



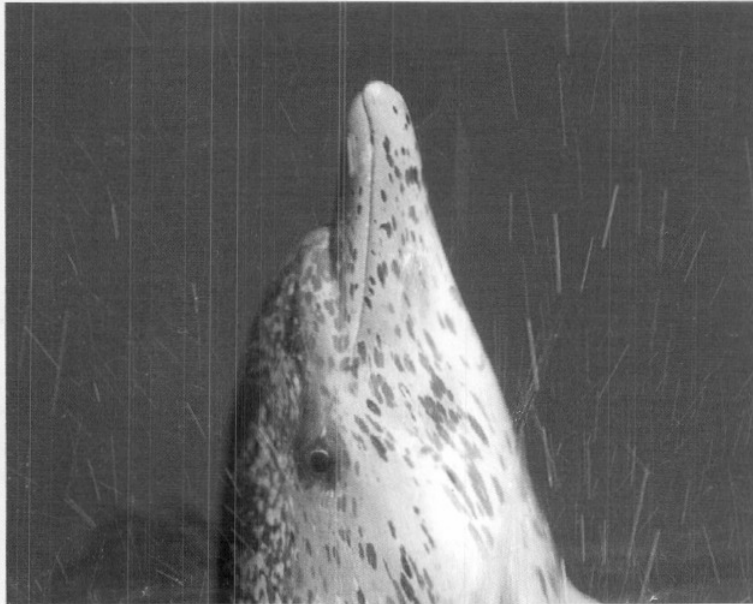
Diamond Trust Bank

Your Regional Bank of Choice

Nairobi | Mombasa | Kisumu | Dar es Salaam | Kampala

Annual Report & Financial Statements, 2002

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At Diamond Trust Bank, our guiding principles can be likened to those of dolphins: a strong emphasis on developing loyal bonds and nurturing our relationships; charting new courses but constantly assessing where we are and where we want to go; being flexible, responsive, and adaptable to change; continuously building our capacity and being able to search for sustainable and innovative solutions to every kind of challenge, and always being open to work with others in an ethical and equitable manner toward a common end; but above all, using our talents, our capabilities, and our intelligence to succeed in the changing world of tomorrow.

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COMPANY INFORMATION

BOARD OF DIRECTORS

Robert A. Bird* Chairman (Appointed on 16 August, 2002)
James B. Galbraith* Chairman (Resigned on 16 August, 2002)
Nasim M. Devji* Managing Director
James Bonnardeaux ** (Resigned on 11 January, 2003)
Iain Cheyne * (Alternate: Frederic Lucien***)
Nizar N. Juma
Jack J. Kisa
Iqbal G. Mamdani ****
Mahmood P. Manji
Amin E. Merali
George O. Oraro (Resigned on 4 November, 2002)
Abdul A. Samji

*British **Belgian ***French ****American

COMPANY SECRETARY

Elizabeth W. Hinga

REGISTERED OFFICE

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

AUDITORS

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

BRANCHES

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

Unit 2, Capital Cente, Mombasa Road,
P.O. Box 27556 - 00506,
NAIROBI

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

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

Diamond Trust House, Oginga Odinga Road,
P.O. Box 1081 - 40100,
KISUMU



NOTICE OF THE ANNUAL GENERAL MEETING

Notice is hereby given that the Thirty Seventh Annual General Meeting of the shareholders of Diamond Trust Bank Kenya Limited will be held at the Norfolk Hotel, Harry Thuku Road, Nairobi, on Friday 30 May 2003 at 10.00 a.m. to transact the following business:

1. To confirm the Minutes of the Thirty Sixth Annual General Meeting held on 28 June 2002.
2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2002.
3. To approve payment of a final dividend of 15% on the Issued and Paid-up Share Capital of Shs 318 million to the shareholders registered in our books as at 30 May 2003 on or about 20 June 2003, 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 2002, and to authorise the Directors to fix the Auditors' remuneration for the year 2003.
8. To transact any other Ordinary Business of an Annual General Meeting.

SPECIAL BUSINESS

9. To consider and, if deemed appropriate, pass the following resolutions as Ordinary Resolution:
 - (a) "That in pursuance of Article 133 of the Company's Articles of Association, and subject to the approval of the Capital Markets Authority being obtained pursuant to rule 19 G.01 of the Capital Markets Authority Rules 2002, and to the Nairobi Stock Exchange admitting the listing of new ordinary shares of the Company, and upon the recommendation of the Board, it is desirable to capitalise a sum of Shs. 79.5 million being part of the amount standing to the credit of Retained Earnings and accordingly that such sum be set free for distribution amongst the Shareholders of existing ordinary shares in the capital of the Company on the Share Register as at the date of the closure of the Register, 30 May 2003, on condition that the same be not paid in cash but applied in paying up in full at par 19,875,000 of the unissued ordinary shares of Shs. 4 each in the authorised Share Capital of the Company, and that such 19,875,000 shares credited as fully paid-up be accordingly allotted to such Shareholders in the proportion of one of such new shares for every four of existing 79,500,000 shares then held by such Shareholders respectively (fractions of a share to be disregarded) and that the shares so distributed shall be treated



NOTICE OF THE ANNUAL GENERAL MEETING

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 19,875,000 bonus shares not be issued by reason of fractions of a share being disregarded the Directors be and are hereby authorised to allot and issue the same to such persons and upon such terms and conditions as they may think fit.”

By Order of the Board

Elizabeth W. Hinga
Company Secretary

24 February, 2003
Nairobi

Note:

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

The Kenyan economy continued the recessionary trend seen in recent years, with GDP growing at a modest 0.7%, mirroring the experience of many other countries in the Continent and around the World. Despite this, the current account deficit narrowed to US\$218 Million and there was an improvement in the overall balance of payments position, which reflected a small surplus. This situation was helped by a reduction in imports and an increase in some of Kenyans traditional exports, particularly horticulture. Average inflation remained steady at around 2% for most of the year but grew to 4.1% by the year-end mainly due to higher oil prices. The exchange rate remained steady at around Ksh 78-79 to the US Dollar.

Not surprisingly, given this scenario, there was little growth in the Banking sector, with lendings increasing by only 4.5%, despite lower interest rates. The benchmark 91 day Treasury Bill rate declined from 10.9% to 8.4% during the year. Non Performing Loans also remained a problem for the Industry, at 30.2% of total lendings.

This situation, together with the proliferation of players in the Market, led to heightening of the competitive pressures experienced in 2001, with a resultant tightening of margins and an overall decline in the profitability of banks.

Despite this difficult market, your bank was able to maintain the encouraging growth experienced during 2001, resulting in a pre tax profit Shs113 Million, an increase of 119% over the previous year. This was achieved by management continuing its drive to attract former customers and gain new



business, mainly from the corporate sector, through a combination of competitive pricing and quality and speedy service.

Without compromising the bank's strict credit standards, management were able to increase net lendings by 48% to Shs 2.7 billion. New products, such as Insurance Premium Finance as well as renewed emphasis on Asset Finance, also contributed to this growth. Additionally, by maintaining tight credit controls, management were able to reduce non-performing loans to Shs 162 Million which, as a percentage of total advances, fell to 5.9%, down from the 18% for 2001 and well below the Industry average. As a result of these factors, net interest income grew by 19% and non-interest income, mainly from fees and foreign exchange dealings, by 72%. Greater focus was also directed towards liability management, leading to expansion of the deposit base by 17%, to close the year at Shs 4.56 Billion. Total

assets of the Group increased by 14% to Shs 6.27 Billion.

Obviously growth of this magnitude can place pressures on both personnel and infrastructure and great emphasis was placed upon strengthening both areas during the year. A number of gaps in the Senior Management team were filled by professional, experienced bankers who have been quickly assimilated into the bank's systems and culture. A new office was opened in Parklands in November in order to improve our service to our many existing and potential customers in the area. A new branch situated in the Capital Centre on Mombasa Road was also opened in March 2003. This office will serve the large number of corporate entities in the area as well as catering for the retail sector.

Undoubtedly a major factor, which differentiates the Group from many of its competitors is our Regional infrastructure, which includes the well-established Diamond Trust

Banks in both Tanzania and Uganda. With the re-emergence of the East African Community, many companies are looking more closely at the prospects for Regional business and investment or closer integration of their existing operations in the three countries. Management are therefore focussing a significant part of their business drive towards such companies, which is beginning to bear fruit. All three banks operate identical systems and policies, subject to local laws and practices, so that customers can obtain the same products and standards of service in all three countries. Our share of the profits of these affiliated banks amounted to Shs 9 Million down from Shs 16 Million for the previous year. Profits in Uganda declined by 75% and those in Tanzania by 30%, mainly due to loss of key management staff in late 2001, who took some time to replace. This situation was rectified during the second quarter of the year and the performance of both banks improved considerably during the second half.

