DIAMOND TRUST

Diamond Trust Bank Kenya Limited

EAST AFRICAN REGION
DIAMOND TRUST
KENYA UGANDA TANZANIA

ANNUAL REPORT AND FINANCIAL STATEMENTS '99

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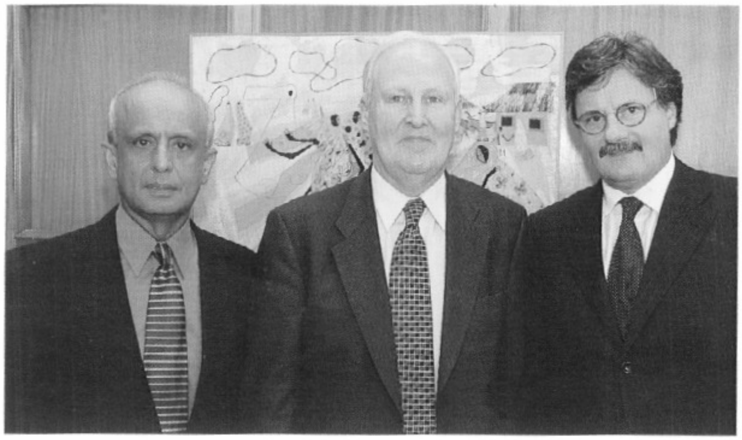
Company Information

BOARD OF DIRECTORS	James B. Galbraith *	*Chairman*
	Alan P. Beauregard **	*Managing Director* (Appointed on 1 September 1999)
	Francis O. Okello	*Executive Director*
	Abdul A. Samji	
	Amin E. Merali	
	Brian V. Wilson ***	
	George O. Oraro	
	Iqbal G. Mamdani **	
	Jack J. Kisa	
	Mahmood P. Manji	
	Nizar N. Juma	
	Roy A. Karaoglan **	

**British **American ***Irish*

COMPANY SECRETARY	Julius N. Kuria
REGISTERED OFFICE	Nation Centre Kimathi Street P.O. Box 61711, Nairobi
AUDITORS	PricewaterhouseCoopers Certified Public Accountants Rahimtulla Towers Upper Hill Road P.O. Box 43963, Nairobi
BRANCHES	Nation Centre Kimathi Street P.O. Box 61711, Nairobi
	Diamond Trust House Moi Avenue P.O. Box 90564, Mombasa
	Diamond Trust House Oginga Odinga Road P.O. Box 1081, Kisumu



Mr. A. E. Merali, *Chairman of Holiday Resorts Limited,* Mr. J. B. Galbraith, *Chairman*
Mr. B. V. Wilson, *Senior Officer of the Aga Khan Development Network*

Mr. A. P. Beauregard, *Managing Director*

Mr. N. N. Juma, *International Businessman and Chairman of Industrial Promotion Services (Kenya) Limited,* Mr. G. O. Oraro, *Senior Partner of Oraro & Co.*

Seated: Mr. J. J. Kisa, *Retired World Bank Officer,* Mr. A. A. Samji, *Partner with Kassim-Lakha Samvir Abdulla & Co.,*
Mr. M. P. Manji, *Chairman of Industrial Promotion Building Limited,* Mr. F. O. Okello, *Executive Director*

Not pictured: Mr. R. A. Karaoglan, *Senior Banking Advisor at International Finance Corporation and* Mr. I. G. Mamdani, *International Banker*

Notice of Annual General Meeting

Notice is hereby given that the Thirty Fourth Annual General Meeting of the shareholders of Diamond Trust Bank Kenya Limited will be held at the Nairobi Serena Hotel, Nyerere Road, Nairobi, on Friday, 30 June 2000 at 11.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty Third Annual General Meeting held on 25 June 1999.

2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 1999.

3. To confirm payment of the interim dividend of 10% made on 30 September 1999 and approve payment of a final dividend of 10% on the Issued and Paid-up Share Capital of Shs.318 million to the shareholders registered in our books as at 30 June 2000 on or about 25 July 2000, as recommended by the Board.

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

5. To approve the Directors' fees.

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

7. To note the Auditors' remuneration for the year 1999, and to authorise the Directors to fix the Auditors' remuneration for the year 2000.

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

By Order of the Board
Julius N. Kuria
Company Secretary
10 March 2000
Nairobi

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

Chairman's Statement

With economic growth of 1.4% being outstripped by the population growth, 1999 was another year of recession for Kenya. The economy has now undergone three consecutive years of recession.

The depressed stock market, rising interest rates and poor business performance have discouraged investment in all sectors of the economy. Interest rates, which were in single figures in the first half of the year, soared to 20% at the end of the year. Despite a tighter fiscal policy, the Government was obliged to increase the level of Treasury Bill borrowing to meet maturing foreign debt obligations.

I regret to report that the results of the Bank have suffered the knock-on effects of this depressed business scenario. Profits before tax amounted to Shs 155 million in 1999 as compared to Shs 207 million in 1998.

Despite the fall in profits, the Board is able to recommend to the shareholders the payment of a final dividend of 10% bringing the total for the year to 20%, the same as last year.

Poor economic conditions, weaknesses in the banking sector and increasing competition combined to make 1999 a challenging year for management. Operating income was Shs 532 million, some Shs 14 million less than in 1998. A tight control on expenditure ensured that operating expenses were held to Shs 356 million, some Shs 6 million lower than the previous year. The operating profit before provisions dropped from Shs 184 million to Shs 176 million.

The general decline in economic activity had a negative effect on our borrowers. Poor conditions prevailed in the property market and it was necessary to make a provision of Shs 49 million to compensate for falling collateral values.

Income from investments in associates including the Banks in Uganda and Tanzania was Shs 28 million, an increase of some Shs 4 million over the previous year.

The net effect of these movements resulted in profits before tax of Shs 155 million for 1999 against Shs 207 million in the previous year.

Over the last three years, significant provisions have been made to cover bad loans. Where necessary we have resorted to legal measures to obtain repayment. We have pursued all the avenues open to us to effect recovery but in many cases the borrowers have no assets with which to repay. Persistent efforts by the Debt Recovery Unit have resulted in a number of loans being repaid, although the majority are currently under litigation. As a result, we have decided to write off provisions of Shs 568 million against unpaid loans. This action has no impact on the results for 1999 as the provisions were made in previous years.

The Bank devoted much time, energy and financial resources to ensure that all its systems would be Y2K compliant. I am pleased to report that when the Bank opened for business on 4 January 2000 all its systems operated normally and no faults, of any nature, were experienced.

As advised in the last Annual Report, Mr. Mahmood P. Manji resigned as Managing Director. He was replaced by Mr. Alan P. Beauregard, who joined the Bank in August, 1999, and who brings with him a wide experience in banking, both at the wholesale and the retail level, in North America, Europe, the Sub-continent and Asia.

