

DIAMOND TRUST BANK KENYA LIMITED
2006 ANNUAL REPORT & FINANCIAL STATEMENTS

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Five-Year Financial Review

	2006	2005	2004	2003	2002
Net interest income	1,078,864	811,211	537,864	431,156	352,358
Non-fund based income	431,255	337,210	252,866	193,409	89,148
Total income	1,510,119	1,148,421	790,730	624,565	441,506
Operating profit before provisions	764,766	518,554	298,169	248,870	112,088
(Charge for)/ write-back of impairment of loans	(58,813)	(91,940)	(35,542)	(44,764)	711
Profit before income tax	705,953	426,614	262,627	204,106	112,799
Profit after income tax	487,830	294,598	179,672	139,241	75,525
Advances to customers (net)	13,832,756	10,318,103	7,137,193	4,882,138	2,696,344
Total deposits (customers and banks)	16,952,462	13,846,171	9,303,877	6,862,257	4,783,319
Dividends for the year	139,746	86,953	69,563	69,563	47,700
Shareholders' funds	2,868,090	1,652,234	1,437,072	1,335,358	1,269,363
Total assets	21,737,391	16,384,422	11,172,224	8,659,503	6,273,754
Performance ratios					
Earnings per share - basic and diluted	Shs 3.79	Shs 2.30	Shs 1.40	Shs 1.09	Shs 0.59
Dividend per share	Shs 1.00	Shs 0.70	Shs 0.70	Shs 0.70	Shs 0.60
Net loans to deposits	81.6%	74.5%	76.7%	71.1%	56.4%
Non performing loans to total loans (before provisions)	0.8%	0.8%	1.6%	2.6%	5.8%
Return on average assets	2.6%	2.1%	1.8%	1.9%	1.3%
Return on average shareholders' funds	21.6%	19.1%	13.0%	10.6%	6.0%
Non-fund based income to total income	28.6%	29.4%	32.0%	31.0%	20.2%
Core capital to customer deposits	15%	10%	13%	17%	21%
Core capital to total risk weighted assets	17%	11%	14%	19%	29%
Total capital to total risk weighted assets	20%	14%	14%	20%	30%
Other indicators					
Number of branches	5	5	5	5	4
Number of employees	238	201	177	133	103
Expenditure on property and equipment	74,241	54,877	187,992	50,455	17,228

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

Board of Directors' Profile

Mr. Mahmood Manji - Chairman



A career banker, Mr Manji, 53, was appointed Chairman of the Diamond Trust Banks in East Africa in July 2005. Mr Manji joined the bank as Group Chief Executive in 1996, a position he retained until 1999. He retained his seat on the Board until 2004, when he was appointed Deputy Chairman.

Prior to his appointment at Diamond Trust, Mr Manji was with the CFC Bank Limited for a period of fifteen years, eleven as Chief Executive.

Mr Manji is also Chairman of Property Development and Management Limited, a Director of TPS Eastern Africa Limited and the Kenya Civil Aviation Authority. He is a member of the Institute of Chartered Accountants in England and Wales and the International Who's Who of Professionals.

Mrs. Nasim Devji - Managing Director



Mrs. Devji, 53, joined the Diamond Trust Bank group in 1996 as Head of Regional Finance. In 1998, she assumed responsibility for the bank's Debt Recovery Unit and later the other business support functions of the bank including ICT and administration. In 2001, she was appointed Group Chief Executive Officer of the Diamond Trust Banks in East Africa. Prior to joining the group, she worked in the United Kingdom for 25 years in the accountancy profession as well as a taxation specialist in the oil industry.

Mrs. Devji is a fellow of The Institute of Chartered Accountants of England and Wales and an associate of the Institute of Taxation (United Kingdom). Mrs. Devji is a director of Diamond Trust Banks in Tanzania and Uganda as well as Development Credit Bank Limited, India.

Mr. Nizar Juma - Director



Mr. Juma, 62, is a Kenyan businessman. He is probably most well known for his company, Orbitsports Limited, which manufactures Adidas products distributed to 49 countries in Africa and Europe.

He joined the Bank's board in August, 1997.

Mr. Juma was Chairman of the Aga Khan Health Services in Kenya for almost seven years.

He is currently the East African Regional Chairman of the IPS Group of Companies. He is also

the Chairman of The Jubilee Insurance Group of Companies in this region. He holds a joint honors degree in Economics, Law and Accountancy from the University of Wales. He was awarded the Silver Star by the President of Kenya for outstanding service to the Nation.

Mr. Karim Kanji - Director



Mr. Kanji, 49, was appointed to the Board in February 2004. He is a member of the Board of Diamond Trust Bank Tanzania since 1997 and was appointed its Deputy Chairman in 2004.

Mr. Kanji has also been the treasurer of the International School of Tanganyika in the past and holds various financial portfolios in the Aga Khan community. He is a member of the Institute of Chartered Accountants in England and Wales.

Mr. Jack Kisa - Director



Mr. Kisa, 69, joined the Board in April 1998. He worked for the World Bank as a Senior Economist between 1978 and 1995. Between 1986 and 1991, Mr. Kisa was seconded to the Southern African Development Community as Economic Advisor by the World Bank.

Prior to joining the World Bank, he was Director of the United Nations World Employment Programme from 1974 to 1977. During the 1960s and early 1970s, he was Provincial

Planning Officer (Coast) and Principal Economist in Kenya's Ministry of Finance and Planning. Mr. Kisa holds a Bachelor of Science honours degree (Economics) (London) and a Masters degree in Public Administration (Economic Development) (Harvard). He also holds diplomas in International Development from York University (Toronto) and Advanced Economics from the University of Colorado. Currently, Mr. Kisa is a businessman and a director of TPS Eastern Africa Limited.

Mr. Iqbal Mamdani - Director



Mr. Mamdani, 65, joined the Board in June 1997. He is a banker, and is the principal founder of TAIB BANK B.S.C., a private banking institution headquartered at Manama, Kingdom of Bahrain, with subsidiaries in Central Asia, the sub-continent, Turkey, the UK, and USA. He founded TAIB Bank in 1979 and prior to this was the Vice President, New York, and Regional Manager (Middle East) for American Express Bank.

Mr. Mamdani is the Chairman of TAIB Yatirim Bank A.S., Istanbul; TAIB Kazak Bank, Almaty; TAIB Securities WLL, Bahrain; TAIB Securities Limited, London, TAIB Securities Inc., New York and TAIB Capital Corporation Limited, India. He is also the President of Trans-Arabian Development Co. E.C., Bahrain. Mr. Mamdani is a B.A. from International Christian University, Mitaka, Japan and an M.A. from University of California at Berkeley, U.S.A. He is also a director of Diamond Trust Bank Tanzania Limited.

Board of Directors' Profile (Continued)

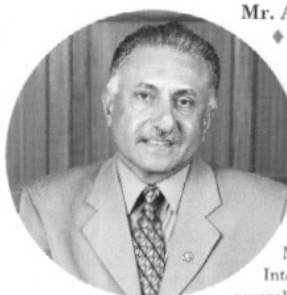
Mr. Amin Merali – Director



Mr. Merali, 63, was appointed to the Board in 1998. Mr. Merali is a prominent businessman and is Chairman and Chief Executive of the Merali Group of Companies, comprising the Neptune Group of hotels, bulk fuel haulage and property development.

He is also the Chairman and Managing Trustee of the Education Trust Fund of Rotary Club of Mombasa and the Chairman of the United Sports Club, Mombasa.

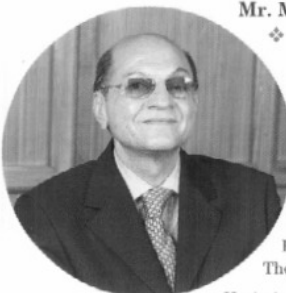
Mr. Abdul Samji – Director



A Certified Public Accountant by profession, Mr. Samji, 60, is a Partner of KLSA Pannell Kerr Forster (PKF), a firm of Certified Public Accountants. He is a B.Com (Hons.) graduate, Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Certified Public Accountants of Kenya.

Mr. Samji is a past District Governor of Rotary International, District 9200 and is a Trustee for several institutions involved in charitable and service activities.

Mr. Mohamood Thobani – Director



Mr. Thobani, 61, is a prominent businessman in Uganda. He was appointed to the Board in February 2004. He has served as a non-executive director of Diamond Trust Bank Uganda Limited since 1991 and is currently the Deputy Chairman.

Mr. Thobani is a major shareholder of the Fourways Group of Companies based in Uganda. The group's activities are export and agro based.

He is involved in various community projects and has served on Board of Nsambya Missionary Hospital in Uganda from 1998 to date and on the boards of various community based organizations in Uganda. In 2005, Mr. Thobani was appointed the Minister of Economic Planning, Development and Investments in the Government of the Kingdom of Buganda.

Mr. Habil Waswani – Company Secretary



Mr. Waswani, 30, was appointed Company Secretary in December 2006.

Mr. Waswani is an Advocate of the High Court of Kenya and a registered Certified Public Secretary. He is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.

KEY

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

Company Information

Board of Directors	Mahmood Manji Nasim Devji * Nizar Juma Karim Kanji ** Jack Kisa Iqbal Mamdani *** Amin Merali Abdul Samji Mohamood Thobani ****	Chairman Managing Director
		*British **Tanzanian ***American ****Ugandan
Company Secretary	Habil Waswani	
Registered Office	Nation Centre Kimathi Street P.O. Box 61711 City Square 00200 Nairobi	
Auditor	PricewaterhouseCoopers Certified Public Accountants Rahimtulla Tower Upper Hill Road P.O. Box 43963 Nairobi	
Branches	Nation Centre Kimathi Street P.O. Box 61711 City Square 00200 Nairobi Unit 2, Capital Centre Mombasa Road P.O. Box 27556 G.P.O. 00506 Nairobi Aga Khan Hospital 3rd Avenue, Parklands P.O. Box 39694 Parklands 00623 Nairobi Diamond Trust House Moi Avenue P.O. Box 90564 Mombasa Diamond Trust House Oginga Odinga Road P.O. Box 1081 Kisumu	

Company Information (Continued)

Principal Officers

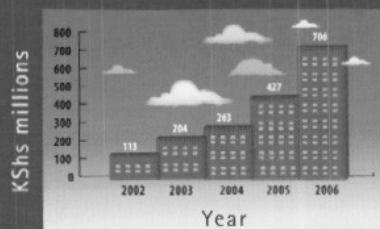
Shahzad Karim	Head of Corporate Banking
Gopa Kumar	Head of Retail Banking
Sathya Vadana	Head of Treasury & International Banking
Alkarim Jiwa	Head of Finance & Planning
Nita Shah	Head of Risk
Nizar Tundai	Head of Operations & Technology
Joseph Mathai	Head of Mombasa Branch
Shiraz Surani	Head of Kisumu Branch
Laila Premji	Head of Nairobi Branches
Frederick Olande	Head of Regional Human Resources
Stella Mulinge	Head of Western Union Money Transfer Services
Kennedy Nyakomitta	Head of Asset Finance & Insurance Premium Finance
Peter Kimani	Head of Regional Internal Audit
Millerangum Jayaraman	Head of Credit Risk

Principal Correspondents

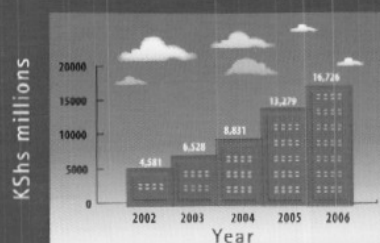
London	Citibank NA Standard Chartered Bank PLC
New York	Citibank NA Standard Chartered Bank PLC
Paris	Natexis Banque Populaire
Frankfurt	BHF Bank Commerzbank American Express Bank
Toronto	Citibank, Canada
Johannesburg	Citibank, South Africa
Mumbai	ICICI Bank
Melbourne	ANZ Bank Melbourne, Australia
Tokyo	American Express Bank

