as a director	9,568	9,289	5,100	4,779
	-other emoluments (included in key management compensation above)	99,903	79,837	54,749	46,189
		109,471	**89,126**	**59,849**	**50,968**

NOTES

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 Crystal Ballroom, Laico Regency Hotel, Nairobi, on Thursday, 26th May 2016 at 11:00 a.m., and at any adjournment thereof.

Dated this …………………………… day of ……………………………….. 2016

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

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DTB

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