Mr. Francis O. Okello, Executive Director, has resigned from the Bank with effect from 31 March 2000 in order to take up a senior position in another company. Mr. Okello has served Diamond Trust with distinction over 25 years and, on behalf of the Board, I would like to express our gratitude to Mr. Okello for his loyal and dedicated service to the Bank.

In March 1999, the activities of Premier Savings and Finance Limited (a 100% owned subsidiary) were merged with those of the Bank. The combined activities will be managed within the existing staff structure and cost savings will be realised on a continuing basis from 2000.

After operating at a loss for a number of years, and seeing no prospect of improvement, the Board authorised the closure of Nakuru branch. This took place in November 1999 and the customers' accounts were transferred to Nairobi and Kisumu.

Your Bank and its two affiliates in Uganda and Tanzania are well located to serve customers across geographic borders. In order to build on this competitive advantage, a number of initiatives were introduced to standardise operations and procedures throughout the region. These necessary steps will now permit the development of additional business to the benefit of all three banks.

The Bank continues to progress due to the good working relationships between the customers and staff. On behalf of the shareholders, the Board wishes to express its appreciation to customers for their loyalty and to staff for their dedication in a difficult year for business.

James B. Galbraith
Chairman
10 March 2000

Taarifa ya Mwenyekiti

Huku ufanisi wa kiuchumi ukijikokota katika kimo cha asilimia 1.4% pekee na kuzidiwa na ongezeko la idadi ya watu, 1999 ulikuwa mwaka mwingine ambapo uchumi wa Kenya ulizorota. Uchumi huo sasa umezorota kwa miaka mitatu mfululizo.

Soko lililofinyika la hisa, viwango vya riba vinavyoongezeka na biashara zinazoendelea vibaya zimeathiri vibaya uwekezaji rasilmali katika sekta zote za uchumi. Viwango vya riba, ambavyo vilikuwa nafuu katika miezi sita ya kwanza ya mwaka huo, viliruka ghafula hadi kufikia asilimia 20% mwishoni mwa mwaka. Licha ya maongozi makali ya kifedha, Serikali iliwajibika kuongeza kiwango cha ukopaji cha Dhamana ya Banki Kuu ili kulipia madeni ya kigeni yaliyokomaa.

Nasikitika kueleza kwamba matokeo ya Banki yaliathirika na mazingira hayo yaliyofinyika ya biashara. Faida kabla ya kodi zilifikia Shs. 155 milioni mnamo 1999 ikilinganishwa na Shs. 207 milioni mnamo 1998.

Licha ya faida kuteremka, baraza la wakurugenzi linapendekeza kwa wenyehisa malipo ya mgawo wa mwisho wa faida ya asilimia 10 kufikisha jumla ya mgawo kuwa asilimia 20 katika mwaka huo ambapo ni sawa na mwaka uliotangulia.

Hali mbaya ya uchumi, udhaifu katika sekta ya banki na ushindani ulioongezeka kwa pamoja zimefanya 1999 kuwa mwaka mgumu kwa utawala wa banki. Pato la shughuli lilikuwa Shs. 532 milioni, karibu Shs. 14 Milioni chini ya 1998. Usimamizi madhubuti wa matumizi ya pesa ulihakikisha kwamba gharama za shughuli zilikatwa hadi Shs. 356 milioni, karibu Shs. 6 milioni chini ya mwaka uliotangulia. Faida ya shughuli kabla ya matengo iliteremka hadi Shs 184 milioni kutoka Shs. 176 milioni.

Shughuli za kiuchumi zilizopunguka kwa jumla ziliwaathiri sana wakopaji wetu. Hali mbaya zilitokea katika soko la mali na ikawa na haja kutenga Shs. 49 milioni zaidi kuridhia thamani za mali zilizokuwa zikipunguka kwa wakati huo.

Pato kutokana na rasilmali shiriki kama vile banki nchini Uganda na Tanzania lilikuwa Shs. 28 milioni, ongezeko la karibu Shs. 4 milioni kuzidi mwaka uliotangulia.

Matokeo kamili ya mabadiliko haya yalileta faida kabla ya kodi ya Shs. 155 milioni kwa 1999 ikilinganishwa na Shs. 207 milioni katika mwaka uliotangulia.

Katika muda wa miaka mitatu iliyopita, matengo muhimu yamefanywa kuhimili mikopo ambayo hailipwi. Panapo haja tumelazimika kuchukua hatua za kisheria ili kupata malipo. Tumetumia mbinu zote tunazoweza kuwaandama wakopaji, lakini katika visa vingi wakopaji hukosa rasilmali za kulipia madeni. Juhudi za kuwafuatia kupitia Idara ya Ukusanyaji Madeni zimesaidia na baadhi ya mikopo imelipwa, ingawaje kwa wakati huu kesi nyingi zipo mahakamani na mikononi mwa mawakili. Kwa minajili hii, tumeamua kufuta mikopo yenye thamani ya Shs. 568 milioni inayodhaniwa kwamba haitalipwa. Hatua hii haina madhara yoyote kwa matokeo ya 1999 kwa sababu matayarisho hayo yalifanywa katika miaka iliyotangulia.

Taarifa ya Mwenyekiti

(inaendelea)

Banki hii ilitenga wakati mwingi, juhudi na rasilmali za kifedha kuhakikisha kwamba mitambo yake yote inayotumia kompyuta imelinganishwa na mabadiliko ya karne mpya. Nafurahi kueleza kwamba wakati Banki ilipofunguliwa kuendelea na shughuli zake mnamo Januari 4 2000, mitambo yote ilifanya kazi kama kawaida na hakuna hitilafu za hali yoyote ile zilizotokea.

Kama ilivyoarifiwa katika Ripoti Kuu ya mwaka uliotangulia, Bw. Mahmood P. Manji, alijiuzulu kama Meneja Mkurugenzi. Wadhifa wake ulichukuliwa na Bw. Alan P. Beauregard, ambaye alijiunga na Banki hii mnamo Agosti 1999, na anayeleta maarifa na ustadi mwingi katika banki hii, ikiwemo ni pamoja na katika kiwango cha jumla na reja reja, kutoka Marekani, Ulaya, Asia ya Kusini na Asia.

Bw. Francis O. Okello, Mkurugenzi Mrasimu, alijiuzulu kutoka kwa Banki hii kuanzia Machi 31 2000 baada ya kupata madaraka mengine bora katika kampuni nyingine. Bw. Okello ametumikia Diamond Trust kwa dhati na heshima kwa muda wa miaka 25 na, kwa niaba ya Halmashauri hii, napenda kutoa shukrani zangu kwa utumishi wake wa utiifu na uaminifu kwa Banki hii.