Financial Performance Charts

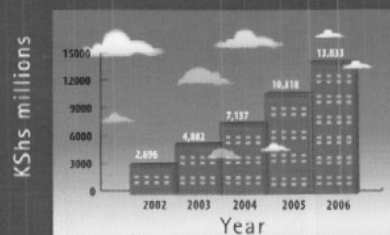
Group Profit before Tax



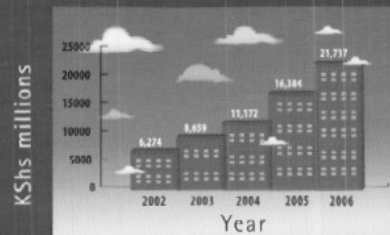
Customer Deposits



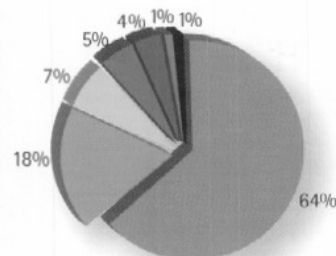
Advances



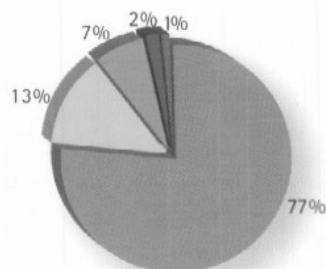
Total Assets



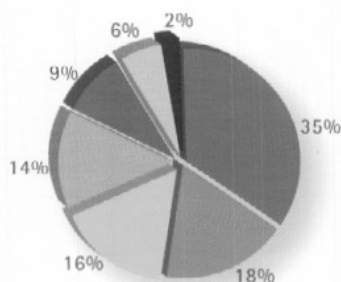
Distribution of Assets - 2006



Liabilities Composition and Shareholders' Equity - 2006



Distribution of Income - 2006



TELLER



Notice of the Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FORTY FIRST ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF DIAMOND TRUST BANK KENYA LIMITED WILL BE HELD AT THE NAIROBI SERENA HOTEL, ON FRIDAY 25 MAY 2007 AT 11.00 A.M. TO TRANSACT THE FOLLOWING BUSINESS:

1. To confirm the Minutes of the Fortieth Annual General Meeting held on 26 May 2006.
2. To receive, consider and adopt the Annual Report and Financial Statements for the year ended 31 December 2006.
3. To approve payment of a final dividend of 25% on the Issued and Paid-up Share Capital of Shs 559 million to the shareholders registered in our books as at 25 May 2007 on or about 26 June 2007, as recommended by the Board.
4. To elect Directors in accordance with the Company's Articles of Association.
5. To approve the Directors' fees.
6. To appoint the Company's Auditors, PricewaterhouseCoopers, in accordance with Section 159(2) of the Companies Act (Cap. 486) and Section 24(1) of the Banking Act (Cap.488). PricewaterhouseCoopers have indicated their willingness to continue in office.
7. To note the Auditors' remuneration for the year 2006, and to authorise the Directors to fix the Auditors' remuneration for the year 2007.
8. To transact any other Ordinary Business of an Annual General Meeting.

9. **Diamond Trust Bank Tanzania Limited**

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

- a) That the Company being a shareholder of Diamond Trust Bank Tanzania Limited ("DTBT") be and is hereby authorized to participate in the Rights Issue of DTBT by taking up its Rights and any other Rights or shares offered by DTBT and/or its shareholders, subject always to the observance and due compliance with the provisions of the Banking Act (Chapter 488 of the Laws of Kenya) and any Prudential Guidelines arising therefrom.
- b) That the Directors be and are hereby authorized to obtain all the required consents and authorizations and generally to do and effect all acts and things required to give effect to the above Resolution.

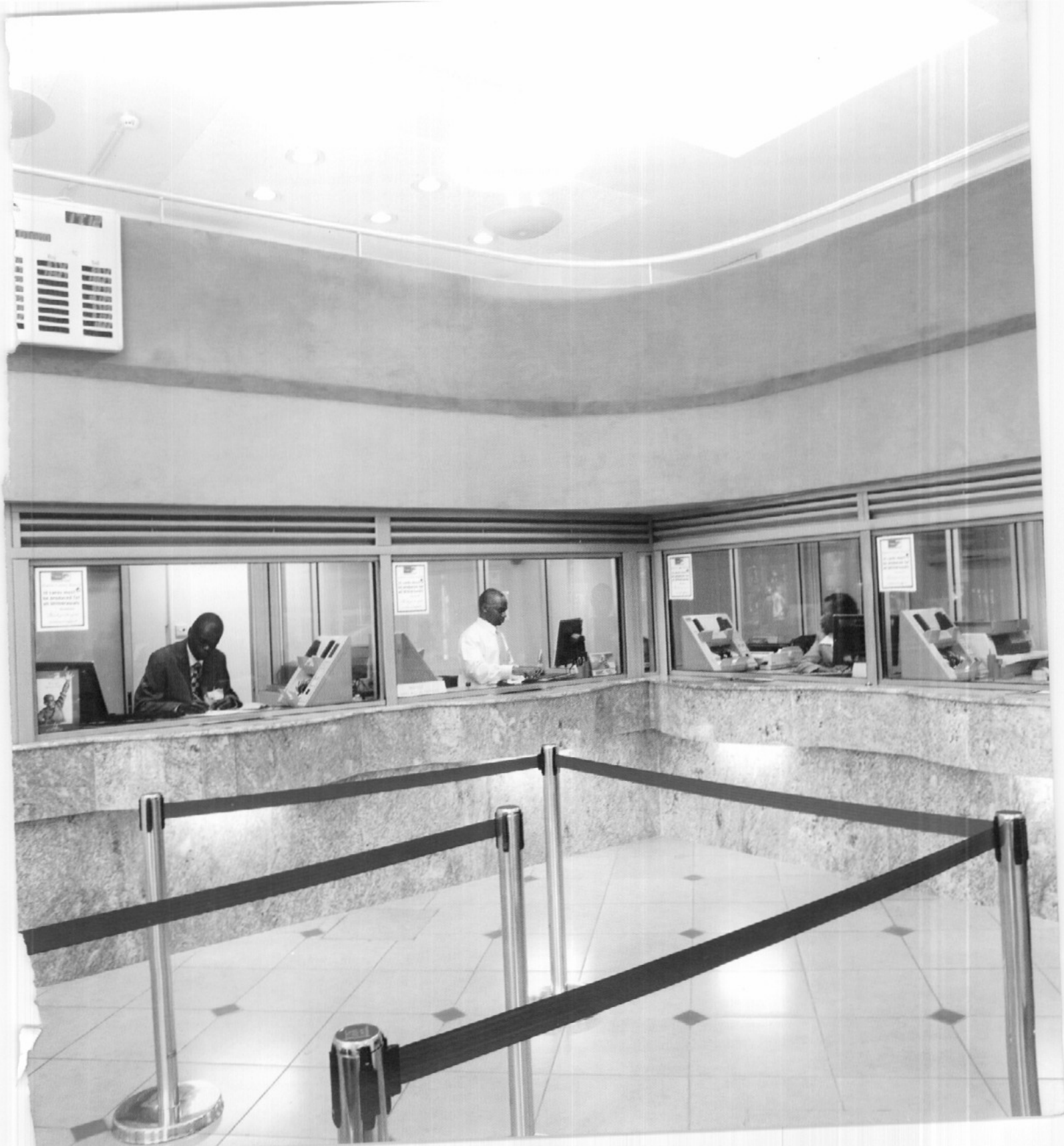
By Order of the Board

Habil Waswani
Company Secretary

23 March 2007
Nairobi

Note

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



Chairman's Statement

I am very pleased indeed to present the annual report and financial statements for the year ended 31 December 2006, a year in which your Bank achieved significant milestones on a number of fronts.

Your Bank once again, achieved a sizeable increase in profitability by recording a pre-tax profit of Shs 706 million, an increase of 65% over the previous year. Total assets surpassed the 20 billion shilling benchmark for the first time. Customer deposits increased by 26%, from Shs 13.3 billion to close at Shs 16.7 billion, while loans and advances to customers rose by Shs 3.5 billion to Shs 13.8 billion, a 34% increase in the year. This growth boosted net interest income by 33% to Shs 1.1 billion whilst fee income witnessed an increase of 28% to stand at Shs 431 million.

Across the borders, Diamond Trust Bank Tanzania also had a favourable year, with pre-tax profits rising by 22%. However, the depreciation of the Tanzanian shilling against its Kenyan counterpart during the year eroded much of this gain for the group. Diamond Trust Bank Uganda, however, witnessed a modest growth with profits rising by 3%. Consequently, Diamond Trust Bank Kenya's share of the two affiliates' profits rose marginally to Shs 68 million, compared to Shs 66 million in 2005.

The marked improvement in your Bank's performance can be attributed to the implementation of a number of significant initiatives in recent years. These include branch expansion and the acquisition of the Western Union money transfer services agency across the East African region, as well as the entry into retail banking through the provision of automated teller machines and Visa card services in Kenya. These initiatives, coupled with the continued pursuit of an aggressive growth strategy, underpinned by the provision of quality customer service, have propelled your Bank's success, both in terms of profitability as well as a rapidly expanding asset base.

In light of the improved results posted by your Bank in 2006, your Directors have resolved to propose a 25% Dividend for the year, equivalent to Shs 1 per share. The shares allotted following the Rights Issue at the end of last year also qualify for the dividend. The total proposed dividend payout will therefore reflect an increase of 61% over the previous year.

“Your Bank once again, achieved a sizeable increase in profitability by recording a pre-tax profit of Shs 706 million, an increase of 65% over the previous year.”

The much improved performance of the Bank was, in large measure, made possible by an economy that maintained its buoyancy in 2006, with a GDP growth rate of 6%. Significant growth was experienced in most sectors including agriculture, tourism, manufacturing, construction, transport and telecommunications, as well as financial services. A stable macro economic environment and good weather conditions helped sustain the economic recovery witnessed in recent years.

The Kenyan Shilling continued to show resilience against the major foreign currencies throughout the year. Strong foreign currency inflows from tourism, substantial remittances from the Kenyan Diaspora coupled with a weaker US Dollar, resulted in the appreciation of the Shilling. However, the strong Shilling continued to adversely impact the export-oriented, agro-based sub-sectors including horticulture, floriculture, tea and coffee.

The economic outlook for 2007, an election year, is favourable with GDP growth forecast to surpass 6%, the highest in decades. Adequate rainfall during the year, as well as a conducive political environment in the period leading to the elections, will be principal determinants for achievement of the targeted growth.

Chairman's Statement (Continued)

The robust economy generated immense activity in the Stock Market which witnessed several successful floatations during the year. Your Bank's Rights Issue, the first ever in its history, was no exception. The Rights Issue, which raised Shs 776 million, was a huge success with an over-subscription of a staggering 197%. This necessitated the Board scaling down the allotment of the applications for additional shares by allotting these shares on a pro rata basis, at a rate of 14.5% of the additional shares applied for. The momentum of growth projected by the Bank may well necessitate another increase in the Bank's capital base in the not-too-distant future.

The Rights of the principal shareholder, The Aga Khan Fund for Economic Development, were taken up by its subsidiary, Habib Bank Limited (HBL), which operates in 25 countries across five continents. HBL's investment in Diamond Trust is a very significant milestone indeed, as it will enable the Group to internationalise its existing regional operation. It will also enable Diamond Trust to draw upon HBL's expertise in all areas of operations including retail banking, trade finance and human resource development.

Your Bank is now well positioned to meet its short-term objective of sizably upscaling its operations and has the necessary competitive edge to remain a leading player in the banking industry both in Kenya and in the East African region.

In this regard, the Group has continued with its branch expansion strategy in East Africa. A branch was opened in Arusha in early 2006, followed by the opening of additional branches in Dar es Salaam and Kampala later in the year. Plans are also at hand to open new branches in Nairobi and upcountry in 2007.

With the advent of HBL in the Bank, coupled with the continued support of both institutional and individual shareholders, as exhibited by the success of the recent Rights Issue, your Board will examine the viability and merits of expanding the Group's operations in Sub Saharan Africa.

The Bank has also embarked upon another key strategic initiative in 2007 – refreshing its corporate brand. The new brand, scheduled to be launched later in the year, will retain many of the familiar features of the existing brand. It will emphasise the strength of the Bank's heritage, yet portray the image of a bank for the future.

The Bank's progress in recent years is, in large measure, due to the dedication, professionalism and hard work of the Management and Staff, led by the Group CEO and Managing Director, Mrs Nasim Devji. On behalf of the Board, I would like to express our sincere gratitude to them for the most commendable performance.

The commitment and diligence of my colleagues on the Board warrants special mention. The year witnessed numerous developments and landmarks, the achievement of which would not have been possible without their unwavering support and dedication.