The bank is constantly looking for new ways of improving its efficiency and service, which, in today's world, means that we must ensure that both our staff and customers have access to up to date information technology. Management are therefore at an advanced stage in selecting a new computer system for the bank, implementation of which will commence during the second half of 2003. It is also planned to begin the introduction of Automatic Teller Machines during the year.

Maximising the benefits of systems and technology will only be

achieved if we have a well trained and motivated workforce and this has been one of the key factors in the successes of the last two years. The bank has a well established training and development programme and the Group CEO, Mrs. Nasim Devji and her management team lead by example, promoting a strong performance culture which has greatly enhanced motivation. Both management and staff can be rightly proud of their achievements and I would like to take this opportunity of thanking them on behalf of the Board and shareholders for their contribution during the past year.

Looking ahead to 2003, there is cause for cautious optimism as a result of the political changes following the December Elections. The new Government is actively addressing many of the problems which have held back the country's development for a number of years, including corruption and the deteriorated infrastructure. There are already indications that there will be an early resumption of Donor support, which will be vital for economic recovery. The Private Sector will also need to respond with new investments and business initiatives and the bank stands ready to assist in this process. However, given the grave situation in the Middle East, which is negatively affecting the already depressed World economic situation, recovery in Kenya is likely to be slower than it would otherwise have been. We are therefore forecasting steady, rather than dramatic growth in our business during the year.

I took over as Chairman from

James Galbraith in August 2002. James was Chairman of the bank for 4 years, having taken over at a time when the bank was experiencing a number of major problems. It is therefore a tribute to his guidance and leadership that, by the time he retired, the bank was well on the road to recovery and I would like to take this opportunity of thanking him, on behalf of all of the stakeholders of the bank, for his valuable contribution.

Two other Directors have also retired from the Board in recent months. The first, George Oraro, decided to step down from the Board in November 2002, due to other business commitments, having served as a Director for 4^{1/2} years. George's sound, professional advice will be missed. James Bonnardeaux, who has been an overseas Director since June 2000, retired from the Board in January of this year. As a very experienced banker, James established a close rapport with management who very much valued his input and counsel. I thank them both for the important role they played in helping to take the bank forward.

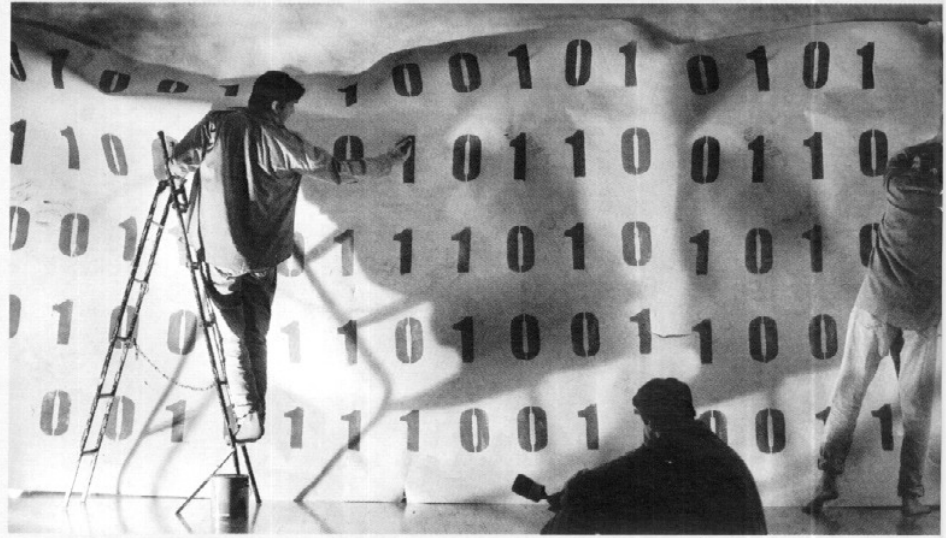
Finally, on behalf of the Board and all of our staff, we extend our thanks to our loyal customers who are helping to make Diamond Trust Bank Kenya Limited, one of the foremost banks in the country.

Robert A. Bird
Chairman

24 March, 2003
Nairobi

Uchumi wa Kenya uliendelea kudhihirisha mwelekeo wa kushuka kwa uchumi wa miaka ya hivi karibuni. Jumla ya mapato ya taifa (GDP) yalikua kwa 0.7% na kuakisi tajriba ya mataifa mengi barani na ulimwenguni kwa jumla. Licha ya hayo, hasara kutokana na akaunti za hundi ilipungua na kufikia US\$ 218 milioni. Kulikuwa na maendeleo katika jumla ya usawa wa malipo ambayo yalidhihirisha kiasi kidogo cha ziada. Hali hiyo ilisaidiwa na upungufu wa bidhaa zinazolingizwa kutoka nje na kuongezeka kwa baadhi ya bidhaa za kawaida ziuwazo nje kutoka Kenya, hasa maua. Wastani wa kupanda kwa gharama za maisha ulibakia kiwango cha 2% kwa muda mrefu mwakani lakini ulikua na kufikia 4.1% mwishoni mwa mwaka hasa kutokana na bei za juu za mafuta. Kima cha mabadilishano ya fedha kilibakia KSh 78-79 kwa dola. Kutokana na matukio haya, si ajabu kuwa, licha ya viwango vya chini vya riba, sekta ya benki ilikua kwa kiasi kidogo huku mikopo ikipanda kwa 4.5%. Alamateule ya hawala za serikali za siku 91 ilishuka kutoka 10.9% hadi 8.4% mwakani. Mikopo isiyolipwa pia ilibakia kuwa shida kwa sekta hii huku ikichukua 30.2% ya jumla ya mikopo.

Hali hii pamoja na kuongezeka kwa washindani katika soko kulipelekea kuzidisha mashindano makali yaliyokuwako 2001, matokeo yake yakiwa ni kubana viwango vya ziada na kushuka kwa faida za mabanki. Licha ya hali hii ngumu, benki yenu iliweza kudumisha kiwango cha ukuaji kilichopatikana mwaka wa 2001 na kupata faida ya Sh. 113 milioni kabla ya kulipa kodi ambalo ni ongezeko la 119% kutoka mwaka uliotangulia. Hii iliwezekana kwa menejimenti kuendeleza juhudi zake za kuvutia wateja wa zamani na kupata



biashara mpya, hasa kutoka sekta ya makampuni kupitia muungano wa bei za kushindaniwa na huduma bora na za haraka.

Bila kuhatarisha viwango vikali vya benki vya kutoa mikopo, menejimenti iliweza kuongeza ukopesaji kwa 48% hadi Sh. 2.7 bilioni. Bidhaa mpya kama vile kugharamia ulipaji ada za bima pamoja na kutilia mkazo zaidi kugharamia rasilmali pia vilichangia ukuaji huu. Kadhalika, kwa kudhibiti mikopo, menejimenti iliweza kupunguza mikopo isiyolipwa kufikia Sh. 162 milioni ambacho ni kiwango cha 5.9% kutoka 18% mwaka wa 2001, kiwango kilicho chini ya wastani wa sekta nzima. Kutokana na hali hizi, jumla ya mapato yanayotokana na riba yaliongezeka kwa 19% nayo mapato yasiyotokana na riba hasa kutokana na ada za mgao wa ubadilishanaji wa pesa za kigeni ulikua kwa 72%. Benki ililenga zaidi usimamizi wa madeni uliopelekea kupanuka kwa uwekaji wa kimsingi kwa 17% kufikia Sh. 4.56 bilioni mwishoni mwa mwaka. Jumla ya rasilmali ya kampuni iliongezeka kwa 14% na kufikia Sh. 6.27 bilioni.

Bila shaka ukuaji wa kiwango hiki

unaweza kuwalemea wafanyikazi pamoja na muundo msingi. Tutilia mkazo zaidi uimarishaji wa sehemu zote mbili mwakani. Nafasi kadhaa katika ngazi za juu za menejimenti zilijazwa na wataalamu wenye ujuzi katika shughuli za benki ambao wameshakuwa wenyeji katika mifumo na utamaduni wa benki hii. Ofisi mpya ilifunguliwa Parklands Novemba ili kuboresha huduma kwa wateja wetu wengi tulio nao na wale watakaokuja baadaye katika eneo hilo. Tawi jipya lililoko Capital Centre katika barabara ya Mombasa Road pia lilifunguliwa Machi 2003. Tawi hili litahudumia idadi kubwa ya makampuni yaliyoko huko pamoja na biashara za rejareja.