Mnamo Machi 1999, shughuli za Premier Savings and Finance Limited (kampuni tanzu inayomilikiwa yote asilimia 100%) ziliunganishwa na zile za Banki hii. Shughuli hizo zitasimamiwa na kutekelezwa chini ya mpangilio wa sasa wa wafanya kazi na gharama kuokolewa kwa msingi wa kuendelea kuanzia 2000.

Baada ya kupata hasara miaka kadha, na bila kuona matumaini ya mafanikio, Baraza la wakurugenzi liliidhinisha kufungwa kwa tawi la Nakuru. Hatua hiyo ilichukuliwa Novemba 1999 na akiba za wateja zilihamishiwa Nairobi na Kisumu.

Banki yenu na banki nyingine shiriki mbili shiriki nchini Uganda na Tanzania zipo mahali pa kufaa kutumikia wateja kwa uthabiti kuenea mipakani. Ili kukuza zaidi nafasi hii nzuri ya ushindani, hatua kadha zilichukuliwa kusawazisha zaidi shughuli za Banki hii pamoja na taratibu zake kote katika eneo hili. Hatua hizi muhimu sasa zitatoa kielelezo kizuri cha kuanzishia biashara zaidi kwa manufaa ya banki zote tatu.

Banki hii inaendelea kufanikiwa kutokana na uhusiano mzuri kazini kati ya wateja na wafanya kazi. Kwa niaba ya wenyehisa, Baraza la wakurugenzi linapenda kutoa shukrani zake kwa wateja wake wote kutokana na utiifu wao na imani na pia kuwapongeza wafanya kazi kwa juhudi zao za dhati na bidii katika mwaka huu mgumu wa biashara.

James B. Galbraith
Mwenyekiti
Machi 10 2000

Taarifa iliyoko hapo juu ni tafsiri ya kiswahili ya Taarifa ya Mwenyekiti iliyoko ukurasa wa 5 na 6. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya kiingereza ndiyo itakayotawala.

The text set out above is a kiswahili translation of the Chaiman's Statement which appears on page 5 and 6. In the event of any dispute in the interpretation of the kiswahili version the english version shall be the authoritative version.

Report of the Directors

for the year ended 31 December 1999

The Directors submit their report together with the audited financial statements for the year ended 31 December 1999.

PRINCIPAL ACTIVITIES

The Bank is licensed under the Banking Act to provide banking and other related services to the general public.

RESULTS

The results for the year are set out on page 11.

DIVIDENDS

An interim dividend of 10% (i.e. Shs. 0.40 per share) was paid on 30 September 1999. The Directors propose that a final dividend of 10% (i.e Shs. 0.40 per share) on the Issued and Paid-up Share Capital of Shs. 318 million be paid on or about 25 July 2000.

DIRECTORS

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

From the present members of the Board of Directors as listed, Messrs Amin E. Merali, Brian V. Wilson and George O. Oraro retire by rotation under Articles No.93 and No.94 of the Bank's Articles of Association and being eligible, offer themselves for re-election.

AUDITORS

The Bank's auditors, PricewaterhouseCoopers, being eligible, continue in office in accordance with section 159 (2) of the Companies Act (cap 486) and section 24 (1) of the Banking Act (cap 488).

By order of the Board
Julius N. Kuria
Company Secretary
10 March 2000
Nairobi

Report of the Auditors

to the members of Diamond Trust Bank Limited

We have audited the financial statements set out on pages 11 to 34. 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. The financial statements of the Bank are in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the Group and the Bank and the operating results of the Group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

BASIS OF OPINION

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

OPINION

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Group and the Bank as at 31 December 1999 and of the profit and cash flows of the Group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PricewaterhouseCoopers
Certified Public Accountants
Nairobi

10 March 2000

Group Profit and Loss Account

for the year ended 31 December 1999

	Notes	1999 Shs 000	1998 Shs 000
INTEREST INCOME	2	883,944	1,527,489
INTEREST EXPENSE	3	(413,301)	(1,047,219)
NET INTEREST INCOME		470,643	480,270
Fees and commissions income		24,462	19,103
Dividend income		2,638	3,387
Other operating income		34,434	43,299
OPERATING INCOME		532,177	546,059
Operating expenses	4	(356,267)	(362,526)
(Provision for) write back of bad and doubtful debts	14	(48,590)	69
PROFIT FROM OPERATIONS		127,320	183,602
Income from associates	13	27,939	23,997
PROFIT BEFORE TAX		155,259	207,599
Tax	5	(51,035)	(59,321)
PROFIT AFTER TAX ATTRIBUTABLE TO SHAREHOLDERS	6	104,224	148,278
Dividends – gross	7	(63,600)	(63,600)
RETAINED PROFIT FOR THE YEAR		40,624	84,678
Earnings per share	8	1.31	1.87
Dividends per share	9	0.80	0.80

Group Balance Sheet

at 31 December 1999

	Notes	1999 Shs 000	1998 Shs 000
ASSETS			
Cash and balances with Central Bank of Kenya	10	**417,887**	857,979
Government securities	11	**2,044,040**	1,303,945
Deposits and balances due from banking institutions	12	**399,078**	783,797
Investments in associates	13	**157,886**	131,421
Advances to customers	14	**2,423,310**	2,898,160
Other investments	15	**58,327**	64,869
Property and equipment	16	**209,167**	219,647
Tax receivable		**24,888**	25,140
Interest receivable and other assets	17	**139,424**	151,297
Deferred tax asset	23	**121,841**	172,613
TOTAL ASSETS		**5,995,848**	6,608,868
LIABILITIES			
Customer deposits	18	**4,527,533**	5,136,973
Interest payable and other liabilities	19	**298,752**	334,658
Dividends proposed	7	**31,800**	31,800
TOTAL LIABILITIES		**4,858,085**	5,503,431
CAPITAL RESOURCES			
Share capital	20	**318,000**	318,000
Share premium account		**16,320**	16,320
Capital reserve	21	**153,385**	139,457
Revenue reserve		**650,058**	631,660
SHAREHOLDERS' FUNDS		**1,137,763**	1,105,437
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		**5,995,848**	6,608,868

The financial statements on pages 11 to 34 were approved by the Board of Directors on 10 March 2000 and were signed on its behalf by:

