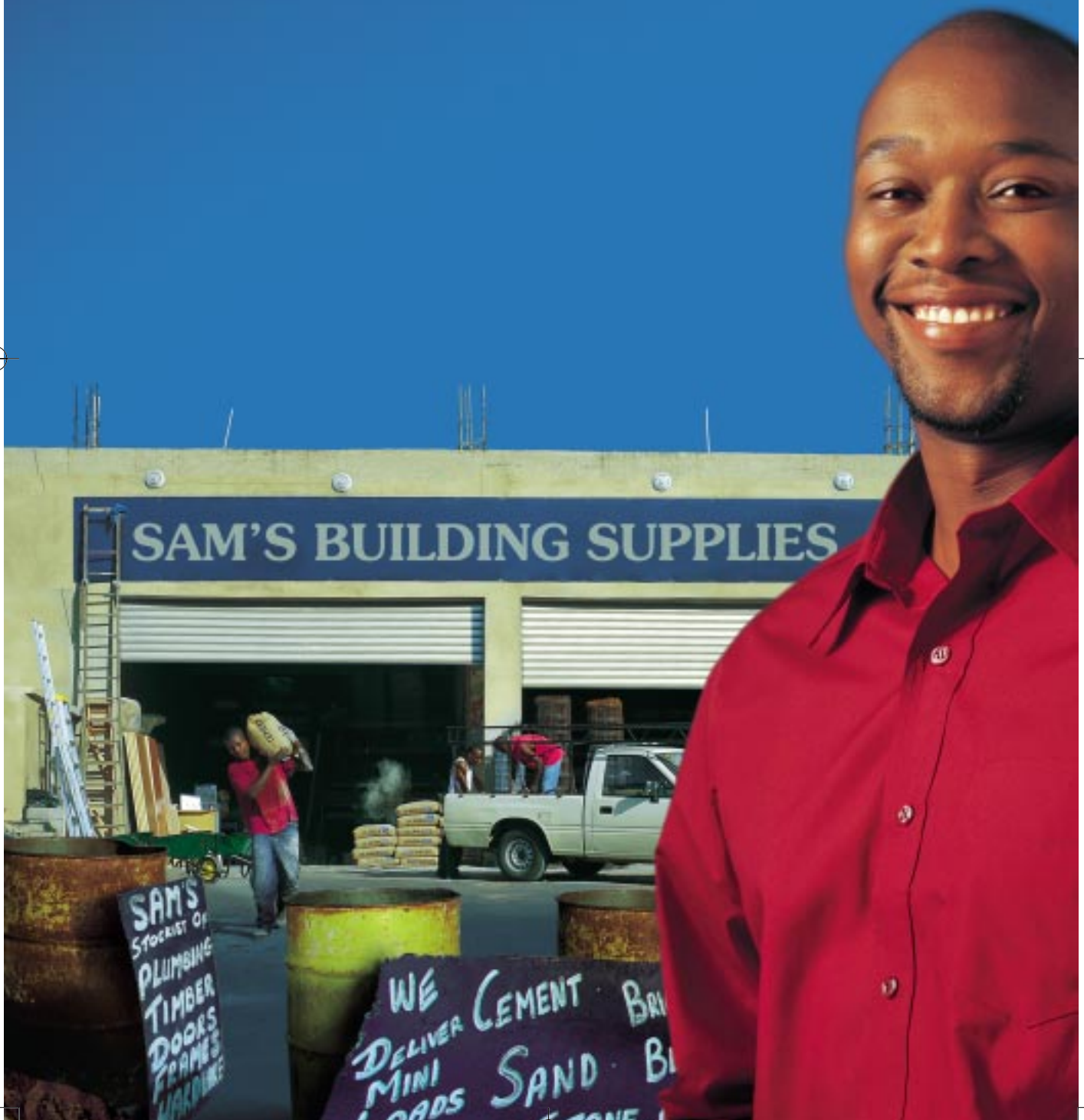


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Helping your business succeed

Business Solution



Barclays Africa Financial Review

Barclays Africa provides banking services to personal and corporate customers in North Africa, sub-Saharan Africa and islands in the Indian Ocean. The portfolio comprises banking operations in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, Zambia and Zimbabwe.

During the year, there was a strong performance across our diverse portfolio of business.

Operating profit increased 28% (£29m) to £134 million (2002: £105m).

All businesses remained profitable in local currencies.

Net interest income increased 17% (£27m) to £187 million (2002: £160m).

Net fees and commissions increased 17% (£19m) to £133 million (2002: £114m).

Operating costs increased 15% (£21m) to £164 million (2002: £143m).

Provisions remained at the same levels.

	2003	2002
	£m	£m
Net interest income	187	160
Net fees and commissions	133	114
Other operating income	5	1
Operating income	325	275
Operating costs	(164)	(143)
Provisions for bad and doubtful debts	(27)	(27)
Operating profit	134	105
Restructuring costs	(21)	(16)
Profit before tax and exceptional items	113	89

Barclays Bank of Kenya

Barclays has operated in Kenya for over 80 years. Financial strength, coupled with extensive local and international resources have positioned Barclays Bank of Kenya Limited as a foremost provider of banking services.

The main sectors of the Kenyan economy are agriculture, manufacturing, tourism and financial services. Tea and horticulture are the country's leading exports and the tourism sector continues to play a key role in contributing towards foreign exchange earnings of the country.

Barclays has established an extensive network of 56 branches with 70 ATMs and a strong customer base of 494,000 customer accounts spread across the country.

The Bank's financial performance over the years has built confidence among the 34,000 shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange.



Pupils at the Mukuru kwa Njenga School celebrate with Managing Director Adan Mohamed, after the successful refurbishment of their playground, organised by Barclays staff.

Board of Directors



SAM AMBUNDO
Chairman (age 74). Joined the Board on 28 May 1982 and was a former General Manager of the Bank. He is a Director of the Export Promotion Council and Kenya Power and Lighting Company Limited.



ADAN MOHAMED
Executive Director (age 41). Joined the Board on 1 December 1999. He is a member of the Institute of Chartered Accountants in England and Wales and a graduate of Harvard Business School in USA. Currently Managing Director.



CHARLES ONGWAE
Executive Director (age 43). Joined the Board on 26 June 2002. He holds an MBA from the University of Nairobi and is a Certified Public Accountant. Currently Finance Director.



DOMINIC BRUYNSEELS
Overseas based Non-executive Director (age 44). He is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA degree. Currently Chief Executive of Barclays Africa.



PAUL CHEMNG'OREM
Non-executive Director (age 54). Joined the Board on 26 March 1998. He is a Director of International Distillers of Kenya Limited, and Uchumi Supermarkets.



ROSE OGEKA
Non-executive Director (age 43). Joined the Board on 19 April 2002. She is a Bachelor of Commerce graduate from the University of Nairobi and a Fellow of Certified Public Accountants of Kenya. Currently the Finance Director of Skynet Worldwide Express (Kenya) and Chairperson of the Institute of Certified Accountants of Kenya.



JANE W. KARUKU
Non-executive Director (age 41). Joined the Board on 29 August 2003. She holds an MBA from the National University of California USA. Currently the Managing Director of Cadbury Kenya Limited.

Board of Directors



AYISI MAKATIANI
Non-executive Director (age 37). Joined the Board on 26 June 2002. He is a BSc. Electrical Engineering graduate from Massachusetts Institute of Technology (MIT), Boston. Currently the Executive Chairman of Gallium Capital Partners.



BROWN M'MBAI ONDEGO
Non-executive Director (age 52). Joined the Board on 29 August 2003. He has experience in the Shipping and Port Related Industry. Currently the Managing Director of Kenya Ports Authority.



SHANTILAL SHAH
Non-executive Director (age 64). Joined the Board on 29 August 2001. He is Chairman of the Board of Governors – M.P. Shah Hospital and the Executive Chairman of General Accident Insurance Company.



AMIN HABIB
Executive Director (age 38). Joined the Board on 25 September 2002. He is a BSc. Industrial Engineering graduate from the University of California. Currently Corporate Director.



MORRIS WAHOME
Non-executive Director (age 64). Joined the Board on 27 March 1993 and is a former General Manager of the Bank. He is the Director of Plaza Trust, Royal Insurance Company East Africa Limited, the Kenya Flower Council and the College of Banking and Finance.



FRANCIS OKOMO-OKELLO
Non-executive Director (age 53). Joined the Board on 29 of August 2003. He holds a Bachelor of Law LLB degree from the University of Dar-es-Salaam and he is a Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs. Currently the head of Legal & Corporate Affairs at the Industrial Promotion Services Group of Companies operating in East Africa.



WANJIRU NDUATI
Company Secretary (age 30). She holds a Bachelor of Law degree from the University of Leicester. She is an advocate of the High Court of Kenya and a member of the Chartered Institute of Certified Public Secretaries. She was appointed on 29 August 2003.

Notice of Annual General Meeting

Notice is hereby given that the Twenty Fifth Annual General Meeting of the Shareholders of Barclays Bank of Kenya Limited will be held at the Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Friday 23 April 2004 at 11.00 to transact the following business:

1. To confirm the Minutes of the Twenty Fourth Annual General Meeting held on 25 April 2003.
2. To receive, consider and, if thought fit, adopt the Annual Report and Financial Statements for the year ended 31 December 2003 together with the Director's and Auditor's reports thereon.
3. To declare a dividend.
4. To elect Directors.
 - a) In accordance with Articles No. 94 and 96 of the Company's Articles of Association, the following Director is due for retirement by rotation and being eligible, individually offers herself for re-election;

Rose Ogega

Morris Wahome and Shantilal Shah have advised the Company of their intention to retire at the forthcoming Annual General Meeting. Consequently both gentlemen will not be offering themselves for re-election.
 - b) In accordance with Article No. 101 of the Company's Articles of Association, the following Directors are due to retire, this being the first Annual General Meeting to be held since their appointment and being eligible, individually offer themselves for re-election;
 - i Brown M'Mbai Ondego
 - ii Jane W. Karuku
 - iii Francis Okomo-Okello
5. To fix the remuneration of the Directors.
6. To appoint Auditors.
7. To transact any other business of an Annual General Meeting.

Special business

Samuel Okwayo Joshwa Ambundo retires by rotation in accordance with Article No. 106 of the Company's Articles of Association. Special Notice has been received by the Company pursuant to Section 142 of the Companies Act (Cap.486) that the following resolution be proposed in accordance with Section 186(5) of the said Act for the consideration of the Shareholders:

"THAT Samuel Okwayo Joshwa Ambundo (a Director retiring by rotation) who is over the age of 70 years, be and is hereby, re-elected as a Director of the Company."

By order of the Board
Wanjiru A. Nduati, (Secretary)
P O Box 30120, Nairobi

Note 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is provided with this report, must be duly completed by the member and must either be lodged at the registered office of the Company, 1st Floor, Bank House, Moi Avenue P.O. Box 30120, Nairobi or be posted, so as to reach the Company not later than 11.00 on Monday 19 April 2004.

Note 2. Any member may by notice duly signed by him and delivered to the registered office of the Company not less than seven days and not more than 28 days before the day appointed for this meeting propose any other person for election to the Board. Such notice must be accompanied by a notice signed by the person proposed indicating his willingness to be elected.

Tangazo la Mkutano Mkuu wa kila mwaka

Ilani imetolewa kwamba mkutano mkuu wa 25 wa mwaka wa wenyehisa wa Barclays Bank of Kenya Limited utafanyika katika ukumbi wa Plenary, Jumba la Kenyatta International Conference Centre, Barabara ya Harambee, Nairobi siku ya Jumatata tarehe 23 Aprili mwaka 2004 saa tano kamili asubuhi kwa minajili ya kufanya shughuli zifuatazo:

1. Kuthibitisha taarifa za mkutano mkuu wa 24 wa mwaka uliofanyika tarehe 25 Aprili mwaka 2003.
2. Kupokea, kutathmini na kukiwa na haja, kukubali taarifa ya mwaka wa fedha na taarifa za mahesabu kwa mwaka uliomalizika Disemba 31 mwaka 2003 pamoja na taarifa za wakurugenzi na za wakaguzi.
3. Kutangaza malipo ya mgawo.
4. Kuchagua wakurugenzi wapya.
 - a) Kulingana na kifungu Namba 94 na 96 kinachosimamia kanuni za kampuni, Mkurugenzi aliyetajwa hapo chini anatarajiwa kustaafu kwa kupokezana na anaweza kujitolea kuchaguliwa tena kuwa Mkurugenzi;

Rose Ogega

Morris Wahome na Shantilal Shah wameishauri kampuni kuhusu nia ya o ya kustaafu wakati wa Mkutano mkuu ujao na wote wawili hawawezi kuchaguliwa.

- b) Kulingana na Kifungu namba 101 cha Kanuni zinazosimamia kampuni, Wakurugenzi wafuatao wametimiza umri wa kustaafu huku, huu ukiwa ndiyo mkutano wao mkuu wa kwanza kufanyika tokea walipoteuliwa na pia wanaweza kujitolea kwa hiari kuchaguliwa tena;
 - i Brown M'Mbai Ondego
 - ii Jane W. Karuku
 - iii Francis Okomo-Okello
5. Kuidhinisha malipo ya Wakurugenzi.
6. Kuteuwa Wakaguzi wa hesabu.
7. Kushughulikia maswala mengine ya muhimu yanayoweza kujadiliwa kwenye mkutano huo.

Shuguli maalum

Samuel Okwayo Joshwa Ambundo anastaafu kwa zamu kulingana na kifungu namba 106 cha Kanuni zinazosimamia kampuni. Ilani maalum imepokelewa kulingana na sehemu ya 142 ya Sheria za kampuni (kifungu 486) kwamba azimio lifuatalo litapendekezwa kulingana na sehemu ya 186 (5) ya sheria hiyo ili kujadiliwa na wenyehisa.

"KWAMBA Samuel Okwayo Joshwa Ambundo (Mkurugenzi anayestaafu kwa zamu) ambaye amepitisha umri wa miaka 70, kupitia azimio hili anaweza kuchaguliwa tena kuwa Mkurugenzi"

Kwa amri ya Halmashauri ya Wakurugenzi

Katibu wa Halmashauri
Wanjiru A. Nduati,
S L P 30120, Nairobi.

Kumbuka 1: Mwenyehisa yoyote anayeruhusiwa kuhudhuria na kupiga kura kwenye mkutano huu pia anaruhusiwa kumteuwa mwakilishi mmoja kuhudhuria mkutano huu kwa niaba yake. Si lazima mwakilishi awe mwenyehisa kwenye benki hii. Ili fomu ya uwakilishi iwe halali, fomu hiyo ambayo inatolewa kwenye ripoti hii, lazima imejazwa na mwenyehisa na ipelekwe kwenye makao makuu ya benki, Bank House, Mtaa wa Moi Avenue, SLP 30120 Nairobi au itumwe kwa njia ya posta ili ifike kabla ya saa tano asubuhi siku ya Jumatatu tarehe 19 Aprili mwaka 2004.

Kumbuka 2: Mwenyehisa yoyote kwa kutoa ilani iliyosainiwa na yeye mwenyewe na kuifikisha makao makuu ya benki ya Barclays Kenya limited katika muda wa siku zisizozidi saba na siku zisizozidi 28 kabla ya siku ya kufanyika kwa mkutano mkuu wa mwaka, anaweza akapendekeza jina la mtu yoyote ili achaguliwe kuwa mkurugenzi, ilani kama hiyo inatakiwa iandamane na ilani iliyosainiwa na mtu aliyependekezwa ikionyesha nia yake ya kutaka kuchaguliwa.

Chairman's Statement



Sam Ambundo
Chairman

Your Bank delivered very strong performance in 2003 and I am delighted to present to you our Annual Report and Financial Statements for the year ended 31 December 2003.

Review of the Kenya economy

The socio-economic environment prevailing in year 2003 was in many ways more challenging than that prevailing in the last few years. Firstly, it was the first year of operation after the change of government. Secondly, the people of Kenya put considerable hope and faith in the new government to fundamentally improve their lives. The Government used a greater part of the year formulating political and economical policies that will jumpstart the economy. GDP growth in 2003 was 1.8% compared to 1.1% in 2002. This marginal recovery is attributed to lower interest rates, a stable exchange rate and improved economic governance.

The slow recovery of the economy was due to poor performance of the key sectors including agriculture, manufacturing and tourism. Only the production of horticultural crops and, to some extent, the communications sub-sector, registered strong growth. The communications sector was mostly propelled by the continuing high demand for mobile telephony.

A number of factors constrained the performance of the key sectors of the economy. On the external front, low prices for coffee, tea and sisal in the world markets depressed the value of production from the agricultural sector, while tourism was negatively affected by bad publicity and threats of terrorist attacks. On the domestic side, factors that hindered growth of the economy were low levels of demand, poor infrastructure, low return on investment and high debt overhang. In addition, insecurity in some parts of the country, especially in the urban areas, made it difficult to utilise capacity. Until these constraints are effectively eliminated or reduced, the economy will continue to underperform.

Although the Government did not have much financial flexibility, it made significant achievements in a number of areas, which laid a firm foundation for future accelerated growth. On the social front, the Government made considerable progress in its efforts to eliminate corruption in public institutions. The enactment of Public Officers and Ethics Act, Economic Crimes and Prevention of Corruption Act and the efforts to rid the judiciary of the officers deemed to be corrupt and incompetent will go a long way in restoring credibility of the country and creating an enabling investment environment.

The provision of universal free primary education was another milestone on the social front. While it will initially be a big burden to the Treasury and pose a major challenge of sustainability in the long-term, it will help to stem the erosion of human resource capacity and provide a major social safety valve for the army of illiterate young people, which was beginning to build up.

The Government also made progress on the maintenance of a stable macro-economic environment. On fiscal management, the Government reduced the budget deficit to below 3.5% of GDP. This was achieved through improvements in revenue collection and restructuring of domestic debt, which resulted in substantial savings on debt service payments. The impact of these actions was evident in the substantial drop in interest rate on Treasury bills, which declined from 8.4% at the end of 2002 to 0.8% in September 2003 before rising to 1.5% at the end of 2003.

Other main market rates followed the decline in the Treasury bill rate. On average, bank overdraft rates declined during the year from about 19% to 14%. The average lending rate does not, however, reflect fully, the extent of interest rates change since there were many customers that were able to obtain credit at rates as low as 3.0%.

Macro-economic achievements by the end of 2003 included containment of

Chairman's Statement (continued)



Story time... Rachel Musonyi of Kisumu Prestige reading with children at the Cancer Ward in Kisumu.

inflation and maintenance of adequate foreign exchange reserves and a stable exchange rate. The annual underlying inflation, a stable indicator for policy purpose, remained at about 2.7% for most of the year. The overall annual inflation, however, increased from 2% at the end of 2002 to 9.8% at the end of 2003 due to rise in food and fuel prices in the middle of the year.