In conclusion, I would like to thank you, our shareholders, for your gratifying trust and confidence in the institution and to our esteemed clients for their continued loyalty and valued custom.

Mahmood Manji
Chairman

23 February 2007

Taarifa ya Mwenyekiti

Nina furaha kuu ya kuwasilisha kwenu ripoti ya mwaka na taarifa za kifedha za mwaka uliomalizikia Desemba 31, 2006. Huu ni mwaka ambao Benki yenu ilifanikiwa kuimarika na kukamilisha miradi mingi katika nyanja mbali mbali za kibiashara.

Kwa mara nyingine tena, Benki yenu ilipata ongezeko la faida ya wastani kwa kurekodi faida-kabla-kutozwa-ushuru ya kshs. Milioni 706, ongezeko la asilimia 65 ukilinganisha na mwaka uliopita. Amali yote kwa jumla ilipitisha kiwango cha Shilingi Bilioni 20 kwa mara ya kwanza. Uwekaji wa fedha za wateja uliongezeka kwa asilimia 26, kutoka Shilingi Bilioni 13.3 hadi Shilingi Bilioni 16.7, wakati ambapo Mikopo na karadha kwa wateja ilipopanda kwa shilingi bilioni 3.5 hadi kufikia shilingi Bilioni 13.8, ongezeko la asilimia 34 kwa mwaka huo. Ukuaji huu uliimarisha mapato ya riba halisi kwa asilimia 33 hadi shilingi Bilioni 1.1 huku pakidhihirika kuwepo kwa mapato-huria yaliyokuwa na ongezeko la asilimia 28 ili kusimamia katika kiwango cha shilingi Milioni 431.

Nje ya mipaka ya nchi yetu, Diamond Trust Bank Tanzania pia ilikuwa mwaka wenye mafanikio mengi, huku faida-kabla-ya-ushuru ikiongezeka kwa asilimia 22. Hata hivyo, kudhoofika kwa sarafu ya pesa za Tanzania dhidi ya sarafu ya Kenya katika kipindi cha mwaka huo, iliathiri pakubwa faida yake kwa shirika zima kwa ujumla. Wakati huo huo, Diamond Trust Bank Uganda, hata hivyo, ilikuwa na ongezeko dogo la faida iliyopanda na kufikia asilimia 3. Fauka ya hayo, hisa za udau katika Benki hizo mbili kwa Benki ya Diamond Trust ya Kenya, zilikuwa na faida iliyoongezeka hadi shilingi Milioni 68, ukilinganisha na shilingi Milioni 66 katika mwaka wa 2005.

Uimarikaji huo uliojitokeza katika utendaji kazi wa Benki yenu, unaweza kuambatananishwa na kuongezeka kwa miradi mbali mbali kwa kipindi cha miaka ya hivi karibuni. Hii ni pamoja na kuongezeka kwa matawi ya benki na kushirikishwa kwa uwakala wa huduma za utumaji pesa za 'Western Union' kwenye kanda ya Afrika Mashariki, kadhalika kujihusisha na uwekaji pesa kwa viwango vya rejareja kupitia mitambo ya ATM na huduma za Visa Card humu nchini. Miradi hii, ikiwekwa pamoja na azma yetu ya kuboresha mikakati ya utendaji kazi, chini ya kitengo cha huduma bora kwa wateja, imeyashinikiza matokeo bora ya Benki yenu, katika faida na kuimarika kwa viwango vya rasilimali.

Katika misingi ya matokeo bora yaliyopatikana na Benki yenu katika mwaka 2006, Wakurugenzi wenu wamekubaliana kupendekeza asilimia 25 ya mgao wa hisa kwa mwaka, sawa na shilingi 1 kwa kila hisa. Utoaji wa hisa hizo kwa kuzingatia masuala ya haki-milki katika kipindi cha mwishoni mwa mwaka jana pia inakubalika kuwepo katika mgao huo wa hisa. Mapendekezo ya jumla ya malipo hayo ya mgao wa hisa, yataonyesha ongezeko la asilimia 61 ukilinganisha na mwaka uliotangulia.

Matokeo mazuri ya utendaji kazi wa benki kwa kiwango kikubwa, yalifanikishwa na kuwepo kwa uchumi mzuri wa nchi ulioimarisha ubora wake katika kipindi cha mwaka wa 2006, huku pakiwa na ukuwaji wa GDP wa asilimia 6. Ukuwaji wa kadiri ulionekana pia katika sekta mbali mbali, ikiwepo Kilimo, Utalii, Uzalishaji wa viwanda, uchukuzi na mawasiliano, na hali kadhalika sekta ya huduma za kifedha. Mazingira thabiti ya mashirika madogo ya kifedha na hali nzuri ya hewa ilisaidia kuendeleza ukuaji wa kiuchumi ulioshuhudiwa miaka iliyopita.

Shilingi ya Kenya iliendelea kudhihirisha uimara wake dhidi ya sarafu za kigeni katika kipindi chote cha mwaka. Ongezeko la pesa za kigeni kupitia sekta ya Utalii, pesa kutoka kwa wakenya wanaoishi Ughaibuni, ikifuatia kudhoofika kwa uzito wa Dola ya Marekani, ilipelekea kuimarika kwa shilingi ya Kenya. Hata hivyo, thamani ya shilingi hiyo iliendelea kuathiri biashara ya maduhuli, sekta ndogo za kilimo cha maua, mboga, majani-chai na kahawa.

Hali halisi ya uchumi ya mwaka huu wa 2007, mwaka wa uchaguzi, inafaa ukuaji wa GDP unatarajiwa kufikia asilimia 6, kima cha juu kabisa katika miongo mingi iliyopita. Kiwango cha kutosha cha mvua mwaka huu, na mazingira salama ya kisiasa ya kipindi cha kutuelekeza katika uchaguzi mkuu, vitakuwa vipima-joto vyetu katika kuyatathmini na kuyafikia malengo yetu ya ukuaji wa kiuchumi.

Kiwango hiki cha juu cha kukua kwa Uchumi, kilichokoza biashara za Soko la Hisa, na kufanya mashirika mengi kuuza hisa zao kwa umma mwaka huo. Masuala ya Hakimiliki ya Benki yenu, kwa mara ya kwanza kabisa katika historia yake, ilikuwa

Taarifa ya Mwenyekiti (Inaendelea)

ya kupigiwa mifano. Maswala ya hati miliki, kuongezea shilingi milioni 776, ilikuwa ni ufanisi mkubwa ikiwa na ununuzi zaidi wa hisa wakuyumba kwa asilimia 197. hali hii ililazimisha kamati kukokota chini mgawanyo wa hisa kwa waliotuma maombi ya kupata hisa za ziada kwa kugawanya hisa hizi kwa njia ya moja baada ya nyingine, katika kiwango cha asilimia 14.5 ya hisa za ziada zilizoombwa. Mwenendo wa ukuaji unao tazamiwa na benki unaweza kusababisha ongezeko la kiwango cha mtaji wa benki kwa kipindi ambacho sio kirefu sana.

Hati-miliki za mwenye hisa mkuu, Hazina ya Aga Khan kwa maendeleo ya uchumi, zilichukuliwa na kampuni zake tanzu, Habib Bank Limited (HBL), ambayo inaendesha shughuli zake kwenye mataifa 25 katika mabara matano. Uwekezaji wa HBL kwa Diamond Trust kwa kweli ni jambo muhimu sana, kwa vile itawezesha kampuni kuendesha shughuli zake kimataifa. Pia itawezesha Diamond Trust kupata ubingwa dhidi ya HBL kwenye taaluma wanazoendeshea shughuli zao zikiwemo ni pamoja na uwekaji pesa kwa njia ya rejareja, biashara za kifedha na maendeleo ya usimamizi wa wafanyikazi.

Benki yako sasa imejiweka katika hali nzuri kupambana na madhumuni ya mda mfupi makubwa yakutosha kujikokota kwenye shughuli zake na ina ushindani muhimu wakuhakikisha kwamba inabaki kwenye uongozi katika sekta ya kuhifadhi pesa hapa nchini na eneo zima la Afrika Mashariki kwa jumla.

Kwa minajili hii, kampuni imeendelea na mikakati ya kupanua matawi yake Afrika Mashariki. Tawi moja lilifunguliwa mjini Arusha mwanzoni mwa mwaka wa 2006, na kisha kufuatiwa tena na ufunguzi wa tawi jingine mjini Dar es salaam na Kampala baadaye mwaka huo. Hata hivyo kuna mipango kabambe ya kufungua matawi mengine hapa Nairobi na kwenye miji mingine hapa nchini mwaka huu wa 2007.

Kuwadia kwa HBL kwa benki, pamoja na usaidizi wa kudumu wa taasisi na wenye hisa binafsi kama ilivyoonyeshwa kwenye ufanisi wa swala la hati miliki lililotangulia, Kamati yako itakagua uwezekano na faida ya kupanua uendeshaji wa kampuni kwenye maeneo ya nchi za Afrika zilizo chini ya eneo la Sahara.

Benki pia imeanzisha hatua nyingine muhimu ya mikakati mwaka wa 2007– kuboresha chapa yake ya ushirika. Chapa hiyo mpya, imepangiwa kuzinduliwa baadaye mwaka huu, itabakiza nyenzo muhimu zenye uzoefu kwenye chapa iliyoko. Itahamasisha ubora wa benki na pia kuleta picha nzuri ya benki siku zijazo.

Maendeleo ya benki miaka ya nyuma, iko katika kipimo kikubwa, kutokana na utendaji kazi wa dhati, taaluma na juhudi ya wafanyikazi na wasimamizi, ulioongozwa na Afisa Mkuu Mtendaji Bi. Nasim Devji. Kwa niaba ya kamati ningependa kutoa shukurani zetu za dhati kwa kazi muafaka waliyofanya.

Ninalazimika kutaja kwa dhati kujitolea na kuwepo kwa hakikisho la kuendeleza biashara kutoka kwa wenzangu. Mwaka huo ulishuhudia maendeleo mengi na miradi ya kujisimbia yenyewe, mafanikio ambayo yasingetokea bila ya ushirikiano wa dhati na Kujitolea.

Kwa kumalizia, ningependa kuwashukuru wote, wenye hisa wetu, kwa uaminifu wenu thabiti na imani kwenye taasisi na kwa wateja wetu kwa uaminifu wao wakutajika.

Mahmood Manji
Mwenyekiti

Februari 23, 2007

Taarifa iliyoko hapa juu ni tafsiri ya Kiswahili ya Taarifa ya Mwenyekiti iliyoko ukurasa wa 12 - 13. Iwapo patatokea utata wowote katika tafsiri ya maana halisi ya maneno yaliyotumika, basi tafsiri ya Kingereza ndiyo itakayotawala.

The text set out above is a Kiswahili translation of the Chairman's Statement, which appears on page 12 - 13. In the event of any dispute in the interpretation of the Kiswahili version, the English version shall be the authoritative version.

Statement on Corporate Governance

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

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

The Board is responsible for the governance of the Bank and is committed to ensuring that its business and operations are conducted with integrity and in compliance with the law, internationally accepted principles and best practices of corporate governance and business ethics. In this respect, the Board confirms that the Bank complies with all relevant local legislation including the provisions of the Banking Act and the prudential regulations issued by the CBK.

Board of Directors

The Board fulfills its fiduciary obligations to the shareholders by maintaining control over the strategic, financial, operational and compliance issues of the Bank. Whilst the Board provides direction and guidance on strategic and general policy matters and remains responsible for establishing and maintaining overall internal controls over financial, operational and compliance issues, it has delegated authority to the Managing Director to conduct the day to day business of the Bank.

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

The remuneration of all directors is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate. Non-executive directors are paid an annual fee in addition to a sitting allowance for every meeting attended. They are not eligible for membership of the pension scheme and do not participate in any of the company's bonus schemes. Information on the compensation received and the dealings of the directors with the Bank are included in the financial statements in Note 36 on pages 60 and 61.



Statement on Corporate Governance (Continued)

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

Board Executive Committee ("BEC")

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

Board Nomination and Remuneration Committee ("BNRC")

The membership of the BNRC comprises three non-executive and independent directors. The Committee is responsible for proposing new nominees to the Board, assessing the performance and effectiveness of directors, and ensuring, through annual reviews, that the Board composition reflects an appropriate mix of skills and expertise required. The BNRC is also mandated to recommend to the full Board the remuneration and service contracts of executive directors and senior management and the structure of their compensation package.