J. B. Galbraith *Chairman*
F. O. Okello *Executive Director*

A .P. Beauregard *Managing Director*
J .N. Kuria *Secretary*

Bank Balance Sheet

at 31 December 1999

	Notes	1999 Shs 000	1998 Shs 000
ASSETS			
Cash and balances with Central Bank of Kenya	10	417,887	789,203
Government securities	11	2,044,040	899,048
Deposits and balances due from banking institutions	12	399,078	738,857
Investments in subsidiary and associates	13	102,891	102,891
Advances to customers	14	2,423,310	2,736,166
Other investments	15	58,327	60,130
Property and equipment	16	209,167	207,048
Tax receivable		18,474	18,474
Interest receivable and other assets	17	139,424	150,936
Deferred tax asset	23	121,841	172,613
TOTAL ASSETS		5,934,439	5,875,366
LIABILITIES			
Customer deposits	18	4,527,533	4,592,960
Interest payable and other liabilities	19	378,313	319,985
Dividends proposed	7	31,800	31,800
TOTAL LIABILITIES		4,937,646	4,944,745
CAPITAL RESOURCES			
Share capital	20	318,000	318,000
Share premium account		16,320	16,320
Capital reserve	21	80,389	90,176
Revenue reserve		582,084	506,125
SHAREHOLDERS' FUNDS		996,793	930,621
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		5,934,439	5,875,366

The financial statements on pages 11 to 34 were approved by the Board of Directors on 10 March 2000 and were signed on its behalf by:

J. B. Galbraith *Chairman*
F. O. Okello *Executive Director*

A .P. Beauregard *Managing Director*
J .N. Kuria *Secretary*

Group Statement of Changes in Equity

for the year ended 31 December 1999

	Share capital Shs 000	Share premium account Shs 000	Capital reserve Shs 000	Revenue reserve Shs 000	Total equity Shs 000
Balance at 1 January 1998 as previously stated	318,000	16,320	132,610	336,939	803,869
Prior year adjustments (note (i))	-	-	-	214,932	214,932
As restated	318,000	16,320	132,610	551,871	1,018,801
Translation differences (note (ii))	-	-	129	(4,889)	(4,760)
Adjustment in market value of quoted shares	-	-	6,718	-	6,718
Net profit for the year	-	-	-	148,278	148,278
Dividend (Note 7)	-	-	-	(63,600)	(63,600)
Balance at 31 December 1998	318,000	16,320	139,457	631,660	1,105,437
Balance at 1 January 1999 as previously stated	**318,000**	**16,320**	139,457	**475,014**	**948,791**
Prior year adjustments (note (i))	-	-	-	**156,646**	**156,646**
As restated	**318,000**	**16,320**	**139,457**	**631,660**	**1,105,437**
Translation differences (note (ii))	-	-	(1)	1,145	1,144
Adjustment in market value of quoted shares and others	-	-	(9,442)	-	(9,442)
Share of associated companies bonus shares issued	-	-	23,371	(23,371)	-
Net profit for the year	-	-	-	104,224	104,224
Dividend (Note 7)	-	-	-	(63,600)	(63,600)
Balance at 31 December 1999	**318,000**	**16,320**	**153,385**	**650,058**	**1,137,763**

(i) The prior year adjustments relate to the effect of change in the accounting policies for deferred income tax and employee benefits to comply with the requirements of International Accounting Standards as explained below:

	1999 Shs 000	1998 Shs 000
Deferred tax asset not previously recognised (IAS 12)	**172,613**	230,899
Past service cost relating to accrued leave (IAS 19)	**(15,967)**	(15,967)
	156,646	214,932

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

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards, which have been adopted with effect from 1 January 1999. They are prepared under the historical cost convention, modified to include the revaluation of certain assets.

With the exception of International Accounting Standards 12 and 19 (Income Taxes and Employee Benefits), there are no changes in accounting policy that affect operating profit resulting from the adoption of International Accounting Standards by the Group.

Consolidation

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

Associated companies

Investments in associated companies are accounted for by the equity method of accounting. These are undertakings over which the Group has between 20% and 50% of the voting rights, and over which the Group exercises significant influence, but which it does not control. Provisions are recorded for long term impairment in value.

Equity accounting involves recognising in the income statement the Group's share of the associates profit or loss for the year. The Group's interest in the associates is carried in the balance sheet at an amount that reflects its share of the net assets of the associates and includes goodwill at acquisition.

A listing of the Group's principal associated undertakings is shown in Note 13.

Investment in subsidiary company

The investment in the subsidiary company is stated at cost.

Income recognition

Income is recognised in the period in which it is earned except for dividends from investments which are recognised when declared. When a lending account becomes non-performing, interest is suspended and excluded from income until it is received.

Property and equipment

Property and equipment are stated at cost or valuation less depreciation.

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

	Rate %
Motor vehicles	25
Furniture, fittings and equipment	10, 20 and 25

Leasehold land and buildings are carried at fair values.

Government securities

Government securities are stated at cost and income is accrued and included in interest receivable and other assets.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments

(i) The Group's quoted investments are shown in the balance sheet at their market value. Unrealised gains arising on revaluation are credited to capital reserve. Unrealised losses are charged first against any accumulated unrealised gains and the balance is charged to the profit and loss account.

(ii) The Bank's unquoted investments are stated at cost, net of any provision for permanent diminution in value.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including cash and balances with Central Bank, treasury bills and bonds and amounts due from other banks.

Bad and doubtful advances

Specific provisions are made in relation to identified risk advances and a general provision is maintained against risks which although not identified may arise in any portfolio of bank advances. The resulting charge/release is dealt with in the profit and loss account. When an advance is deemed uncollectible it is written off against the related bad debt provision. Subsequent recoveries of advances that have been written off are credited to the profit and loss account.

Deferred income tax

Deferred income tax is provided, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

The principal temporary differences arise from depreciation on property and equipment and general provisions for bad and doubtful debts.

This is a change in accounting policy to comply with International Accounting Standard 12. Previously deferred income tax was provided for when in the opinion of directors, a liability or asset was expected to crystallise in the foreseeable future.

Translation of foreign currencies

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

Retirement benefit costs

The Group operates a defined contribution plan, the assets of which are held in a separate trustee-administered fund. The Group's contributions to the defined contribution plan are charged to the income statement in the year to which they relate.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular the comparative figures have been adjusted to take into account the requirements of International Accounting Standards which the Bank has adopted for the year ended 31 December 1999.

	1999 Shs 000	1998 Shs 000
2. INTEREST INCOME		
Loans and advances to customers	610,422	1,196,293
Treasury bills and bonds	228,808	160,820
Placements and bank balances	44,714	170,376
	883,944	1,527,489
3. INTEREST EXPENSE		
Current and demand accounts	20,725	100,988
Savings accounts	21,019	30,449
Time deposits	371,184	912,470
Other borrowed funds	373	3,312
	413,301	1,047,219
4. OPERATING EXPENSES		
Staff costs (see below)	178,452	203,020
Directors emoluments:		
as directors	732	337
as executives	31,314	23,337
Depreciation	26,239	16,789
Auditors' remuneration (the Bank: Shs 1,797,000; 1998 Shs 1,634,000)	2,047	1,980
Contribution to Deposit Protection Fund	8,350	10,017
Legal and professional fees	22,712	21,975
Other costs	86,421	85,071
	356,267	362,526

Included in staff costs is Shs 9,915,000 (1998: Shs 9,357,000) relating to pension contributions. The average number of employees employed by the Group (excluding associates) during the year was 132 (1998: 176).