Kitu kimoja kinachotofautisha kampuni hii na washindani wengi ni muundo msingi wetu wa kieneo ambao ni pamoja na mabanki ya DTB yaliyostawishwa huko Tanzania na Uganda. Kutokana na kufufuliwa kwa jumuiya ya Afrika ya Mashariki, makampuni mengi yanaangazia biashara za kieneo na uwekezaji au kuunganisha shughuli zao katika mataifa haya matatu. Menejimenti inalenga sehemu kubwa ya biashara yao kwa makampuni hayo, jambo ambalo

limeanza kutoa matunda. Mabenki yote matatu huwa na mifumo na sera zilizo sawa kutegemea sheria na desturi za maeneo hayo ili wateja wapate bidhaa na huduma za viwango sawa katika mataifa yote matatu. Fungu letu la faida za mabenki haya shirikishi ilipungua kutoka Sh. 16 milioni mwaka uliotangulia na kufikia Sh. 9 milioni. Kiwango cha faida kutoka Uganda kilipungua kwa 75% na cha kutoka Tanzania kwa 30%, hasa kutokana na kujiuzuru kwa wafanyi kazi muhimu wa menejimenti baadaye mwakani. Ilituchukua muda kujaza nafasi za wafanyikazi hawa. Hali hii ilirekebisha katika robo ya pili ya mwaka na utendaji wa benki zote uliimarika kiasi katika nusu ya pili ya mwaka.

Benki inachunguza njia za kuboresha utendaji kazi na utoaji huduma ambavyo katika ulimwengu wa kisasa vinamaanisha kuwa ni lazima tuhakikishe wafanyikazi na wateja wetu wanaweza kutumia njia na mitambo ya kisasa ya kiteknolojia. Kwa hivyo, menejimenti imepania kununua mitambo mpya wa kompyuta ambao utaanza kutekelezwa katika kipindi cha pili cha mwaka huu. Kadhalika kuna mpango wa kuanzisha mitambo ya kuwahudumia wateja (ATM) mwakani.

Faida za mitambo na teknolojia itaweza tu kupatikana ikiwa tutakuwa na wafanyikazi waliohitimu na wenye motisha, jambo ambalo limetuwzesha kupata ufanisi katika miaka miwili iliyopita. Benki inao mpango imara

wa mafunzo na maendeleo na afisa mkuu mtendaji, Bi. Nasim Devji pamoja na viongozi wenzake wamejifunza kuongoza kwa vitendo huku wakiendeleza utamaduni wa utendaji, jambo ambalo linawahamasisha wafanyi kazi. Menejimenti na wafanyikazi kwa pamoja wanaweza kujivunia mafanikio yao. Kwa niaba ya halmashauri na wenye hisa, ningependa kuchukua nafasi hii kuwapongeza kwa mchango wao katika mwaka uliopita.

Nikiangazia 2003, kuna haja ya kutoa tahadhari ya matumaini kutokana na mabadiliko ya kisiasa kufuatia uchaguzi uliofanyika Disemba. Serikali mpya inajitahidi kushughulikia masuala ambayo yamelemaza maendeleo ya nchi kwa miaka kadhaa, yakiwemo ufisadi na muundo msingi uliozorota. Tayari kunazo dalili kuwa wafadhili wataanza tena kutoa misaada inayohitajika katika ufufuzi wa kiuchumi mapema. Sekta ya kibinafsi pia itahitajika kuanzisha vitega uchumi vipya na biashara mpya. Benki iko tayari kusaidia katika kuendeleza biashara. Hata hivyo, kutokana na hali ya kutisha katika eneo la Mashariki ya Kati ambayo inaathiri vibaya uchumi wa ulimwengu uliozorota tayari, huenda ufufuzi wa uchumi hapa Kenya ukachukua muda. Kwa hivyo tunatabiri maendeleo thabiti badala ya yale ya kutia shauku katika biashara yetu mwaka huu.

Nilichukua hatamu za uenyekiti kutoka kwa James Galbraith Agosti 2002. James alikuwa mwenyekiti kwa muda wa miaka minne.

Alikuwa amechukua uongozi wakati benki ilikuwa ikikumbwa na matatizo kadhaa makubwa. Ni kutokana na ushauri na uongozi wake ambapo, kufikia wakati alipostaafu benki ilikuwa imeanza kufanikiwa. Kwa niaba ya wenye hisa wote wa benki, ningependa kutoa shukrani za dhati kwa mchango wake mkubwa.

Wakurugenzi wengine wawili pia wamestaafu miezi ya hivi karibuni. Wa kwanza, George Oraro aliamua kujiondoa kwenye halmashauri Novemba 2002 baada ya kutumika kama mkurugenzi kwa miaka 4½ kutokana na shughuli za kibiashara kwingineko. Tutaukosa ushauri mwema na wa kitaalamu wa George. James Bonnardeaux ambaye amekuwa mkurugenzi wa ng'ambo tangu Juni 2000 alistaafu kutoka kwa halmashauri Februari 2003. Kama mkurugenzi wa benki mwenye ujuzi, James aliimarisha maelewano mema na menejimenti ambayo ilithamini sana mchango na ushauri wake. Ninawashukuru wote wawili kwa wajibu waliutekeleza katika kuisadia benki kusonga mbele.

Hatimaye, kwa niaba ya halmashauri na wafanyikazi wote, tunawashukuru wateja wetu waaminifu ambao wanasaidia kuifanya Diamond Trust Bank Kenya Limited mojawapo kati ya mabenki makuu nchini.

Robert A. Bird
Mwenyekiti

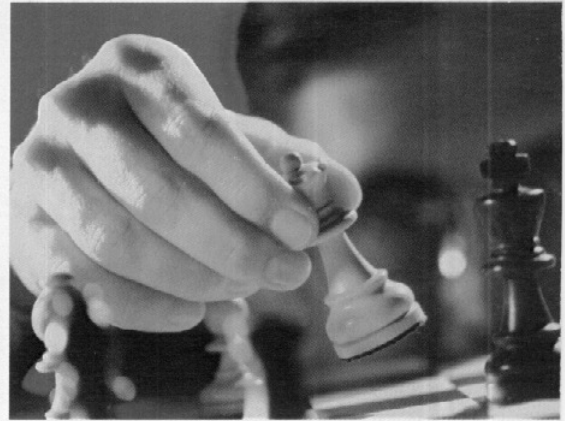
24 Machi, 2003
Nairobi

Taarifa iliyoko hapa 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 Chairman's Statement, which appears on pages 5 and 6. In the event of any dispute in the interpretation of the Kiswahili version, the English version shall be the authoritative version

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

The Board of Directors is responsible for the governance of the bank and is committed to ensuring that its business and operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. In this respect, the Board has adopted the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya published by the Capital Markets Authority in 2002.



BOARD OF DIRECTORS

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

Board Nominating and Remuneration Committee (BNRC)

The members of the BNRC are the Chairman of the Board and two other non- executive directors. The Committee is responsible for proposing new nominees to the Board, assessing the performance and effectiveness of directors, and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise required. The BNRC is also mandated to recommend to the full Board the remuneration of executive directors and the structure of their compensation package.

Board Audit Committee (BAC)

This Committee consists of three non-executive directors. The BAC, which meets on a quarterly basis, as a minimum, is mandated to raise the standards of corporate governance by continuously improving the quality of financial reporting, strengthening the control environment and the effectiveness of the internal and external auditing functions. In addition to advising the Board on best practice, the BAC also monitors management's compliance with relevant local legislation, regulations and guidelines issued by regulatory bodies, as well as the bank's laid down policies and procedures.

INTERNAL CONTROL SYSTEMS

The bank has well defined policies and procedures to ensure best practices are followed not only in conducting day to day operations and financial reporting but also is implementing strategic action plans approved by the Board. A well- structured organisation chart ensures that there is adequate segregation of duties. Structures and systems have been defined in the bank's policies and procedures which ensure that all significant transactions, operations and commitments are appropriately approved and are executed within agreed and defined parameters.

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

Regional Office Credit Committee (ROCC)

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

Assets and Liability Committee (ALCO)

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

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

24 March, 2003
Nairobi

DIRECTORS' REPORT
for the year ended 31 December 2002

The directors submit their report together with the audited financial statements for the year ended 31 December 2002, which disclose the state of affairs of the group.

INCORPORATION AND REGISTERED OFFICE

The bank is incorporated in Kenya under the Companies Act and is domiciled in Kenya. The address of its registered office is as disclosed on page 2.

PRINCIPAL ACTIVITIES

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

RESULTS AND DIVIDEND

	Shs 000
Group profit before tax	112,799
Tax	37,274
Profit after tax	75,525
Dividends	47,700
Retained profit for the year	27,825

The directors recommend the approval of a final dividend of Shs 47,700,000 (2001: Shs 31,800,000).

DIRECTORS

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

Mr Robert Bird retires under Article No.98 of the Company's Articles of Association as this is the first Annual General Meeting since his appointment and being eligible, offers himself for re-election.

In accordance with Articles No. 93 and 94 of the Bank's Articles of Association, Messrs Amin E. Merali, Nizar N. Juma and Iain D. Cheyne retire by rotation and being eligible, offer themselves for re-election.