The Shilling exchange rate experienced significant movements during the year. It appreciated against all major currencies in the early part of 2003. That development was reversed in the last quarter of the year with the Shilling exchange rate depreciating against all major currencies except the US Dollar. The appreciation against the US Dollar was due to increased dollar inflows from tea and horticultural exports and the positive outcome of the aid resumption talks. The nominal exchange rate of the Shilling against the US Dollar in the last

quarter appreciated from Shs 78.59 to Shs 76.14.

Looking forward, signs of likely recovery in businesses in 2004 are already beginning to emerge through increased demand for credit to private households, domestic trade, manufacturing and agriculture. Signs of recovery have also been observed in the real estate sector where demand for medium cost residential properties has risen substantially in the last few months. It has also been observed that although total foreign trade finance has not increased, finance for import of capital goods has risen substantially. These signs indicate that the economy is poised to make significant recovery in the months ahead.

During the National Investment Conference held in November 2003, the Government indicated that the private sector is expected to contribute

Chairman's Statement (continued)

Shs 96.8 billion towards the national investment programme for the period up to 2007. This presents an opportunity for banks to be actively involved in the mobilisation of the needed resources. The ability of banks to contribute to this process will be strengthened if the laws and regulations that continue to create uncertainty in the banking industry are eliminated.

The Board

A few changes were made during the year, adding further competencies and experiences to our Board. During the year David James, an Executive Director, left the Bank while Martin Okech a Non-executive Director, retired. Three new Non-executive Directors joined the Board, Jane Karuku, Brown M. Ondego and Francis Okomo-Okello. On my behalf and that of the Board, I would like to take this opportunity to welcome the new Board members and to thank the retiring members for their valuable contributions during the year and wish them well in their new endeavours.

Corporate social responsibility

At Barclays we believe that sustainable businesses require healthy communities in order to operate successfully. We recognise the important role we play in tackling social concerns and aim to make our impact positive and sustainable.

Barclays Community Support Programme aims to deliver genuine and long lasting benefits to our community partners while at the same time supporting our employees who make their own individual contributions to the community, either through personal fundraising or donating their time and expertise.

In 2003, our community support programme provided a focused approach to address issues in the areas of Public Health with focus on HIV/AIDS; Education; People with Disabilities and the Disadvantaged with a total donation of Shs 37.1 million for the year. Of notable recognition was the involvement of over 1,100 staff in the Make A Difference Day (MADD) event. During MADD, employees volunteered their



Chris Lendrum, Barclays Group Vice Chairman, officially opens a Computer Laboratory at Pumwani Secondary School, Nairobi, flanked by Dr. Kilemi Mweria (L), Assistant Minister for Education and Nairobi Mayor Joe Akech.

Chairman's Statement (continued)

time, skills and effort in various institutions across the country.

Activities ranged from taking over the role of care-givers at an orphanage, enlightening the youth on the challenges and effects of drug abuse and issues around HIV/AIDS, conducting basic bookkeeping skills to members of women's groups, to giving a new coat of paint to various institutions.

In regard to education, a combination of factors which include poverty, social problems, child labour, displacement and lack of schools and teachers keep Kenya's children out of classrooms. With this in mind, Barclays staff raised Shs 18.5 million with their annual fundraising walk, "Education for All". Working closely with the Ministry of Education, the funds raised have been distributed to 15 primary schools countrywide, to address their most urgent needs. The needs range from additional classrooms, learning equipment, access to clean water and sanitation facilities. To build on the financial support towards these schools, Barclays will further donate office furniture for use in the schools' administration offices.

Another area of concern to the Government is the issue of girl-child education. Barclays supports Naningoi

Girls' School in the Maasai community, where due to unfavourable cultural practices the enrolment of girls is very low. Primary school going girls are married off in exchange for livestock which is a source of wealth. This has resulted in very low literacy rates among women in the community. Barclays has supported the school with Shs 3 million. This funding has primarily gone towards building of classrooms, a resource centre and equipping of the dormitory.

Going forward, Barclays will maintain relationships with reputable community partners to support programmes that are sustainable and provide opportunities for our staff involvement.

Finally, I would like to take this opportunity to thank my fellow Board members and staff for their dedicated support and commitment throughout the year.

Sam Ambundo
Chairman

Taarifa ya Mwenyekiti



Sam Ambundo
Mwenyekiti

Benki yenu iliweza kufanya vyema zaidi katika mwaka 2003 na ni furaha yangu kuwaarifu kuhusu ripoti ya mwaka na taarifa za mahesabu za mwaka unaomalizikia Disemba 31 2003.

Taarifa kuhusu uchumi wa Kenya

Hali ya kiuchumi na kijamii iliyokuwepo nchini katika mwaka 2003 kwa njia nyingi ilikuwa yenye changamoto ikilinganishwa na ilivyokuwa miaka michache iliyopita. Kwanza kabisa, ilikuwa ni mwaka wa kwanza tokea kuingia serikali mpya mamlakani. Pili, wananchi wa Kenya walikuwa na imani na matumaini makubwa kwa serikali hiyo mpya kuinua maisha yao. Serikali ilitumia muda wake mwingi katika mwaka huo kutafuta mbinu za kufufua uchumi. Ongezeko la gharama za maisha (GDP) iliongezeka katika mwaka 2003 hadi asilimia 1.8% ikilinganishwa na asilimia 1.1% katika mwaka 2002, ongezeko hili hafifu linatokana na viwango vya chini vya riba, viwango vya ubadilishanaji wa fedha za kigeni na usimamizi wa uchumi ulioimarika.

Kuzorota huko kwa uchumi kulitokana na kufifia kwa sekta muhimu za kiuchumi ikiwemo kilimo, viwanda, na utalii. Ni ukulima wa maua na kwa uchache sekta ndogo ya mawasiliano ambayo ilionyesha kuimarika. Sekta ya mawasiliano ilikua kwa haraka kutokana na ongezeko la mahitaji ya simu za mkono. Kuna sababu mbalimbali zilizozuia kuimarika kwa sekta nyengine muhimu za uchumi. Katika soko la nje, bei duni ya kahawa, chai na makonge katika soko la kimataifa, ilizorotesha thamani ya mazao ya kilimo huku utalii ukiathiriwa na taarifa mbaya kuhusu hali halisi ya mambo humu nchini na hatari ya kutokea mashambulizi ya kigaidi. Tukija humu nchini, sababu muhimu zilizosababisha kufifia kwa uchumi ni mahitaji machache ya bidhaa, miundomsingi duni, mapato duni kutoka kwenye uwekezaji na madeni. Kadhalika hali mbaya ya kukosekana kwa usalama katika baadhi ya sehemu nchini, hasa katika sehemu za mijini,

ilizuia watu kutumia uwezo wao wa kutenda kazi. Hadi maswala haya yatakapoweza kutatuliwa ipasavyo au kupunguzwa, uchumi wetu utaendelea kuzorota. Ingawa serikali haikuwa na malengo thabiti ya kifedha, lakini ilijipatia mafanikio kadhaa, ambayo ndiyo msingi wa kukua kwa uchumi siku zijazo. Katika nyanja za kijamii, serikali ilijitahidi kumaliza ufasidi katika mashirika ya umma. Kuzinduliwa kwa sheria ya Maadili kwa watumishi wa umma, Uhalifu wa kiuchumi na Kupambana na ufasidi na juhudi za kumaliza ufasidi na maofisa wasioteketeleza wajibu wao ipasavyo kwenye idara ya mahakama kutasaidia kurudisha imani ya wananchi na matumaini kwa wawekezaji wa kiuchumi. Mpango wa elimu ya bure kwa shule za msingi pia ni hatua muhimu iliyochukuliwa na serikali katika nyanja za kijamii. Ijapokuwa juhudi za kuanzisha elimu ya bure kwa shule za msingi itakuwa mzigo kwa Hazina kuu ya kitaifa katika malengo ya muda mrefu, lakini itasaidia kupunguza kupotea kwa uwezo wa wafanyakazi katika utendaji kazi na kuondoa idadi kubwa ya vijana wasiojua kusoma na kuandika, ambayo ilikuwa imeanza kuonekana.

Kadhalika, serikali iliweza kufanikiwa katika kuwezesha kuweka mazingira bora ya kukua kwa uchumi. Kuhusu usimamizi wa fedha, serikali imeweza kupunguza upungufu kwenye bajeti kufikia kiasi cha asilimia 3.5% cha ongezeko la gharama za maisha. Hii imeweza kupatikana kutokana na kuimarishwa kwa kukusanya ushuru na kubadilisha mbinu za kulipa madeni ya humu nchini ambayo ilisaidia katika kulipia madeni hayo. Matokeo ya hatua hizo zilizochukuliwa na serikali, ilionekana wazi katika kupungua kwa viwango vya riba na hati za hawala, kutoka asilimia 8.4% kufikia mwishoni mwa mwaka 2002 hadi kufikia asilimia 0.8% mwezi Septemba mwaka 2003 kabla ya kupanda tena hadi asilimia 1.5% kufikia mwishoni mwa mwaka 2003. Viwango vyengine vikubwa vilivyozorota kufuatia kufifia kwa riba za hati za hawala, kwa kiwango cha kadiri, riba za malipo ya rubuni za

Taarifa ya Mwenyekiti (inaendela)

benki pia ilishuka kwa mwaka hadi kufikia asilimia 19.0% hadi asilimia 14%. Hata hivyo kiwango cha riba za mikopo, hakionyeshi kwa ukamilifu, kwani kulikuwa na wateja wengi walioweza kujipatia mikopo kwa riba za chini hadi asilimia 3%.

Licha ya mafanikio yaliyopatikana katika kukua kwa uchumi kufikia mwishoni mwa mwaka 2003, ni pamoja na kuzuia mfufumuko wa bei za bidhaa na kuwa na fedha za kutosha za kigeni na riba zilizoimarika. Viwango vya mfumuko wa bei vya kila mwaka vilibakia kwenye asilimia 2.7% katika kipindi kirefu cha mwaka 2003. Hata hivyo, kiwango cha mfumuko wa bei kwa mwaka kiliongezeka kutoka asilimia 2% kufikia mwisho wa mwaka 2002 na kupanda hadi asilimia 9.80% mwishoni mwa mwaka 2003 kutokana na ongezeko la bei za vyakula na mafuta kufikia katikati ya mwaka. Ubadilishanaji wa Shilingi ya Kenya ulikumbwa na panda shuka nyingi katika mwaka huo. Shilingi ya Kenya ilipoteza thamani dhidi ya fedha nyengine za kigeni mwanzoni mwa mwaka 2003. Hali hii ilijirudia tena katika robo ya mwisho ya mwaka kwa shilingi ilizidi kupoteza thamani yake dhidi ya pesa mbalimbali za kigeni isipokuwa Dolla ya Marekani. Kuanguka huku kwa shilingi ya Kenya kulitokana na ongezeko la Dolla za Marekani kutokana na mauzo nje ya chai na bidhaa za maua na matumaini ya matokeo ya mazungumzo kati ya serikali na wafadhili wa kigeni. Viwango vya ubadilishanaji wa pesa za kigeni dhidi ya shilingi ya Kenya ilishuka zaidi kutoka shilingi 78.59 hadi shilingi 76.14.

Tukiangazia siku zijazo, dalili za kukua kwa biashara katika mwaka 2004 tayari zimeanza kujitokeza kupita kuongezeka kwa mahitaji ya fedha kwa matumizi ya kinyumbani, biashara, uzalishaji bidhaa na kilimo. Kadhalika dalili za kuimarika kwa mahitaji ya watu kujijengea makao ya gaharama nafuu imeongezeka kwa kiwango kikubwa katika miezi ya hivi karibuni. Kadhalika imeonekana kwamba japokuwa jumla ya fedha za kigeni hazijaongezeka, lakini fedha za kuagizia bidhaa kutoka nje zimeongezeka kwa kiasi kikubwa. Hii inamaanisha kwamba

uchumi wa Kenya utaimarika kwa kiwango kikubwa katika miezi ya hivi karibuni.

Wakati wa mkutano wa kitaifa wa uwekezaji uliofanyika mwezi Novemba mwaka 2003, serikali ilielezea kwamba sekta ya kibinafsi inatarajiwa kuchangia jumla ya shilingi bilioni 96.8 kwenye mpango wa kitaifa wa uwekezaji hadi kufikia mwaka 2007. Hii inatoa fursa nzuri kwa benki mbalimbali nchini kujitokeza na kushiriki kwenye mipango ya kutumia watu waliopo kufanya kazi mabimbali. Uwezo wa benki mbalimbali kutekeleza mpango huu utaweza kuimarika zaidi iwapo sheria zilizopo zinazoleta hali ya wasiwasi katika sekta ya benki zitaondolewa.

Halmashauri ya wakurugenzi

Mabadiliko kadhaa yalifanywa kwenye halmashauri ya wakurugenzi katika mwaka 2003, na kuongezea ujuzi na utenda kazi bora kwenye halmashauri ya wakurugenzi. Katika mwaka uliopita, Bw David James, mkurugenzi mkuu, aliondoka huku Bw Martin Oketch ambaye ni mkurugenzi mkuu asiye na mamlaka, alistaafu. Wakurugenzi wakuu wapya watatu wasio na madaraka walijiunga na halmashauri ya wakurugenzi, Bi Jane Karuku, Brown M Ondego na Francis Okomo-Okello. Kwa niaba yangu na niaba ya Bodi nzima ya wakurugenzi, napenda kuchukua fursa hii kuwakaribisha wakurugenzi hawa wapya na kuwashukuru wale waliostaafu kwa kazi yao nzuri wakati wakiwa nasi na kuwatakiya kila la heri kwenye shughuli zao mpya.

Jukumu la uongozi katika jamii

Sisi hapa Barclays tunaamini kwamba ili tupate maendeleo katika shughuli zetu tunahitaji jamii yenye afya ili kupata mafanikio. Tuanatambua umuhimu wa kukabiliana na majukumu ya kijamii.

Mpango wa kijamii wa Barclays una lengo la kuwa na mafanikio kwa washiriki tunaoshirikiana nao katika shughuli zetu huku tukitilia maanani kuwaunga mkono wafanyakazi wetu ambao pia wao binafsi husaidia jamii, kwa michango yao ya kibinfasi au kutumia muda na ujuzi wao.

Taarifa ya Mwenyekiti (inaendela)

Katika mwaka 2003, mpango wetu wa kijamii ulisaidia kadiri ya uwezo tulionao kuangazia maswala ya afya ya jamii hasa katika ukimwi, Elimu, walemavu na wasiobahatika katika jamii tukitoa jumla ya mchango wa shilingi milioni 37.1. Tukio la muhimu ambalo tulishiriki ni kujumisha wafanyakazi wetu wapatao 1, 100 katika mpango uitwao Make A Difference Day (MADD). Katika mpango huo wa MADD, wafanyakazi wetu walijitolea ujuzi wao, muda wao na juhudi zao katika taasisi mbalimbali kote nchini. Miongoni mwa shughuli walizofanya ni kutoa usaidizi kwa makao ya watoto wajaatima, kuelimisha jamii kuhusu madawa ya kulevya na maswala mbalimbali kuhusu ugonjwa wa ukimwi, kutoa mafunzo ya kutunza vitabu vya hesabu kwa makundi kadhaa ya akina mama na kupaka rangi taasisi mbalimbali.

Kuhusu elimu, matatizo kadhaa ikiwemo umasikini, matatizo ya kijamii, kufanyishwa kazi kwa watoto, kukosa nafasi za shule na kuhamishwa kwa jamii kutokana na sababu mbalimbali kumesababisha watoto wengi kukosa masomo. Tukitilia hayo maanani, wafanyakazi wa Barclays walichanga jumla ya shilingi milioni 18.5 kusaia Mpango wa elimu kwa wote (Education for All) unaoandaliwa kila mwaka. Tukifanya kazi pamoja na Wizara ya Elimu, pesa hizo zilizochangwa zilipatiwa shule 15 za msingi kote nchini kutatua matatizo yao. Mahitaji yao ni pamoja na kuongeza ujenzi wa madarasa mapya, vifaa vya masomo, kupata maji safi na uthibiti wa afya. Ili kuzidi kuunga mkono

mpango huu wa elimu, benki ya Barclays itazidi kutoa viti na meza za ofisini zitumiwe na utawala wa shule.

Sehemu nyengine inayotiliwa maanani na serikali ni kutoa elimu kwa wasichana. Barclays inasaidia shule ya wasichana ya Naningo katika jamii ya wamaasai, ambapo kulingana na utamaduni wa jamii hiyo, idadi ya wasichana wanaojiunga na shule ni ya chini sana. Watoto wasichana wanaokwenda shule za msingi huolewa mapema kwa kubadilishwa na mifugo ambayo ndiyo utajiri wa jamii hiyo. Hii imesababisha idadi ya watu wasiojua kusoma na kuandika kuwa ya juu sana katika jamii ya kimaasai hasa miongoni mwa wasichana. Benki ya Barclays imekuwa ikiisaidia shule hiyo ya Naningo kwa kiasi cha hadi shilingi milioni 3. Fedha hizi zimekuwa zikitumiwa kujenga madarasa, na mabweni ya kulala wanafunzi na vifaa vyengine vya masomo.

Tukizidi kuendelea, Barclays itaendeleza uhusiano wake na washiriki mbalimbali wa kijamii ili kuunga mkono mipango ya kuleta maendeleo na kutoa nafasi kwa wafanyakazi wetu kushiriki katika mipango hiyo.

Nikimalizia, ningependa kuchukua nafasi hii kuwashukuru wakurugenzi wenzangu na wafanyakazi wote kwa kuonyesha moyo wa kufanya kazi na kutumikia kwa mwaka mzima.

Sam Ambundo
Mwenyekiti

Managing Director's Report



Adan Mohamed
Managing Director

Financial review

I am pleased to report that your Bank recorded exceptional results during the year 2003.

Group profit before taxation was Shs 4,790 million, an increase of 88% over 2002 level of Shs 2,550 million, reflecting solid performance and good growth in many segments of the business. Total income grew by 21.3% from Shs 11,494 million to Shs 13,942 million arising mainly from increase in business volumes, both at transactional levels as well as lending for existing products and supplemented with new products.

Total Operating Expenses at Shs 7,539 million was slightly above the 2002 level by 1.5%. The Bank has continued to incur significant expenditure in restructuring, investment in infrastructure and projects and improvements in customer offerings. Expenditure in 2003 saw a marked shift from restructuring at Shs 663 million (2002: Shs 1,419 m) to investment costs which increased from Shs 286 million in 2002 to Shs 677 million in 2003. Investment in infrastructure enabled the Bank to implement a new desktop platform across its entire network and put into effect VSAT communication across the branch network.