	1999 Shs 000	1998 Shs 000
5. INCOME TAX EXPENSE		
Current tax at 32.5%	252	983
Deferred tax (Note 23)	50,772	58,286
Share of tax of associates (Note 13)	11	52
	51,035	59,321
The tax on the operating profit differs from the theoretical amount that would arise using the basic tax rate as follows:		
Profit before tax	155,259	207,599
Prima facie tax calculated at a tax rate of 32.5% (1998–32.5%)	50,459	67,470
Tax effects of:		
Expenses not deductible for tax purposes	5,399	2,859
Income not assessable for tax	(5,815)	(3,226)
Utilisation of previously unrecognised tax losses and income exempt from tax on subsidiary and associates	(9,069)	(8,238)
Effects of change in tax rate on deferred tax asset	10,153	-
Other	(92)	456
	51,035	59,321

6. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the profit attributable to shareholders, Shs 139,559,000 (1998: Shs 123,876,000) has been dealt with in the financial statements of Diamond Trust Bank Kenya Limited. This includes a dividend of Shs. 66,652,000 (1998: NIL) received from a subsidiary.

	1999	1998
7. DIVIDENDS (GROSS)		
Interim – paid (Shs 0.40 per share)	31,800	31,800
Final – proposed (Shs 0.40 per share)	31,800	31,800
	63,600	63,600

8. EARNINGS PER SHARE

Earnings per share are calculated on the profit attributable to shareholders of Shs 104,224,000 (1998: Shs 148,278,000) and on the number of ordinary shares in issue at the respective balance sheet dates.

9. DIVIDENDS PER SHARE

Dividends per share are calculated on dividends of Shs 63,600,000 (1998: Shs 63,600,000) and on the number of shares in issue at the respective balance sheet dates.

10. CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	THE GROUP		THE BANK	
	1999 Shs 000	1998 Shs 000	**1999 Shs 000**	1998 Shs 000
Cash on hand	**21,512**	30,687	**21,512**	29,161
Balances with the Central Bank of Kenya:				
Cash ratio requirement	**396,375**	827,292	**396,375**	760,042
	417,887	857,979	**417,887**	789,203

The cash reserve ratio balance is non interest bearing and is based on the value of deposits as adjusted by the Central Bank of Kenya requirements. These funds are not available to finance the Bank's day to day operations.

11. GOVERNMENT SECURITIES

Treasury bills and bonds				
Maturing within 90 days of year end	**1,643,040**	902,945	**1,643,040**	498,048
Maturing after 90 days of year end	**400,000**	400,000	**400,000**	400,000
	2,043,040	1,302,945	**2,043,040**	898,048
Other Government securities				
Maturing after one year	**1,000**	1,000	**1,000**	1,000
	2,044,040	1,303,945	**2,044,040**	899,048

12. DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

Due within 90 days of year end	**399,078**	783,797	**399,078**	738,857

13. INVESTMENT IN ASSOCIATES (THE GROUP)

	1999 Shs 000	1998 Shs 000
At 1 January	131,421	120,636
Share of results before tax	27,939	23,997
Share of tax	(11)	(52)
Dividend paid	(2,607)	(2,334)
Translation differences	1,144	(4,760)
Current account balances settled	-	(6,066)
At 31 December	157,886	131,421

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

	Beneficial Ownership	THE GROUP 1999 Shs 000	THE GROUP 1998 Shs 000	THE BANK 1999 Shs 000	THE BANK 1998 Shs 000
Subsidiary company					
Premier Savings and Finance Limited	100%	-	-	29,137	29,137
Associated companies					
Comtech Systems Limited	29%	3,700	3,755	3,500	3,500
Diamond Trust Bank Uganda Limited	27%	47,815	41,790	25,000	25,000
Diamond Trust Bank Tanzania Limited	33%	88,215	65,602	25,000	25,000
Kenya Litho Limited	22.25%	18,155	20,273	20,253	20,253
Services and Systems Limited	40%	1	1	1	1
		157,886	131,421	73,754	73,754
Total investment in subsidiary and associated companies		157,886	131,421	102,891	102,891

The subsidiary is incorporated in Kenya.

Bank Statement of Changes in Equity

for the year ended 31 December 1999

	Share capital Shs 000	Share premium account Shs 000	Capital reserve Shs 000	Revenue reserve Shs 000	Total equity Shs 000
At 1 January 1998	318,000	16,320	84,126	230,917	649,363
Prior year adjustments (note (i))	-	-	-	214,932	214,932
As restated	318,000	16,320	84,126	445,849	864,295
Adjustment in market value of quoted shares	-	-	6,050	-	6,050
Net profit for the year	-	-	-	123,876	123,876
Dividend (Note 7)	-	-	-	(63,600)	(63,600)
At 31 December 1998	318,000	16,320	90,176	506,125	930,621
At 1 January 1999	**318,000**	**16,320**	**90,176**	**349,479**	**773,975**
Prior year adjustments (note (i))	-	-	-	**156,646**	**156,646**
As restated	**318,000**	**16,320**	**90,176**	**506,125**	**930,621**
Adjustment in market value of quoted shares and others	-	-	**(9,787)**	-	**(9,787)**
Net profit for the year	-	-	-	**139,559**	**139,559**
Dividend (Note 7)	-	-	-	**(63,600)**	**(63,600)**
At 31 December 1999	**318,000**	**16,320**	**80,389**	**582,084**	**996,793**

(i) The prior year adjustments relate to the effect of change in the accounting policies for deferred income tax and employee benefits to comply with the requirements of International Accounting Standards as explained below:

	1999 Shs 000	1998 Shs 000
Deferred tax asset not previously recognised (IAS 12)	**172,613**	230,899
Past service cost relating to accrued leave (IAS 19)	**(15,967)**	(15,967)
	156,646	214,932

Group Cash Flow Statement

for the year ended 31 December 1999

	Notes	1999 Shs 000	1998 Shs 000
NET CASH INFLOW FROM OPERATING ACTIVITIES	22(a)	**416,991**	874,500
INCOME TAX		**-**	31
		416,991	874,531
CASH FLOW FROM INVESTING ACTIVITIES			
Dividends received		**5,245**	5,721
Purchase of property and equipment		**(24,089)**	(29,246)
Proceeds on sale of property and equipment		**11,654**	27,200
Net cash (outflow) inflow from investing activities		**(7,190)**	3,675
CASH FLOW FROM FINANCING ACTIVITIES			
Dividends paid		**(63,600)**	(79,500)
Net cash (outflow) from financing activities		**(63,600)**	(79,500)
Net increase in cash and cash equivalents		**346,201**	798,706
Cash and cash equivalents at beginning of year		**1,717,429**	918,723
Cash and cash equivalents at end of year	22(b)	**2,063,630**	1,717,429

