

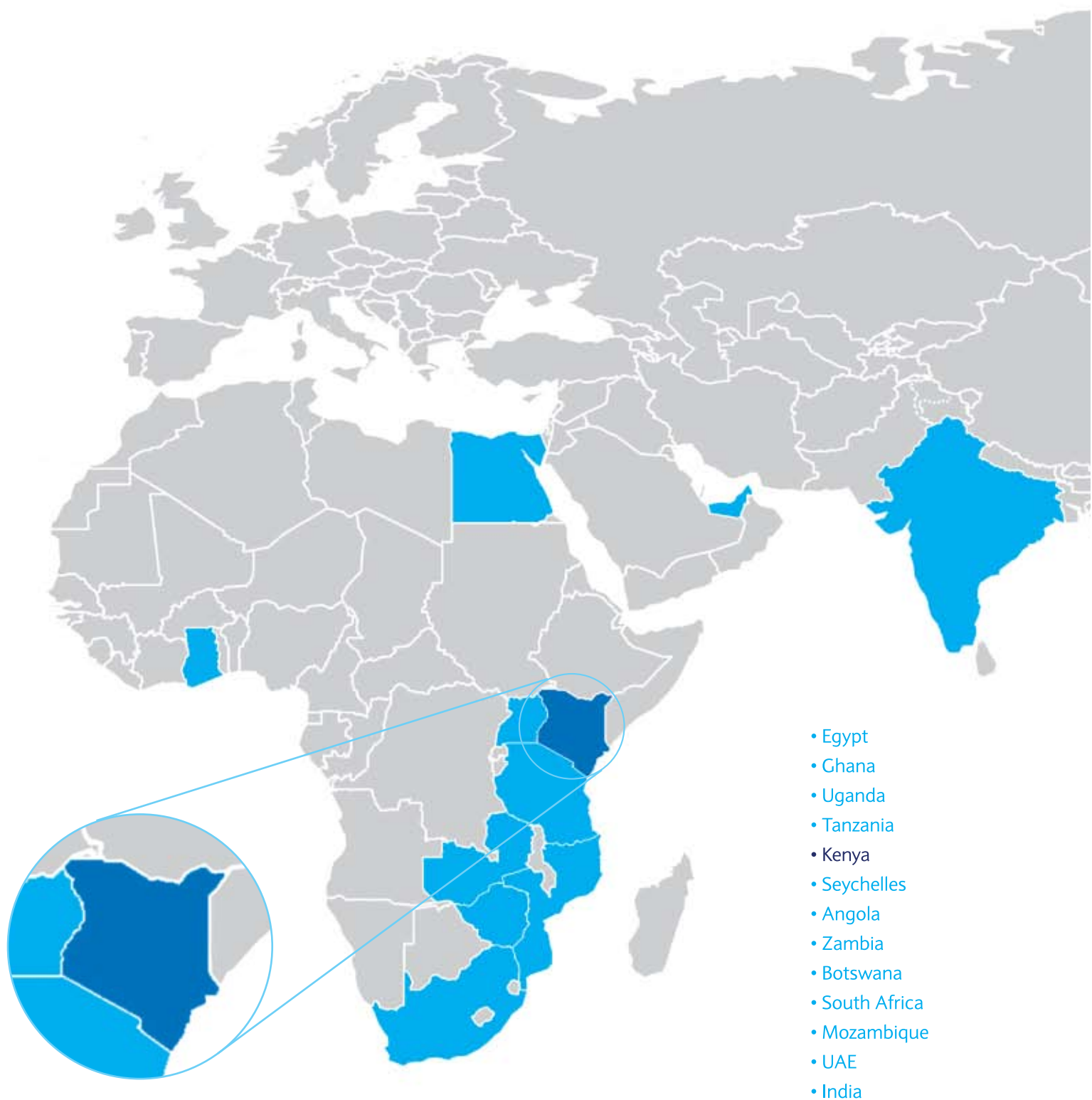


Barclays Bank of Kenya Limited

# Annual Report 2007



# Barclays Emerging Markets



# Table of contents

Barclays GRCB Emerging Markets Overview	4
Barclays Kenya Overview	5
Directors' Profiles	6 - 7
Notice of Annual General Meeting	8
Tangazo la Mkutano Mkuu wa Mwaka	9
Chairman's Statement	10 - 12
Taarifa ya Mwenyekiti	13 - 15
Managing Director's Report	16 - 21
Ripoti ya Mkurugenzi Mkuu	22 - 26
Corporate Social Responsibility	27 - 28
Report of the Directors for the year ended 31 December 2007	29 - 30
Ripoti ya Wakurugenzi ya Mwaka Uliyopita wa Desemba 31 2007	31 - 32
Corporate Governance Statement	33 - 34
Statement of Directors' Responsibilities	35
Five Year Group Review	36
Financial Graphs	37
Report of the Independent Auditor to the Members of Barclays Bank of Kenya	38
Taarifa ya Wakaguzi wa Hesabu Huru kwa Wanachama wa Benki ya Barclays	39
<b>Financial Statements:</b>	
• Consolidated Profit and Loss Account	40
• Consolidated Balance Sheet	41
• Company Balance Sheet	42
• Consolidated Statement of Changes in Equity	43
• Company Statement of Changes in Equity	44
• Consolidated Cash Flow Statement	45
• Notes to the Financial Statements	46 - 82
Proxy Form/Fomu ya Uakilishi	83 - 84
Branch Network	85 - 86

# GRCB Emerging Markets Overview

Global Retail and Commercial Banking (GRCB) Emerging Markets is responsible for Barclays businesses in the following markets:

- Sub-Saharan Africa
- The UAE and Gulf Cooperation Council (GCC) countries
- Egypt and North Africa
- India and Indian Ocean.

These markets provide a base for further growth, building on the experience we already have in each area.

## **Sub-Saharan Africa**

Barclays operates in Botswana, Ghana, Kenya, Tanzania, Uganda, Zambia and Zimbabwe. We also have a representative office in Nigeria.

Barclays innovative approach to doing business in Africa is rooted in our 100 years of experience in the financial services markets across the continent.

## **United Arab Emirates (UAE) and Gulf Cooperation Council (GCC) countries**

Barclays has been operating in the UAE for more than 30 years. Offices in Dubai and Abu Dhabi serve the commercial banking needs of private sector corporate clients, subsidiaries of multinationals, and regional and domestic corporations in the Gulf.