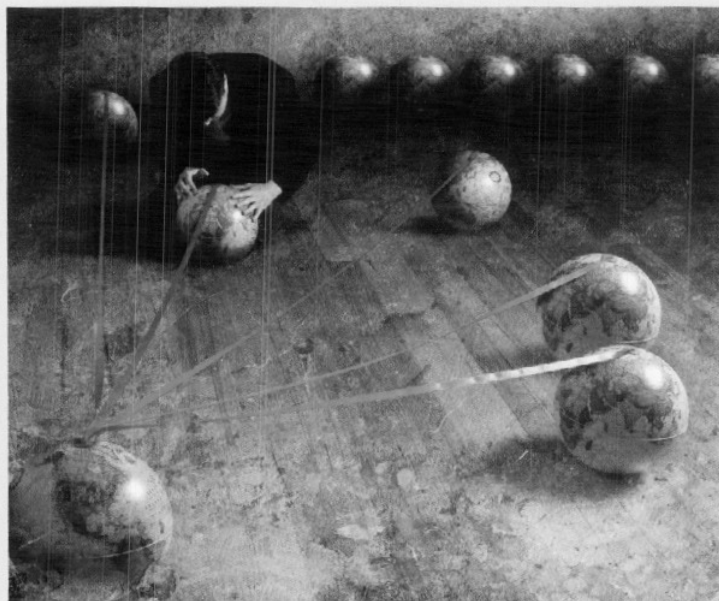
AUDITORS

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

By order of the Board
Elizabeth W. Hinga
Company Secretary

24 February, 2003
Nairobi

STATEMENT OF DIRECTORS' RESPONSIBILITIES
for the year ended 31 December 2002



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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit or loss. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

24 February, 2003
Nairobi

REPORT OF THE AUDITORS
To the Members of Diamond Trust Bank Kenya Limited

We have audited the financial statements of Diamond Trust Bank Kenya Limited as set out on pages 14 to 40. The balance sheet of the company is in agreement with the books of account.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors are responsible for the preparation of financial statements as set out on page 12. Our responsibility is to express an independent opinion on the financial statements based on our audit.

BASIS OF OPINION

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

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

OPINION

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2002 and of the profit and cash flows of the group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants

24 February, 2003

Nairobi



CONSOLIDATED PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2002



	Notes	2002 Shs 000	2001 Shs 000
Interest income	1	548,769	553,200
Interest expense	2	(196,411)	(256,483)
NET INTEREST INCOME		352,358	296,717
Fee and commission income		56,588	34,926
Foreign exchange income		15,914	7,152
Other operating income		16,646	15,616
OPERATING INCOME		441,506	354,411
Operating expenses	3	(338,720)	(322,665)
Write back of loan losses	14	711	10,282
PROFIT FROM OPERATIONS		103,497	42,028
Share of results of associates before tax	12	9,302	16,379
Loss on write down of non-banking assets	5	-	(7,000)
PROFIT BEFORE TAX		112,799	51,407
Tax	6	(37,274)	(10,475)
PROFIT AFTER TAX		75,525	40,932
DIVIDENDS			
Proposed final dividend for the year	8	47,700	31,800
EARNINGS PER SHARE (Shs)			
- Basic and diluted	7	0.95	0.51
DIVIDEND PER SHARE (Shs)	8	0.60	0.40

CONSOLIDATED BALANCE SHEET
at 31 December 2002

	Notes	2002 Shs 000	2001 Shs 000
ASSETS			
Cash and balances with Central Bank of Kenya	9	324,010	659,736
Government securities	10	1,821,537	1,460,644
Deposits and balances due from banking institutions	11	956,833	1,073,969
Other assets	13	110,771	86,710
Loans and advances to customers	14	2,696,344	1,825,820
Tax recoverable		24,680	24,680
Other investments	15	100	100
Investments in associates	12	163,941	168,165
Deferred tax asset	16	26,886	59,099
Property and equipment	17	148,652	156,732
TOTAL ASSETS		6,273,754	5,515,655
LIABILITIES			
Customer deposits	19	4,563,528	3,888,650
Deposits and balances due to banking institutions	20	202,209	150,849
Interest payable and other liabilities	21	238,654	240,751
TOTAL LIABILITIES		5,004,391	4,280,250
SHAREHOLDERS' EQUITY			
Share capital	22	318,000	318,000
Share premium	22	16,320	16,320
Retained earnings		772,173	771,897
Capital reserves	23	115,170	97,388
Proposed dividend	8	47,700	31,800
TOTAL SHAREHOLDERS' EQUITY		1,269,363	1,235,405
TOTAL LIABILITIES AND EQUITY		6,273,754	5,515,655

The financial statements on pages 14 to 40 were approved for issue by the board of directors on 24 February, 2003 and signed on its behalf by:

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

Mahmood P. Manji
Director

Elizabeth W. Hinga
Secretary

BANK BALANCE SHEET

at 31 December 2002

	Notes	2002 Shs 000	2001 Shs 000
ASSETS			
Cash and balances with Central Bank of Kenya	9	324,010	659,736
Government securities	10	1,821,537	1,460,644
Deposits and balances due from banking institutions	11	956,833	1,073,969
Other assets	13	110,771	86,710
Loans and advances to customers	14	2,696,344	1,825,820
Tax recoverable		18,474	18,474
Other investments	15	100	100
Investments in subsidiary and associates	12	79,139	79,139
Deferred tax asset	16	26,886	59,099
Property and equipment	17	148,652	156,732
TOTAL ASSETS		6,182,746	5,420,423
LIABILITIES			
Customer deposits	19	4,563,528	3,888,650
Deposits and balances due to banking institutions	20	202,209	150,849
Interest payable and other liabilities	21	318,216	320,313
TOTAL LIABILITIES		5,083,953	4,359,812
SHAREHOLDERS' EQUITY			
Share capital	22	318,000	318,000
Share premium	22	16,320	16,320
Retained earnings		689,478	663,725
Capital reserves	23	27,295	30,766
Proposed dividend	8	47,700	31,800
TOTAL SHAREHOLDERS' EQUITY		1,098,793	1,060,611
TOTAL LIABILITIES AND EQUITY		6,182,746	5,420,423

The financial statements on pages 14 to 40 were approved for issue by the board of directors on 24 February, 2003 and signed on its behalf by:

Robert A. Bird
Chairman

Nasim M. Devji
Managing Director

Mahmood P. Manji
Director

Elizabeth W. Hinga
Secretary

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 31 December 2002

Notes	Share Capital Shs 000	Share Premium Shs 000	Capital Reserves Shs 000	Retained Earnings Shs 000	Proposed Dividend Shs 000	Total Shs 000
YEAR ENDED 31 DECEMBER 2001						
At start of year						
As previously reported	318,000	16,320	102,245	772,865	47,700	1,257,130
Prior year adjustments						
- Revaluation surplus reversed	18	-	(17,977)	-	-	(17,977)
- Deferred tax on revaluation reversed		-	5,393	-	-	5,393
- Amortisation of operating leases	18	-	-	(2,040)	-	(2,040)
As restated	318,000	16,320	89,661	770,825	47,700	1,242,506
Revaluation surplus on property		-	13,860	-	-	13,860
Deferred tax on revaluation	16	-	(4,158)	-	-	(4,158)
Translation differences (note (i))		-	(1,975)	(8,060)	-	(10,035)
Net gains/(losses) not recognised in the profit and loss account		-	7,727	(8,060)	-	(333)
Net profit		-	-	40,932	-	40,932
Dividends:						
- Final for 2000		-	-	-	(47,700)	(47,700)
- Proposed final for 2001	8	-	-	(31,800)	31,800	-
At end of year	318,000	16,320	97,388	771,897	31,800	1,235,405
YEAR ENDED 31 DECEMBER 2002						
At start of year						
As previously stated	318,000	16,320	109,972	773,937	31,800	1,250,029
Prior year adjustments						
- Revaluation surplus reversed	18	-	(17,977)	-	-	(17,977)
- Deferred tax on revaluation reversed		-	5,393	-	-	5,393
- Amortisation of operating leases	18	-	-	(2,040)	-	(2,040)
As restated	318,000	16,320	97,388	771,897	31,800	1,235,405
Transfer of excess depreciation		-	(643)	643	-	-
Deferred tax on excess depreciation		-	192	(192)	-	-
Deficit on revaluation of property		-	(4,314)	-	-	(4,314)
Deferred tax on revaluation deficit		-	1,294	-	-	1,294
Bonus shares issued by associate		-	22,435	(22,435)	-	-
Translation differences (note (i))		-	(1,182)	(5,565)	-	(6,747)
Net gains/(losses) not recognised in the profit and loss account		-	17,782	(27,549)	-	(9,767)
Net profit		-	-	75,525	-	75,525
Dividends:						
- Final for 2001		-	-	-	(31,800)	(31,800)
- Proposed final for 2002		-	-	(47,700)	47,700	-
At end of year	318,000	16,320	115,170	772,173	47,700	1,269,363

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

BANK STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2002.