Board Audit Committee ("BAC")

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

Board Risk Management Committee ("BRMC")

The BRMC is made up of three non-executive and independent directors who meet at least once every three months. The responsibilities of this Committee include ensuring quality, integrity, effectiveness and reliability of the Bank's risk management framework. The Committee is also charged with setting out the nature, role, responsibility and authority of the risk management and the compliance function of the Bank. The BRMC also defines the scope of the risk management work and ensures that there are adequate risk policies and strategies in place to effectively identify, measure, monitor and appropriately mitigate the various risks which the Bank is exposed to from time to time.

Board Credit Committee ("BCC")

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

Statement on Corporate Governance (Continued)

Board Asset and Liability Committee ("BALCO")

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

Board and Director Evaluation

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

Attendance of Board Meetings

The attendance of Board Meetings by the Directors in 2006 is tabulated below:

Name of Director	Board Meetings								Total attendance
	2 March 2006	25 May 2006	28 July 2006	3 October 2006	27 October 2006	9 November 2006	24 November 2006	27 December 2006	
Mahmood Manji	√	√	√	√	√	√	√	√	8 out of 8
Nasim Devji	√	√	√	√	√	√	√	√	8 out of 8
Amin Merali	√	√	√	√	√	x	√	x	6 out of 8
Jack Kisa	√	√	√	√	√	√	√	√	8 out of 8
Iqbal Mamdani	x	x	x	x	x	x	√	x	1 out of 8
Abdul Samji	√	√	√	√	√	√	√	x	7 out of 8
Nizar Juma	√	√	√	√	x	√	√	x	6 out of 8
Mohamood Thobani	√	x	√	√	√	√	√	√	7 out of 8
Karim Kanji	√	√	√	x	x	x	√	x	4 out of 8

√ - Attended

x - Absent with apology and a valid reason for non-attendance submitted.

Internal Control Systems

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

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

Statement on Corporate Governance (Continued)

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

Regional Office Credit Committee ("ROCC")

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

Assets and Liability Committee ("ALCO")

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

Operations Risk Committee ("ORCO")

The ORCO reports to the BRMC and is chaired by the Managing Director and comprises seven other senior management staff. The ORCO, which meets at least once each quarter, is responsible for identifying major areas of business operations prone to operational risks, recommend to the BRMC and implement suitable policy guidelines for managing and mitigating operational risk and review audit irregularities relating to operations.

Relations with Shareholders

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

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

Statement on Corporate Governance (Continued)

Share-holding structure

The distribution of issued share capital of the Bank as at 31 December 2006 was as follows:

Range	No. of shareholders	No. of shares held	% Shareholding
Up to 500 shares	2,461	647,821	0.47
501 – 5,000 shares	5,702	11,706,331	8.38
5,001 – 10,000 shares	1,586	11,855,558	8.48
10,001 – 100,000 shares	1,203	29,155,150	20.86
100,001 – 1,000,000 shares	73	17,067,081	12.21
Over 1,000,000 shares	9	69,314,152	49.60
Total	11,034	139,746,093	100.00

The ten largest shareholders of the Bank and their respective holdings as at 31 December 2006 were as follows:

Name	No. of shares	% Shareholding
Aga Khan Fund for Economic Development	28,240,121	20.21
Barclays (K) Nominees Ltd a/c IFC	14,062,478	10.06
The Jubilee Insurance Company Limited	11,700,921	8.37
Habib Bank Limited	5,199,493	3.72
The Diamond Jubilee Investment Trust (U) Ltd	2,614,739	1.87
Craysell Investments Ltd	2,116,215	1.51
Amcerali Nazarali Esmail	2,093,377	1.50
Noorali Mohan Manji	1,996,935	1.43
Amin Nanji Juma	1,289,873	0.92
Property Development and Management Limited	955,597	0.68

Corporate Social Responsibility



Diamond Trust Bank donated text books to Msumarini Primary school in Malindi. Representing the Bank is Stella Mulinge, Head of Western Union division

Part of the Diamond Trust Bank team that took part in the Dettol Heart Run 2006.

L-R – Rosemary Mwikali, Hilda Kerubo, Naomi Mang'atu & Michael Omino.



Diamond Trust Bank sponsored the Breast Cancer Awareness program in conjunction with the Aga Khan Hospital, Mombasa.

The Bank donated foodstuff to Calvary Children's Home, Mombasa. The Zangalewa Troupe entertained the Children courtesy of the Bank. Representing the Bank is Sammy Kemmey.



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Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2006, 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 6.

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 income tax	705,953
Income tax expenses	(218,123)
Profit after income tax	487,830
Dividends	139,746
Retained profit for the year	348,084

The directors recommend the approval of a final dividend of Shs 139,746,093 (2005: Shs 86,953,125).

Directors

The present membership of the Board is listed on page 6.

In accordance with Articles No. 101 and 102 of the Bank's Articles of Association, Messrs Jack Kisa, Iqbal Mamdani and Abdul Samji retire by rotation and being eligible, offer themselves for re-election.

Auditor

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

By order of the Board

Habil Waswani
Company Secretary

23 February 2007
Nairobi

Statement of Directors' Responsibilities

for the year ended 31 December 2006

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that these financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company and of the Group's profit.

The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements, as well as designing, implementing, and maintaining adequate systems of internal financial control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Mahmood Manji
Chairman

Nasim Devji
Managing Director

23 February 2007

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

Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Diamond Trust Bank Kenya Limited (the Company) and its subsidiary (together, the Group), as set out on pages 28 to 61. These financial statements comprise the consolidated balance sheet at 31 December 2006 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the Company standing alone as at 31 December 2006 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making

those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2006 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

Report on other legal requirements

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

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;
- iii) the Company's balance sheet is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants
23 February 2007
Nairobi.



Consolidated Profit and Loss Account

	Notes	2006 Shs'000	2005 Shs'000
Interest income	3	1,928,904	1,413,240
Interest expense	4	(850,040)	(602,029)
Net interest income		1,078,864	811,211
Fee and commission income		308,786	247,920
Foreign exchange income		101,121	79,140
Other operating income	5	21,348	10,150
Operating income		1,510,119	1,148,421
Operating expenses	6	(770,055)	(678,547)
Impairment loss on loans and advances	16	(58,813)	(91,940)
Profit from operations		681,251	377,934
Finance costs	24	(43,156)	(17,250)
Share of results of associates	14	67,858	65,930
Profit before income tax		705,953	426,614
Income tax expense	8	(218,123)	(132,016)
Net profit for the year		487,830	294,598
Dividends:			
Proposed dividend for the year	10	139,746	86,953
Earnings per share (Shs per share)			
- basic and diluted	9	3.79	2.30
Dividend per share (Shs per share)	10	1.00	0.70

Consolidated Balance Sheet

	Notes	2006 Shs'000	2005 Shs'000
Assets			
Cash and balances with Central Bank of Kenya	11	1,164,970	986,330
Government securities	12	3,836,719	2,104,719
Deposits and balances due from banking institutions	13	1,525,615	1,912,125
Loans and advances to customers	16	13,832,756	10,318,103
Investments in associates	14	252,757	229,852
Property and equipment	19	252,813	254,298
Intangible assets – software costs	20	46,235	47,204
Deferred income tax asset	18	59,226	51,304
Other assets	15	766,300	480,487
Total assets		21,737,391	16,384,422
Liabilities			
Customer deposits	22	16,726,059	13,278,912
Deposits and balances due to banking institutions	23	226,403	567,259
Current income tax payable		35,491	57,172
Subordinated debt	24	495,918	366,618
Other liabilities	25	1,385,430	462,227
Total liabilities		18,869,301	14,732,188
Shareholders' Equity			
Share capital	26	558,984	496,875
Share premium	26	695,197	16,320
Retained earnings		1,365,273	939,755
Capital reserves	27	108,890	112,331
Proposed dividend		139,746	86,953
Total shareholders' equity		2,868,090	1,652,234
Total liabilities and equity		21,737,391	16,384,422

The financial statements on pages 28 to 61 were approved for issue by the board of directors on 23 February 2007 and signed on its behalf by:

Mahmood Manji
Chairman

Nasim Devji
Managing Director

Jack Kisa
Director

Habil Waswani
Secretary

Bank Balance Sheet

	Notes	2006 Shs'000	2005 Shs'000
Assets			
Cash and balances with Central Bank of Kenya	11	1,164,970	986,330
Government securities	12	3,836,719	2,104,719
Deposits and balances due from banking institutions	13	1,525,615	1,912,125
Loans and advances to customers	16	13,832,756	10,318,103
Investments in subsidiary and associates	14	79,139	79,139
Property and equipment	19	252,813	254,298
Intangible assets – software costs	20	46,235	47,204
Deferred income tax asset	18	59,226	51,304
Other assets	15	766,300	480,487
Total assets		21,563,773	16,233,709
Liabilities			
Customer deposits	22	16,726,059	13,278,912
Deposits and balances due to banking institutions	23	226,403	567,259
Current income tax payable		41,697	63,378
Subordinated debt	24	495,918	366,618
Other liabilities	25	1,464,992	541,789
Total liabilities		18,955,069	14,817,956
Shareholders' Equity			
Share capital	26	558,984	496,875
Share premium	26	695,197	16,320
Retained earnings		1,186,690	786,636
Capital reserves	27	28,087	28,969
Proposed dividend		139,746	86,953
Total shareholders' equity		2,608,704	1,415,753
Total liabilities and equity		21,563,773	16,233,709

The financial statements on pages 28 to 61 were approved for issue by the board of directors on 23 February 2007 and signed on its behalf by:

Mahmood Manji
Chairman

Nasim Devji
Managing Director

Jack Kisa
Director

Habil Waswani
Secretary

Consolidated Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Capital reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
Year ended 31 December 2005							
At start of year		397,500	16,320	104,649	849,040	69,563	1,437,072
Transfer of excess depreciation		-	-	(626)	626	-	-
Deferred tax on excess depreciation		-	-	188	(188)	-	-
		-	-	(438)	438	-	-
Net fair value changes in Government securities		-	-	13,965	-	-	13,965
Reversal of net fair value gain on maturity of Government securities		-	-	(654)	-	-	(654)
		-	-	13,311	-	-	13,311
Translation differences	(i)	-	-	(5,191)	(17,993)	-	(23,184)
Net gains/(losses) not recognised in the profit and loss account		-	-	7,682	(17,555)	-	(9,873)
Bonus shares issued		99,375	-	-	(99,375)	-	-
Profit for the year		-	-	-	294,598	-	294,598
Dividends:							
- Final for 2004 paid		-	-	-	-	(69,563)	(69,563)
- Proposed final for 2005		-	-	-	(86,953)	86,953	-
At end of year		496,875	16,320	112,331	939,755	86,953	1,652,234
Year ended 31 December 2006							
At start of year		496,875	16,320	112,331	939,755	86,953	1,652,234
Transfer of excess depreciation		-	-	(504)	504	-	-
Deferred tax on excess depreciation		-	-	151	(151)	-	-
		-	-	(353)	353	-	-
Net fair value changes in Government securities		-	-	1,728	-	-	1,728
Reversal of net fair value gain on maturity of Government securities		-	-	(2,257)	-	-	(2,257)
		-	-	(529)	-	-	(529)
Translation differences	(i)	-	-	(2,559)	(17,466)	-	(20,025)
Net losses not recognised in the profit and loss account		-	-	(3,441)	(17,113)	-	(20,554)
Rights Issue by the Bank		62,109	678,877	-	-	-	740,986
Write-back of unclaimed dividends	(ii)	-	-	-	94,547	-	94,547
Profit for the year		-	-	-	487,830	-	487,830
Dividends:							
- Final for 2005 paid	10	-	-	-	-	(86,953)	(86,953)
- Proposed for 2006	10	-	-	-	(139,746)	139,746	-
At end of year		558,984	695,197	108,890	1,365,273	139,746	2,868,090

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

(ii) Dividends that had remained unclaimed for over six years as at 27 December 2006 were written back to retained earnings in line with the Bank's Articles of Association.