The continued slow recovery of the economy in 2003 did not provide the speedy upturn expected among some of the Bank's corporate and business sector customers. However, the Bank's loans and advances grew by 12.6% and as a result, the level of total impairment losses on loans and advances is slightly higher at Shs 1,613 million as compared to Shs 1,513 million in 2002 mainly due to increase in general provision. Total specific provisions registered a decrease of Shs 245 million to end 2003 at Shs 1,447 million. The ratio of non-performing book to total advances improved slightly at 14.8% as compared to 15.2% recorded in the previous year.

Total assets grew by 12.5% from Shs 85,914 million in 2002 to Shs 96,655 million at the end of 2003. The increase is mainly due to growth in loan and advances of 11.4% to Shs 56,470 million and in Government Securities of 41% to Shs 22,885 million. This growth in assets was funded by growth in customer deposits of 12.1% from Shs 69,023 million to Shs 77,390 million. The continued growth in customer deposits is attributed to the attractiveness of our deposit products and the level of confidence our customers have in the Bank. We continue to focus our efforts in lending to the personal and business sector in Kenya and are considering new products to facilitate this process.

Our liquidity ratio remained high, averaging at 45% of eligible deposits throughout the year as compared with the Central Bank minimum guideline of 20%. This liquidity comprises balances held in the statutory cash reserve with the Central Bank, Treasury bill holdings, placings of foreign currency balances and operating cash balances held at our branches. The management of liquidity in our Bank is designed to ensure that we can meet maturing deposits, satisfy customers' needs for additional borrowing, while also complying with statutory guidelines.

Our capital base remains strong, well in excess of the statutory minimum capital requirements. Shareholder funds increased to Shs 11,022 million from Shs 9,989 million in 2002. The increase is attributed to the increased profits in the year. Considering our strong capital base and significant retention of past profits, the Directors have recommended a total dividend of Shs14 per share bringing total cash payment of Shs2,852 million for the year.

Corporate Banking

Our Corporate Banking vision is to be the "best in class" in every area that touches on our customer. Our aim is to

Managing Director's Report (continued)

provide innovative solutions to our customers in both a responsive and cohesive manner both within Kenya as well as within the broader East Africa and Global context. During 2003, we assembled a strong team of experienced corporate bankers to leverage the Barclays brand, balance sheet and branch network and to provide a dynamic team of product and relationship managers delivering superb customer solutions. The re-alignment of the Corporate unit into industry groupings also created tremendous synergy within the business and has resulted in accelerated customer acquisition. The new Cash Management unit has brought us significantly closer to anticipating our customers operating needs.

In order to build on this rapid momentum generated in 2003, the

Corporate segment has revamped its service delivery platform in order to ensure the continuing loyalty of satisfied customers. Towards this end, Barclays will officially open the new Corporate Service Centre in Barclays Plaza in early 2004. The centre is a fuse of front office functions with back office processing. This centre was created with the specific intention of providing world-class service to the discerning corporate clients. Customers also enjoy extended banking hours.

We firmly believe that this approach will ensure Barclays Corporate Banking continues to hold the mantle as "best-in-class" for the years to come.

Treasury Services

Treasury had a very strong year in 2003 despite the difficult economic environment characterised by extremes of volatility and uncertainty on the political and economic policy front of the new Government.

Closer cooperation between the Corporate and Treasury Sales teams continued to bear fruit as a focused Treasury offering to Corporate customers delivered value adding solutions. Foreign exchange income grew by 41% to Shs 1,121 million in 2003. The Bank also recorded strong gains from fixed income securities in a very volatile interest rate environment.

The emphasis for the Treasury in 2004 is to enhance the Treasury product base by consolidating expertise in foreign exchange and interest rate derivatives and roll out standard and bespoke Treasury solutions for our customers. The Bank's emphasis on a regional approach to providing customer solutions will be enhanced by an increased Treasury presence in the East African Treasury markets.

Retail Banking

It was a good year for the Retail business. We continued with our focus on sales and service especially on consumer



Managing Director's Report (continued)

lending and this enabled us to consolidate our market leading position in 2003, despite the increased competition. Through Barclayloan, our main personal consumer lending product, we have established dominance in retail lending by providing quick and convenient access to credit.

Our High Value customers benefited from the launch of the Prestige Plus account – the first phase of a new strategy for High Value customers. The main features of the account include interest on credit balances, an interest-free overdraft buffer zone and a pre-approved International Prestige Barclaycard. The expansion of our Prestige Banking services continued and three more centres opened during the year, while five existing centres were expanded and refurbished for increased convenience and comfort for our members. Six of our main branches were also refurbished – with the primary aim of increasing the banking hall capacity for our Core and Local Business customers.

A year after the launch of our Business Solutions package for small and medium scale businesses, feedback from our customers is very positive. The redesigning of our risk processes by centralising this with a team of experts, has enabled us to offer our customers access to more lending products. Customers now enjoy a new, unsecured loan product in addition to overdrafts and secured products. The members of the Business Club, which was launched as part of the new offering have greatly benefited from up-skilling initiatives like educational seminars, networking events and specialist advice. We will continue to upgrade our proposition for all customers, based on their requirements in the coming year.

Looking forward into 2004, the Retail team aims to consolidate the gains made so far and also radically improve on the customer service offering to ensure that we remain competitive and the “best in class” for our customers.

BarclayCard Business

Our BarclayCard Business had a very strong year in 2003. The launching of new International Cards, Manchester United and Prestige Barclaycards not only ensured that the Bank retained market leadership, but also increased card penetration in Kenya.

During the year, the BarclayCard Business entered into a partnership with Nakumatt, one of the leading stores in Kenya, to introduce integrated point of sale terminals that make payments by card more convenient and customer friendly.

The BarclayCard Business has continued to improve controls to curb fraud through training of merchants and card holders in fraud management. Our focus for 2004 will be to enhance the current system with one that is modern, customer friendly and more flexible.

Risk Management

The Bank continued to apply prudent risk management policies to optimise financial performance and value. The key risks facing the Bank include credit risk, market risk, liquidity risk, interest rate risk, operational, legal and tax risks. The Bank's risk management policies ensure that returns are commensurate with associated risks.

The objective of the Bank's credit risk policies is to achieve superior quality of loans and advances. This is being achieved through the creation of two central pools of credit specialists and professionals that look after the Bank's Retail and Corporate businesses. The Retail Risk unit has continued to perform well leading to high growth of Barclayloans, the Bank's key consumer lending product. The experience gained by the Retail Risk unit is being used to extend unsecured loans to the local business sector. The Bank has implemented more robust processes of monitoring the performance of loans and advances to identify early those customers that may be facing difficult trading conditions.

Managing Director's Report (continued)

During the year the Bank restructured the Debt Recovery unit to increase focus on market segmentation and specialisation. This action led to creation of Retail recoveries team and it also strengthened the Barclays Business Support team. As a result the Bank was able to recover substantial amounts of debts previously written off. The Barclays Business Support teams is also helping distressed customers to restructure their business operations into profitable companies capable of generating positive cash flows to meet their ongoing financial commitments.

The Bank's policy on bad and doubtful debts is to provide for impairment losses immediately it considers that recovery is doubtful. As reported in our financial review, the level of specific provisions declined by Shs 245million compared to 2002, further demonstrating the fact that the quality of our loans and advances is improving. The percentage of non-performing loans to gross loans and advances also declined slightly in 2003 compared to 2002. I am happy to report that the 2003 growth in loans and advances came from good quality lendings.

The Bank's assets and liabilities, comprising liquidity, interest rate and exchange rate risks are actively managed by the Assets and Liability committee where Treasury plays a key role in providing guidance and direction. A detailed analysis of these risks is covered in pages 40-44.

The Bank faces other risks including non-financial risk, compliance risk, legal and tax risks. These are managed within the overall framework of risk management and are closely monitored by the Bank's Governance and Controls committee and the Board Audit committee. I am happy to report that the Bank does not face any unacceptable or unmitigated risks in these areas.

Operations and Technology Services.

By the beginning of 2003, we had completed the centralisation programme

for the Bank's processing operations into Service Delivery Processing Centres. This was with the aim of increasing processing efficiency, staff productivity, reduction of our operational costs and reaping from economies of scale.

During the year, Service Delivery initiated the Business Performance Improvement (BPI) programme in all its processing centres to further step up processing efficiencies and productivity. With the direct involvement of staff, BPI relooked at how customers' requests were processed and the resultant improvements were applied without compromising on controls. This initiative reduced cycle time of processes, increased capacity and efficiency and also enhanced benefits of centralisation and empowered the staff.

We continue to place more emphasis on the need for state of the art technology in our efforts to continuously improve customer service and deliver innovative products to our customers. To this end, in 2003, we modernised our IT infrastructure internally and externally by implementing VSAT communications for all our main branches and effectively linking us with other Barclays Africa businesses, including the UK. As part of one of the largest projects ever undertaken by Barclays Africa, we carried out a major refresh of desktop operations across our entire network. In 2004, Service Delivery's main challenge will be to continuously improve service turn around times in order to guarantee excellent customer experience. We are also looking at expanding our ATM network and investing in IT systems in our card operations and service improvement projects, especially in our back office operations and internal communications.

Our staff

Our staff are core to our success and we have invested in a number of initiatives to ensure that we have a competitive edge in the industry.

Managing Director's Report (continued)

In 2003, we launched a Human Resources Strategy to further facilitate the creation of a High Performing Organisation culture and to create an envied employer brand. We have successfully embedded Performance Development across all levels in the Bank. In line with this, we have re-engineered our pay and reward systems to ensure that we are among the "best in class", creating a clear link between an individual's performance, potential and market rates.

In accordance with our objective of becoming an employer of choice we conduct an annual employee opinion survey to gather the views of our employees. Focus groups are formed from across all teams in the Bank, with full top leadership commitment and involvement to ensure timely resolution of issues raised.

We have two associations representing staff interests, the management and non management staff associations. A lot of effort has gone into harmonising the relationship between management and these bodies and it is worth mentioning that we are enjoying a healthy employee relations climate. This has enabled us to implement business change smoothly and promptly, with full engagement with all key stakeholders.

The main focus in the next year will be on leadership capability, talent deployment, performance development and building and sustaining core capabilities to maximise value.

Looking into the future

Looking into the future, we have reason to believe that the economy will grow. The reform measures that the Government has initiated so far should begin to bear fruit in 2004 as business confidence returns and risk premium is

reduced on business and financial transactions. The agreement with the IMF and the World Bank will unlock the frozen donor funding in which commitments for the next three years are apparently substantial. This will help the economy to maintain macro-economic balance through a stable balance of payments position, reduced government borrowing from the domestic market, rehabilitation and expansion of infrastructure. In the midst of the expected economic recovery in 2004, the banking industry will be challenged to be more proactive, innovative and focused in their dealings with their customers. We believe that a predictable and rational mechanism for setting macro economic indicators is key to sustainable pricing by the banking sector. Central Bank of Kenya has done well during 2003 and we strongly believe that the planned launch of the neutral bank rate to replace the 91 day Treasury Bill rate as basis for benchmark interest rate, will play a significant role in clarifying basis for lending rate that has hitherto been perceived as a myth by many.

Conclusion

In conclusion, I would like to thank the Central Bank of Kenya for its guidance and support. I would also like to thank our staff for their continuing commitment to serve our customers, my colleagues in the management team and the Board for their wise counsel. I would also like to thank our customers for their support, without which these results could not have been achieved. I look forward to even greater achievements in 2004.

Adan Mohamed
Managing Director

Taarifa ya Mkurugenzi Mkuu



Adan Mohamed
Mkurugenzi Mkuu

Uchambuzi wa kifedha

Nina furaha kuwatangazia kwamba benki yenu imepata matokeo mazuri zaidi katika mwaka uliopita 2003.

Faida yetu kabla ya ushuru ilikuwa shilingi milioni 4, 790, ikiwa ni ongezeko la asilimia 88% ikilinganishwa na mwaka 2002 ambapo faida ilikuwa shilingi milioni 2, 550, ikionyesha kuimarika na kukua kwa biashara yetu. Mapato ya jumla yaliongezeka kwa asilimia 21.3% kutoka shilingi milioni 11, 494 hadi shilingi milioni 13, 942 kutokana na kukua kwa biashara, katika nyanja zote na viwango vya kukopesha na utoaji huduma zetu zilizopo na kuanzishwa kwa huduma mpya.

Matumizi ya usimamizi ambayo ni shilingi milioni 7,539 ni ya juu kidogo kuliko ya mwaka 2002 kwa kiasi cha asilimia 1.5%. Benki yenu imekuwa ikiendelea kuingia gharama za kuwekeza kwenye miundomsingi, kupanga upya utendaji kazi na kwenye miradi mbalimbali pamoja na kuimarisha huduma kwa wateja. Matumizi katika mwaka 2003 yalionyesha ongezeko kubwa kutoka kwa mpango wa kurekebisha utendaji kazi kwa kiasi cha shilingi milioni 663 (ambapo mwaka 2002 ilikuwa shilingi milioni 1, 419) hadi gharama za mwekezaji ambapo ziliongezeka kutoka shilingi milioni 286 mwaka 2002 kufikia shilingi milioni 677 katika mwaka 2003. Uwekezaji katika miundomsingi imeiwezesha benki kuwa na mawasiliano ya pamoja kupitia mtandao wa VSAT kwenye matawi yake yote kote nchini.

Kutokana na kukua polepole kwa uchumi wa nchi katika mwaka 2003, biashara pia haikuwa ya kuridhisha sana. Hata hivyo mikopo ya benki ya Barclays na malipo ya rubuni iliongezeka kwa asilimia 12. 6% na kutokana na hali hiyo, hasara kidogo iliweza kupatikana ya kiwango cha shilingi milioni 1, 613 ikilinganishwa na kiasi cha shilingi milioni 1, 513 katika mwaka 2002 kutokana na ongezeko la gharama za kawaida. Jumla ya

gharama za matumizi maalum ilipungua kwa shilingi milioni 245 kufikia shilingi milioni 1, 447 mwishoni mwa mwaka 2003. Uwiano wa matumizi ya kifedha yasiyozalisha pia uliweza kuongezeka kidogo kwa kiasi cha asilimia 14.8% ikilinganishwa na asilimia 15.2% iliyopatikana mwaka uliyotangulia.

Raslimali yetu iliongezeka kutoka asilimia 12.5% kutoka shilingi milioni 85,914 mwaka 2002 hadi shilingi milioni 96,655 kufikia mwisho wa mwaka 2003. Ongezeko hili linatokana na kuongezeka kwa mikopo na malipo ya rubuni kwa asilimia 11.4% hadi shilingi milioni 56,470 na katika Hati za hawala za serikali kwa kiwango cha asilimia 41% ya shilingi milioni 22, 885. Ongezeko hili kwenye raslimali zetu limekuzwa na akiba za wateja kwa asilimia 12.1% kutoka shilingi milioni 69, 023 hadi shilingi milioni 77, 390. Kuongezeka kwa akiba za wateja wetu kunatokana na ushawishi mkubwa wa huduma zetu pamoja na imani waliyonayo wateja wetu kwa benki yetu. Tunaendelea kuongeza nguvu zetu katika kukopesha wateja binafsi na wateja wengine na kuna mipango ya kuanzisha huduma nyengine mpya ili kuafikia lengo hilo.

Uwezo wetu wa uwiano wa kupata pesa umebakia wa hali ya juu kwa kadiri ya asilimia 45% ya akiba zinazoruhusiwa katika mwaka mzima ikilinganishwa na mwongozo wa Benki kuu ya Kenya wa asilimia 20% pekee. Uwiano huu wa kupata pesa unajumuisha kiasi cha pesa kilichoko kwenye akiba zetu zinazowekwa katika Benki kuu ya Kenya, Hati za hawala na katika uwekezaji wa fedha za kigeni na matumizi mengine ya usimamizi katika matawi yetu yote nchini. Usimamizi wa uwezo huu wa uwiano wa kupata pesa katika benki yetu ni kuhakikisha kwamba akiba hizo zinaongezeka na kuwaridhisha wateja wetu waweze kupata mikopo zaidi wanapohitaji huku tukifuata sheria zilizopo. Mtaji wetu bado umebakia imara juu ya kiwango kinachohitajika katika soko la biashara za benki. Hazina za Wenyekisa ziliongezeka hadi shilingi

Taarifa ya Mkurugenzi Mkuu (inaendelea)

milioni 11, 022 kutoka shilingi milioni 9, 989 katika mwaka 2002. Ongezeko hili linatokana na kuongezeka kwa faida katika mwaka huo. Tukilinganisha kuimarika kwa rasimali yetu na faida zilizopatikana katika mwaka uliopita, wakurugenzi wamependekezwa mgawo wa jumla ya shilingi 14 kwa kila hisa, kufikia jumla ya shilingi milioni 2, 852 kwa mwaka 2003.

Huduma za benki kwa kampuni nyengine

Nia yetu ni kuona kwamba huduma hii inabakia kuwa ya kiwango cha ubora zaidi kinachogusa wateja wetu. Lengo letu kubwa ni kutoa huduma mpya ambazo zitaweza kutoa suluhisho kwa wateja wetu walioko humu nchini na katika eneo la Afrika Mashariki na ulimwengu mzima kwa jumla. Katika mwaka 2003, tuliwaita pamoja wataalamu wenye ujuzi katika maswala ya benki kutazama kwa undani zaidi bidhaa zetu za Barclays kwa wateja, vitabu vya hesabu zetu na mfumo wa matawi yetu kote nchini na kupata mameneja wenye mawazo yaliyofunguka na wanaoweza kuwa na uhusiano mzuri na wateja wetu. Kadhalika, mpangilio huu umeweza kuwa na utendaji kazi ulioimarika zaidi katika benki yetu na matokeo yake ni ongezeko la wateja wengi zaidi. Pia mpango mpya wa usimamizi wa fedha katika benki yetu umewezesha kutuweka karibu na wateja wetu na kushughulikia mahitaji yetu kwa njia bora zaidi.

Kufuatia matokeo hayo mazuri kwenye idara hii, mwaka uliopita, huduma zake zimeimarishwa zaidi ili kuhakikisha kwamba wateja wetu waaminifu wanaendelea kufaidi huduma zetu. Ili kuafikia lengo hili, benki ya Barclays inatarajia kufungua kituo kipya cha kushughulikia wateja wetu wakubwa wa makampuni katika makao makuu kwenye jumba la Barclays Plaza mwaka huu 2004. Kituo hiki kimeanzishwa ili kutoa huduma za kiwango cha kimataifa kwa wateja wetu wanaojali huduma zetu. Pia wateja wetu watapata fursa ya kuwahudumia kwa muda mrefu.