	Notes	Share Capital Shs 000	Share Premium Shs 000	Capital Reserves Shs 000	Retained Earnings Shs 000	Proposed Dividend Shs 000	Total Shs 000
YEAR ENDED 31 DECEMBER 2001							
At start of year							
As previously reported		318,000	16,320	33,648	672,941	47,700	1,088,609
Prior year adjustments							
- Revaluation surplus reversed	18	-	-	(17,977)	-	-	(17,977)
- Deferred tax on revaluation reversed		-	-	5,393	-	-	5,393
- Amortisation of operating leases	18	-	-	-	(2,040)	-	(2,040)
As restated		318,000	16,320	21,064	670,901	47,700	1,073,985
Revaluation surplus on property		-	-	13,860	-	-	13,860
Deferred tax on revaluation	16	-	-	(4,158)	-	-	(4,158)
Net gain/(losses) not recognised in the profit and loss account		-	-	9,702	-	-	9,702
Net profit		-	-	-	24,624	-	24,624
Dividends:							
- Final for 2000		-	-	-	-	(47,700)	(47,700)
- Proposed final for 2001	8	-	-	-	(31,800)	31,800	-
At end of year		318,000	16,320	30,766	663,725	31,800	1,060,611
YEAR ENDED 31 DECEMBER 2002							
At start of year							
As previously reported		318,000	16,320	43,350	665,765	31,800	1,075,235
Prior year adjustment							
- Revaluation surplus reversed	18	-	-	(17,977)	-	-	(17,977)
- Deferred tax on revaluation reversed		-	-	5,393	-	-	5,393
- Amortisation of operating leases	18	-	-	-	(2,040)	-	(2,040)
As restated		318,000	16,320	30,766	663,725	31,800	1,060,611
Transfer of excess depreciation		-	-	(643)	643	-	-
Deferred tax on excess depreciation		-	-	192	(192)	-	-
Deficit on revaluation of property		-	-	(4,314)	-	-	(4,314)
Deferred tax on revaluation deficit		-	-	1,294	-	-	1,294
Net gains/(losses) not recognised in the profit and loss account		-	-	(3,471)	451	-	(3,020)
Net profit		-	-	-	73,002	-	73,002
Dividends:							
- Final for 2001		-	-	-	-	(31,800)	(31,800)
- Proposed final for 2002		-	-	-	(47,700)	47,700	-
At end of year		318,000	16,320	27,295	689,478	47,700	1,098,793

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2002

	Notes	2002 Shs 000	2001 Shs 000
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest receipts		526,785	566,989
Interest payments		(200,240)	(257,504)
Net fee and commission receipts		56,588	34,926
Other income received		32,644	22,768
Recoveries from loans previously written off	14	11,418	12,087
Payments to employees and suppliers		(317,789)	(302,883)
Cash flows from operating activities before changes in operating assets and liabilities		109,406	76,383
Changes in operating assets and liabilities:			
- cash reserve requirement		334,837	(325,714)
- Government securities		(761,455)	241,850
- loans and advances		(880,048)	(332,813)
- other assets		(24,305)	51,125
- customer deposits		674,878	216,394
- other liabilities		1,732	15,855
Net cash used in operating activities		(544,955)	(56,920)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment	17	(17,228)	(9,898)
Proceeds from sale of property and equipment		223	437
Deposit for shares in associate company		-	(7,000)
Dividend received		3,012	3,204
Net cash used in investing activities		(13,993)	(13,257)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid		(31,800)	(47,700)
Net cash used in financing activities		(31,800)	(47,700)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(590,748)	(117,877)
Cash and cash equivalents at start of year	31	2,145,712	2,263,589
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	1,554,964	2,145,712

CMA-LIBRARY

ACCOUNTING POLICIES

for the year ended 31 December 2002

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

BASIS OF PREPARATION

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards. The financial statements are presented in Kenya Shillings (Shs) and are prepared under the historical cost convention modified to include the revaluation of properties.

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

CONSOLIDATION

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

ASSOCIATES

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

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

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

INVESTMENT IN SUBSIDIARY

The investment in the subsidiary is stated in the bank's balance sheet at cost less provision for impairment losses. Where, in the opinion of the directors, there has been impairment in the value of an investment, the loss is recognised as an expense in the period in which the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit and loss account.

INTEREST INCOME

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

PROPERTY AND EQUIPMENT

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

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

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

Leasehold buildings	Remaining period of lease
Leasehold improvements	Remaining period of lease
Motor vehicles	25%
Furniture, fittings and equipment	10%, 20% and 25%

Property and equipment are periodically reviewed for impairment. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

GOVERNMENT SECURITIES

Government securities comprise Treasury bills and bonds, which are debt securities issued by the Government of Kenya with fixed maturities. These securities are held to maturity as management has both the intent and ability to hold them until they mature. Treasury bills are stated at face value, less unearned interest. Treasury bonds are stated at face value, plus accrued interest.

LOANS AND ADVANCES AND PROVISIONS FOR LOAN IMPAIRMENT

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

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

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

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

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

TRANSLATION OF FOREIGN CURRENCIES

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

DEFERRED TAX

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

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

EMPLOYEE ENTITLEMENTS

Employee entitlements to gratuity and long service awards are recognised when they accrue to employees. A provision is made for the liability for such entitlements as a result of services rendered by employees up to the balance sheet date.

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

RETIREMENT BENEFIT OBLIGATIONS

The group operates a defined contribution retirement scheme, the assets of which are held in a separate trustee-administered fund. The group's contributions to the defined contribution scheme are charged to the profit and loss account in the year to which they relate.

DIVIDENDS PAYABLE

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

FORWARD FOREIGN EXCHANGE CONTRACTS

Forward foreign exchange contracts are carried at their fair value.

Gains and losses on forward foreign exchange contracts are included in net trading income as they arise.

ACCEPTANCES, GUARANTEES AND LETTERS OF CREDIT

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

COMPARATIVES

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

	2002 Shs 000	2001 Shs 000
1 INTEREST INCOME		
Loans and advances	312,322	226,420
Government securities	224,513	304,193
Placements and bank balances	11,934	22,587
	<u>548,769</u>	<u>553,200</u>
2 INTEREST EXPENSE		
Customer deposits	189,828	252,674
Borrowed funds	6,583	3,809
	<u>196,411</u>	<u>256,483</u>
3 OPERATING EXPENSES		
The following items are included within operating expenses:		
Staff costs (Note 4)	163,950	164,503
Depreciation (Note 17)	20,687	19,782
Operating lease rentals	27,042	24,802
Contribution to Deposit Protection Fund	5,603	6,082
Auditors' remuneration	2,145	2,145
	<u>163,950</u>	<u>164,503</u>
4 STAFF COSTS		
Included within staff costs are:		
Retirement benefit costs:		
– Defined contribution scheme	<u>9,692</u>	<u>8,880</u>
The number of persons employed by the group (excluding associates) at the year end was 103 (2001: 97)		
5 LOSS ON WRITE DOWN OF NON-BANKING ASSETS		
Loss on write down of equity investments	<u>-</u>	<u>(7,000)</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

6 TAX

	2002 Shs 000	2001 Shs 000
Current tax	-	-
Deferred tax (Note 16)	33,507	13,608
Share of tax of associates (Note 12)	3,767	(3,133)
	<u>37,274</u>	<u>10,475</u>

At 31 December 2002 the bank had tax losses amounting to Shs 60,822,000 (2001: Shs 188,587,000) which have been carried forward and are available for offset against the bank's future tax profits.

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

Profit before tax	112,799	51,407
Tax calculated at a tax rate of 30% (2001: 30%)	33,840	15,422
Tax effect of:		
Income not subject to tax	(89)	(849)
Expenses not deductible for tax purposes	2,525	3,941
Utilisation of previously unrecognised tax losses and income exempt from tax in subsidiary and associates	976	(8,047)
Other	22	8
Tax charge	<u>37,274</u>	<u>10,475</u>

7 EARNINGS PER SHARE

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 75,525,000 (2001: Shs 40,932,000) and on the weighted average number of ordinary shares outstanding during the year.

Net profit attributable to shareholders (Shs thousands)	75,525	40,932
Number of ordinary shares in issue (thousands)	79,500	79,500
Basic earnings per share (Shs)	<u>0.95</u>	<u>0.51</u>

There were no potentially dilutive shares outstanding at 31 December 2002 or 2001. Diluted earnings per share is therefore the same as basic earnings per share.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

8 DIVIDENDS PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the annual general meeting to be held on 30 May 2003, a final dividend in respect of the year ended 31 December 2002 of Shs 0.60 per share amounting to a total of Shs 47,700,000 is to be proposed.

The total dividend for the year is Shs 0.60 per share (2001: Shs 0.40), amounting to a total of Shs 47,700,000 (2001: Shs 31,800,000).