Bank Statement of Changes in Equity

	Notes	Share capital Shs'000	Share premium Shs'000	Capital reserve Shs'000	Retained earnings Shs'000	Proposed dividend Shs'000	Total Shs'000
Year ended 31 December 2005							
At start of year		397,500	16,320	16,096	723,644	69,563	1,223,123
Transfer of excess depreciation		-	-	(626)	626	-	-
Deferred tax on excess depreciation		-	-	188	(188)	-	-
		-	-	(438)	438	-	-
Net fair value changes in Government securities		-	-	13,965	-	-	13,965
Reversal of net fair value gain on maturity of Government securities		-	-	(654)	-	-	(654)
		-	-	13,311	-	-	13,311
Net gains not recognised in the profit and loss account		-	-	12,873	438	-	13,311
Bonus shares issued		99,375	-	-	(99,375)	-	-
Profit for the year		-	-	-	248,882	-	248,882
Dividends:							
- Final for 2004 paid		-	-	-	-	(69,563)	(69,563)
- Proposed final for 2005		-	-	-	(86,953)	86,953	-
At end of year		496,875	16,320	28,969	786,636	86,953	1,415,753
Year ended 31 December 2006							
At start of year		496,875	16,320	28,969	786,636	86,953	1,415,753
Transfer of excess depreciation		-	-	(504)	504	-	-
Deferred tax on excess depreciation		-	-	151	(151)	-	-
		-	-	(353)	353	-	-
Net fair value changes in Government securities		-	-	1,728	-	-	1,728
Reversal of net fair value gain on maturity of Government securities		-	-	(2,257)	-	-	(2,257)
		-	-	(529)	-	-	(529)
Net (losses)/gains not recognised in the profit and loss account		-	-	(882)	353	-	(529)
Rights Issue by the Bank		62,109	678,877	-	-	-	740,986
Write-back of unclaimed dividends	(i)	-	-	-	94,547	-	94,547
Profit for the year		-	-	-	444,900	-	444,900
Dividends:							
- Final for 2005 paid	10	-	-	-	-	(86,953)	(86,953)
- Proposed for 2006	10	-	-	-	(139,746)	139,746	-
At end of year		558,984	695,197	28,087	1,186,690	139,746	2,608,704

(i) Dividends that had remained unclaimed for over six years as at 27 December 2006 were written back to retained earnings in line with the Bank's Articles of Association.

Consolidated Cash Flow Statement

	Notes	2006 Shs'000	2005 Shs'000
Cash flows from operating activities			
Interest receipts		1,941,887	1,328,191
Interest payments		(846,475)	(503,708)
Net fee and commission receipts		308,786	247,920
Other income received		122,361	88,836
Recoveries from loans previously written off	16	5,109	8,561
Payments to employees and suppliers		(693,174)	(607,141)
Income tax paid		(226,454)	(100,911)
Cash flows from operating activities before changes in operating assets and liabilities		612,040	461,748
Changes in operating assets and liabilities:			
- cash reserve requirement		(177,696)	(252,163)
- Treasury bills under repo agreement		49,979	(49,979)
- Government securities		(1,761,815)	(789,714)
- loans and advances		(3,562,498)	(3,253,469)
- other assets		(286,003)	(249,645)
- customer deposits		3,443,582	4,349,029
- other liabilities		1,017,750	33,650
Net cash (used in)/from operating activities		(664,661)	249,457
Cash flows from investing activities			
Purchase of property and equipment	19	(53,094)	(49,073)
Purchase of intangible assets	20	(21,147)	(5,804)
Proceeds from sale of property and equipment		112	798
Dividend received		3,882	2,793
Net cash used in investing activities		(70,247)	(51,286)
Cash flows from financing activities			
Proceeds from Rights Issue, net of expenses		740,986	-
Subordinated debt		124,810	362,250
Finance costs		(38,666)	(12,882)
Dividends paid		(86,953)	(69,563)
Net cash from financing activities		740,177	279,805
Net increase in cash and cash equivalents		5,269	477,976
Cash and cash equivalents at start of year	35	1,489,430	1,011,454
Cash and cash equivalents at end of year	35	1,494,699	1,489,430

Notes to the Financial Statements

1 General information

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 6.

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The financial statements are presented in the functional currency, Kenya Shillings (Shs), rounded to the nearest thousand, and are prepared under the historical cost convention as modified by the revaluation of properties and available-for-sale investment securities.

The preparation of financial statements in conformity with IFRS 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.

Adoption of new and revised standards

In 2006, new and revised standards and interpretations became effective for the first time and have been adopted by the company where relevant to its operations. The adoption of these new and revised standards had no material effect on the Company's accounting policies or disclosures.

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

The following amendment to an existing standard and new standard will become mandatory for the group's accounting periods beginning on or after 1 January 2007, but which the Group has not early adopted:

- IAS 1 Amendment, capital disclosures. The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital.

- IFRS 7, Financial Instruments: Disclosures. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

Notes to the Financial Statements (Continued)

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

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

(i) Impairment losses on loans and advances

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

(ii) Held-to-maturity investments

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

(iii) Income taxes

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

(c) Consolidation

The consolidated financial statements comprise the financial statements of Diamond Trust Bank Kenya Limited and its subsidiary, Premier Savings and Finance Limited, made up to 31 December. All inter-company 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.

(d) 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.

Notes to the Financial Statements (Continued)

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

A listing of the Group's associates is shown in Note 14.

(e) **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.

(f) **Interest income**

Interest income is recognised in the profit and loss account using the effective interest method, 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.

(g) **Fees and commission income**

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

(h) **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	12.5%, 20% and 25%

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

Notes to the Financial Statements (Continued)

(i) Intangible assets – software costs

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

(j) Government securities

The Group classifies its Government securities into the following two categories: held-to-maturity and available-for-sale assets. Government securities with fixed maturity where management has both the intent and the ability to hold to maturity are classified as held-to-maturity. Government securities, which may be sold in response to needs for liquidity or changes in interest rates, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Government securities are initially recognised at cost. Available-for-sale securities are subsequently re-measured at fair value based on quoted prices. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in equity. Held-to-maturity investments are carried at amortised cost. The held-to-maturity portfolio which has been tainted is stated at fair value as at the balance sheet date in accordance with IAS 39.

Impairment of these securities occurs if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial asset's contractual effective interest rate.

(k) Loans and advances and provisions for loan impairment

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

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

A provision for unidentified loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically identified as such. This provision is based on 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 uncollectible, it is written off against the related provision for impairments. Subsequent recoveries are credited to the provision for loan losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited as a reduction of the provision for impairment in the profit and loss account.

Notes to the Financial Statements (Continued)

(l) **Leases**

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

(m) **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.

(n) **Income tax**

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

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

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

(o) **Cash and cash equivalents**

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and balances with Central Bank of Kenya and amounts due from other banks. Cash and cash equivalent excludes the cash reserve requirement held with the Central Bank of Kenya.

(p) **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.

Notes to the Financial Statements (Continued)

(q) 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.

(r) Proposed dividends

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

(s) Forward foreign exchange contracts

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

(t) Acceptances, guarantees and letters of credit

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

(u) Comparatives

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

Notes to the Financial Statements (Continued)

3	Interest income	2006 Shs'000	2005 Shs'000
	Loans and advances	1,622,628	1,172,180
	Government securities	204,261	172,062
	Placements and bank balances	102,015	68,998
		<u>1,928,904</u>	<u>1,413,240</u>
4	Interest expense		
	Customer deposits	842,292	601,015
	Deposits due to banking institutions	7,748	1,014
		<u>850,040</u>	<u>602,029</u>
5	Other operating income		
	Rental income	9,527	8,402
	Gain on disposal of Government securities	7,745	-
	Gain on sale of fixed assets	108	454
	Other	3,968	1,294
		<u>21,348</u>	<u>10,150</u>
6	Other operating expenses		
	The following items are included within operating expenses:		
	Staff costs (Note 7)	366,432	298,344
	Depreciation (Note 19)	54,575	48,644
	Amortisation of intangible assets (Note 20)	22,116	17,979
	Operating lease rentals	36,791	37,183
	Contribution to Deposit Protection Fund	17,377	12,076
	Auditors' remuneration	1,800	2,669
7	Staff costs		
	Salaries and allowances	319,944	258,279
	Pension costs	17,427	14,717
	Gratuity provision	5,451	4,586
	National Social Security Fund contribution	529	460
	Others including insurance, travel and training	23,081	20,302
		<u>366,432</u>	<u>298,344</u>

The number of persons employed by the Group (excluding associates) at the end of the year was 238 (2005: 201).

Notes to the Financial Statements (Continued)

8	Income tax expense	2006 Shs'000	2005 Shs'000
	Current income tax	204,773	145,723
	Under provision of income tax in previous year	-	5,075
	Deferred income tax (Note 18)	(7,696)	(32,153)
	Under statement of provision for deferred tax credit in previous year	-	(4,050)
	Share of income tax expense of associates (Note 14)	21,046	17,421
		<u>218,123</u>	<u>132,016</u>

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

	2006 Shs'000	2005 Shs'000
Profit before tax	705,953	426,614
Tax calculated at the statutory tax rate of 30% (2005: 30%)	211,786	127,984
Tax effect of:		
Income not subject to tax	(1,165)	(986)
Expenses not deductible for tax purposes	5,649	5,466
Under provision of income tax in previous year	-	5,075
Over (under) provision of associates income tax in previous year	1,853	(1,473)
Under statement of deferred tax credit in previous year	-	(4,050)
Tax charge	<u>218,123</u>	<u>132,016</u>

9 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 487,830,000 (2005: Shs 294,598,000) and on the weighted average number of ordinary shares outstanding during the year.

	2006 Shs'000	2005 Shs'000
Net profit attributable to shareholders (Shs thousands)	487,830	294,598
Deemed number of ordinary shares adjusted for rights issue (thousands)	128,293	128,293
Weighted number of ordinary shares in issue after rights issue (thousands)	128,701	128,293
Earnings per share (Shs per share) – basic and diluted	<u>3.79</u>	<u>2.30</u>

Diluted earnings per share have been calculated on the basis of number of ordinary shares in issue at 31 December 2006. There are no potentially dilutive shares outstanding at 31 December 2006.

Notes to the Financial Statements (Continued)

10 Dividends per share

At the Annual General Meeting to be held on 25 May 2007, a final dividend in respect of the year ended 31 December 2006 of Shs 1.00 per share amounting to a total of Shs 139,746,093 is to be proposed.

The total dividend for the year is Shs 1.00 per share (2005: Shs 0.70), amounting to a total of Shs 139,746,093 (2005: Shs 86,953,125).

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

11 Cash and balances with Central Bank of Kenya

Group and Bank

	2006 Shs'000	2005 Shs'000
Cash in hand	118,198	93,903
Balances with Central Bank of Kenya	1,046,772	842,448
Treasury bills under repo purchase agreement	-	49,979
	<u>1,164,970</u>	<u>986,330</u>

12 Government securities

Group and Bank

Government securities held-to-maturity

	2006 Shs'000	2005 Shs'000
Treasury bills	2,697,390	791,457
Treasury bonds	1,139,329	1,165,489
	<u>3,836,719</u>	<u>1,956,946</u>

Government securities available-for-sale

	2006 Shs'000	2005 Shs'000
Treasury bonds	-	147,773
Total Government securities	<u>3,836,719</u>	<u>2,104,719</u>

Treasury bills and bonds are debt securities issued by the Republic of Kenya. Treasury bills and bonds are classified as either held-to-maturity or available-for-sale investments. As the Bank tainted its held-to-maturity portfolio in 2003, 2004 and 2006, in accordance with the requirement of IAS 39 this portfolio is restated at fair value at every balance sheet date until 1 January 2009. As at 31 December 2006, Government securities amounting to Shs 1,045,725,000 (2005: Shs 1,340,830,000) were within 90 days to maturity.