Tuna matumaini makubwa kwamba mpango huu utahakikisha kwamba benki ya Barclays inaendelea kushikilia nafasi ileile ya kuwa ndiyo benki inayotoa huduma zilizo bora zaidi kwa miaka mingi ijayo.

Huduma za hazina

Hazina yetu iliimarika katika mwaka 2003 licha ya hali ngumu ya kiuchumi nchini iliyosababishwa na hofu ya kisiasa na sera za uchumi za serikali mpya.

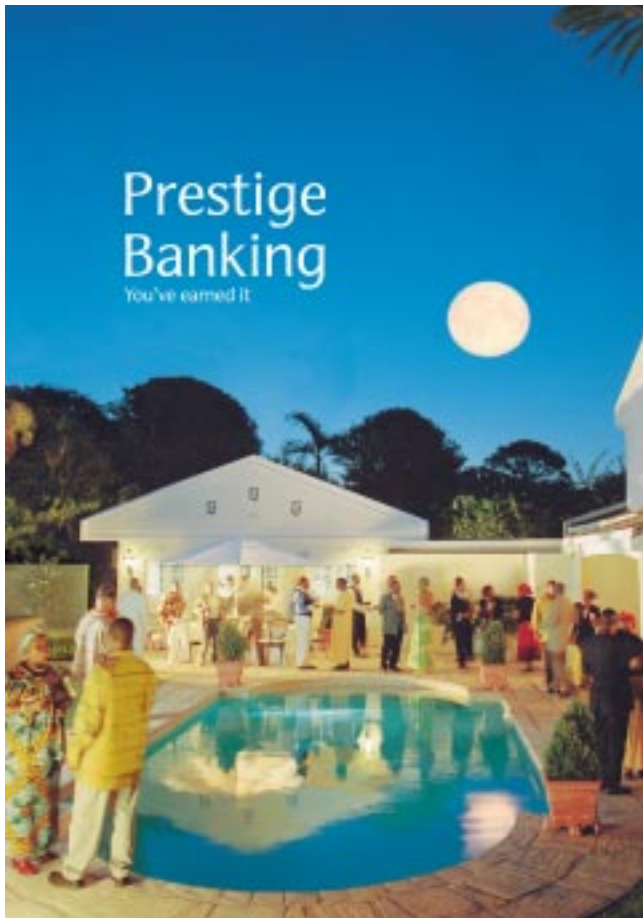
Hata hivyo, ushirikiano kati yaa idara yetu ya kuhudumia wateja wa kampuni nyengine na ile ya mauzo ya hazina ulizaa matunda. Hazina ya kigeni pia iliongezeka kwa kiasi cha asilimia 41% hadi shilingi milioni 1, 121 katika mwaka 2003. Kadhalika benki imeongeza mapato yake kutoka kwenye dhamana yake wakati kukiwa na hali ngumu ya riba kwenye sekta ya benki nchini. Katika mwaka huu wa 2004 nia yetu ni kuimarisha huduma za hazina hii kwa kujumuisha ujuzi na ustadi katika biashara ya fedha za kigeni na riba za benki. Nia yetu pia ni kupanua shughuli zetu hadi soko la mataifa jirani ya eneo la Afrika Mashariki.

Biashara ya rejareja

Mwaka 2003 ulikuwa mzuri kwa biashara ya rejareja ya benki. Tuliendelea na kuangazia katika kutoa huduma za mauzo na kukopesha jambo ambalo limetuwezesha kuimarisha jina letu kwenye sekta hii katika mwaka 2003 licha ya ushindani mkubwa uliokuwepo. Kupitia huduma ya kutoa mkopo ya Barclayloan ambayo ni ya kibinafsi kwa wateja wetu, tumeweza kuimarisha jina letu katika biashara ya benki kwenye soko kwa kuwa benki yenye kutoa mikopo kwa haraka bila usumbufu kwa wateja.

Wateja wetu wa hali ya juu wamefaidika zaidi tulipoanzisha akaunti ya Prestige Plus-ambayo ni awamu ya kwanza ya mikakati yetu kwa wateja hao. Mambo muhimu yaliyoko katika akaunti hiyo ni

Taarifa ya Mkurugenzi Mkuu (inaendelea)



pamoja na riba ya mapato, mpango usiotozwa kodi wa kukopa na kupata Prestige Barclaycard inayotambuliwa kimataifa. Kupanuliwa kwa huduma yetu ya Prestige kuliendelea kwa kufunguliwa matawi mengine matatu ya huduma hiyo katika mwaka 2003, na matawi mengine matano yaliyokuwepo yakafanyiwa ukarabati ili kuwaongezea wateja wetu nafasi zaidi ili waweze kufanya shughuli zao za benki bila usumbufu. Kadhalika sita miongoni mwa matawi yetu makubwa ya benki yalifanyiwa ukarabati.

Mwaka mmoja baada ya kuzinduliwa kwa mpango wa utoaji mikopo ya kifedha kwa wateja wetu wadogowadogo na wale wa kadri, majibu tunayopata kutoka kwa wateja wetu ni ya kuridhisha. Pia kuunda upya na kuunganisha mpango wetu wa kushughulikia maswala ya dharura na

wataalamu wengine umetuwezesha kutoa huduma bora zaidi za mikopo kwa wateja wetu. Kwa sasa wateja wetu wanafaidika na huduma mpya ya kupokea mikopo bila kuweka dhamana yoyote pamoja na mikopo ya rubuni. Wanachama wa "Business Club" wamekuwa wakifaidika na kwa kiasi kikubwa kwa kuhudhuria semina za kielimu, miradi ya pamoja ya kijamii na ushauri maalum wa kitaalamu tunaowapatia. Tutaendelea kuimarisha huduma tunazotoa kwa wateja wetu wote kulingana na mahitaji yao katika mwaka huu ujao.

Katika mwaka huu wa 2004, huduma za rejareja zinatazamia kujumuisha faida iliyopatikana hadi sasa ili kuimarisha huduma kwa wateja wetu kuhakikisha kwamba tunatoa huduma za hali ya juu zaidi.

Matumizi ya BarclayCard

Idara hii iliweza kuimarika katika mwaka 2003. Kuzinduliwa kwa kadi mpya za kimataifa, Manchester United na ile iitwayo Prestige Barclaycard iliweza kutuongezea biashara zaidi licha ya watu wengi kuweza kuzitumia kadi hizo humu nchini.

Katika mwaka huo, katika biashara hiyo ya kadi tulishirikiana na maduka ya Nakumatt, kuanzisha huduma ya kulipia bidhaa kwa kutumia kadi kuwa rahisi na bila usumbufu wowote kwa wateja wetu. Huduma hii ya kutumia kadi imeweza kuthibiti ulaghai kwa kuwapa mafunzo wafanyabiashara na wateja wetu kuhusu matumizi mazuri ya kadi hizo. Katika mwaka huu wa 2004 lengo letu ni kuimarisha huduma hiyo iliyopo kwa sasa kuifanya iwe ya kisasa zaidi na ambayo haina usumbufu wowote na yenye kuvutia.

Kuzuia hasara

Benki yetu imeendelea na usimamizi wa sera za kuzuia hasara ili kupata matokeo bora zaidi. Maeneo makubwa ambayo benki yetu inajaribu kuzuia hasara isitokee ni, hasara ya kupoteza thamani

Taarifa ya Mkurugenzi Mkuu (inaendelea)

ya raslimali tuliyonayo, hasara ya pesa, hasara ya kukosa soko, hasara ya kupanda au kushuka kwa viwango vya riba, hasara itokanayo na usimamizi, hasara inayohusu maswala ya kisheria na hasara inayohusu ushuru. Sera za benki ya Barclays za kusimamia maswala haya zinahakikisha kwamba mapato yetu yanalingana na jinsi tunavyofanya kazi.

Lengo la benki yetu kuweka sera za kuzuia kutokea hasara ni kuhakikisha kwamba benki imepata ubora wa kutoa mikopo na malipo ya rubuni. Hatua hii ni muhimu kwani tunazamia kuwa na vitengo viwili vya usimamizi wa fedha vitakavyosimamiwa na wataalamu kwenye idara za benki za rejareja na wateja wetu wengine wakubwawakubwa. Kitengo cha biashara za rejareja kimeendelea kufanya vyema na kukua kwa mpango wa mkopo wa Barclayloan, ambao ndio mpango wetu mkubwa wa kutoa mikopo kwa wateja wetu. Kitengo cha rejareja kinatumiwa kwa sasa ili

kurudisha mikopo ambayo imetolewa bila dhamana. Benki imeanzisha mpango kabambe wa kufuatilia jinsi mikopo na mikopo ya rubuni inavyotumiwa ili kuweza kuwafahamu kwa mapema wale wateja ambao huenda wakashindwa kutimiza masharti ya mikopo hiyo ili tuweze kuwatambua.

Katika mwaka uliopita benki ya Barclays ilikiimarisha kitengo cha kurudisha madeni ya mikopo waliyokopeshwa wateja, lengo kubwa likiwa kugawanya kwa kitengo cha masoko. Hatua hii imepelekea kuundwa kwa timu zinazofuatilia kurudishwa kwa mikopo na kuimarishwa zaidi kwa huduma za kuwasaidia wateja wetu. Kufuatia hatua hii, benki imeweza kurudisha mikopo ya kiasi kikubwa cha fedha ambayo ilikuwa imefutwa. Kadhalika kitengo hiki kinawasaidia wateja wenye matatizo ya kuendesha vyema biashara zao kuwawezesha kupata faida ili wajisimamie vyema.



*Senior management team are (back):
Garry Marsh, Director, Regional Retail Business; Kamau Kuria, Head of Change Integration; Frank Ireri, Director, Regional Service Delivery; Paul Kasimu, Regional Human Resource Business Partner; Salim Abdalla, Director, Credit Risk.
(Front): Amin Habib, Director, Regional Corporate Banking; Charles Ongwae, Director, Finance and Planning;
Adan Mohamed, Managing Director; Kihara Maina, Treasurer.*

Taarifa ya Mkurugenzi Mkuu (inaendelea)

Sera zetu kuhusu madeni yasiyofaa na madeni yenye mashaka ni kuhakikisha kwamba tunarudisha pesa zetu haraka iwezekanavyo tunapojua kwamba kurudisha mkopo kama huo itakuwa shida kwa mteja aliyekopa. Kama tulivyoripoti kwenye ufafanuzi wa matumizi yetu ya fedha hapo juu, kiwango cha utoaji wa mikopo maalum kimepungua kwa kiasi ya shilingi milioni 245 ikilinganishwa na mwaka 2002, ikiwa ni dhihirisho wazi kwamba ubora wa mikopo yetu na malipo ya rubuni unazidi kuimarika. Kadhalika asilimia ya mikopo ambayo hailipwi na mikopo kwa wateja wetu wa makampuni pia imepungua kwa kiasi kidogo katika mwaka 2003 ikilinganishwa na mwaka 2002. Nina furaha kuwaarifu kwamba katika mwaka 2003 ongezeko la mikopo yetu na malipo ya rubuni ilitokana na ubora wa bidhaa zetu.

Raslimali na madeni ya benki, ambayo ni pamoja na kuzuia hasara isitokee, viwango vya riba na ubadilishanaji wa fedha za kigeni vinasimamiwa ipasavyo na kamati maalum ya raslimali na madeni ambayo hupata muongozo kutoka hazina kuu ya serikali. Ufafanuzi wa yote haya upo kwenye ukurasa wa 40 hadi 44. Kadhalika benki inakabiliwa na maswala mengine ambayo hayahusiani na fedha kama vile, kutimiza masharti kadhaa wa kadhaa ya kibenki, maswala ya kisheria na hasara kuhusu maswala ya ushuru. Yote haya husimamiwa ipasavyo na uongozi mzima wa benki na kamati mbalimbali tulizonazo. Nina furaha kuripoti kwenu kwamba kwa sasa benki yetu haikabiliwi na hatari yoyote kuhusu maswala haya.

Utendaji kazi na huduma za teknolojia

Kuanzia mwanzoni mwa mwaka 2003, tulikamilisha mpango wa kuleta huduma zetu zote katika kituo kimoja. Lengo la mpango huu ilikuwa ni kurahisisha utendaji kazi, kuongeza ufanisi na kupunguza gharama za usimamizi.

Katika mwaka huohuo, mpango huo ulizindua vituo vya kupima utendaji kazi

(BPI) katika vituo vyake vyote vya kutoa huduma ili kuimarisha utendaji kazi na kuongeza ufanisi. Kwa kuwajumuisha wafanyakazi wetu, mpango huu wa BPI uliangalia kwa makini kuhusu matakwa ya wateja jinsi yanavyoshughulikiwa bila kuharibu viwango vilivyopo vya kuthibiti shughuli hizo. Mpango huo ulipunguza muda unaochukua kushughulikia mahitaji ya wateja, kuongeza uwezo wa kutenda kazi na ufanisi na pia kuonyesha mafanikio yanayoweza kupatikana kwa kutoa huduma zetu kutoka kituo kimoja na kuhamasisha wafanyakazi.

Tunaendelea na kusisitiza utumiaji wa teknolojia ya kisasa zaidi katika shughuli zetu katika juhudi za kuimarisha huduma zetu kwa wateja. Katika kuafikia lengo hili, mnamo mwaka 2003 tuliweza kuimarisha muundomsingi wetu wa kompyuta wa ndani na nje kwa kuweka mtambo wa mawasiliano uitwao VSAT katika matawi yetu yote makubwa na hivyo kutuunganisha na matawi mengine ya benki ya Barclays katika bara la Afrika ikiwa ni pamoja na Uingereza. Katika mojawapo ya miradi mikubwa kuwahi kutekelezwa na Barclays Africa, tuliweza kuimarisha mitambo yetu ya kompyuta katika matawi yetu yote nchini. Katika mwaka 2004, utendaji kazi wetu utakumbwa na changamoto ya kuhakikisha kwamba muda wa kutoa huduma zetu kwa wateja unaimarishwa ili kuhakikisha kwamba tunatoa huduma bora zaidi. Kadhalika tunatazamia kuongeza mtandao wetu wa huduma za binafsi za kadi (ATM), tutaweza kwenye mitambo mipya ya kompyuta kwenye vituo hivyo vya ATM katika matawi yetu na pia katika mtandao wa mawasiliano miongoni mwa matawi yetu.

Wafanyakazi wetu

Wafanyakazi wetu ni wa muhimu sana kwa mafanikio yetu na ili kuweza kuwafanya waweze kufanya kazi zao kwa ufanisi zaidi tumehakikisha kwamba tumefanya kila juhudi kuwawezesha kuwa na utendaji kazi bora.

Katika mwaka 2003, tulianzisha mkakati wa kuwashughulikia wafanyakazi wetu ili kuweza kuwa na tabia ya utendakazi wa

Taarifa ya Mkurugenzi Mkuu (inaendelea)

hali ya juu miongoni mwa wafanyakazi wetu na kufanya kampuni yetu kuwa ya kupendwa zaidi na wateja. Tumefaulu kuweka tabia ya utendakazi bora miongoni mwa wafanyakazi wetu wote. Katika kuafikia hayo, tumeweza kuwalipa wafanyakazi wetu mishahara mizuri ili kuhakikisha kwamba benki yetu ni miongoni mwa zilizo bora katika kujali maslahi ya wafanyakazi na kutenganisha kati ya bidii ya mtu katika kutenda kazi na uwezo wake.

Na katika kufikia nia yetu ya kuwa kampuni inayopendwa zaidi tunakusanya maoni ya wafanyakazi wetu kila mwaka ili kupata mapendekezo yao. Vikundi mbalimbali vya uongozi vinaundwa katika benki yetu ili kuhakikisha kwamba maoni na mapendekezo hayo yanashughulikiwa na kutatuliwa ipasavyo.

Kwa sasa kuna vyama viwili vinavyowakilisha maslahi ya wafanyakazi, kimoja kinawakilisha uongozi wa benki na cha pili wafanyakazi wengine wa kawaida. Juhudi kubwa imefanywa ili kuwa na uhusiano mzuri kati ya uongozi wa benki na wafanyakazi na ni muhimu nikitaja hapa kwamba kwa kweli uhusiano wetu ni mzuri sana. Hii imetuwzesha kufanya mabadiliko ndani ya benki kwa njia ya utulivu, huku tukishirikisha wafanyakazi wote na wahusika wengine muhimu. Kwa hiyo, lengo letu kubwa kwa mwaka ujao ni kuangalia uwezo walionao viongozi katika benki, kupanua vipaji vyao, maendeleo ya utendaji kazi wao, na kujenga na kuthibiti uwezo wao ili kupata mafanikio..

Mtazamo wa siku zijazo

Tukiangalia siku zijazo, tuna sababu ya kuamini kwamba uchumi wa nchi utaimarika.

Kwanza, mabadiliko ambayo serikali imeanza kuchukua katika sekta ya uchumi yataanza kuzaa matunda katika mwaka 2004 ambapo watu watakuwa na imani na serikali na kadhalika kupungua kwa viwango vya malipo yanayotowa

kwenye biashara za kawaida na zile za benki. Pili, makubaliano kati ya shirika la fedha ulimwenguni IMF na Benki ya dunia yatafungua kuanza tena kutolewa kwa misaada ya fedha katika kipindi cha miaka mitatu ijayo. Misaada hii itawezesha kukua kwa uchumi na kusaidia biashara ndogondogo kwa kuwawezesha wateja kuwapa misaada ya kifedha, kupunguza mpango wa serikali wa kukopa fedha kutoka kwa wananchi, kukarabati na kuimarisha miundomsingi. Wakati tukitarajia kukua kwa uchumi wa taifa katika mwaka 2004, sekta ya benki nchini itakabiliwa na chamangamoto la kuwa msitari wa mbele katika utendaji kazi wao, wawe na malengo yaliyo wazi katika kutoa huduma kwa wateja. Tunaamini kwamba kuwa na uwiano katika kupanga kimbele mipango yetu ya kazi katika vidokezi vya kusaidia uchumi ni muhimu kwa kuendeleza sekta ya benki. Benki kuu ya Kenya imefanya vyema katika mwaka 2003 na tuna imani kubwa kwamba kuanzishwa kwa viwango vipya vya benki visivyopendelea upande wowote ili kuondoa viwango vya siku 91 vya Hati za hawala ni msingi mkubwa katika kutoa mwongozo wa kukopesha ambao hadi sasa kwa wengi walikuwa wakidhani ni jambo lisilowezezekana.