Payment of dividends is subject to withholding tax at a rate of 5% for residents and 10% for non-resident shareholders.

9 CASH AND BALANCES WITH CENTRAL BANK OF KENYA

Group and bank

	2002 Shs 000	2001 Shs 000
Cash in hand	24,464	25,353
Balances with Central Bank of Kenya	299,546	634,383
	<u>324,010</u>	<u>659,736</u>

10 GOVERNMENT SECURITIES

Group and bank

Treasury bills and bonds:

Maturing within 90 days of the date of acquisition	774,822	1,197,239
Maturing after 90 days of the date of acquisition	1,045,661	262,351
	<u>1,820,483</u>	<u>1,459,590</u>

Other Government securities

Maturing within one year	1,054	-
Maturing after one year	-	1,054
	<u>1,821,537</u>	<u>1,460,644</u>

Treasury bills and bonds are debt securities issued by the Republic of Kenya and are classified as held-to-maturity investments.

11 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

Group and bank

Due from Central Bank of Kenya under repurchase agreements	-	590,409
Due from other banks	956,833	483,560
	<u>956,833</u>	<u>1,073,969</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

11 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS (continued)

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

12 INVESTMENT IN ASSOCIATES

Group

	2002 Shs 000	2001 Shs 000
At start of year	168,165	161,892
Share of results before tax	9,302	16,379
Share of tax (Note 6)	(3,767)	3,133
Dividend paid	(3,012)	(3,204)
Translation differences	(6,747)	(10,035)
At end of year	<u>163,941</u>	<u>168,165</u>

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

	Beneficial Ownership	Group		Bank	
		2002 Shs 000	2001 Shs 000	2002 Shs 000	2001 Shs 000
Subsidiary					
Premier Savings and Finance Limited	100%	-	-	29,137	29,137
Associates					
ComTech Systems Limited	29%	1	1	1	1
Diamond Trust Bank Uganda Limited	27%	57,314	59,894	25,000	25,000
Diamond Trust Bank Tanzania Limited	33%	106,625	108,269	25,000	25,000
Services and Systems Limited	40%	1	1	1	1
		<u>163,941</u>	<u>168,165</u>	<u>50,002</u>	<u>50,002</u>
Total investment in subsidiary and associates		<u>163,941</u>	<u>168,165</u>	<u>79,139</u>	<u>79,139</u>

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

	2002 Shs 000	2001 Shs 000
13 OTHER ASSETS		
Group and bank		
Uncleared effects	32,073	51,030
Prepaid operating lease rentals (Note 18)	6,426	6,670
Foreclosed property	25,000	-
Other	47,272	29,010
	<u>110,771</u>	<u>86,710</u>
14 LOANS AND ADVANCES TO CUSTOMERS		
Group and bank		
Hire purchase	315,231	270,487
Other loans and advances	2,465,377	1,666,261
	<u>2,780,608</u>	<u>1,936,748</u>
Gross loans and advances		
Less: Provision for impairment of loans and advances		
- Specific provision	58,064	94,928
- General provision	26,200	16,000
	<u>2,696,344</u>	<u>1,825,820</u>

Movements in provision for losses on loans and advances are as follows:

	Specific Provision Shs 000	General Provision Shs 000
YEAR ENDED 31 DECEMBER 2001		
At start of year	91,824	24,089
New and increased provision	27,782	-
Recoveries of amounts previously provided	(17,888)	-
Loans written off during the year as uncollectable	(6,790)	-
Write back of excess provision	-	(8,089)
	<u>94,928</u>	<u>16,000</u>
At end of year		
YEAR ENDED 31 DECEMBER 2002		
At start of year	94,928	16,000
New and increased provision	17,007	10,200
Recoveries of amounts previously provided	(16,500)	-
Loans written off during the year as uncollectable	(37,371)	-
	<u>58,064</u>	<u>26,200</u>
At end of year		

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

14 LOANS AND ADVANCES TO CUSTOMERS (continued)

	Specific Provision Shs 000	General Provision Shs 000	Total Shs 000
Charge to profit and loss account			
YEAR ENDED 31 DECEMBER 2001			
New and increased provision	27,782	-	27,782
Recoveries of amounts previously provided	(17,888)	-	(17,888)
Write back of excess provision	-	(8,089)	(8,089)
	<u>9,894</u>	<u>(8,089)</u>	<u>1,805</u>
Net increase/(decrease) in provision			
Amounts recovered previously written off	(12,087)	-	(12,087)
Net write back to profit and loss account	<u>(2,193)</u>	<u>(8,089)</u>	<u>(10,282)</u>
YEAR ENDED 31 DECEMBER 2002			
New and increased provision	17,007	10,200	27,207
Recoveries of amounts previously provided	(16,500)	-	(16,500)
	<u>507</u>	<u>10,200</u>	<u>10,707</u>
Net increase in provision			
Amounts recovered previously written off	(11,418)	-	(11,418)
Net write back to profit and loss account	<u>(10,911)</u>	<u>10,200</u>	<u>(711)</u>

All loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans at 31 December 2002 was Shs 103,605,000 (2001: Shs 244,554,000).

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

	2002 Shs 000	2001 Shs 000	2002 %	2001 %
Agriculture, hunting, fishing and forestry	40,932	9,020	1	1
Manufacturing	456,663	291,491	16	15
Wholesale and retail trade	771,847	544,862	28	28
Transport and communications	436,250	415,014	16	21
Business services	110,905	104,197	4	5
Social, community & personal services	5,842	183,522	0	10
Real estate	190,925	74,724	7	4
Other	767,244	313,918	28	16
	<u>2,780,608</u>	<u>1,936,748</u>	<u>100</u>	<u>100</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

14 LOANS AND ADVANCES TO CUSTOMERS (continued)

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

	2002 Shs 000	2001 Shs 000
Gross investment in hire purchase contracts	355,071	285,873
Unearned future finance income on hire purchase contracts	(39,840)	(15,386)
Net investment in hire purchase contracts	<u>315,231</u>	<u>270,487</u>

Included in the provision for impairment for loan losses as at 31 December 2002 are amounts of Shs 10,661,000 (2001: Shs 36,030,000) attributable to uncollectible receivables under hire purchase contracts.

15 OTHER INVESTMENTS

Group and bank

Unquoted shares	<u>100</u>	<u>100</u>
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Unquoted shares have been stated at directors' valuation.

16 DEFERRED TAX

Group and bank

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2001: 30%). The movement on the deferred tax account is as follows:

At start of year		
As previously reported	53,706	85,893
Prior year adjustment		
- deferred tax on revaluation surplus	-	(14,421)
- deferred tax on revaluation surplus reversed	5,393	5,393
As restated	<u>59,099</u>	<u>76,865</u>
Income statement charge (Note 6)	(33,507)	(13,608)
Deferred tax on revaluation surplus	1,294	(4,158)
At end of year	<u>26,886</u>	<u>59,099</u>

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NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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16 DEFERRED TAX (continued)

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

	1.1.2002 Restated Shs 000	Charged to profit & loss Shs 000	Credited to equity Shs 000	31.12.2002 Shs 000
Deferred tax liabilities				
Accelerated tax depreciation	(3,722)	(1,014)	-	(4,736)
Revaluation surplus	13,186	(192)	(1,294)	11,700
	<u>9,464</u>	<u>(1,206)</u>	<u>(1,294)</u>	<u>6,964</u>
Deferred tax assets				
Provisions	(11,987)	(3,617)	-	(15,604)
Tax losses carried forward	(56,576)	38,330	-	(18,246)
	<u>(68,563)</u>	<u>34,713</u>	<u>-</u>	<u>(33,850)</u>
 Net deferred tax asset	 <u>(59,099)</u>	 <u>33,507</u>	 <u>(1,294)</u>	 <u>(26,886)</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

17 PROPERTY AND EQUIPMENT

Group and bank	Leasehold buildings Shs 000	Leasehold improvements Shs 000	Fixtures, fittings & equipment Shs 000	Motor vehicles Shs 000	Total Shs 000
Cost or valuation					
At 1 January 2002	140,000	-	135,764	18,437	294,201
Prior year adjustment					
- Reversal of revaluation surplus on leasehold land	(17,977)	-	-	-	(17,977)
- Reclassification of leasehold land to operating lease rentals	(8,710)	-	-	-	(8,710)
As restated	113,313	-	135,764	18,437	267,514
Additions	-	4,855	10,873	1,500	17,228
Deficit on revaluation of leasehold building	(4,314)	-	-	-	(4,314)
Disposals	-	-	(1,159)	-	(1,159)
At 31 December 2002	108,999	4,855	145,478	19,937	279,269
Depreciation					
At 1 January 2002	-	-	95,948	14,834	110,782
For the year	2,055	231	15,141	3,260	20,687
On disposals	-	-	(852)	-	(852)
At 31 December 2002	2,055	231	110,237	18,094	130,617
Net book amount					
At 31 December 2002	106,944	4,624	35,241	1,843	148,652
At 31 December 2001 (as restated)	113,313	-	39,816	3,603	156,732

Land and buildings were revalued as at 31 December 2001, by Mohamed Samji, an independent valuer. Valuations were made on the basis of the open market value. The book values of the properties were adjusted to the revaluations and the resultant surplus, net of deferred tax, was credited to capital reserve in shareholders' equity.