13 Deposits and balances due from banking institutions

Group and Bank

	2006 Shs'000	2005 Shs'000
Due from other banks	1,525,615	1,912,125

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

Notes to the Financial Statements (Continued)

14 Investments in subsidiary and associates

Group

	2006 Shs'000	2005 Shs'000
At start of year	229,852	207,320
Share of results before tax	67,858	65,930
Share of tax (Note 8)	(21,046)	(17,421)
Dividend received	(3,882)	(2,793)
Translation differences	(20,025)	(23,184)
At end of year	252,757	229,852

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

		Group		Bank	
	Beneficial Ownership	2006 Shs'000	2005 Shs'000	2006 Shs'000	2005 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%	88,727	80,314	25,000	25,000
Diamond Trust Bank Tanzania Limited	33%	164,028	149,536	25,000	25,000
Services and Systems Limited	40%	1	1	1	1
		252,757	229,852	50,002	50,002
Total investment in subsidiary and associates		252,757	229,852	79,139	79,139

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

Notes to the Financial Statements (Continued)

15	Other assets	2006 Shs'000	2005 Shs'000
	Group and Bank		
	Uncleared effects	536,373	335,550
	Prepaid operating lease rentals (Note 21)	4,038	4,228
	Items in the course of collection	92,213	75,413
	Prepayments	22,041	15,555
	Others	111,635	49,741
		<u>766,300</u>	<u>480,487</u>

16	Loans and advances to customers		
	Group and Bank		
	Finance leases	3,149,720	2,481,530
	Other loans and advances	11,008,354	8,104,534
	Gross loans and advances	14,158,074	10,586,064
	Less: Provision for impairment of loans and advances		
	Identified impairment	125,833	80,086
	Unidentified impairment	199,485	187,875
	Net loans and advances	<u>13,832,756</u>	<u>10,318,103</u>

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

	Identified impairment Shs'000	Unidentified impairment Shs'000
Year ended 31 December 2005		
At start of year	96,382	72,000
Provision for loan impairment	18,211	115,875
Loans written off during the year as uncollectible	(542)	-
Release of provision no longer required	(33,965)	-
At end of year	<u>80,086</u>	<u>187,875</u>
Period ended 31 December 2006		
At start of period	80,086	187,875
Provision for loan impairment	54,586	11,610
Loans written off during the period as uncollectible	(6,307)	-
Release of provision no longer required	(2,532)	-
At end of the year	<u>125,833</u>	<u>199,485</u>

Notes to the Financial Statements (Continued)

16 Loans and advances to customers (continued)

	Identified impairment Shs'000	Unidentified impairment Shs'000	Total Shs'000
Charge to profit and loss account			
Year ended 31 December 2005			
Provision for loan impairment	18,211	115,875	134,086
Release of provision no longer required	(33,965)	-	(33,965)
Net increase in provision	(15,754)	115,875	100,121
Amounts recovered previously written off	(8,561)	-	(8,561)
Loans written off through profit and loss account	380	-	380
Net charge to profit and loss account	(23,935)	115,875	91,940
Period ended 31 December 2006			
Provision for loan impairment	54,586	11,610	66,196
Release of provision no longer required	(2,532)	-	(2,532)
Net increase in provision	52,054	11,610	63,664
Amounts recovered previously written off	(5,109)	-	(5,109)
Loans written off through profit and loss account	258	-	258
Net charge to profit and loss account	47,203	11,610	58,813

All loans have been written down to their estimated recoverable amount. The aggregate amount of non-performing loans, net of provision for impairment losses, at 31 December 2006, was Shs 30,295,000 (2005: Shs 5,621,000).

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

	2006 Shs'000	2005 Shs'000
Investment in finance leases:		
Not later than 1 year	537,852	373,432
Later than 1 year and not later than 5 years	3,057,510	2,482,358
Later than 5 years	-	-
Gross investment in finance leases	3,595,362	2,855,790
Unearned future finance income on finance leases	(445,642)	(374,260)
Net investment in finance leases	3,149,720	2,481,530

Notes to the Financial Statements (Continued)

19	Property and equipment	Leasehold buildings Shs'000	Leasehold improvements Shs'000	Motor vehicles Shs'000	Furniture fittings & equipment Shs'000	Total Shs'000
	Group and Bank At 1 January 2005					
	Cost or valuation	102,076	31,389	20,897	258,201	412,563
	Accumulated depreciation	5,067	6,889	19,014	127,380	158,350
	Net book amount	97,009	24,500	1,883	130,821	254,213
	Year ended 31 December 2005					
	Opening net book amount	97,009	24,500	1,883	130,821	254,213
	Additions	11,251	6,183	1,303	30,336	49,073
	Disposals- cost or valuation	-	-	(1,500)	(17,000)	(18,500)
	Disposal- accumulated depreciation	-	-	1,500	16,656	18,156
	Depreciation charge	(1,815)	(7,100)	(819)	(38,910)	(48,644)
	Closing net book amount	106,445	23,583	2,367	121,903	254,298
	At 31 December 2005					
	Cost or valuation	113,327	37,572	20,700	271,537	443,136
	Accumulated depreciation	6,882	13,989	18,333	149,634	188,838
	Net book amount	106,445	23,583	2,367	121,903	254,298
	Year ended 31 December 2006					
	Opening net book amount	106,445	23,583	2,367	121,903	254,298
	Additions	-	2,078	3,408	47,608	53,094
	Disposals- cost or valuation	-	-	-	(2,204)	(2,204)
	Disposal- accumulated depreciation	-	-	-	2,200	2,200
	Depreciation charge	(1,870)	(7,235)	(1,668)	(43,802)	(54,575)
	Closing net book amount	104,575	18,426	4,107	125,705	252,813
	At 31 December 2006					
	Cost or valuation	113,327	39,650	24,108	316,941	494,026
	Accumulated depreciation	8,752	21,224	20,001	191,236	241,213
	Net book amount	104,575	18,426	4,107	125,705	252,813
	At 31 December 2006					
	Cost	66,742	39,650	24,108	316,941	447,441
	Revaluation surplus	46,585	-	-	-	46,585
	Cost or valuation	113,327	39,650	24,108	316,941	494,026

Notes to the Financial Statements (Continued)

19 Property and equipment (continued)

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 at the historical cost basis, the amounts would be as follows:

	2006 Shs'000	2005 Shs'000
Cost	66,742	66,742
Accumulated depreciation	(6,562)	(4,692)
Net book value	60,180	62,050

20 Intangible assets – software costs

	2006 Shs'000	2005 Shs'000
Group and Bank		
At start of period	47,204	59,379
Additions	21,147	5,804
Amortisation charge for the year	(22,116)	(17,979)
At end of period	46,235	47,204
Cost	105,493	84,346
Accumulated amortisation	(59,258)	(37,142)
Net book value	46,235	47,204

21 Prepaid operating lease rentals

	2006 Shs'000	2005 Shs'000
Group and Bank		
At start of year	4,228	4,417
Amortisation charge for the year	(190)	(189)
At end of year	4,038	4,228
Cost	6,701	6,701
Accumulated amortisation	(2,663)	(2,473)
	4,038	4,228

Notes to the Financial Statements (Continued)

22 Customer deposits

Group and Bank

	2006 Shs'000	2005 Shs'000
Current and demand deposits	2,914,026	1,869,476
Savings accounts	1,048,560	918,745
Fixed deposit accounts	12,763,265	10,490,483
Unredeemed bearer certificates of deposit	208	208
	16,726,059	13,278,912

23 Deposits and balances due to banking institutions

Group and Bank

	2006 Shs'000	2005 Shs'000
Deposits due to banking institutions	104,751	493,649
Current account balances due to banking institutions	121,652	73,610
	226,403	567,259

24 Subordinated debt

The long term (six and a half years) subordinated debt, raised from certain related parties to increase the bank's supplementary capital, amounted to US\$ 7 million (2005: US\$ 5 million). The bank has issued debenture stock certificates which are unsecured. The effective interest rate is 10.9%. Finance costs of Shs 43.2 million (2005: Shs 17.3 million) have been included in the profit and loss account.

Group and Bank

	2006 Shs'000	2005 Shs'000
At start of year	366,618	-
Additions during the year	139,160	362,250
Net movement in accrued interest	4,490	4,368
Movement from foreign exchange differences	(14,350)	-
At end of year	495,918	366,618

25 Other liabilities

	2006 Shs'000	Group 2005 Shs'000	2006 Shs'000	Bank 2005 Shs'000
Due to subsidiary company	-	-	79,562	79,562
Gratuity provision	39,388	34,339	39,388	34,339
Outstanding bankers' cheques	237,190	123,280	237,190	123,280
Rights Issue balances to be refunded	840,395	-	840,395	-
Others, including expense accruals	268,457	304,608	268,457	304,608
	1,385,430	462,227	1,464,992	541,789

Notes to the Financial Statements (Continued)

25 Other liabilities (Continued)

Movement in gratuity provision is as follows:

	2006 Shs'000	2005 Shs'000
At start of year	34,339	29,753
Increase during the year	5,451	4,586
Utilised during the year	(402)	-
At end of year	39,388	34,339

26 Share capital

	Number of shares (Thousands)	Share capital Shs'000	Share premium Shs'000
Balance at 1 January 2005	99,375	397,500	16,320
Bonus shares issued during the year	24,844	99,375	-
Balance at 31 December 2005	124,219	496,875	16,320
Balance at 1 January 2006	124,219	496,875	16,320
Rights Issue	15,527	62,109	678,877
Balance at 31 December 2006	139,746	558,984	695,197

The total authorised number of ordinary shares is 250,000,000 (2005: 125,000,000) with a par value of Shs 4 per share.

The 2005 bonus shares issue was approved at an Annual General Meeting held on 24 May 2005 and the bonus shares were issued in July 2005 at the ratio of one new share for every four of the existing shares held. The issued bonus shares rank pari passu for all purposes with the existing shares in the capital of the Bank.

During the Extra-ordinary General Meeting held on 1st November 2006, the shareholders approved the increase in the Bank's authorised share capital from 125,000,000 ordinary shares of Shs 4 each to 250,000,000 ordinary shares of Shs 4 each by the creation of 125,000,000 new ordinary shares. At the same meeting, the shareholders approved the increase in the Bank's issued share capital through the issuance of a further 15,527,343 ordinary shares, with a par value of Shs 4 each, by way of a Rights Issue at Shs 50 per share.

The Rights Issue proceeds of Shs 776,367,150 have been applied as follows:

	Notes	Shs'000
Share capital		62,109
Share premium before Rights Issue expenses		714,258
Total Rights Issue proceeds		776,367
Share premium before Rights Issue expenses		714,258
Rights Issue expenses	(i)	(35,381)
Share premium net of Rights Issue expenses		678,877

Notes to the Financial Statements (Continued)

30 Interest rate risk (continued)

At 31 December 2006

	Up to 1 month	1-3 months	3-12 months	1-5 years	Non- interest bearing	Total
Assets						
Cash and bank balances with Central Bank of Kenya	-	-	-	-	1,164,970	1,164,970
Government securities	599,630	447,701	2,689,964	99,424	-	3,836,719
Deposits and balances due from banking institutions	1,525,615	-	-	-	-	1,525,615
Advances to customers	13,832,756	-	-	-	-	13,832,756
Investments in associates	-	-	-	-	252,757	252,757
Property and equipment	-	-	-	-	252,813	252,813
Intangible assets	-	-	-	-	46,235	46,235
Deferred income tax asset	-	-	-	-	59,226	59,226
Other assets	-	-	-	-	766,300	766,300
Total assets	15,958,001	447,701	2,689,964	99,424	2,542,301	21,737,391
Liabilities & Equity						
Customer deposits	7,559,005	4,813,032	4,276,097	67,799	10,126	16,726,059
Deposits and balances due to banking institutions	226,403	-	-	-	-	226,403
Current income tax payable	-	-	-	-	35,491	35,491
Subordinated debt	-	144,669	351,249	-	-	495,918
Other liabilities	-	-	-	-	1,385,430	1,385,430
Shareholders' equity	-	-	-	-	2,868,090	2,868,090
Total liabilities & equity	7,785,408	4,957,701	4,627,346	67,799	4,299,137	21,737,391
Interest sensitivity gap	8,172,593	(4,510,000)	(1,937,382)	31,625	(1,756,836)	-
At 31 December 2005						
Total assets	12,972,966	592,471	660,725	103,164	2,055,096	16,384,422
Total liabilities and equity	6,019,200	4,927,692	3,205,792	59,897	2,171,841	16,384,422
Interest sensitivity gap	6,953,766	(4,335,221)	(2,545,067)	43,267	(116,745)	-

31 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 2006 to the contractual maturity date. All figures are in thousands of Kenya Shillings.