Kwa kumaliza

Nikimaliza, ningependa kuishukuru Benki kuu ya Kenya kwa kutupa mwongozo na kutuunga mkono katika shughuli zetu. Pia ningependa kuwashukuru wafanyakazi wetu kwa kujitolea kufanya kazi kwa bidii na kuwahudumia wateja wetu, mameneja wenzangu na Bodi (Halmashauri) ya wakurugenzi kwa ushauri wao wa busara. Kadhalika ningependa kuwashukuru wateja wetu wote kwa kuendelea kuwa nasi ambao kama ingekuwa siyo wao, matokeo haya yasingeweza kupatikana. Natarajia kwamba tutapata mafanikio bora zaidi katika mwaka 2004.

Adan Mohamed
Mkurugenzi Mkuu

Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2003.

Principal activities

The Bank provides in its own name and through subsidiary companies an extensive range of banking, financial and related services, and is licensed under the Banking Act.

Results

The results for the year are set out on page 38.

Dividends

Two interim dividends of Shs3.00 per share of Shs 611 million shillings each and totaling Shs 1,222 million (2002: Shs 1,100 m) were paid on 22 October 2003 and 9 January 2004 respectively. Subject to the approval of the shareholder, the Directors recommend a final dividend for the year of Shs 8 per share. This will be paid on or about 23 April 2004 to shareholders registered at close of business on 4 March 2004. This distribution would leave a balance of retained Group profit for the year of Shs 515 million which is carried to Group revenue reserves.

Financial statements

At the date of this report, the Directors were not aware of any circumstance which would have rendered the values attributed to the assets in the financial statements of the Group misleading.

Directors

The members of the Board of Directors who served during the year and to the date of this report are shown below.

Rose Ogega is due for retirement by

rotation under article No's 94 and 96 of the Company's Articles of Association at the forthcoming Annual General Meeting and being eligible, individually offers herself for re-election.

Morris Wahome and Shantilal Shah have advised the Company of their intention to retire at the forthcoming Annual General Meeting. Consequently both gentlemen will not be offering themselves for re-election.

In addition Brown M'Mbai Ondego, Jane Karuku and Francis Okomo-Okello retire from the Board at the Annual General Meeting under Article No. 101 of the Company's Articles of Association and being eligible, individually offer themselves for re-election.

S. O. J Ambundo, having attained the mandatory retirement age of 70 years is due for retirement from the Board. A special notice has been received proposing his re-election as a Director of the Company and shall be tabled at the said Annual General Meeting.

Directors' benefits

Since the last Annual General Meeting of the Company to the date of this report, no Director has received or become entitled to receive any benefit other than Director's fees and amounts received under employment contracts for Executive Directors

The aggregate amount of emoluments for Director's services rendered in the financial year is disclosed on page 65.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the institution is a party whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Auditors

The auditors, PriceWaterhouseCoopers have indicated their willingness to continue in office in accordance with the

Directors' Report (continued)

provisions of Section 159(2) of the Companies Act (Cap 486) and Section 24(1) of the Banking Act (Cap 488).

By Order of the Board
Wanjiru A. Nduati
Secretary
Nairobi

Directors

S. O. J. Ambundo
 Chairman

A. Mohamed
 Managing Director

M. N. Wahome

P. K. Chemng'orem

D. Bruynseels*
 (Alternate Charles Simmonds*)

S. R. Shah

A. B. Makatiani

C. O. Ongwae

A. Habib

R. Ogega

B. M. Ondego

(Appointed 29 August 2003)

J.W. Karuku
 (Appointed 29 August 2003)

F. Okomo-Okello
 (Appointed 29 August 2003)

M. J. Okech
 (Retired on 25 April 2003)

Secretary

Wanjiru A. Nduati

Auditors

PriceWaterhouseCoopers
 Rahimtulla Trust Towers
 Upper Hill Road
 P.O. Box 43963 Code 00100
 Nairobi

Registered Office

Barclays Plaza
 Loita Street
 P.O. Box 30120 Code 00100
 Nairobi

Registrar and Transfer Office

Barclays Advisory & Registrar
 Services Limited
 Bank House, Moi Avenue, 1st Floor
 P.O. Box 30120 Code 00100
 Nairobi

Taarifa ya Wakurugenzi

Wakurugenzi wote wana furaha ya kuwasilisha taarifa hii pamoja na taarifa za mahesabu zilizokaguliwa kwa mwaka uliomalizika tarehe 31 Disemba 2003.

Shughuli muhimu

Kwa kutumia jina lake Barclays Bank of Kenya limited na kupitia kampuni (tanzu) zinazohusiana, benki hii inatoa huduma za kibenki, kifedha na nyenginezo chini ya sheria inayosimamia benki nchini.

Matokeo

Matokeo ya mwaka uliomalizika yameorodheshwa katika ukurasa wa 38

Mgawo wa fedha

Migawo ya muda ya shilingi (tatu) 3.00 kwa kila hisa ya shilingi milioni 611 kila moja ikiwa na jumla ya shilingi milioni 1, 222 (2002: Shilingi milioni 1,100) ililipwa kati ya tarehe 22 Oktoba mwaka 2003 na tarehe 9 Januari mwaka 2004, mtawalia. Huku wakisubiri uamuzi wa wenyehisa, wakurugenzi wamependekezwa mgawo wa mwisho kwa mwaka 2003 wa shilingi 8 kwa hisa. Mgawo huu utalipwa mnamo tarehe 23 Aprili mwaka 2004 kwa wenyehisa waliosajiliwa wakati wa kufunga shughuli za biashara mnamo tarehe 4 Machi mwaka 2004 Kiasi cha fedha kitakachosalia kutokana na mgawo huu kitabakia kuwa faida kwa benki ya kiasi cha shilingi milioni 515.

Taarifa za mahesabu

Wakati ripoti hii ikitolewa, wakurugenzi hawakuwa na taarifa yoyote ambayo ingeweza kuonekana kuwa si ya kweli kulingana na thamani ya raslimali iliyotajwa kwenye taarifa za mahesabu..

Wakurugenzi

Bodi (Halmashauri) ya wakurugenzi waliyotumikia katika kipindi cha mwaka unaomalizika hadi wakati ripoti hii ikitolewa ni wafuatao:

Rose Ogega anatarajiwa kustaafu kwa kupokezana kulingana na Kifungu namba 94 na 96 cha Kanuni za Kampuni kwenye Mukutano Mkuu ujao wa Wenyehisa na kwa kuwa anaruhusiwa, yeye binafsi anajitolea ili achaguliwe tena.

Morris Wahome na Shantilal R. Shah wameishauri Benki wakieleza nia zao za kustaafu kwenye Mukutano Mkuu ujao wa Wenyehisa. Kufwatia hayo, wote wawili hawatajitolea binafsi kuchaguliwa tena.

Kadhalika Brown M'Mbai Ondego, Jane Karuku na Francis Okomo-Okello watastaafu wakati wa mkutano mkuu wa mwaka kulingana na kifungu namba 101 cha Kanuni zinazosimamia kampuni na pia wanaweza wakajitolea binafsi kuchaguliwa tena.

S.O J Ambundo, ambaye ametimiza umri wa kustaafu wa miaka 70, anatazamiwa kustaafu. Ilani maalum imepokelewa ikimpendekezwa kuchaguliwa tena kuwa mkurugenzi na ilani hiyo itatolewa siku ya mkutano huo mkuu wa mwaka.

Malipo ya wakurugenzi

Tokea mkutano mkuu wa mwaka uliopita hadi wakati ripoti hii ikitolewa, hakuna mkurugenzi yoyote ambaye amepokea au kupata malipo ya aina yoyote isipokuwa malipo ya kawaida wanayolipwa wakurugenzi kulingana na mikataba yao ya kazi.

Jumla ya malipo ya huduma za wakurugenzi yaliyolipwa katika mwaka uliomalizika yanaonyeshwa katika ukurasa wa 65.

Pia hakuna wakati wowote katika kipindi cha mwaka uliomalizika au mwaka huu ambapo kulikuwa na mpango wa wakurugenzi kupata marupurupu au malipo ya aina yoyote kwa njia ya kununua hisa au kwa kutumia stakabadhi za mikopo za benki au shirika lolote la kibiashara.

Wakaguzi wa mahesabu

Wakaguzi wetu wa mahesabu, PriceWaterhouseCoopers, wameonyesha nia yao kuendelea kukagua mahesabu

Taarifa ya Wakurugenzi (inaendelea)

yetu kulingana na sehemu ya 159(2) ya sheria za kampuni (kifungu 486) na sehemu ya 24 (1) ya sheria za benki (kifungu 488).

Kwa amri ya Halmashauri ya wakurugenzi.

Katibu wa Halmashauri

Wanjiru A. Nduati
S L P 30120, Nairobi.

Wakurugenzi.

S O J Ambundo
Mwenyekiti

A Mohamed
Meneja Mkurugenzi

M N Wahome

P K Chemng'orem

D Bruynseels*
(Mkurugenzi wa zamu na Charles Simmonds*)

S R Shah

A B Makatiani

C O Ongwae

A Habib

R Ogega

B M Ondego
(Aliteuliwa tarehe 29 Agosti 2003)

J W Karuku
(Aliteuliwa tarehe 29 Agosti 2003)

F Okomo-Okello
(Aliteuliwa tarehe 29 Agosti 2003)

M J Okech
(Alijiuzulu tarehe 25 Aprili 2003)

Katibu wa Halmashauri

Wanjiru A. Nduati
S L P 30120, Nairobi.

Wakaguzi wa mahesabu

PriceWaterhouseCoopers
Rahimtulla Trust Towers
Upper Hill Road
S.L P 43963- 00100
Nairobi.

Makao makuu

Barclays Plaza
Mtaa wa Loita
S L P 30120 -00100
Nairobi.

Usajili na uhamisho wa matoleo ya hisa

Barclays Advisory & Registrar
Services Limited
Bank House, Moi Avenue
Ghorofa ya Kwanza
S L P 30120-00100
Nairobi.

Statement of Directors' Responsibilities

The Companies Act requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of its 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 annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in accordance with

Sam Ambundo
Chairman

International Financial Reporting Standards and the requirements of the Companies Act.

The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Company and of its profit and loss. The Directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal control.

Nothing has come to the attention of the Directors to indicate that the Company will not remain a going concern for at least 12 months from the date of this statement.

Adan Mohamed
Managing Director

Corporate Governance Statement

Corporate governance is the system of clearly defined authorities and responsibilities which results in the establishment, operation and maintenance of the system of internal control that is regularly tested to ensure effectiveness. The system enables the Board of Directors to ensure that the managers of the Bank are acting in the interests of the shareholders and other key stakeholders.

At Barclays, we place a great deal of importance on robust corporate governance practices and are committed to applying the highest standards of business integrity and professionalism in all our activities. The Bank achieves this by using a risk based approach to establish a system of internal control and by reviewing the effectiveness of the system of internal controls.

In addition to the governance principles stipulated by the local regulators, Barclays Bank of Kenya Limited as a member of Barclays Group applies the Barclays Group internal corporate governance guidelines which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

The Bank has set up three key management committees to implement policy guidelines and strategy from Barclays Group and the Board of Directors. The three committees are chaired by the Barclays Bank of Kenya Limited's Managing Director and they are the Country Management Committee, the Assets and Liabilities Committee and the Governance and Controls Committee.

The Country Management Committee is responsible for implementation of operational strategies and policies. This committee is empowered to make general and operating business decisions by the Board. However the Board must ratify all decisions of a strategic nature before implementation.

The Assets and Liabilities Committee is responsible for financial risk management, specifically liquidity, interest rate and market risk as well as balance sheet structure and capital management. The committee meets monthly and its key objective is to ensure sustainable and stable returns within a framework of acceptable financial risks and controls.

The Governance and Control Committee is responsible for establishing, operating and complying with the Bank's regulatory and internal control framework. In addition, the committee reviews the effectiveness of the internal control systems and monitors all compliance and regulatory issues. The committee meets quarterly.

Our primary regulator is the Central Bank of Kenya. In addition, we are also governed by the Nairobi Stock Exchange (NSE) regulations and the Capital Markets Act (Cap485A).

The Board and Board committees

The Board consists of the Chairman, who has Non-executive responsibilities, Non-executive Directors and Executive Directors. Executive Directors generally have responsibility for making and implementing operational decisions and running the business. The Non-executive Directors support the skills and experience of the Executive Directors, by approving and monitoring the implementation of strategy and policy based on their knowledge and experience of other businesses and industries.

We have three principal Board committees with specific delegated responsibilities. The Board committees are Audit Committee, Advances Committee and Human Resource Committee.

The Audit Committee meets with senior management, the internal audit team and the external audit team to review among other things the annual and compliance reports as well as the effectiveness of the system of internal control.

The Advances Committee reviews the risk profile of the Group and recommends to the Board policies and standards for the risk governance and management.

These committees are chaired by the non-executive members of the board.

All the Non-executive Directors on the Board are independent of management and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

The Board meets regularly and has a formal schedule of matters reserved to it. All Directors have access to the Company secretary and the Legal Counsel. Currently, the Board comprises nine Non-executive Directors and three Executive Directors.

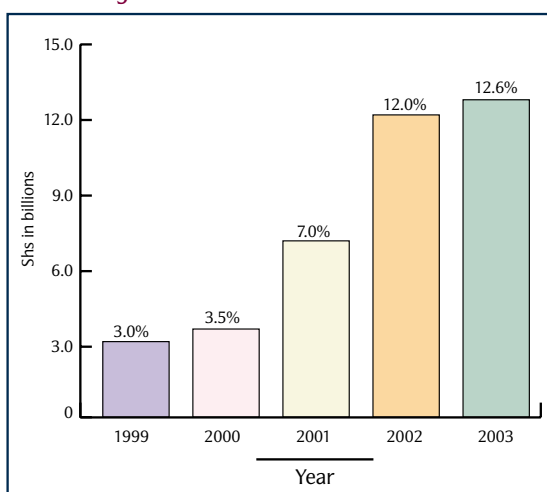
February 2004

Five Year Group Review

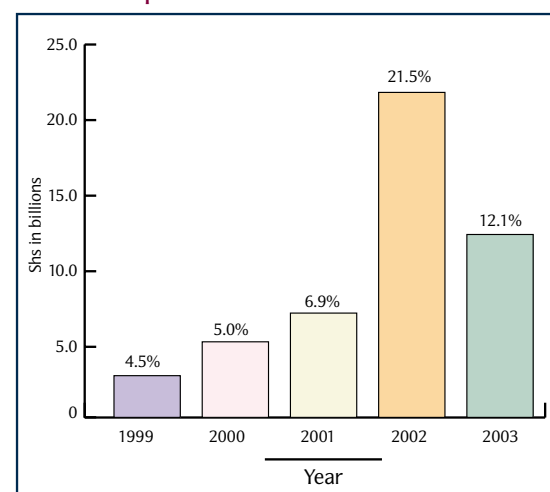
	1999 Shs million	2000 Shs million	2001 Shs million	2002 Shs million	2003 Shs million
Operating income	10,799	11,324	11,262	11,494	13,942
Operating expenses	(6,998)	(6,648)	(5,990)	(7,431)	(7,539)
Impairment losses on loans and advances	(440)	(1,641)	(1,037)	(1,513)	(1,613)
Profit before tax	3,361	3,035	4,235	2,550	4,790
Net profit	2,254	2,068	2,955	1,783	3,367
Earnings per share (Shs)	14.60	11.00	16.00	10.00	17.00
Dividends per share (Shs)	10.00	14.00	14.00	12.00	14.00
Loans and advances to customers (gross)	38,619	44,519	48,186	53,335	60,038
Provision for loan impairment	(1,404)	(2,278)	(2,532)	(2,664)	(3,568)
Cash and short term funds	13,435	14,370	13,723	15,187	13,816
Government securities	14,651	10,363	10,289	16,189	22,885
Property and Equipment	2,160	1,893	1,749	1,427	1,411
Other assets	1,831	1,510	2,232	2,440	2,073
Total assets	69,292	70,377	73,647	85,914	96,655
Customer deposits	52,967	53,134	56,788	69,023	77,390
Other liabilities	7,587	6,900	5,459	6,902	8,243
Total liabilities	60,554	60,034	62,247	75,925	85,633
Net assets	8,738	10,343	11,400	9,989	11,022
Shareholders funds	8,738	10,343	11,400	9,989	11,022
Performance ratios					
Return on capital employed	23%	20%	26%	18%	31%
Return on assets	3%	3%	4%	2%	3%
Provisions charge / advances	1%	4%	2%	3%	3%
Balance sheet ratios					
Gross advances to deposits (%)	73%	84%	85%	77%	78%
Provisions / gross advances	4%	5%	5%	5%	6%
Classified debt / gross advances	10%	9%	12%	15%	15%
Liquidity (%)	46%	39%	38%	42%	45%
Others					
Classified debt (Mns)	3,699	4,115	5,950	8,037	8,915
Staff numbers	2,290	2,143	1,981	1,811	1,741
Number of shareholders	34,273	34,702	34,665	34,540	33,938