14. ADVANCES TO CUSTOMERS

	THE GROUP		THE BANK	
	1999	1998	1999	1998
	Shs 000	Shs 000	Shs 000	Shs 000
Loans to customers (net of interest suspended)	2,624,308	3,616,939	2,624,308	3,420,896
Less: Provision for bad and doubtful debts:				
Specific	176,909	665,829	176,909	635,620
General	24,089	52,950	24,089	49,110
Advances to customers (net)	2,423,310	2,898,160	2,423,310	2,736,166
Maturity analysis of net advances to customers				
Maturing:				
Within one year	1,375,495	1,456,217	1,375,495	1,356,734
Over one year to three years	745,317	1,102,126	745,317	1,049,897
Over three years	302,498	339,817	302,498	329,535
Advances to customers (net)	2,423,310	2,898,160	2,423,310	2,736,166
Advances to customers by type				
Overdrafts	327,258	24,519	327,258	24,519
Commercial loans and mortgages	2,293,454	3,592,420	2,293,454	3,396,377
Bills discounted	3,596	-	3,596	-
	2,624,308	3,616,939	2,624,308	3,420,896

Economic sector risk concentrations	1999	1999	1998	1998
	Shs 000	%	Shs 000	%
Agriculture	73,137	3	196,690	5
Manufacturing	405,987	15	679,041	19
Wholesale and retail trade	547,948	21	822,055	23
Transport and communications	503,831	19	464,009	13
Business services	167,875	6	261,509	7
Social, community and personal services	120,895	5	60,136	2
Real estate	111,765	4	98,659	3
Other	692,870	27	1,034,840	28
	2,624,308	100	3,616,939	100

14. ADVANCES TO CUSTOMERS (CONTINUED)

Included in the amount of advances for the Group are non-performing advances which, net of interest suspended and provisions, amount to Shs 410,376,000 (1998 – Shs 506,056,000).

Group advances to customers at 31 December 1999 include loans to directors, employees and associates amounting to Shs 58,020,000 (1998: Shs 36,602,000).

Movement in provision for bad and doubtful debts

		1999			1998	
THE GROUP	**Specific Provisions Shs 000**	**General Provision Shs 000**	**Total Shs 000**	Specific Provisions Shs 000	General Provision Shs 000	Total Shs 000
Balance at 1 January	665,829	52,950	718,779	1,062,981	53,129	1,116,110
New and increased provisions	124,459	-	124,459	102,270	-	102,270
Recoveries of amounts previously provided	(45,627)	-	(45,627)	(102,290)	-	(102,290)
Release of excess provision	-	(28,861)	(28,861)	-	(179)	(179)
Write-offs of prior year bad debts provisions	(567,752)	-	(567,752)	(397,132)	-	(397,132)
Balance at 31 December	176,909	24,089	200,998	665,829	52,950	718,779

		1999			1998	
THE BANK	**Specific Provisions Shs 000**	**General Provision Shs 000**	**Total Shs 000**	Specific Provisions Shs 000	General Provision Shs 000	Total Shs 000
Balance at 1 January	635,620	49,110	684,730	987,346	49,110	1,036,456
Provision transferred upon merger with PSF	30,440	-	30,440	-	-	-
New and increased provisions	124,001	-	124,001	73,283	-	73,283
Recoveries of amounts previously provided	(45,427)	-	(45,427)	(97,491)	-	(97,491)
Release of excess provision	-	(25,021)	(25,021)	-	-	-
Write-offs of prior year bad debts provisions	(567,725)	-	(567,725)	(327,518)	-	(327,518)
Balance at 31 December	176,909	24,089	200,998	635,620	49,110	684,730

14. ADVANCES TO CUSTOMERS (CONTINUED)

Charge to profit

THE GROUP	1999 Specific Provisions Shs 000	1999 General Provision Shs 000	1999 Total Shs 000	1998 Specific Provisions Shs 000	1998 General Provision Shs 000	1998 Total Shs 000
New and increased provisions	124,459	-	124,459	102,270	-	102,270
Recoveries of amounts previously provided	(45,627)	-	(45,627)	(102,290)	-	(102,290)
Write back of provision	-	(28,861)	(28,861)	-	(179)	(179)
Net increase in provisions	78,832	(28,861)	49,971	(20)	(179)	(199)
Amounts recovered previously written off	(1,381)	-	(1,381)	(16)	-	(16)
Bad debts write-off	-	-	-	146	-	146
Net charge to profit and loss account	77,451	(28,861)	48,590	110	(179)	(69)

THE BANK	1999 Specific Provisions Shs 000	1999 General Provision Shs 000	1999 Total Shs 000	1998 Specific Provisions Shs 000	1998 General Provision Shs 000	1998 Total Shs 000
New and increased provisions	124,001	-	124,001	73,283	-	73,283
Recoveries of amounts previously provided	(45,427)	-	(45,427)	(97,491)	-	(97,491)
Write back of provision	-	(25,021)	(25,021)	-	-	-
Net increase in provisions	78,574	(25,021)	53,553	(24,208)	-	(24,208)
Amounts recovered previously written off	(905)	-	(905)	-	-	-
Bad debts write-off	-	-	-	11	-	11
Net charge to profit and loss account	77,669	(25,021)	52,648	(24,197)	-	(24,197)

15. OTHER INVESTMENTS

	THE GROUP		THE BANK	
	1999 Shs 000	1998 Shs 000	1999 Shs 000	1998 Shs 000
Quoted shares	35,280	41,822	35,280	37,083
Unquoted shares	23,047	23,047	23,047	23,047
	58,327	64,869	58,327	60,130

16. PROPERTY AND EQUIPMENT

THE GROUP	Capital Work-in-Progress Shs 000	Long and Short term Leasehold Land and Buildings Shs 000	Motor Vehicles Shs 000	Furniture, Fittings and Equipment Shs 000	Total Shs 000
Cost or valuation					
At 1 January 1999	-	138,288	25,532	131,119	294,939
Additions	9,051	-	-	15,038	24,089
Disposals/Write-offs	-	(3,279)	(1,809)	(16,776)	(21,864)
At 31 December 1999	**9,051**	**135,009**	**23,723**	**129,381**	**297,164**
Depreciation					
At 1 January 1999	-	-	8,613	66,679	75,292
Charge for the year	-	-	4,932	21,307	26,239
Disposals/Write-offs	-	-	(1,809)	(11,725)	(13,534)
At 31 December 1999	-	-	**11,736**	**76,261**	**87,997**
Net book value					
At 31 December 1999	**9,051**	**135,009**	**11,987**	**53,120**	**209,167**
At 31 December 1998	-	138,288	16,919	64,440	219,647