Notes to the Financial Statements (Continued)

31 Liquidity risk (continued)

At 31 December 2006

	Up to 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Assets						
Cash and bank balances with Central Bank of Kenya	635,776	277,909	246,789	3,911	585	1,164,970
Government securities	599,630	447,701	2,689,964	99,424	-	3,836,719
Deposits and balances due from banking institutions	1,525,615	-	-	-	-	1,525,615
Advances to customers	1,245,496	1,865,586	6,059,817	4,536,216	125,641	13,832,756
Investments in associates	-	-	-	-	252,757	252,757
Property and equipment	-	-	-	-	252,813	252,813
Intangible assets	-	-	-	-	46,235	46,235
Deferred income tax asset	-	-	-	59,226	-	59,226
Other assets	677,109	9,713	68,020	7,453	4,005	766,300
Total assets	4,683,626	2,600,909	9,064,590	4,706,230	682,036	21,737,391
Liabilities & Equity						
Customer deposits	7,559,005	4,813,032	4,276,097	67,799	10,126	16,726,059
Deposits and balances due to banking institutions	226,403	-	-	-	-	226,403
Current income tax payable	-	-	35,491	-	-	35,491
Subordinated debt	-	-	-	209,978	285,940	495,918
Other liabilities	1,375,096	2,896	3,668	2,682	1,088	1,385,430
Shareholders' equity	-	-	-	-	2,868,090	2,868,090
Total liabilities & equity	9,160,504	4,815,928	4,315,256	280,459	3,165,244	21,737,391
Net liquidity gap	(4,476,878)	(2,215,019)	4,749,334	4,425,771	(2,483,208)	-
At 31 December 2005						
Total assets	4,205,008	2,600,335	5,073,224	3,879,440	626,415	16,384,422
Total liabilities and equity	6,481,635	4,854,614	3,056,377	53,134	1,938,662	16,384,422
Net liquidity gap	(2,276,627)	(2,254,279)	2,016,847	3,826,306	(1,312,247)	-

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 to the Financial Statements (Continued)

36 Related party transactions

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

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

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

Group companies	2006 Shs'000	2005 Shs'000
Amounts due to:		
Other group companies	33,377	57,957
Interest expense incurred	1,296	1,138
Directors	2006 Shs'000	2005 Shs'000
Loans to directors:		
At start of year	9,449	10,340
Advanced during the year	7,329	5,349
Repaid during the year	(6,787)	(6,240)
At end of year	9,991	9,449
Interest income earned	1,130	1,328
Deposits by directors:		
At start of year	11,178	12,737
Received during the year	59,176	22,635
Withdrawn during the year	(60,866)	(24,194)
	9,488	11,178
Interest paid on directors' deposits	217	421

Other disclosures

At 31 December 2006, advances to companies controlled by directors or their families amounted to Shs. 510,297,000 (2005: Shs 244,958,000).

At 31 December 2006, advances to employees amounted to Shs. 13,816,000 (2005: Shs. 4,895,000).

Interest income earned on advances to companies controlled by directors or their families and employees amounted to Shs. 38,975,000 (2005: Shs. 22,413,000)

Notes to the Financial Statements (Continued)

36 Related party transactions (continued)

At 31 December 2006, contingent liabilities include letters of credit and guarantees issued for the account of companies related through common directorship amounting to Shs 57,796,000 (2005: Shs 17,885,000).

At 31 December 2006, deposits by companies related through common directorship and companies controlled by directors or their families amounted to Shs. 1,769,434,000 (2005: Shs 863,731,000).

At 31 December 2006, deposits by employees amounted to Shs. 57,725,000 (2005: Shs. 39,775,000).

Interest expense incurred on deposits by companies related through common directorship, companies controlled by directors or their families and employees amounted to Shs. 57,748,000 (2005: Shs. 58,983,000).

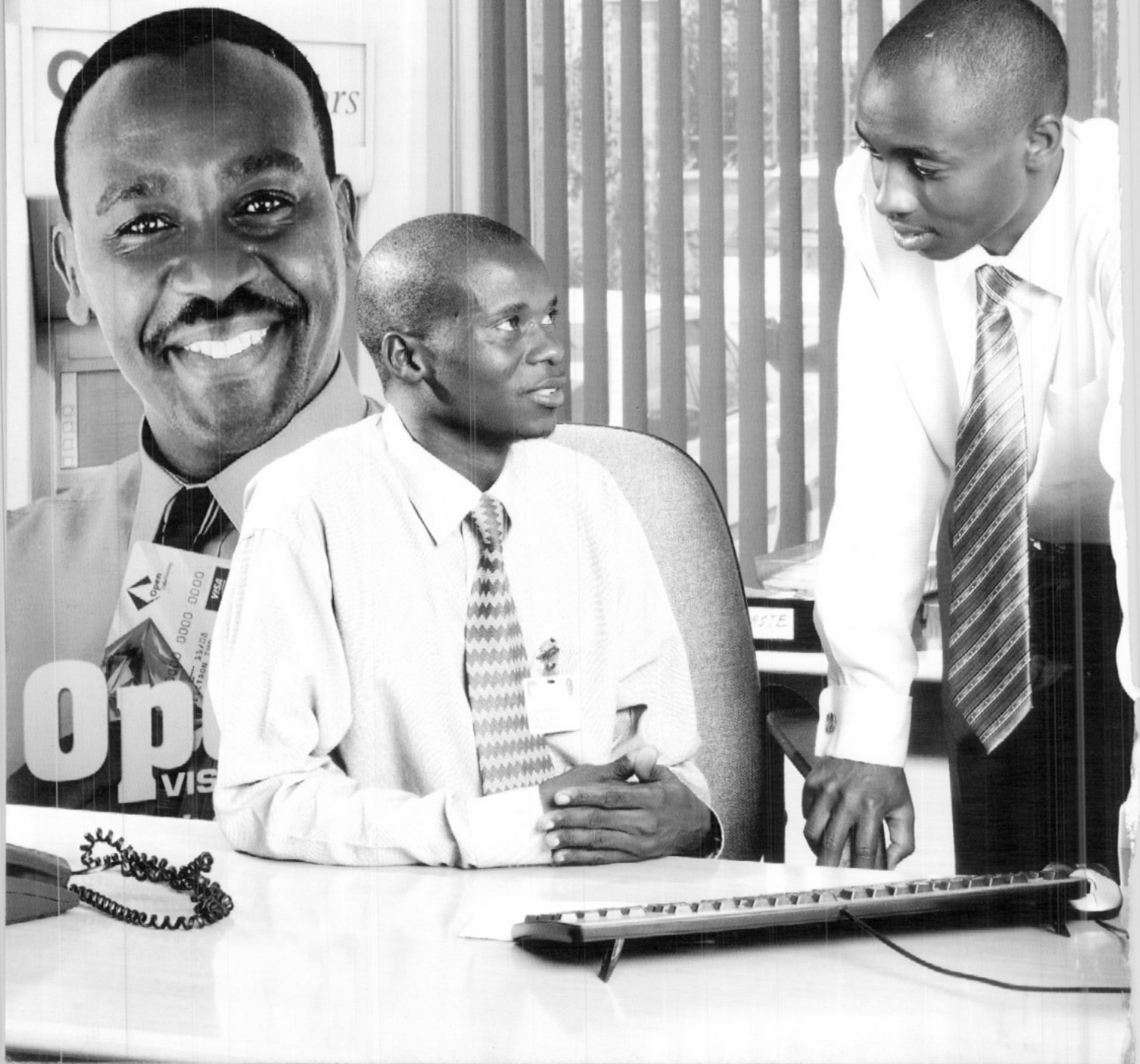
Subordinated debt raised from companies related through common directorship amounted to Shs 495,918,000 (2005: Shs 366,618,000). Details of this are shown under Note 24.

	2006 Shs' 000	2005 Shs' 000
Key management compensation		
Salaries and other short-term employment benefits	101,693	87,433
Termination benefits	8,412	8,098
	<u>110,105</u>	<u>95,531</u>
Director's remuneration		
- fees for services as a director	2,339	1,888
- other emoluments (included in key management compensation above)	16,914	14,660
	<u>19,253</u>	<u>16,548</u>

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Proxy Form

I/We (in block letters) _____

of P.O. Box _____

being a member/members of DIAMOND TRUST BANK KENYA LIMITED, hereby appoint

of P.O. Box _____

or failing him/her _____

of P.O. Box _____

as my/our proxy, to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at The Serena Hotel, Nyerere Road, Nairobi, on Friday, 25th May 2007 at 11.00 a.m., and at any adjournment thereof.

Dated this _____ day of _____ 2007.

Signature: _____

Important notes:

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

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Stamp Here

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

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Five-Year Financial Review

Diamond Trust Bank Kenya Limited • 2005 Annual Report and Financial Statements

	2005	2004	2003	2002	2001
Net interest income	811,211	537,864	431,156	352,358	296,717
Non-fund based income	337,210	252,866	193,409	89,148	57,694
Total income	1,148,421	790,730	624,565	441,506	354,411
Operating profit before provisions	518,554	298,169	248,870	112,088	48,125
(Charge for)/ write-back of impairment of loans	(91,940)	(35,542)	(44,764)	711	10,282
Profit before tax and exceptional items	426,614	262,627	204,106	112,799	58,407
Exceptional items	-	-	-	-	(7,000)
Profit before tax	426,614	262,627	204,106	112,799	51,407
Profit after tax	294,598	179,672	139,241	75,525	40,932
Advances to customers (net)	10,318,103	7,137,193	4,882,138	2,696,344	1,825,820
Total deposits (customers and banks)	13,846,171	9,303,877	6,862,257	4,783,319	4,039,499
Dividends for the year	86,953	69,563	69,563	47,700	31,800
Shareholders' funds	1,652,234	1,437,072	1,335,358	1,269,363	1,235,405
Total assets	16,384,422	11,172,224	8,659,503	6,273,754	5,515,655
Performance ratios					
Earnings per share - basic & diluted	Shs. 2.37	Shs 1.45	Shs 1.12	Shs 0.61	Shs 0.33
Dividend per share	Shs 0.70	Shs 0.70	Shs 0.70	Shs 0.60	Shs 0.40
Net loans to deposits	74.5%	76.7%	71.1%	56.4%	45.2%
Non performing loans to total loans (before provisions)	0.8%	1.6%	2.6%	5.8%	17.5%
Return on average assets	2.1%	1.7%	1.9%	1.3%	0.8%
Return on average shareholders funds	19.1%	11.8%	10.6%	6.0%	3.3%
Non-fund based income to total income	29.4%	32.0%	31.0%	20.2%	16.3%
Core capital to customer deposits	10%	13%	17%	21%	24%
Core capital to total risk weighted assets	11%	14%	19%	29%	37%
Total capital to total risk weighted assets	14%	14%	20%	30%	38%
Other indicators					
Number of branches	5	5	5	4	3
Number of employees	201	177	133	103	97
Expenditure on property and equipment	54,877	187,992	50,455	17,228	9,898

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

Board of Directors' Profile



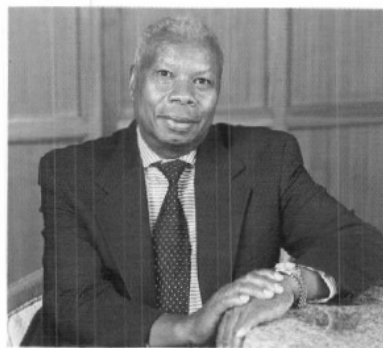
Mahmood Manji - Chairman



A career banker, Mr Manji, 52, was appointed Chairman of the Diamond Trust Banks in East Africa in July 2005. Mr Manji joined the bank as Group Chief Executive in 1996, a position he retained until 1999. He retained his seat on the Board until 2004, when he was appointed Deputy Chairman.

Prior to his appointment at Diamond Trust, Mr Manji was with the CFC Bank Limited for a period of fifteen years, eleven as Chief Executive.

Mr Manji is also Chairman of Property Development and Management Limited, a Director of TPS Eastern Africa Limited and the Kenya Civil Aviation Authority. He is a member of the Institute of Chartered Accountants in England and Wales and the International Who's Who of Professionals.



Jack Kisa - Director



Mr. Kisa, 68, joined the Board in April 1998. He worked for the World Bank as a Senior Economist between 1978 and 1995. Between 1986 and 1991, Mr. Kisa was seconded to the Southern African Development Community as Economic Advisor by the World Bank.

Prior to joining the World Bank, he was Director of the United Nations World Employment Programme from 1974 to 1977. During the 1960s and early 1970s, he was Provincial Planning Officer (Coast) and Principal Economist in Kenya's Ministry of Finance and Planning.

Mr. Kisa holds a Bachelor of Science honours degree (Economics) (London) and a Masters

degree in Public Administration (Economic Development) (Harvard). He also holds diplomas in International Development from York University (Toronto) and Advanced Economics from the University of Colorado.

Currently, Mr. Kisa is a businessman and a director of Tourism Promotion Services Eastern Africa Limited.