Financial Graphs and Charts

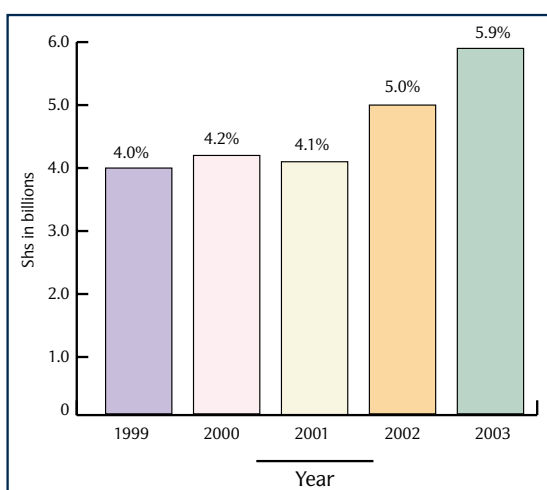
Advances gross



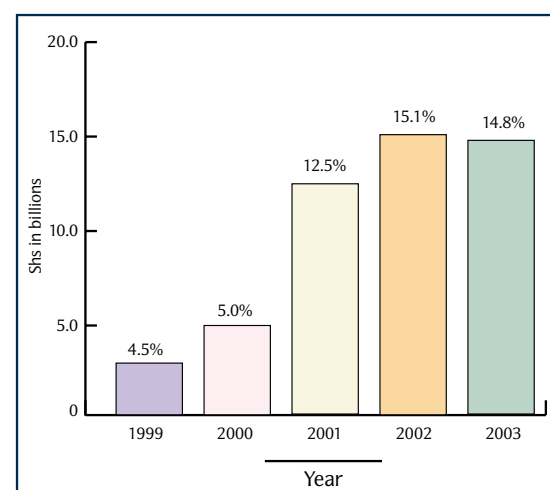
Customer deposits



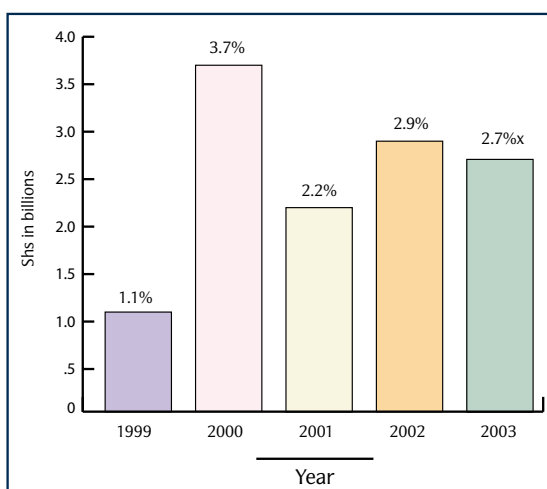
Provisions balance



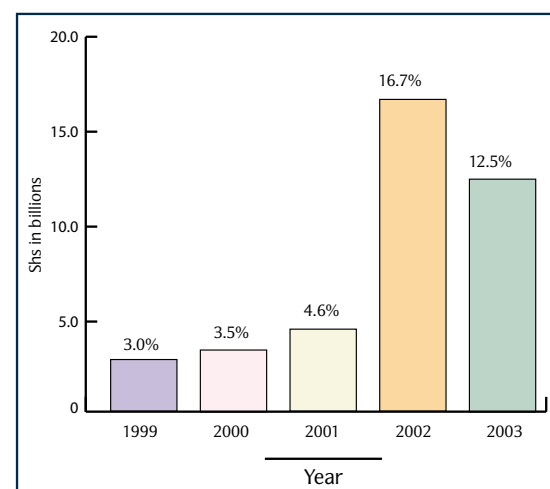
Classified debts - gross



Provisions charge as a % of gross advances

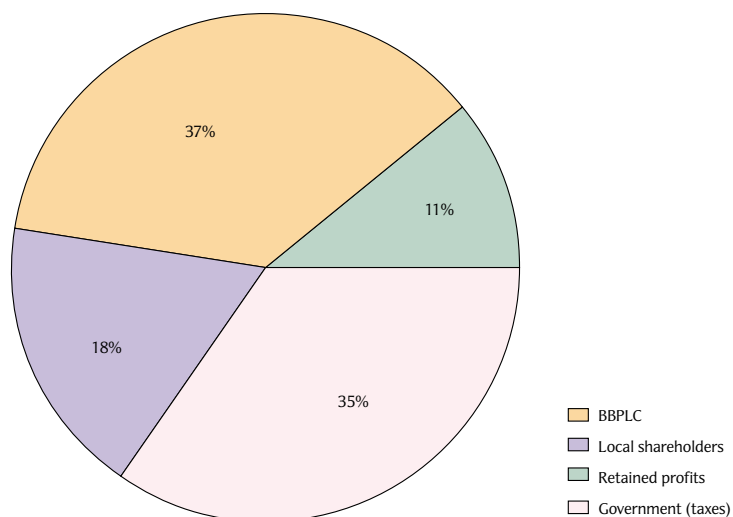


Total assets

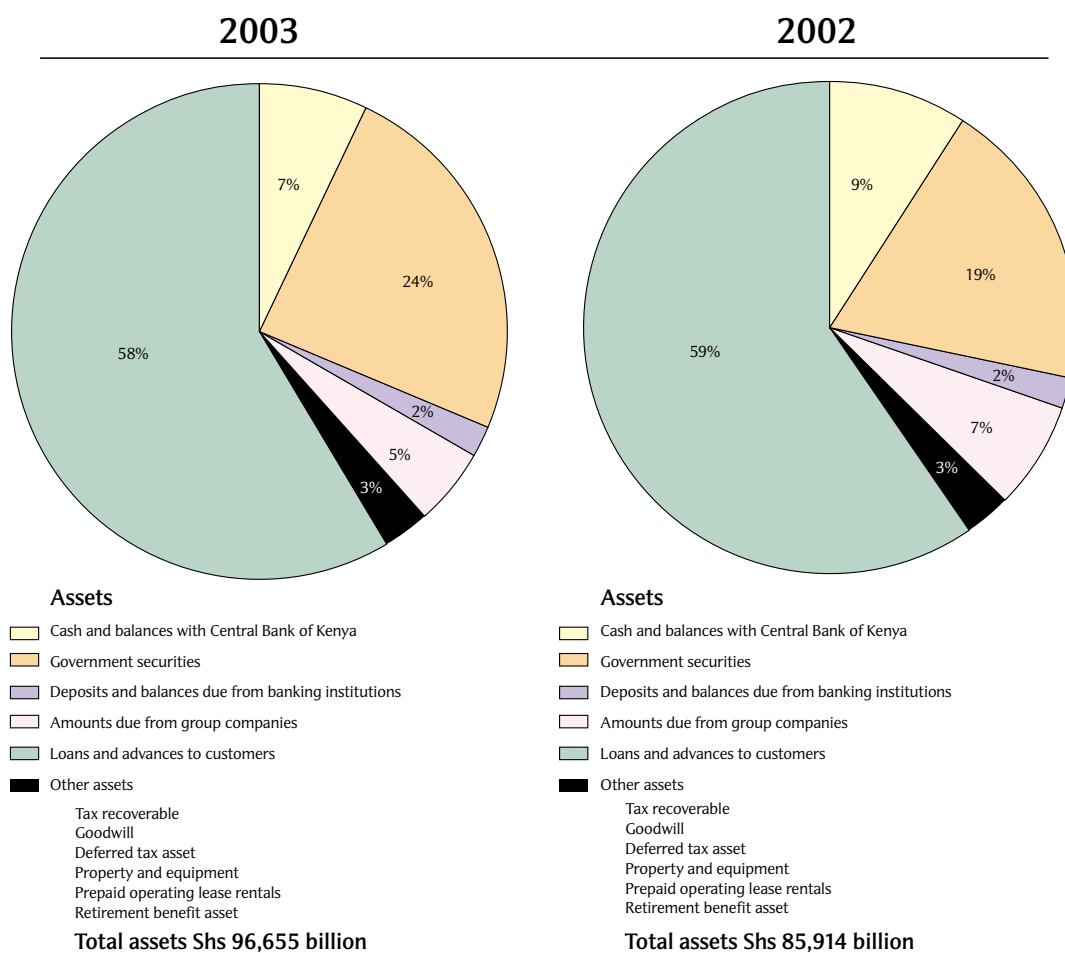


Financial Graphs and Charts (continued)

Distribution of profit before tax



Distribution of assets



Report of the Auditors to the Members of Barclays Bank of Kenya Limited

We have audited the financial statements of Barclays Bank of Kenya Limited for the year ended 31 December 2003 as set out on pages 38 to 65.

Respective responsibilities of Directors and Auditors

The Directors are responsible for the preparation of financial statements as set out on page 31. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

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

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

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the Group and of the Company at 31 December 2003 and of the profit and cash flows of the Group for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the Company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants

12 February 2004

Nairobi

Taarifa ya Wakaguzi wa hesabu kwa Wenyekisa wa Barclays Bank of Kenya Limited

Tumekagua taarifa za hesabu za Barclays Bank of Kenya Limited za mwaka ulioisha 31 December 2003 zilivyoolezwa kuanzia ukurasa wa 38 hadi 65.

Wajibu wa Wakurugenzi na Wakaguzi huru wa mahesabu

Wakurugenzi wana wajibu wa kutayarisha taarifa za mahesabu kama ilivyoolezwa katika ukurasa wa 31. Wajibu wetu ni kutoa maoni huru kuhusu taarifa za hesabu hizo kulingana na tulivyozikagua.

Msingi wa maoni yetu

Tulifanya ukaguzi wa mahesabu hayo kulingana na Viwango vya kimataifa vya ukaguzi wa Hesabu. Viwango hivyo vinahitaji mpangilio kabambe ili kupata uhakika kwamba taarifa hizo hazina dosari yoyote. Ukaguzi huo unajumuisha tathmini ya hali ya juu, kwa misingi ya majaribio, ya ushahidi wote unaoelezwa katika kiasi cha pesa kilichotajwa na kufafanua taarifa hizo za mahesabu. Kadhalika, ukaguzi huo ni pamoja na uwasilishaji wa taarifa za mahesabu na makadirio yaliyofanywa na wakurugenzi, kwa wenyekisa.

Pia tumepata taarifa zote na maelezo muhimu ambayo kulingana na kadiri ya ujuzi na maarifa yetu zilihitajika kwa ajili ya ukaguzi huu na kuamini kwamba ukaguzi wetu utatoa msingi unaofaa wa maoni yetu.

Maoni

Kwa maoni yetu, vitabu vya hesabu vimehifadhiwa vizuri na taarifa za mahesabu zinaonyesha hali halisi ya kifedha ya Barclays Bank of Kenya limited na kampuni zote (tanzu) zinazohusika kufikia tarehe 31 Disemba mwaka 2003 pamoja na faida iliyopatikana na matumizi ya fedha kwa mwaka uliopita kulingana na viwango vya kimataifa vya ukaguzi wa mahesabu na sheria zinazosimamia kampuni humu nchini.

Taarifa ya kifedha ya benki inawiana kikamilifu na taarifa za vitabu vya hesabu.

PRICEWATERHOUSECOOPERS 

(Wahasibu wa umma)

Nairobi.

Februari 12 2004

Consolidated Profit and Loss Account

For the year ended 31 December 2003

	Notes	2003 Shs million	2002 Shs million
Interest income	1	8,044	7,773
Interest expense	2	(863)	(1,384)
Net interest income		7,181	6,389
Net fees and commission income		5,046	4,306
Foreign exchange income		1,121	791
Other operating income		594	8
Operating income		13,942	11,494
Impairment losses on loans and advances	13	(1,613)	(1,513)
Other operating expenses	3	(7,539)	(7,431)
Profit before tax		4,790	2,550
Tax	5	(1,423)	(767)
Net profit		3,367	1,783
Earnings per share (Shs per share)			
- Basic (Shs)	6	17	10
- Diluted (Shs)	6	17	9
Dividends:			
Interim dividends – paid in the year (Shs m)	7	1,222	1,110
Proposed final dividend for the year (Shs m)	7	1,630	1,112
		2,852	2,222

Consolidated Balance Sheet

For the year ended 31 December 2003

	Notes	2003 Shs million	2002 Shs million
Assets			
Cash and balances with Central Bank of Kenya	8	7,026	7,735
Government securities	9	22,885	16,189
Deposits and balances due from banking institutions	10	1,661	1,607
Amounts due from group companies	11	5,129	5,845
Other assets	12	1,055	1,250
Loans and advances to customers	13	56,470	50,671
Tax recoverable		-	212
Goodwill	15	136	149
Deferred tax	16	219	238
Property and equipment	17	1,411	1,427
Prepaid operating lease rentals	18	109	144
Retirement benefit asset	19	554	447
Total assets		96,655	85,914
Liabilities			
Customer deposits	20	77,390	69,023
Deposits and balances due to banking institutions	21	27	97
Administered funds	22	2,892	2,974
Other liabilities	23	2,559	2,481
Amounts due to group companies	11	1,648	1,350
Dividends payable		611	-
Tax payable		506	-
Total liabilities		85,633	75,925
Shareholders' equity			
Share capital	24	2,037	1,852
Retained earnings		7,355	7,025
Proposed dividend	7	1,630	1,112
Total shareholders' equity		11,022	9,989
Total equity and liabilities		96,655	85,914

The financial statements on pages 38 to 65 were approved for issue by the Board of Directors on 12 February 2004 and signed on its behalf by:

Sam Ambundo
Chairman

Charles Ongwae
Finance and Planning Director

Adan Mohamed
Managing Director

Wanjiru A. Nduati
Secretary

Company Balance Sheet

For the year ended 31 December 2003

	Notes	2003 Shs million	2002 Shs million
Assets			
Cash and balances with Central Bank of Kenya	8	7,026	7,735
Government securities	9	22,732	16,049
Deposits and balances due from banking institutions	10	1,661	1,607
Amounts due from group companies	11	5,129	5,845
Other assets	12	1,035	1,248
Loans and advances to customers	13	56,470	50,671
Tax recoverable		-	209
Investments in subsidiary companies	14	432	414
Goodwill	15	136	149
Deferred tax	16	219	238
Property and equipment	17	1,411	1,427
Prepaid operating lease rentals	18	109	144
Retirement benefit asset	19	554	447
Total assets		96,914	86,183
Liabilities			
Customer deposits	20	77,390	69,023
Deposits and balances due to banking institutions	21	27	97
Administered funds	22	2,892	2,974
Other liabilities	23	2,810	2,750
Amounts due to group companies	11	1,648	1,350
Dividends payable		611	-
Tax payable		514	-
Total liabilities		85,892	76,194
Shareholders' equity			
Share capital	24	2,037	1,852
Revaluation reserve		252	234
Retained earnings		7,103	6,791
Proposed dividend	7	1,630	1,112
Total shareholders' equity		11,022	9,989
Total equity and liabilities		96,914	86,183

The financial statements on pages 38 to 65 were approved for issue by the Board of Directors on 12 February 2004 and signed on its behalf by:

Sam Ambundo
Chairman

Charles Ongwae
Finance and Planning Director

Adan Mohamed
Managing Director

Wanjiru A. Nduati
Secretary

Consolidated Statement of Changes in Equity

For the year ended 31 December 2003

	Notes	Share capital Shs million	Retained earnings Shs million	Proposed dividends Shs million	Total Shs million
Year ended 31 December 2002					
At start of year		1,852	7,464	2,084	11,400
Net profit		-	1,783	-	1,783
Dividends:					
- final for 2001 paid		-	-	(2,084)	(2,084)
- interim for 2002 paid		-	(555)	-	(555)
- interim for 2002 paid		-	(555)	-	(555)
- proposed final for 2002	7	-	(1,112)	1,112	-
At end of year		1,852	7,025	1,112	9,989
Year ended 31 December 2003					
At start of year		1,852	7,025	1,112	9,989
Bonus issue of shares		185	(185)	-	-
Net profit		-	3,367	-	3,367
Dividends:					
- final for 2002 paid		-	-	(1,112)	(1,112)
- interim for 2003 paid		-	(611)	-	(611)
- interim for 2003 paid		-	(611)	-	(611)
- proposed final for 2003	7	-	(1,630)	1,630	-
At end of year		2,037	7,355	1,630	11,022

Consolidated Statement of Changes in Equity (continued)

For the year ended 31 December 2003

Notes	Share capital Shs million	Revaluation reserves Shs million	Retained earnings Shs million	Proposed dividends Shs million	Total Shs million
Year ended 31 December 2002					
At start of year	1,852	211	7,253	2,084	11,400
Surplus on revaluation of investment in subsidiary	-	23	-	-	23
Net gains not recognised in income statement	-	23	-	-	23
Net profit	-	-	1,760	-	1,760
Dividends:					
- final for 2001 paid	-	-	-	(2,084)	(2,084)
- interim for 2002 paid	-	-	(555)	-	(555)
- interim for 2002 paid	-	-	(555)	-	(555)
- proposed final for 2002 7	-	-	(1,112)	1,112	-
At end of year	1,852	234	6,791	1,112	9,989
Year ended 31 December 2003					
At start of year	1,852	234	6,791	1,112	9,989
Surplus on revaluation of investment in subsidiary	-	18	-	-	18
Net gains not recognised in income statement	-	18	-	-	18
Bonus issue of shares	185	-	(185)	-	-
Net profit	-	-	3,349	-	3,349
Dividends:					
- final for 2002 paid	-	-	-	(1,112)	(1,112)
- first interim for 2003 paid	-	-	(611)	-	(611)
- second interim for 2003	-	-	(611)	-	(611)
- proposed final for 2003 7	-	-	(1,630)	1,630	-
At end of year	2,037	252	7,103	1,630	11,022

Consolidated Cash Flow Statement

For the year ended 31 December 2003

	Notes	2003 Shs million	2002 Shs million
Cash flows from operating activities			
Interest receipts		8,219	7,530
Interest payments		(966)	(1,720)
Net fee and commission receipts		5,046	4,306
Other income received		1,576	816
Recoveries from loans previously written off	13	173	180
Payments to employees and suppliers		(7,663)	(7,009)
Tax paid		(690)	(975)
Cash flows from operating activities before changes in operating assets and liabilities		5,695	3,128
Changes in operating assets and liabilities:			
- loans and advances		(7,541)	(6,113)
- other assets		195	(399)
- CBK cash reserve requirement	28	1,168	(833)
- Treasury bills maturing after 90 days		87	(6,382)
- administered loans		(82)	2,158
- customer deposits		8,358	12,244
- other liabilities		890	(624)
- amounts due to group companies		(308)	(152)
- amounts due from group companies		-	64
Net cash from operating activities		8,462	3,395
Cash flows from investing activities			
Purchase of property and equipment	17	(298)	(229)
Proceeds from sale of property and equipment		209	42
Net cash used in investing activities		(89)	(187)
Cash flows from financing activities			
Dividends paid		(1,723)	(3,194)
Net cash used in financing activities		(1,723)	(3,194)
Net increase/(decrease) in cash and cash equivalents		6,650	14
Cash and cash equivalents at beginning of year		16,072	16,058
Cash and cash equivalents at end of year	28	22,722	16,072

Accounting Policies

For the year ended 31 December 2003

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

Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are presented in Kenya Shillings (Shs) and are prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

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

Consolidation

The consolidated financial statements comprise the financial statements of Barclays Bank of Kenya Limited and its subsidiary companies made up to 31 December 2003. Subsidiary undertakings have been fully consolidated. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the Bank. A listing of the Bank's subsidiaries is set out in Note 14.

Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on Treasury bills and other discounted instruments. When loans and advances become doubtful of collection, they are written down to their recoverable amounts.

Translation of foreign currencies

Transactions in foreign currencies 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 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.

Investment in subsidiaries

Investments in subsidiary companies are stated at a revaluation based on the net asset value of each subsidiary company at the balance sheet date. The corresponding revaluation surplus is credited to the revaluation reserve of the Bank.

Property and equipment

Property and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Accounting Policies (continued)

For the year ended 31 December 2003

Furniture, fittings and equipment - 5 years

Motor vehicles - 5 years

Improvements on rented premises
Depreciated over the lease period - 7 years

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Leasehold land is classified as an operating lease and accounted for as prepayments and amortised over the lease period.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Investment securities

The group classifies its investment securities, government securities and purchased loans and receivables as available-for-sale assets. Investment securities and purchased loans and receivables intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates, are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-

measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the profit and loss account.