16. PROPERTY AND EQUIPMENT (CONTINUED)

THE BANK	Capital Work-in-Progress Shs 000	Long and Short term Leasehold Land and Buildings Shs 000	Motor Vehicles Shs 000	Furniture, Fittings and Equipment Shs 000	Total Shs 000
Cost or valuation					
At 1 January 1999	-	129,355	25,532	118,097	272,984
Additions	9,051	-	-	14,974	24,025
Disposals/Write-offs	-	(3,279)	(1,809)	(16,776)	(21,864)
Transfer from subsidiary	-	8,932	-	13,087	22,019
At 31 December 1999	**9,051**	**135,008**	**23,723**	**129,382**	**297,164**
Depreciation					
At 1 January 1999	-	-	8,614	57,322	65,936
Charge for the year	-	-	4,932	20,970	25,902
Disposals/Write-offs	-	-	(1,809)	(11,880)	(13,689)
Transfer from subsidiary	-	-	-	9,848	9,848
At 31 December 1999	-	-	**11,737**	**76,260**	**87,997**
Net book value					
At 31 December 1999	**9,051**	**135,008**	**11,986**	**53,122**	**209,167**
At 31 December 1998	-	129,355	16,918	60,775	207,048

(i) Land and buildings of the Group are stated at professional valuation carried out on 31 December 1995 and represent the fair value at the balance sheet date. The basis was open market value.Subsequent additions of Shs. 450,000 (1998: Shs 450,000) are stated at cost.

(ii) Capital work-in-progress relates to refurbishment of the Bank's Mombasa branch premises.

17. INTEREST RECEIVABLE AND OTHER ASSETS

	THE GROUP		THE BANK	
	1999 Shs 000	1998 Shs 000	**1999 Shs 000**	1998 Shs 000
Interest receivable	**85,447**	98,657	**85,447**	88,589
Uncleared effects	**12,865**	21,972	**12,865**	21,972
Other	**41,112**	30,668	**41,112**	40,375
	139,424	151,297	**139,424**	150,936

	THE GROUP		THE BANK	
	1999	1998	**1999**	1998
	Shs 000	Shs 000	**Shs 000**	Shs 000
18. CUSTOMER DEPOSITS				
Current and demand deposits	**306,237**	423,131	**306,237**	411,329
Savings accounts	**391,816**	367,027	**391,816**	347,629
Fixed deposit accounts	**3,829,272**	4,013,265	**3,829,272**	3,500,452
Certificates of deposit	**208**	333,550	**208**	333,550
	4,527,533	5,136,973	**4,527,533**	4,592,960
Maturity analysis of customer deposits				
a) Deposits and balances from banking institutions				
Payable within one year	**2,610**	4,849	**2,610**	4,849
b) Amounts owed to depositors				
Payable within one year	**4,523,573**	5,130,169	**4,523,573**	4,586,156
Payable in over one year	**1,350**	1,955	**1,350**	1,955
	4,524,923	5,132,124	**4,524,923**	4,588,111
	4,527,533	5,136,973	**4,527,533**	4,592,960
19. INTEREST PAYABLE AND OTHER LIABILITIES				
Accrued interest	**49,369**	82,245	**49,369**	73,608
Items in transit	**5,290**	29,679	**5,290**	29,679
Due to subsidiary company	**-**	-	**79,561**	-
Accrued leave and gratuity provision	**51,381**	54,539	**51,381**	52,195
Other	**192,712**	168,195	**192,712**	164,503
	298,752	334,658	**378,313**	319,985
20. SHARE CAPITAL				
Authorised: 125,000,000 ordinary shares of Shs 4 each	**500,000**	500,000	**500,000**	500,000
Issued and fully paid: 79,500,000 ordinary shares of Shs 4 each	**318,000**	318,000	**318,000**	318,000

21. CAPITAL RESERVE

	THE GROUP		THE BANK	
	1999	1998	1999	1998
	Shs 000	Shs 000	Shs 000	Shs 000
The reserve comprises of:				
Surplus on revaluation of				
Property and equipment	64,436	67,332	64,436	67,332
Quoted shares	20,930	27,476	15,953	22,844
Bank's share of post acquisition reserves in subsidiary and associates	68,019	44,649	-	-
	153,385	139,457	80,389	90,176

22. NOTES TO THE GROUP CASH FLOW STATEMENT

a) Reconciliation of Group profit before tax to net cash flow from operating activities

	1999	1998
	Shs 000	Shs 000
Profit before tax	155,259	207,599
Adjustments for:		
Depreciation	26,239	16,789
Gain on sale of fixed assets	(6,220)	(6,377)
Dividend income	(2,638)	(3,387)
Share of associated companies profit	(27,939)	(23,997)
Provision for bad and doubtful debts	48,590	(69)
Net cash generated from operations	193,291	190,558
Decrease in cash ratio balance	430,917	88,585
Increase in Government securities maturing after 90 days of year end	-	(364,350)
Net decrease in advances to customers	426,256	1,423,006
Decrease in customer deposits	(609,440)	(851,310)
Decrease in interest receivable and other assets	11,873	471,159
Decrease in associated companies current account balances	-	6,066
Decrease in interest payable and other liabilities	(35,906)	(89,214)
	223,700	683,942
Net cash inflow from operating activities	416,991	874,500

22. NOTES TO THE GROUP CASH FLOW STATEMENT (CONTINUED)

b) Analysis of the balances of cash and cash equivalents as shown in the balance sheet notes

	1999 Shs 000	1998 Shs 000
Cash and balances with Central Bank of Kenya	21,512	30,687
Government securities – Treasury bills and bonds maturing within 90 days of year end	1,643,040	902,945
Deposits and balances due from banking institutions	399,078	783,797
	2,063,630	1,717,429

23. DEFERRED INCOME TAXES

Deferred income taxes are calculated on all temporary differences under the liability method using the enacted tax rate of 30% (1998: 32.5%). Movement on the deferred income tax account is as follows:

	1999 Shs 000	1998 Shs 000
At 1 January, not previously recognised	172,613	230,899
Income statement charge	(50,772)	(58,286)
At 31 December	121,841	172,613
The net deferred income tax is attributable to the following items:		
Excess of accounting depreciation over tax depreciation	1,035	(2,460)
General provisions:		
Bad and doubtful debts	7,227	15,960
Gratuity	10,624	11,774
Staff leave	4,790	5,190
Tax losses of the Bank	98,165	142,149
	121,841	172,613

24. CONTINGENT LIABILITIES

	THE GROUP		THE BANK	
	1999	1998	1999	1998
	Shs 000	Shs 000	Shs 000	Shs 000
Letters of credit	2,853	117,369	2,853	117,369
Guarantees	35,200	22,250	35,200	22,250
	38,053	139,619	38,053	139,619

The contingent liabilities represent transactions entered into in the normal course of business which are matched by counter indemnities from the customers.