Nasim Devji - Managing Director

Mrs. Devji, 52, joined the Diamond Trust Bank group in 1996 as Head of Regional Finance. In 1998, she assumed responsibility for the bank's Debt Recovery Unit and later the other business support functions of the bank, including ICT and administration. In 2001, she was appointed Group Chief Executive Officer of the Diamond Trust Banks in East Africa. Prior to joining the group, she worked in the United Kingdom for 25 years in the accountancy profession as a taxation specialist.

Mrs. Devji is a fellow of The Institute of Chartered Accountants of England and Wales and an associate of the Institute of Taxation (United Kingdom).

Mrs. Devji is a director of Diamond Trust Banks in Tanzania and Uganda and of the Development Credit Bank Limited, India.



Nizar Juma - Director

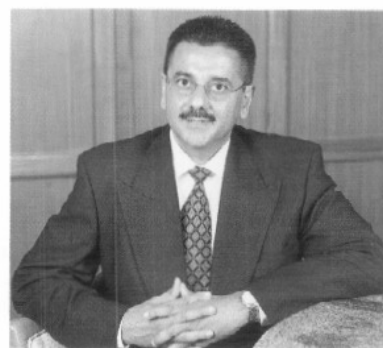


Mr. Juma, 61, is a Kenyan businessman. He is probably most well known for his company, OrbitSports Limited, which manufactures Adidas products distributed to 49 countries in Africa and Europe.

He joined the bank's board in August, 1997.

Mr. Juma was Chairman of the Aga Khan Health Services in Kenya for almost seven years. He is currently the East African Regional Chairman of the IPS Group of Companies. He is also the Chairman of the Jubilee Insurance Group of Companies in this region.

He holds a joint honours degree in Economics, Law and Accountancy from the University of Wales. He was awarded the Silver Star by the President of Kenya for outstanding service to the nation.



Karim Kanji - Director

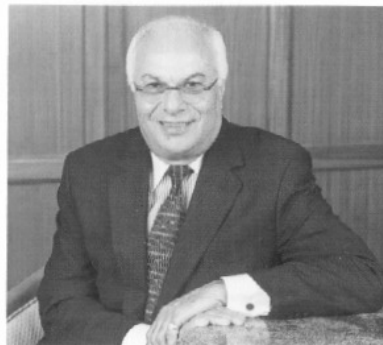


Mr. Kanji, 48, was appointed to the Board in February 2004. He is a member of the Board of Diamond Trust Bank Tanzania since 1997 and was appointed its Deputy Chairman in 2004.

Mr. Kanji has also been the treasurer of the International School of Tanganyika in the past and holds various finance related portfolios in the Aga Khan community.

He is a member of the Institute of Chartered Accountants in England and Wales.

Board of Directors' Profile (Continued)



Iqbal Mamdani - Director

Mr. Mamdani, 64, joined the Board in June 1997. He is a banker, and is the principal founder of TAIB Bank B.S.C., a private banking institution headquartered at Manama, Kingdom of Bahrain, with subsidiaries in Central Asia, the sub-continent, Turkey, the UK, and USA. He founded TAIB Bank in 1979 and prior to this was the Vice President, New York, and Regional Manager (Middle East) for American Express Bank.

Mr. Mamdani is the Chairman of TAIB Yatirim Bank A.S., Istanbul; TAIB Kazak Bank, Almaty; TAIB Securities WLL, Bahrain; TAIB Securities Limited, London; TAIB Securities Inc., New York and TAIB Capital Corporation Limited, India. He is also the President of Trans-Arabian Development Co. E.C., Bahrain.

Mr. Mamdani holds a B.A. from International Christian University, Mitaka, Japan and an M.A. from University of California at Berkeley, U.S.A.

He is also a director of Diamond Trust Bank Tanzania Limited.



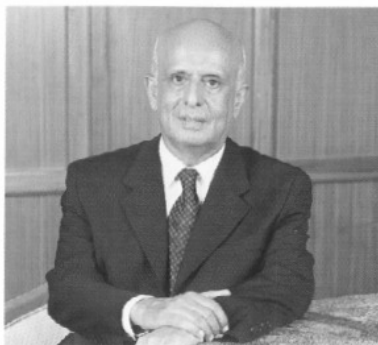
Mohamood Thobani - Director



Mr. Thobani, 60, is a prominent businessman in Uganda. He was appointed to the Board in February 2004. He has served as a non executive director of Diamond Trust Bank Uganda Limited since 1991 and is currently the Deputy Chairman.

Mr. Thobani is a major shareholder of the Fourways Group of Companies based in Uganda. The group's activities are export and agro based.

He is involved in various community projects and has served on the Board of Nsambya Missionary Hospital in Uganda from 1998 to date and on the boards of various community based organisations in Uganda.



Amin Merali - Director



Mr. Merali, 62, was appointed to the Board in April 1998. Mr. Merali is a prominent businessman and is Chairman and Chief Executive of the Merali Group of Companies, comprising the Neptune Group of hotels, bulk fuel haulage and property development.

He is also the Chairman and Managing Trustee of the Education Trust Fund of Rotary Club of Mombasa and the Chairman of the United Sports Club, Mombasa.



**Elizabeth Hinga -
Company Secretary**

Ms. Hinga, 34, was appointed Company Secretary in December 2000. She also heads the Debt Recovery Unit of the Bank.

Ms. Hinga is an Advocate of the High Court of Kenya and a registered Certified Public Secretary. She is a member of the Law Society of Kenya and the Institute of Certified Public Secretaries of Kenya.



Abdul Samji - Director



A Certified Public Accountant by profession, Mr. Samji, 59, joined the Board in March 1997. He is the Chief Executive Partner of KLSA Pannell Kerr Forster (PKF), a firm of Certified Public Accountants. Mr. Samji is a B.Com (Hons.) graduate, Fellow of the Association of Chartered Certified Accountants and a member of the Institute of Certified Public Accountants of Kenya.

Mr. Samji is a past District Governor of Rotary International, District 9200 and is a Trustee for several institutions involved in charitable and service activities.

KEY

- ◆ Board Executive Committee
- ◆ Board Nominating and Remuneration Committee
- ◆ Board Audit Committee
- ◆ Board Risk Management Committee
- ◆ Board Credit Committee
- ◆ Board Asset and Liability Committee

Company Information

Board of Directors	Mahmood Manji Robert Bird * Nasim Devji * Nizar Juma Karim Kanji ** Jack Kisa Iqbal Mamdani *** Amin Merali Abdul Samji Mohamood Thobani **** Iain Cheyne * John Harris *	Chairman (Appointed 26 July 2005) Chairman (Resigned 26 July 2005) Managing Director (Alternate: Frederic Lucien *****) (Resigned 31 December 2005) (Resigned 31 December 2005)
	*British **Tanzanian ***American ****Ugandan *****French	
Company Secretary	Elizabeth 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	Diamond Trust House Moi Avenue P.O. Box 90564 G.P.O. 80100 MOMBASA
	Unit 2, Capital Centre Mombasa Road P.O. Box 27556 Nyayo Stadium 00506 NAIROBI	Diamond Trust House Oginga Odinga Road P.O. Box 1081 G.P.O. 40100 KISUMU
	Aga Khan Hospital 3rd Avenue, Parklands P.O. Box 39694 Parklands 00623 NAIROBI	

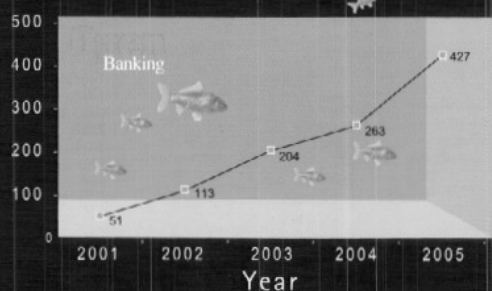
Company Information (Continued)

Principal Officers	Shahzad Karim	General Manager, Corporate Banking
	Gopa Kumar	General Manager, Retail Banking
	Sathya Vadana	General Manager, Treasury & International Banking
	Alkarim Jiwa	General Manager, Finance & Operations
	Nita Shah	General Manager, Regional Risk
	Joseph Mathai	General Manager, Mombasa
	Shiraz Surani	General Manager, Kisumu
	Kennedy Nyakomitta	Senior Manager, Asset Finance & Insurance Premium Finance
	Stella Mulinge	Senior Manager, Western Union Money Transfer Service
	Laila Premji	Senior Manager, Nairobi Branches
	Milerangam Jayaraman	Senior Manager, Credit Risk
	Frederick Olande	Senior Manager, Regional Human Resources
	Nizar Tundai	Senior Manager, Information & Communications Technology
	Peter Kimani	Senior Manager, Regional Internal Audit
Principal Correspondents	London	Citibank NA Standard Chartered Bank PLC
	New York	Citibank NA Standard Chartered Bank PLC
	Paris	Natexis Banque Populaires
	Frankfurt	BHF Bank Commerzbank American Express Bank
	Toronto	Citibank, Canada
	Johannesburg	Citibank, South Africa
	Mumbai	ICICI Bank
	Melbourne	ANZ Bank Melbourne, Australia
	Tokyo	American Express Bank

Financial Performance Charts

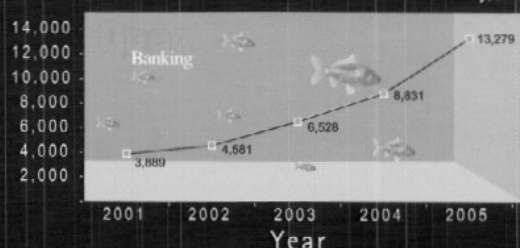
KShs millions

Group Profit before Tax



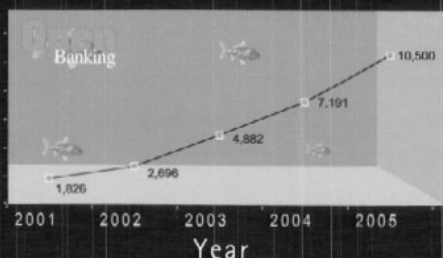
KShs millions

Customer Deposits



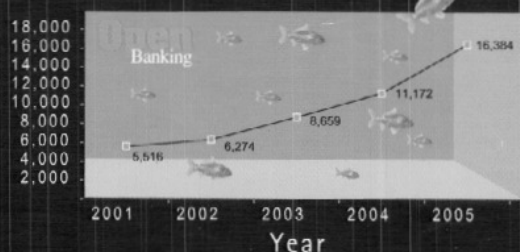
KShs millions

Advances

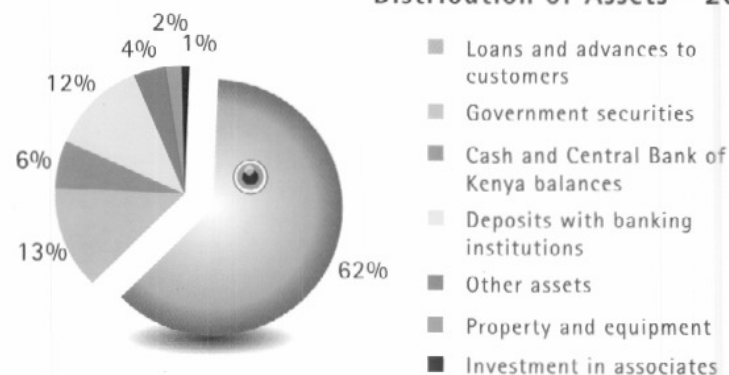


KShs millions

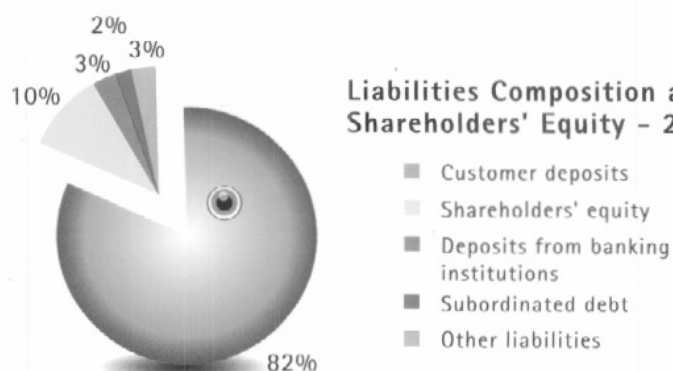
Total Assets



Distribution of Assets – 2005



Liabilities Composition and Shareholders' Equity – 2005



Distribution of Income – 2005