A financial asset is impaired 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 instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows, discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

Originated loans and provisions for loan impairment

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

A provision for loan impairment is established if there is objective evidence that the group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

A general provision for loan impairment is established to cover losses that are judged to be present in the lending portfolio at the balance sheet date, but which have not been specifically

Accounting Policies (continued)

For the year ended 31 December 2003

identified as such. This provision is based on the Directors' assessment of the latent risk of default known to be present in the portfolio of the Bank's advances.

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

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired business or associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight line method over its estimated useful life of 20 years. There is no amortisation during the year of acquisition.

The carrying amount of goodwill is reviewed when circumstances or events indicate that there may be uncertainty over the carrying amount and written down for impairment where the net present value of the forecast future cash flows of the business are insufficient to support the carrying value.

Repurchase agreement transactions

Securities purchased from the Central Bank of Kenya under agreements to resell ("reverse repo's"), are disclosed as Treasury bills as they are held to maturity after which they are repurchased and are not negotiable/discounted during the tenure. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

Retirement benefit obligations

The company operates both a defined benefit plan and defined contribution plan. The assets of this scheme are held in a separate trustee administered fund that is funded by contributions from the company and the employees. Certain of the employees are members of the parent company's defined benefit scheme.

For the defined benefit scheme the pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows.

Actuarial gains and losses are recognised over the average remaining service lives of employees.

The Group's contributions to the company and parent company's defined contribution schemes are charged to the profit and loss account in the year to which they relate.

Employee entitlements

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

Deferred tax

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

Deferred tax assets are recognised only

Accounting Policies (continued)

For the year ended 31 December 2003

to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

Dividends payable

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

Foreign exchange forward contracts

Foreign exchange forward contracts are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models.

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

Acceptances and letters of credit

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

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the group acts in a fiduciary capacity such as nominee, trustee or agent.

Comparatives

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

Notes to the Financial Statements

For the year ended 31 December 2003

	2003 Shs million	2002 Shs million
1 Interest income		
Loans and advances	6,375	5,827
Government securities	1,519	1,807
Cash and short term funds	9	10
Other	141	129
	8,044	7,773
2 Interest expense		
Customer deposits	789	1,309
Deposits by banks	8	10
Other	66	65
	863	1,384
3 Other operating expenses		
Staff costs (Note 4)	3,142	3,936
Other administrative expenses	4,397	3,495
	7,539	7,431
Other administrative expenses include:		
Depreciation (Note 17)	258	355
Amortisation of leasehold land	5	6
Operating lease rentals	258	292
Auditors' remuneration	8	7
4 Staff costs		
The following items are included within staff costs:		
Restructuring costs	663	1,223
Curtailed loss relating to early retirement	-	196
Net termination benefit	663	1,419
Retirement benefit costs		
- Group's retirement benefit scheme	58	262
- parent company's scheme	1	1
Conversion gain in retirement benefit scheme	-	123
The number of persons employed by the Group as at year end was:	1,741	1,811

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

	2003 Shs million	2002 Shs million
5 Tax		
Current tax	1,404	813
Deferred tax (Note 16)	19	(46)
	1,423	767

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

	2003 Shs million	2002 Shs million
Profit before tax	4,790	2,550
Tax calculated at a tax rate of 30% (2002: 30%)	1,437	765
Tax effect of:		
Income not subject to tax	(42)	-
Expenses not deductible for tax purposes	28	2
Tax charge	1,423	767

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 3,367 million (2002: Shs 1,783 m) and on the weighted average number of ordinary shares outstanding during the period.

	2003 Shs million	2002 Shs million
Net profit attributable to shareholders (Shs m)	3,367	1,783
Adjusted weighted average number of ordinary shares in issue (million)	193.2	185.2
Basic earnings per share (Shs)	17	10
Diluted earnings per share (Shs)	17	9

Diluted earnings per share have been computed on the basis of the weighted average number of ordinary shares in issue during the year.

7 Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an annual general meeting. At the forthcoming annual general meeting to be held on 23 April 2004, a final dividend in respect of the year ended 31 December 2003 of Shs 8 per share amounting to a total of Shs 1,630 million is to be proposed. During the year two interim dividends of Shs 3 per share, amounting to a total of Shs 1,222 million was paid. The total dividend for the year is therefore Shs 14 per share (2002: Shs 12), amounting to a total of Shs 2,852 million (2002: Shs 2,222 m).

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

8 Cash and balances with Central Bank of Kenya

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Cash in hand	2,313	2,709	2,313	2,709
Balances with Central Bank of Kenya	4,713	5,026	4,713	5,026
	7,026	7,735	7,026	7,735

9 Investment securities

Government securities

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Treasury bills and bonds: Maturing within 90 days of the date of acquisition	13,614	6,831	13,461	6,691
Maturing after 90 days of the date of acquisition	9,271	9,358	9,271	9,358
	22,885	16,189	22,732	16,049

Treasury bills and bonds are debt securities issued by the Government of Kenya and are classified as available for sale. The weighted average effective interest rate on the Government securities as at 31 December 2002 was 7.2% (2002: 10.6%).

10 Deposits and balances due from banking institutions

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Items in course of collection from other banks	1,081	1,224	1,081	1,224
Placements with other banks	580	383	580	383
	1,661	1,607	1,661	1,607

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

11 Balances with group companies

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Due from:				
Bank balances with Barclays Bank Plc	5,129	5,845	5,129	5,845
Due to:				
Barclays Bank Plc				
- For services rendered	606	104	106	104
- Others	1,023	1,028	1,023	1,028
Other Group companies	19	218	19	218
	1,648	1,350	1,648	1,350

The weighted average effective interest rates at 31 December 2003 on amounts due from Group companies was 2.3% (2002: 2.4%) and on amounts due to Group companies was 1.8% (2002: 0.3%).

12 Other assets

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Stationery stocks	-	68	-	68
Other assets	1,055	1,182	1,035	1,180
	1,055	1,250	1,035	1,248

13 Loans and advances to customers

Overdrafts	12,603	12,743	12,603	12,743
Commercial loans	45,450	38,556	45,450	38,556
Bills discounted	271	254	271	254
Bills negotiated	38	194	38	194
Other	1,676	1,588	1,676	1,588
Advances to customers (gross)	60,038	53,335	60,038	53,335
Less:				
Provisions for impaired loans and advances				
- specific	(2,652)	(1,914)	(2,652)	(1,914)
- general	(916)	(750)	(916)	(750)
Loans and advances to customers net of provisions	56,470	50,671	56,470	50,671

The aggregate amount of impaired loans included in the balance sheet (net of impairment losses) is Shs 6,192 million (2002: Shs 6,011 m). All such loans have been written down to their recoverable amount.

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

13 Loans and advances to customers (continued)

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

	Group and the Company		
	Specific provisions Shs million	General provision Shs million	Total Shs million
At 1 January 2002	1,032	929	1,961
New impairment provisions	1,154	-	1,154
Increases/(releases) of impairment provisions	881	(179)	702
Recoveries and impairment provisions no longer required	(209)	-	(209)
Net increase/(decrease) in impairment provisions	1,826	(179)	1,647
Amounts written off during the current period	(944)	-	(944)
At 31 December 2002	1,914	750	2,664
Net increase/(decrease) in impairment provisions above	1,826	(179)	1,647
Amount recovered previously written off	(134)	-	(134)
Net impairment charge/(credit) to profit and loss account	1,692	(179)	1,513
At 1 January 2003	1,914	750	2,664
New impairment provisions	1,158	-	1,158
Increased impairment provisions	701	166	867
Recoveries and impairment provisions no longer required	(246)	-	(246)
Net increase/(decrease) in impairment provisions	1,613	166	1,779
Amounts written off during the current period	(875)	-	(875)
At 31 December 2003	2,652	916	3,568
Net increase in impairment provisions above	1,613	166	1,779
Amounts recovered previously written off	(166)	-	(166)
Net impairment charge to profit and loss account	1,447	166	1,613

The weighted average effective interest rate on loans and advances at 31 December 2003 was 11.6% (2002: 11.2%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

13 Loans and advances to customers (continued)

The loans and advances to customers include lease receivables, which may be analysed as follows:

	Group and the Company	
	2003 Shs million	2002 Shs million
Gross investment in leases	686	34
Unearned future finance income	(88)	(1)
Net investment in leases	598	33
Net investment in leases may be analysed as follows:		
Not later than 1 year	17	-
Later than 1 year and not later than 5 years	581	33
Later than 5 years	-	-
Net investment in leases	598	33

No specific provisions for lease receivable are included in the provision for loan impairment.

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

	Group and the Company	
	2003 %	2002 %
Manufacturing	15	18
Wholesale and retail trade	10	11
Transport and communications	9	10
Business services	2	3
Agricultural	5	5
Private individuals	26	16
Other	33	37
	100	100

14 Investments in subsidiary companies

	Percentage Shareholding	2003 Shs million	2002 Shs million
Barclays Financial Services Limited	100%	275	275
Barclays Advisory and Registrar Services Limited	100%	157	139
Barclays (Kenya) Nominees Limited	100%	-	-
Barclays Mercantile Limited	100%	-	-
		432	414

Barclays Advisory and Registrar Services provides registrar services, advice and acts as a sponsor for corporate clients requiring public share issues on the Nairobi stock exchange. Barclays (Kenya) Nominees Limited holds various securities on behalf of customers of Barclays Bank of Kenya. Barclays Financial Services Limited (formerly Barclays Mortgages Limited) and Barclays Mercantile Limited are dormant companies. All the subsidiaries are incorporated in Kenya.

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

15 Goodwill	2003 Shs million	2002 Shs million
Net book amount		
At start of the year	149	153
Amortisation charge for the year	(13)	(4)
At end of year	136	149
Cost	153	153
Accumulated amortisation	(17)	(4)
	136	149

16 Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2002: 30%). The movement on the deferred tax account is as follows:

	2003 Shs million	2002 Shs million
At start of year	238	192
Income statement (credit)/charge	(19)	46
At end of year	219	238
The net deferred tax asset is attributable to the following:		
General provision for bad and doubtful debts	275	225
Excess of accounting depreciation over tax depreciation	110	113
Retirement benefit asset	(166)	(100)
At end of year	219	238

Consolidated deferred tax assets and liabilities and deferred tax charge/(credit) in the profit and loss account are attributable to the following items.

Charged/(credited) to Profit & Loss Account			
	1.1.2003		31.12.2003
Deferred tax liabilities			
Others	(100)	(66)	(166)
Deferred tax assets			
Property and equipment on historical cost	113	(3)	110
Provisions	225	50	275
Net deferred tax asset	238	(19)	219

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

17 Property and equipment

	The Group and Company				
	Freehold land and buildings Shs million	Buildings Shs million	Fixtures fittings equipment Shs million	Motor vehicles Shs million	Total Shs million
Cost or valuation					
At 1 January 2003	88	1,351	2,936	252	4,627
Additions	-	155	143	-	298
Disposals	(1)	(64)	(22)	(30)	(117)
At 31 December 2003	87	1,442	3,057	222	4,808
Depreciation					
At 1 January 2003	27	445	2,556	172	3,200
Charge for the year	1	53	176	28	258
Eliminated on disposals	-	(13)	(22)	(26)	(61)
At 31 December 2003	28	485	2,710	174	3,397
Net book amount					
At 31 December 2003	59	957	347	48	1,411
At 31 December 2002	61	906	380	80	1,427

In the opinion of the Directors there has been no impairment of property and equipment.

18 Prepaid operating lease rentals

Leasehold land is disclosed as prepaid operating lease rentals and carried at cost less amortisation over the period of the lease.

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
At start of the year	144	150	144	150
Disposals	(30)		(30)	
Amortisation charge for the year	(5)	(6)	(5)	(6)
At end of year	109	144	109	144

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

19 Retirement benefit asset

The amounts recognised in the balance sheet are determined as follows:

	Group and Company	
	2003 Shs million	2002 Shs million
Present value of funded obligations	(7,331)	(5,309)
Fair value of scheme assets	6,254	4,366
Present value of under-funding	(1,077)	(943)
Unrecognised actuarial losses	1,631	1,390
Asset in the balance sheet	554	447

The amounts recognised in the profit and loss account for the year are as follows:

Current service cost	172	143
Interest cost	391	512
Expected return on plan assets	(505)	(455)
Amortisation of unrecognised actuarial losses	-	62
Net charge before curtailment gain	58	262
Conversion/curtailment loss	-	73
Net charge for the year included in staff costs	58	335
Contributions paid	(165)	(178)
Movement in the asset recognised in the balance sheet	(107)	157

The actual return on scheme assets was 45% (2002: - 1.8%).

The principal actuarial assumptions used were as follows:

- discount rate	7.0%	12.5%
- expected rate of return on scheme assets	9.5%	15.0%
- future salary increases	5.0%	8.5%
- future pension increases	2.5%	3.0%

20 Customer deposits

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Current and demand deposits	28,620	22,671	28,620	22,671
Savings accounts	37,215	32,416	37,215	32,416
Fixed deposit accounts	11,555	13,936	11,555	13,936
	77,390	69,023	77,390	69,023

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2003 was 1.1% (2002: 1.9%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

21 Deposits and balances due to banking institutions

	Group and Company	
	2003 Shs million	2002 Shs million
Items in the course of collection	27	97

22 Administered funds

Administered funds relate to loans administered on behalf of agencies as follows:

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
European Investment Bank (EIB)				
Global Private Enterprises loan programme funding	1,797	1,823	1,797	1,823
PROPARCO funding	1,095	1,151	1,095	1,151
	2,892	2,974	2,892	2,974

The weighted average effective interest rate on the administered loans at 31 December 2003 was 1.2% (2002: 1.7%).

23 Other liabilities

	Group		Company	
	2003 Shs million	2002 Shs million	2003 Shs million	2002 Shs million
Bills payable	1,113	934	1,113	934
Other	1,446	1,547	1,697	1,816
	2,559	2,481	2,810	2,750

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

24 Share capital

	Number of shares Shs million	Ordinary shares Shs million
Balance at 1 January 2003	185	1,852
Bonus issue of shares	19	185
Balance at 31 December 2003	204	2,037

The total authorised number of ordinary shares is 204 million with a par value of Shs 10 per share. All issued shares are fully paid.

On 25 April 2003 a bonus issue of one share for every ten held was made by capitalising Shs 185 million from retained earnings. A total of 18,516,600 shares were issued.

The distribution of shareholders as at 31 December 2003 was as follows:

Share range	Number of shareholders	Shares held	%
Less than 500	10,962	2,183,360	1.1
501 to 5,000	22,127	27,370,533	13.4
5,001 to 10,000	370	2,648,801	1.3
10,001 to 100,000	488	12,241,481	6.0
100,001 to 1,000,000	48	11,403,112	5.6
Above 1,000,000	6	147,835,313	72.6

The top ten shareholders as at 31 December 2003 were:

Name	Shares held	%
1 Barclays Bank Plc	139,530,600	68.50
2 Barclays (Nominees) Kenya Limited – Account No. 1256	2,219,961	1.08
3 Barclays (Nominees) Kenya Limited – Account No. 9002	2,092,072	1.02
4 Barclays (Nominees) Kenya Limited – Account No. 1853	1,635,190	0.80
5 Barclays (Nominees) Kenya Limited – Account No. 9011	1,182,282	0.58
6 Old Mutual Life Assurance Company Limited	1,130,181	0.55
7 Kenya Commercial Bank Limited Nominees – Account No. 744	825,126	0.40
8 Janksinh Karsandas Babla	818,544	0.40
9 Barclays (Nominees) Kenya Limited – Account No. 1860	484,000	0.23
10 African Liaison and Consultant Services Limited	463,248	0.22
Others	53,301,396	26.22

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

25 Off-balance sheet financial instruments, contingent liabilities and commitments

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

	Group and Company	
	2003 Shs million	2002 Shs million
Contingent liabilities		
Acceptances and letters of credit	4,284	6,654
Guarantee and performance bonds	7,626	6,673
	11,910	13,327

Nature of the contingent liability

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

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

Commitments

	Group and Company	
	2003 Shs million	2002 Shs million
Undrawn formal stand-by facilities, credit lines and other commitments to lend	5,620	5,705
Foreign exchange forward rate agreements at contract value	737	712
Foreign exchange spot settlement agreements	1,196	1,121
	7,553	7,538

Commitments to lend are agreements to lend to a customer in future, subject to certain conditions. Such commitments are normally made for a fixed period. The Bank may withdraw from its contractual obligation for the undrawn portion of agreed overdraft limits by giving reasonable notice to the customer.

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

Contingent tax liabilities

There are a number of open tax issues that are currently the subject of discussion between Barclays Bank of Kenya Limited and the Kenya Revenue Authority. Based on appropriate professional advice, the Directors are of the opinion that no loss is expected and therefore, no provision has been made in these accounts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

26 Fiduciary activities

The Group holds asset security documents on behalf of customers with a value of Shs 66,443 million (2002: Shs 53,819 m). Most of these securities are held by the custody services department. The assets held comprise deposits with financial institutions, government securities, debentures and quoted and unquoted shares.

27 Business segments

The major part of the business, which is all within Kenya, falls under the category of banking, with other income comprising less than 2% of the total income of the Group. No segment information is therefore reported.

28 Analysis of the balances of cash and cash equivalents as shown in the consolidated cash flow statement

	2003 Shs million	2002 Shs million
Cash and balances with Central Bank of Kenya	7,026	7,735
Treasury bills maturing within ninety days	13,614	6,831
Balances due from Group companies	5,129	5,845
Deposit and balances due from banking institutions	1,661	1,607
Deposits and balances due to banking institutions	(27)	(97)
Central Bank of Kenya cash reserve requirement	(4,681)	(5,849)
	22,722	16,072

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, Treasury bills and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Kenya.

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the Bank's day-to-day activities. The amount is determined as 6% of the average outstanding customer deposits over a cash reserve cycle period of one month.

29 Interest rate risk

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing risk lies with the Managing Director. On a day-to-day basis risks are managed through a number of management committees. Through this process the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the executive committee and the Board.