25. COMMITMENTS FOR CAPITAL EXPENDITURE

	THE GROUP		THE BANK	
	1999	1998	1999	1998
	Shs 000	Shs 000	Shs 000	Shs 000
Contracted but not provided for in these accounts	8,389	-	8,389	-
	8,389	-	8,389	-

26. BUSINESS SEGMENTS

The major part of the business of the Group falls under the category of banking, with other income comprising less than 3% of the total income of the Group.

27. CURRENCY RISK

The Bank operates within Kenya and its assets and liabilities are reported in local currency. Although it maintains trade with other correspondent Banks, it held no significant foreign currency exposure as at 31 December 1999 or 31 December 1998.

28. RETIREMENT BENEFIT OBLIGATIONS

All permanent employees of the Bank are members of a defined contribution scheme administered by The Jubilee Insurance Company Limited. The payments to the trust fund are determined by a certain percentage of the employees' and employer's contribution based on the basic salary. The employer's contribution for the year, net of contributions to the statutory defined contribution scheme, was Shs 9,915,000 (1998 – Shs 9,357,000). This contribution has been charged to the profit and loss account.

29. ASSETS PLEDGED AS SECURITY

As at 31 December 1999 and 31 December 1998, there were no assets pledged to secure liabilities.

30. INCORPORATION

The Bank is incorporated in Kenya under the Companies Act.

31 INTEREST RATE RISK

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not bear an interest rate risk on off balance sheet items. All figures are in thousands of shillings.

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Over 3 years	Non-interest bearing	Total
ASSETS								
Cash and balances with Central Bank of Kenya	21,512	-	-	-	-	-	396,375	417,887
Government securities	1,172,048	670,992	200,000	-	-	1,000	-	2,044,040
Deposits and balances due from banking institutions	399,078	-	-	-	-	-	-	399,078
Investments in associates	-	-	-	-	-	-	157,886	157,886
Other investments	-	-	-	-	-	-	58,327	58,327
Interest receivable and other assets	-	-	-	-	-	-	139,424	139,424
Advances to customers	2,037,023	-	-	-	-	-	386,287	2,423,310
Property and equipment	-	-	-	-	-	-	209,167	209,167
Tax receivable	-	-	-	-	-	-	24,888	24,888
Deferred tax asset	-	-	-	-	-	-	121,841	121,841
Total assets	**3,629,661**	**670,992**	**200,000**	-	-	**1,000**	**1,494,195**	**5,995,848**
LIABILITIES AND SHAREHOLDERS' FUNDS								
Customer deposits	2,975,885	1,476,118	58,309	15,663	1,350	-	208	4,527,533
Interest payable and other liabilities	-	-	-	-	-	-	298,752	298,752
Dividends proposed	-	-	-	-	-	-	31,800	31,800
Shareholders' funds	-	-	-	-	-	-	1,137,763	1,137,763
Total liabilities and shareholders' funds	**2,975,885**	**1,476,118**	**58,309**	**15,663**	**1,350**	-	**1,468,523**	**5,995,848**
On balance sheet interest sensitivity gap	**653,776**	**(805,126)**	**141,691**	**(15,663)**	**(1,350)**	**1,000**	**25,672**	-

32 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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 31.

The effective interest rates, calculated on a weighted average basis, for the principal financial assets and liabilities at 31 December 1999 and 1998 were as follows:

	1999			1998		
	In Shs	In US$	In GBP	In Shs	In US$	In GBP
	%	%	%	%	%	%
Government securities	18.1	-	-	19.3	-	-
Deposits and balances with banking institutions	11.4	4.9	4.3	12.4	3.9	2.7
Loans and advances to customers	23.2	-	-	25.8	-	-
Customer deposits	12.4	3.7	4.0	12.5	2.9	3.0

33 LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 1999 to contractual maturity date. All figures are in thousands of shillings.

	Up to 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 3 years	3 - 5 years	over 5 years	Total
ASSETS								
Cash and balances with Central Bank of Kenya	282,062	129,231	5,105	1,371	118	-	-	417,887
Government securities	1,022,048	620,992	-	400,000	-	1,000	-	2,044,040
Deposits and balances due from banking institutions	399,078	-	-	-	-	-	-	399,078
Investments in associates	-	-	-	-	-	-	157,886	157,886
Other investments	-	-	-	-	-	-	58,327	58,327
Interest receivable and other assets	139,424	-	-	-	-	-	-	139,424
Advances to customers	342,637	305,670	318,276	408,912	745,317	276,433	26,065	2,423,310
Property and equipment	-	-	-	-	-	-	209,167	209,167
Tax receivable	-	-	-	-	24,888	-	-	24,888
Deferred tax asset	-	-	-	-	121,841	-	-	121,841
Total assets	**2,185,249**	**1,055,893**	**323,381**	**810,283**	**892,164**	**277,433**	**451,445**	**5,995,848**
LIABILITIES & SHAREHOLDERS' FUNDS								
Customer deposits	2,976,093	1,476,118	58,309	15,663	1,350	-	-	4,527,533
Interest payable and other liabilities	277,408	20,308	802	215	19	-	-	298,752
Dividends proposed	-	-	-	31,800	-	-	-	31,800
Shareholders' funds	-	-	-	-	-	-	1,137,763	1,137,763
Total liabilities & shareholders' funds	**3,253,501**	**1,496,426**	**59,111**	**47,678**	**1,369**	**-**	**1,137,763**	**5,995,848**
Net liquidity gap	**(1,068,252)**	**(440,533)**	**264,270**	**762,605**	**890,795**	**277,433**	**(686,318)**	**-**

34 CURRENCY

These financial statements are presented in Kenya Shillings (Shs).

DIAMOND TRUST

Proxy Form

I/We ....

of ....

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

....

of ....

and failing him, ...

of ....

and failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Bank to be held on Friday, 30 June, 2000 at 11.00 a.m and at any adjournment thereof.

As witness my/our hand this .... day of .... 2000.

Signature ....

Important Notes:

1. *If you are unable to attend this meeting personally, this Proxy Form should be completed and returned to The Company Secretary, P.O. Box 61711, Nairobi, so as to reach him not later than 48 hours before the time appointed for holding the meeting.*
2. *A person appointed to act as a proxy need not be a member of the Bank.*
3. *If the appointer is a Corporation, this Proxy Form must be under seal or under the hand of an Officer or Attorney duly authorised in writing.*

Fold Here

Affix Stamp

The Company Secretary,
Diamond Trust Bank Kenya Limited,
P.O. Box 61711,
Nairobi,
K