If leasehold buildings were stated on the historical cost basis, the cost would be Shs 69,360,000 (2001: Shs 69,360,000).

18 PREPAID OPERATING LEASE RENTALS

Following clarification by the International Accounting Standards Board (IASB) in January 2002 and further guidance by the Institute of Certified Public Accountants of Kenya (ICPAK), the group has reclassified leasehold land from leasehold land and buildings to prepaid operating lease rentals, under other assets, to be carried at historical cost less amortisation over the period of the lease. As part of the reclassification, the revaluation surplus on leasehold land has been reversed against revaluation reserves in shareholders' equity.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

18 PREPAID OPERATING LEASE RENTALS (continued)

The effect of the reclassification of leasehold land is as follows:

	2002 Shs 000	2001 Shs 000
Net book amount reclassified from property and equipment (Note 17)	26,687	26,687
Reversal of revaluation surplus (Note 23)	(17,977)	(17,977)
	<u>8,710</u>	<u>8,710</u>
Prior years amortisation	(2,040)	(2,040)
Amortisation charge for the year	(244)	-
	<u>6,426</u>	<u>6,670</u>

19 CUSTOMER DEPOSITS

Group and bank

Current and demand deposits	650,918	452,810
Savings accounts	554,640	499,162
Fixed deposit accounts	3,357,762	2,936,470
Unredeemed bearer certificates of deposit	208	208
	<u>4,563,528</u>	<u>3,888,650</u>

20 DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

Group and bank

Borrowings	184,972	103,966
Current balances due to banking institutions	17,237	46,883
	<u>202,209</u>	<u>150,849</u>

21 INTEREST PAYABLE AND OTHER LIABILITIES

	Group		Bank	
	2002 Shs 000	2001 Shs 000	2002 Shs 000	2001 Shs 000
Accrued interest	17,582	21,411	17,582	21,411
Items in transit	5,814	2,699	5,814	2,699
Due to subsidiary company	-	-	79,562	79,562
Accrued leave and gratuity provision	26,008	23,957	26,008	23,957
Others	189,250	192,684	189,250	192,684
	<u>238,654</u>	<u>240,751</u>	<u>318,216</u>	<u>320,313</u>

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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21 INTEREST PAYABLE AND OTHER LIABILITIES (continued)

Movement in accrued leave and gratuity provision is as follows:

	Gratuity Shs 000	Accrued Leave Shs 000	Total Shs 000
At start of year	22,753	1,204	23,957
Increase/(utilised) during the year	3,255	(1,204)	2,051
At end of year	26,008	-	26,008

22 SHARE CAPITAL

	Number of shares (Thousands)	Ordinary shares Shs 000	Share premium Shs 000
Balance at 1 January 2001	79,500	318,000	16,320
Balance at 1 January 2002	79,500	318,000	16,320
Balance at 31 December 2002	79,500	318,000	16,320

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

The distribution of issued share capital of the bank as at 31 December 2002 was as follows:

Range	Number of Shareholders	Number of shares held	% Share- holding
Less than 500 shares	1,975	511,844	0.64
500 - 5,000 shares	4,823	10,588,840	13.32
5,001 - 10,000 shares	905	6,436,765	8.10
10,001 - 100,000 shares	685	15,798,391	19.87
100,001 - 1,000,000 shares	36	7,692,210	9.68
Over 1,000,000 shares	8	38,471,950	48.39
Total	8,432	79,500,000	100.00

As at 31 December 2002, the shareholders who held more than 5% of the issued shares of the company were as follows:

Name	Number of shares held	% Share- holding
Aga Khan Fund for Economic Development	18,073,678	22.73
International Finance Corporation	7,999,988	10.06
The Jubilee Insurance Company Limited	5,004,563	6.30

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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23 CAPITAL RESERVES

	Note	Group		Bank	
		2002	2001	2002	2001
		Shs 000	Shs 000	Shs 000	Shs 000
Revaluation reserve:					
At start of year					
As previously reported		43,350	33,648	43,350	33,648
Prior year adjustment					
- Reversal of revaluation surplus	16	(17,977)	(17,977)	(17,977)	(17,977)
- Deferred tax on revaluation surplus		5,393	5,393	5,393	5,393
As restated		30,766	21,064	30,766	21,064
Transfer of excess depreciation and deferred tax thereon		(451)	-	(451)	-
Revaluation (deficit)/surplus during the year		(4,314)	13,860	(4,314)	13,860
Deferred tax on revaluation deficit/(surplus)	16	1,294	(4,158)	1,294	(4,158)
At end of year		27,295	30,766	27,295	30,766
Other					
Bonus shares issued to the bank by subsidiary and associates					
At start of year		66,622	68,597	-	-
Translation adjustment		(1,182)	(1,975)	-	-
Bonus shares issued by associate		22,435	-	-	-
At end of year		87,875	66,622	-	-
		115,170	97,388	27,295	30,766

24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

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

	2002	2001
	Shs 000	Shs 000
Contingent liabilities		
Acceptances and letters of credit	190,985	73,170
Guarantees and performance bonds	65,939	39,430
	256,924	112,600

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

24 OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS (continued)

Nature of contingent liabilities

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

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

	2002 Shs 000	2001 Shs 000
Commitments		
Undrawn credit lines and other commitments to lend	705,030	576,993
Foreign exchange forward contracts	39,940	94,990
Foreign exchange spot transactions	57,030	121,126
Operating lease rentals	29,933	52,931
	<u>831,933</u>	<u>846,040</u>

Nature of commitments

Commitments to lend are agreements to lend to customer in future subject to certain conditions. Such commitments are normally made for a fixed period.

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate.

25 BUSINESS SEGMENTS

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

26 INTEREST RATE RISK

The group is exposed to various risks associated with the effects of fluctuations in the levels of market interest rate on its financial position and cash flows. The group has a policy of regularly reviewing and re-pricing interest rates.

The table below summarises the exposure to interest rate risks. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The group does not bear an interest rate risk on off balance sheet items. All figures are in thousands of Kenya Shillings.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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26 INTEREST RATE RISK (continued)
AT 31 DECEMBER 2002

	Up to 1 month	1-3 month	3-12 month	1-5 years	Non- interest bearing	Total
ASSETS						
Cash and bank balances with Central Bank of Kenya	-	-	-	-	324,010	324,010
Government securities	-	775,876	730,461	315,200	-	1,821,537
Deposits and balances due from banking institutions	775,062	27,072	154,699	-	-	956,833
Investments in associates	-	-	-	-	163,941	163,941
Other investments	-	-	-	-	100	100
Other assets	-	-	-	-	110,771	110,771
Advances to customers	2,562,754	-	20,000	-	113,590	2,696,344
Property and equipment	-	-	-	-	148,652	148,652
Tax receivable	-	-	-	-	24,680	24,680
Deferred tax asset	-	-	-	-	26,886	26,886
Total assets	3,337,816	802,948	905,160	315,200	912,630	6,273,754

**LIABILITIES & SHAREHOLDERS'
FUNDS**

Customer deposits	3,331,651	965,132	266,537	-	208	4,563,528
Deposits and balances due to banking institutions	157,148	29,438	15,623	-	-	202,209
Interest payable and other liabilities	-	-	-	-	238,654	238,654
Shareholders' funds	-	-	-	-	1,269,363	1,269,363
Total liabilities & shareholders' funds	3,488,799	994,570	282,160	-	1,508,225	6,273,754
Interest sensitivity gap	(150,983)	(191,622)	623,000	315,200	(595,595)	-

AT 31 DECEMBER 2001

Total assets	2,951,217	1,063,754	85,300	1,000	1,414,384	5,515,655
Total liability and shareholders' funds	2,820,901	1,167,355	51,035	-	1,476,364	5,515,655
Interest sensitivity gap	130,316	(103,601)	34,265	1,000	(61,980)	-

27 LIQUIDITY RISK

The group is exposed to daily calls on its available cash resources from deposit repayments, current account withdrawals, loan draw downs and crystallisation of contingent liabilities. The group manages the level of maturing funds available to meet such calls.