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

29 Interest rate risk (continued)

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

	Up to 1 Month	1-3 Months	3-12 Months	Over 1 Year	Non- interest bearing	Total
Assets						
Cash and balances with Central Bank of Kenya	-	-	-	-	7,026	7,026
Government securities	1,283	11,481	7,145	2,976	-	22,885
Deposits and balances due from banking institutions	500	80	-	-	1,081	1,661
Amounts due from Group companies	5,129	-	-	-	-	5,129
Other assets	-	-	-	-	1,055	1,055
Loans and advances to customers	50,278	-	-	-	6,192	56,470
Property and equipment	-	-	-	-	1,411	1,411
Operating lease rentals	-	-	-	-	109	109
Goodwill	-	-	-	-	136	136
Retirement benefit asset	-	-	-	-	554	554
Deferred tax asset	-	-	-	-	219	219
Total assets	57,190	11,561	7,145	2,976	17,783	96,655
Liabilities & equity						
Customer deposits	47,192	7,616	353	-	22,229	77,390
Deposits and balances due to banking institutions	27	-	-	-	-	27
Administered funds	-	-	-	2,892	-	2,892
Other liabilities	-	-	-	-	2,559	2,559
Amounts due to Group companies	1,648	-	-	-	-	1,648
Taxation	-	-	-	-	506	506
Dividends payable	-	-	-	-	611	611
Shareholders' funds	-	-	-	-	2,037	2,037
Capital and reserves	-	-	-	-	8,985	8,985
Total liabilities and equity	48,867	7,616	353	2,892	36,927	96,655
Interest sensitivity gap	8,323	3,945	6,792	84	(19,144)	-
As at 31 December 2002						
Total assets	51,591	5,622	1,268	8,090	19,343	85,914
Total liabilities and equity	42,649	10,129	1	2,974	30,161	85,914
Interest sensitivity gap	8,942	(4,507)	1,267	5,116	(10,818)	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

30 Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2003 to the contractual maturity date. All figures are in millions of Shillings.

	Up to 1 Month	1-3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 Years	Total
Assets							
Cash and balances with Central Bank of Kenya	6,544	461	21	-	-	-	7,026
Government securities	1,283	11,481	7,145	2,976	-	-	22,885
Deposits and balances due from banking institutions	1,581	80	-	-	-	-	1,661
Amounts due from Group companies	5,129	-	-	-	-	-	5,129
Other assets	1,055	-	-	-	-	-	1,055
Advances to customers	23,171	5,240	4,371	13,124	7,364	3,200	56,470
Property and equipment	-	-	-	-	-	1,411	1,411
Prepaid operating lease rental	-	-	-	-	-	109	109
Goodwill	-	-	-	-	-	136	136
Retirement benefit asset	-	-	-	554	-	-	554
Deferred tax asset	-	-	-	-	219	-	219
Total assets	38,763	17,262	11,537	16,654	7,583	4,856	96,655
Liabilities & equity							
Customer deposits	69,421	7,616	353	-	-	-	77,390
Deposits and balances due to banking institutions	27	-	-	-	-	-	27
Administered funds	-	-	2,892	-	-	-	2,892
Other liabilities	2,559	-	-	-	-	-	2,559
Amounts due to Group companies	1,648	-	-	-	-	-	1,648
Taxation	-	506	-	-	-	-	506
Dividends payable	611	-	-	-	-	-	611
Capital and reserves	-	-	-	-	-	11,022	11,022
Total liabilities & equity	74,266	8,122	3,245	-	-	11,022	96,655
Net liquidity gap	(35,503)	9,140	8,292	16,654	7,583	(6,166)	-
As at 31 December 2002							
Total assets	39,168	12,051	5,091	19,738	5,109	4,757	85,914
Total liabilities and equity	62,821	10,129	2,975	-	-	9,989	85,914
Net liquidity gap	(23,653)	1,922	2,116	19,738	5,109	(5,232)	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

30 Liquidity risk (continued)

The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and calls on cash settled contingencies. The Group does not maintain cash resources to meet all these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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.

31 Currency risk

The Group operates wholly within Kenya and its assets and liabilities are carried in the local currency. The Group maintains trade with the majority shareholder and other correspondent banks and its foreign currency exposure as at 31 December 2003 was Shs 142 million (2002: Shs 13 m).

The various currencies to which the Bank is exposed at 31 December 2003 are summarised in the table below (all amounts expressed in millions of Kenya Shillings):

As at 31 December 2003					
	USD	GBP	Euro	Other	Total
Assets					
Deposits and balances due from banking institutions	3,270	1,862	205	93	5,430
Loans and advances to customers	7,438	9	3,541	-	10,988
Other assets	380	6	60	1	447
Total assets	11,088	1,877	3,806	94	16,865
Liabilities					
Customer deposits	8,267	1,862	1,646	27	11,802
Deposits and balances due to banking institutions	336	308	-	37	681
Administered funds	867	-	1,682	-	2,549
Other liabilities	579	28	91	9	707
Total liabilities	10,049	2,198	3,419	73	15,739
Net balance sheet position	1,039	(321)	387	21	1,126
Off-balance sheet net notional position	(908)	314	(388)	(2)	(984)
Overall net position	131	(7)	(1)	19	142
As at 31 December 2002					
Total assets	10,671	1,784	3,264	308	16,027
Total liabilities	9,202	1,676	2,968	261	14,107

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

31 Currency risk (continued)

	USD	GBP	Euro	Other	Total
Net balance sheet position	1,469	108	296	47	1,920
Off balance sheet net notional position	(1,485)	(101)	(282)	(39)	(1,907)
Overall net position	(16)	7	14	8	13

32 Credit risk

The Group takes on exposure to credit risk, which is the risk that a counter party will be unable to pay amounts in, full when due. The Group structures the levels of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward exchange contracts. Actual exposures against limits are monitored daily.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral corporate and guarantees. Credit risk is spread over a diversity of personal and commercial customers as set out in Note 13. The credit risk exposure relating to contingencies and commitments is further outlined in Note 26.

33 The Central Bank of Kenya (Amendment) Act 2000

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

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

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2003

34 Related party transactions

The ultimate parent of the Group is Barclays PLC incorporated in the United Kingdom. There are other companies which are related to Barclays Bank of Kenya Limited through common shareholdings or common directorships.

In the normal course of business, placings of foreign currencies are made with the parent company and other companies at interest rates in line with the market. The relevant balances are shown in note 11 above. The parent company also provides consultancy services from time to time for which it charges at market rates.

	2003 Shs million	2002 Shs million
Directors emoluments		
- Fees	7	2
- Executive	39	39
Amounts due from Directors		
Balance at the start of the year	95	63
Amounts advanced during the year	5	47
Repayments received	(10)	(15)
Balance at the end of year	90	95

At 31 December 2003 advances to companies controlled by Directors or their families amounted to Shs 90 million (2002: Shs 95 m).

At 31 December 2003 advances to employees amounted to Shs 2,842 million (2002: Shs 2,240 m).

All the above loans were given on commercial terms and conditions.

No provisions have been recognised in respect of loans given to the Directors (2002: Nil).

Deposits

During the year the Directors maintained various deposit accounts with the Bank which included current, savings and fixed deposit accounts. At 31 December 2003 balances relating to Directors' deposits amounted to Shs 22 million (2002: Shs 4 m).

Branch Network

Head Office	Address	Telephone	Fax
Barclays Plaza, Loita Street	Box 30120, 00100 Nairobi	(020) 332230 (020) 313405 (020) 241270 (020) 2714471	(020) 331396
Barclaycard Centre, Nairobi	Box 70292, 00400 Nairobi		(020) 2717150 (020) 2715217 (041) 223884
Mombasa Card Centre	Box 43212, 80100 Msa	(041) 316200 / 222940	
Plaza Business Centre	Box 46661, 00200 Nairobi	(020) 332230 / 241270	(020) 331396
Plaza Premier Centre	Box 46661, 00200 Nairobi	(020) 332230 / 241270	(020) 215769
Nairobi Branches			
ABC Box 30120, 00100 Nairobi	(020) 4446641 / 2	(020) 4446642	
Enterprise Road	Box 18060, 00500 Nairobi	(020) 530700 / 1, 530851 / 2	(020) 543388
Halle Selassie	Box 20415, 00200 Nairobi	(020) 336324 / 221806	(020) 338169
Hurlingham	Box 34974, 00505 Nairobi	(020) 2710114 (020) 2715408 (020) 2710667 (020) 822021 (020) 884335	(020) 2715393
JKIA Box 19011, 00501 Nairobi	(020) 822395 / 024, 351202		
KarenBox 24189, 00502 Nairobi	(020) 882932 / 882162 / 3		
Lavington Green	Box 34974, 00603 Nairobi	(020) 562455 / 573553	(020) 562455
Market	Box 30018, 00200 Nairobi	(020) 229434 / 6, 222476 / 7	(020) 330629
Moi Avenue	Box 30116, 00100 Nairobi	(020) 252244	(020) 214197
Mombasa Road	Box 30120, 00100 Nairobi	(020) 350124 / 5 / 6	-
Muthaiga	Box 39990, 01031 Nairobi	(020) 3740624 / 3741501 / 2	(020) 3741507
NIC House	Box 72058, 00200 Nairobi	(020) 2714200 / 2715365	(020) 2714871
Plaza Box 30120, 00100 Nairobi	(020) 241270 / 5, 332230	(020) 331396	
Queensway	Box 30011, 00200 Nairobi	(020) 223161 / 6, 223176 / 7	(020) 213530 (020) 245804
Rahimtulla	Box 30120, 00100 Nairobi	(020) 2719173 / 4	-
Ruaraka	Box 60590, 00618 Nairobi	(020) 802973, 861760 / 1	(020) 803755
Westlands	Box 14403, 00300 Nairobi	(020) 4442685 / 6 / 7, 4448911 / 2	(020) 4444776
Coast Branches			
Bamburi	Box 90182, 80100 Mombasa	(041) 548534, 5487168 / 86	(041) 5487134
Changamwe	Box 93603, 80100 Mombasa	(041) 432094 / 2, 432075	(041) 432164
Diani Box 685, 80400 Ukunda	(040) 3202448 / 9, 3202487 / 8	(040) 3202509	
Digo Road	Box 90184, 80100 Mombasa	(041) 316045 / 6, 224570 / 3	(041) 229997
Kilifi Box 90, 80108 Kilifi	(041) 22024 / 51, 22580	(041) 22540	
Malindi	Box 100, 80200 Malindi	(042) 30002, 30870 / 3	(042) 20692
Nkurumah Road Mombasa	Box 90182, 80100 Mombasa	(041) 311660 / 4, 229700	(041) 314477
Upcountry Branches			
Bungoma	Box 91, 50200 Bungoma	(055) 30904 / 8 / 12 / 16	(055) 30475
Eldoret	Box 22, 30100 Eldoret	(053) 32881 - 9	(053) 32890
EmbuBox 88, 60100 Embu	(068) 20066 / 7 / 8, 20906	(068) 30717	
Homabay	Box 368, 40300 Homa Bay	(059) 22404 - 6, 22183	(059) 22248
Kakamega	Box 1815, 30100 Kakamega	(056) 20831, 30028, 20618	(056) 20191
Kiambu	Box 80, 00900 Kiambu	(066) 22812 / 22873	(066) 22158
Karatina	Box 320, 10101 Karatina	(061) 72010 / 1, 72518	(061) 72528
Kericho	Box 79, 20200 Kericho	(052) 20274 / 5, 30607 / 8	(052) 30010
Kerugoya	Box 181, 10300 Kerugoya	(060) 21063 / 4, 21895	(060) 21146
Kisii Box 99, 40200 Kisii	(058) 20021 - 3, 20096 / 80 / 83	(058) 21029	
Kisumu	Box 831, 40100 Kisumu	(057) 41210 / 11 / 29 / 45, 41281	(057) 40066
KitaleBox 62, 30200 Kitale	(054) 20842 / 3, 30410 / 8	(054) 20544	
Limuru	Box 252, 00217 Limuru	(066) 71621, 71200 / 2	(066) 71059
Machakos	Box 652, 90100 Machakos	(044) 20144 / 5, 20333	(044) 21567
Meru Box 92, 60200 Meru	(064) 20785 / 6, 30108	(064) 30927	
Molo Box 72, 20106 Molo	(051) 21330, 21338	(051) 21034	
Muranga	Box 159, 10200 Murang'a	(060) 30114, 33008	(060) 22452
Nakuru East	Box 59, 20100 Nakuru	(051) 211825 / 9, 42438 / 9	(051) 45994
Nakuru West	Box 111, 20100 Nakuru	(051) 211825 / 9, 42438 / 9	(051) 43844
Naivasha	Box 654, 20117 Naivasha	(050) 20202 / 3, 20339	(050) 20139
Nanyuki	Box 214, 10400 Nanyuki	(062) 22211 / 2 / 3, 31882	(062) 32192
Nyahururu	Box 15, 20300 Nyahururu	(065) 32345 - 8	(065) 32053
Nyeri Box 239, 10100 Nyeri	(061) 30792 / 3 / 4 / 5, 30871 / 2	(061) 30873	
Sotik Box 767, 20406 Sotik	(052) 32091, 32048	(052) 32196	
Thika Box 219, 01000 Thika	(067) 30229, 21201 / 3	(067) 22318	
Webuye	Box 1020, 50205 Webuye	(055) 41027, 41373, 41490	(055) 41250
Prestige Centres			
ABC Prestige Centre	Box 14403, 00300 Nairobi	(020) 4446641 / 2	(020) 4446642
Eldoret Prestige Centre	Box 22, 30100 Eldoret	(053) 32881 - 8 / 33380	(053) 32890
Harambee Prestige Centre	Box 72700, 00200 Nairobi	(020) 333132 / 3, 226140	(020) 330779
Hurlingham Prestige Centre	Box 34974, 00505 Nairobi	(020) 2710114, 2710667	(020) 2731179
Karen Prestige Centre	Box 24189, 00502 Nairobi	(020) 882932, 882162 / 3	(020) 884335
Kisumu Prestige Centre	Box 831, 40100 Kisumu	(057) 41210, 23244	(057) 40066
Malindi Prestige Centre	Box 100, 80200 Malindi	(042) 31530	(042) 20692
Moi Avenue Prestige Centre	Box 90182, 80100 Mombasa	(041) 312433 / 6	(041) 312647
Nakuru West Prestige Centre	Box 111, 20100 Nakuru	(051) 211825 - 9, 42438 / 9	(051) 43523
Nkurumah Rd Prestige Centre	Box 90182, 80100 Mombasa	(041) 311661 / 4, 229255	(041) 224699
Nyerere Avenue Prestige Centre	Box 90182, 80100 Mombasa	(041) 311461, 311427	(041) 311460
Plaza Prestige Centre	Box 46661, 00200 Nairobi	(020) 241270, 332230	(020) 331396
Queensway Prestige Centre	Box 30011, 00200 Nairobi	(020) 223161 / 6, 223176 / 7	(020) 338724
Rahimtulla Prestige Centre	Box 72058, 00200 Nairobi	(020) 2719173	(020) 2719176
Sarit Prestige Centre	Box 14403, 00300 Nairobi	(020) 3744742, 4449859	(020) 3747133
Warwick Prestige Centre	Box 39990, 10131 Nairobi	(020) 521123, 521945	(020) 521945
Yaya Prestige Centre	Box 34974, 00505 Nairobi	(020) 578327 / 8	(020) 578329

Proxy Form

Barclays Advisory & Registrar Services
Barclays Bank of Kenya Limited
Bank House, Moi Avenue
P. O Box 30120, Nairobi

I/We _____

of _____

being a member of Barclays Bank of Kenya Limited, hereby appoint _____

of (address) _____

or failing him/her _____

of (address) _____

and failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the twenty third Annual General meeting of the Company to be held on 23 April 2004 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2004.

Signature(s) _____

This form is to be used* in favour of/against the resolution. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

*Delete whichever is not applicable.

NOTE 1. *In case of a member being a corporation the proxy must be under its common seal or the hand of an officer or attorney duly authorised in writing.*

NOTE 2. *To be valid, this proxy form must be duly completed and delivered to the registered office of the Company not later than 11:00 on Monday 19 April 2004.*

A member entitled to attend and vote at the meeting is entitled to appoint a proxy on his behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is provided with this report, must be duly completed by the member in proxy and must be lodged at the registered office of the Company, 1st Floor, Bank House, Moi Avenue, Nairobi, or be posted, so as to reach the Company not later than 11.00 on Monday 19 April 2004.

Any member may by notice duly signed by him and delivered to the registered office of the Company not less than seven days and not more than 28 days before the day appointed for this meeting propose any other person for election to the Board, such notice must be accompanied by a notice signed by the person proposed indicating his willingness to be elected.

Fomu ya mwakilishi

Barclays Advisory & Registrar Services
Barclays Bank of Kenya Limited
Bank House, Moi Avenue
P. O Box 30120, Nairobi

Mimi/Sisi _____

wa Mwanachama/Wanachama wa Kampuni iliotajwa hapo juu, namteua _____

wa (anwani) _____

au kama siye _____

wa (anwani) _____

au badili yake Mwenyekiti wa Mkutano awe muwakilishi wangu/yetu kwa kupiga kura yangu/yetu na kwa niaba yangu/yetu kwenye kikao cha ishirini na tatu cha Mkutano Mkuu wa Mwaka utakaofanyika siku ya tarehe 23 Aprili 2004 na kwenye uahirishwaji wake wowote.

Kwa ushahidi wangu/wetu _____

hii _____ siku ya _____ 2004.

Sahihi _____

Fomu hii itatumika* kwa kuunga mkono/kupinga mswada. Isipokuea ikishauriwa vingine mwakilishi atapiga kura anavyo-onelea mwenyewe.

*Futa ile isiyo husika.

IFAHAMIKE 1. Ikiwa mwanachama ni shirika uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria alio-idhinishwa kwa maandishi.

IFAHAMIKE 2. Ili kuwa halali, fomu hii ya uwakilishi lazima ijazwe na kupelekwa kwenye afisi zilizo-andikishwa za kampuni sio baada ya saa 5 asubuhi siku ya Jumatatu tarehe 19 Aprili 2004.

Mwanachama anaestahili kuhudhuria na kupiga kura mkutanoni anaweza kumteua mwakilishi ahudhuria kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Ili kuswihi, mwanachama anahitajika kujaza fomu ya uwakilishi iliyoko kwenye taarifa hii na ni lazima ifikishwe katika Afisi iliyosajiliwa ya Kampuni, Orofa ya kwanza, Bank House, Barabara ya Moi Avenue, S. L. Posta 30120, Nairobi au itumwe kwa posta ili iwe imefika kwa Kampuni kabla ya saa Tano asubuhi siku ya Jumatatu tarehe 19 Aprili 2004.

Mwanachama yeyote anaweza kwa taarifa aliyoitia sahihi mwenyewe na kuwasilisha katika afisi iliyosajiliwa ya Kampuni siku zisizo pungua saba na zisizozidi ishirini na nane kabla ya siku iliyochaguliwa ya kikao hiki kumpendekea mtu mwengine yeyote kuchaguliwa kwenye Halmashauri, arifa hiyo ni lazima iandamane na notisi iliyotiwa saina na mtu aliyependekezwa ikionyesha ridhaa yake ya kuchaguliwa.