

CHAIRMAN'S STATEMENT

It gives me great pleasure to present the annual Report and Financial Statements of Dubai Bank Kenya Limited for the year ended 31st December 2008.

Economy Review

The economy is estimated to have grown by approximately 1.7% in 2008 in comparison to 7% in 2007. Following the post election crisis and the global downturn the projections will continue in this conservative path.

While the government had managed to contain the inflation rate to a single digit in the last five years, the rate has soared to an alarming 29.4 % in December 2008 from an average of 5.3% during the year 2007 due to high food supply prices resulting from prolonged drought conditions, dwindling deposits from the Diaspora, fewer tourist arrivals, subdued demand for exports and the near collapse of the stock market. The high oil prices also contributed to the high inflation which affected the businesses adversely.

The Kenya shilling depreciated by 23% to Ksh.77.7 to the US Dollar in December 2008 compared to Ksh.63.30 to the US \$Dollar in December 2007. It also weakened against the Euro and the Japanese Yen by 19% and 52% respectively. However, it appreciated against the pound sterling by 12.5%. This was as a result of the global downturn, and the post election violence.

The 91- day Treasury Bill interest rates increased from 6.87% per annum to 8% per annum during the year. The inter-bank overnight interest rates dropped from 7.05% per annum to 6.47% per annum by December 2008.

Bank Performance 2008

The economic meltdown negatively impacted on Tourism, Export and Import businesses but despite all this, the Bank saw its deposits increase to Ksh.1.032 billion in 2008 from Ksh 999 million in 2007.

Interest income on advances grew to Ksh 170 million in 2008 from Ksh.117 million in 2007. Although the operating income grew from Ksh.237 million to Ksh.266m the operating profit before taxes fell from Ksh.19.7 million to Ksh 6.7 million as a result of the Bank making provisions for bad debts of Ksh.107 million within the year in an exercise of cleaning its books.

The Bank continued with a conservative growth path particularly in credit. All the Board committees were actively involved in the control of the inherent bank risks. One additional branch was opened in Nakuru on 31st August 2009.

2009 Outlook

Due to the global downturn, and drought being experienced in the country, the bank will continue to watch the market and lend conservatively to ensure all risks are controlled. Debt recovery will be prioritized to improve the bottom-line. The Bank will increase its branch network in the second half of the year.

Conclusion

I take this opportunity to thank our esteemed customers, Board of Directors, staff, regulators and other stakeholders for making 2008 a success year. It is my sincere hope that we shall continue to grow this Bank and make year 2009 even better.