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2002 to the contractual maturity date. All figures are in thousands of Kenya Shillings.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

27 LIQUIDITY RISK (continued)

AT 31 DECEMBER 2002

	Up to 1 month	1-3 month	3-12 month	1-5 years	Over 5 years	Total
ASSETS						
Cash and bank balances with Central Bank of Kenya	239,054	74,260	10,696	-	-	324,010
Government securities	-	775,876	552,986	492,675	-	1,821,537
Deposits and balances due from banking institutions	775,062	27,072	154,699	-	-	956,833
Investments in associates	-	-	-	-	163,941	163,941
Other investments	-	-	-	100	-	100
Other assets	79,345	-	-	25,000	6,426	110,771
Advances to customers	279,170	587,741	1,260,103	489,584	79,746	2,696,344
Property and equipment	-	-	-	-	148,652	148,652
Tax receivable	-	-	-	24,680	-	24,680
Deferred tax asset	-	-	-	26,886	-	26,886
Total assets	1,372,631	1,464,949	1,978,484	1,058,925	398,765	6,273,754

**LIABILITIES &
SHAREHOLDERS' FUNDS**

Customer deposits	3,331,859	965,132	266,537	-	-	4,563,528
Deposits and balances due to banking institutions	163,381	23,205	15,623	-	-	202,209
Interest payable and other liabilities	232,524	5,147	973	-	-	238,654
Shareholders' funds	-	-	-	-	1,269,363	1,269,363

Total liabilities & shareholders' funds	3,727,765	993,494	283,132	-	1,269,363	6,273,754
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Net liquidity gap	(2,355,134)	471,455	1,695,352	1,058,925	(870,598)	-
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AT 31 DECEMBER 2001

Total assets	2,124,301	1,258,629	966,543	841,037	325,145	5,515,655
Total liabilities and shareholders' funds	3,053,514	1,175,351	51,385	-	1,235,405	5,515,655
Net liquidity gap	(929,213)	83,278	915,158	841,037	(910,260)	-

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

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

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
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28 CREDIT RISK

The group takes on exposure to credit risk which is the risk that a counter party will be unable to pay amounts in full when due. The group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or a group of borrowers.

Exposure to credit risk is managed through regular analysis of the ability of borrowers interest and capital repayment obligations and by changing these lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate and personal guarantees.

29 CURRENCY RISK

The group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

The group had the following significant foreign currency positions (all amounts expressed in thousands of Kenya Shillings):

AT 31 DECEMBER 2002

	USD	GBP	Euro	Other	Total
ASSETS					
Cash and balances with Central Bank of Kenya	3,317	667	567	7	4,558
Deposits and balances due from banking institutions	757,400	435	54,227	3,433	815,495
Loans and advances to customers	330,389	63,626	94,240	-	488,255
Other assets	12,494	9,966	4,756	4,255	31,471
Total assets	1,103,600	74,694	153,790	7,695	1,339,779
LIABILITIES					
Customer deposits	1,010,573	35,036	52,459	1,624	1,099,692
Deposits and balances due to banking institutions	103,553	35,583	60,836	2,088	202,060
Interest payable and other liabilities	1,112	117	130	-	1,359
Total liabilities	1,115,238	70,736	113,425	3,712	1,303,111
Net balance sheet position	(11,638)	3,958	40,365	3,983	36,668
Net off balance sheet position	-	-	(39,940)	-	(39,940)
Overall net position	(11,638)	3,958	425	3,983	3,272
At 31 December 2001					
Total Assets	508,437	110,754	59,133	918	679,242
Total Liabilities	583,831	17,847	8,490	3,114	613,282
Net balance sheet position	(75,394)	92,907	50,643	(2,196)	65,960
Net off balance sheet position	39,239	(56,160)	(38,817)	-	(55,738)
Overall net position	(36,155)	36,747	11,826	(2,196)	10,222

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

30 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 26.

The effective interest rates for the principal financial assets and liabilities at 31 December 2002 and 2001 were as follows:

	2002		2001	
	In Shs	In US\$	In Shs	In US\$
ASSETS				
Government securities	10.5%	-	11.5%	-
Deposits with banking institutions	9.5%	1.5%	-	2.5%
Loans and advances to customers	13.5%	6.5%	14.5%	7.0%
LIABILITIES				
Customer deposits	4.5%	1.4%	6.6%	1.9%
Deposits due to banking institutions	-	1.5%	10.4%	1.9%

31 ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE CASH FLOW STATEMENT

	2002 Shs 000	2001 Shs 000
Cash and balances with Central Bank of Kenya (Note 9)	24,464	25,353
Government securities (Note 10)	775,876	1,197,239
Deposits and balances due from banking institutions (Note 11)	956,833	1,073,969
Deposits and balances due to banking institutions (Note 20)	(202,209)	(150,849)
	<u>1,554,964</u>	<u>2,145,712</u>

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. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Kenya.

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the bank's day-to-day activities. The amount is determined as 10% of the average outstanding customer deposits over a cash reserve cycle period of one month.

NOTES FORMING PART OF THE FINANCIAL STATEMENTS
for the year ended 31 December 2002

32 RELATED PARTY TRANSACTIONS

	2002 Shs 000	2001 Shs 000
Directors' remuneration:		
- fees	1,151	930
- other	12,818	12,394

At 31 December 2002 advances to companies controlled by directors or their families amounted to Shs 94,481,000 (2001: Shs 52,621,000).

All the above loans were given on commercial terms and at market rates.

At 31 December 2002 advances to employees amounted to Shs 4,116,000 (2001: Shs 5,048,000). These loans were given at concessionary rates.

At 31 December 2002 customer deposits include deposits due to directors or their families, employees and companies related through common directorship of Shs 386,680,000 (2001: Shs 129,479,000).

At 31 December 2002 contingent liabilities include letters of credit and guarantees issued for the account of companies related through common directorship amounting to Shs 18,690,000 (2001: Shs 2,415,000).

33 CENTRAL BANK OF KENYA (AMENDMENT) ACT 2000

Parliament passed the Central Bank of Kenya (Amendment) Act 2000 (the Act) during 2001. The Act, which had a commencement date of 1 January 2001, received presidential assent in August 2001.

Following the presidential assent, the banking industry asked the Constitutional Court, to declare the Act unconstitutional and therefore null and void as it had a retrospective commencement date, introduced penalties for lawful actions taken in the past and invalidated contracts already in place.

The constitutional court delivered its judgement in early 2002. A decree extracted from the judgement confirmed that the banking industry's prayers to the court had been granted. This decree was however challenged by the Attorney General who, in a consent order, sought to vary the decree so as to declare the Act void only to the extent it is retrospective and penal. This consent order was granted, but was immediately challenged by the Kenya Bankers Association and the Central Bank of Kenya. This matter is yet to be determined by court.

In preparing these financial statements, the directors have relied on the legal advice obtained by the Kenya Bankers Association on behalf of member banks. In the opinion of the association's lawyers, Section 39 of the Act (which provides for minimum rates of interest on deposits and maximum rates for advances) is inoperational for all intents and purposes, and can only be reintroduced by Parliament at a future date. The directors have considered this matter and have prepared these financial statements on the basis of the advice obtained.



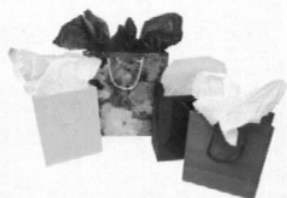
Diamond Trust Bank at Capital Centre, Mombasa Road

At Diamond Trust Bank you are our most valued asset because your success *is* our success.

Experience the utmost in quality banking with Diamond Trust Bank at Capital Centre. The centre's proximity to the Industrial area, businesses along Mombasa Road, and the residential areas of South 'B', South 'C', Nairobi West and Plainsview make it the ideal location for all your banking and shopping needs.

Additional services available:

- Safety deposit lockers and night safes
- An ultra modern security system with man-trap
- Dedicated client meeting rooms
- Extended banking hours
9.00 am - 4.00 pm on weekdays
9.00 am - 1.00 pm on Saturdays
- Secure, convenient parking
Over 400 parking bays, with reserved parking for customers.



Something for everyone.



Diamond Trust Bank at the Aga Khan Hospital, Nairobi

Thankfully traffic jams, long line-ups and a waste of your time are a thing of the past.

Now you can enjoy the latest Diamond Trust Bank location in Parklands at the Aga Khan Hospital for relaxed, secure and convenient banking, coupled with our range of innovative financial products and friendly customer service.

Together with longer, more flexible banking hours (including Saturdays), you can also rest assured that

your money is backed by the security and financial strength of the Diamond Trust Bank.

And with the time saved by becoming a customer at this easily accessible, modern branch, you will finally be able to do all the other things you really want to do.

So whether it's for personal banking, for your small business or for your corporate requirements, come experience banking that helps you make the right choices and puts you in control.



Finally a cure.

DIAMOND TRUST BANK KENYA LIMITED

PROXY FORM

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

.....
of
and failing him,.....
of

and failing him, the chairman of the meeting as my/our proxy to vote for me/our and
on my/our behalf at the Annual General Meeting of the Bank to be held on Friday 30
May 2003 at 10:00 a.m. and at any adjournment thereof.

As witness my/our hand this day of 2003.

Signature.....

Important Notes:

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

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

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

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