## **Egypt and North Africa**

Building on a history of 80 years in the Egyptian market, Barclays Bank Egypt today has a well-spread client base, including leading international, regional and domestic companies and high net worth private banking clients.

## **India and Indian Ocean**

Barclays has been operating in India since the late 1970s. We are committed to creating a corporate and retail banking presence to take advantage of the major changes, such as liberalisation, that are occurring in India.

Barclays was the first bank to operate in Seychelles opening its first branch in 1959. The business has grown with the development of the tourist economy.

Barclays is the third largest bank in Mauritius having been established on the island for over 80 years. The customer base covers the personal, corporate and offshore sectors.

# Barclays Kenya Overview

Barclays Bank of Kenya, a subsidiary of Barclays PLC has operated in Kenya for over 90 years and has an extensive network of over 107 branches and 193 ATMs across the country.

Barclays is the leading bank in Kenya with the largest asset base and the largest market share in Kenya in terms of customer loans and customer deposits. Key services offered are Corporate Banking, Retail Banking, Credit Card Business and Treasury Services.

Our extensive network, supported by a staff complement of over 6,900 and a variety of newly developed tailor-made products and services, has ensured a solid and growing customer base spread across the country.

In 2007, Barclays Kenya won several awards, including:

- East Africa's Most Respected Company – (Financial Services) by PriceWaterhouseCoopers
- Bank of the Year – By *The Banker* (Financial Times)
- Best Bank in Kenya – By *Global Finance*
- Best Bank in Kenya – By *Think Business Banking Survey*

Lastly, Barclays impressive financial performance over the years has built confidence among the 58,946 shareholders, attaining the reputation of being one of the leading blue chip companies on the Nairobi Stock Exchange.

**BARCLAYS**

**I wish it was simpler to get a loan**  
We've heard you.

- Borrow unsecured from 50K to 2M
- Pay as little as 2K a month

**Let's grow together, Barclays.**

**BARCLAYS**

**Come park your spare cash with us**  
Open a Barclays Fixed Deposit Account

MINIMUM 50,000 Kshs	
60 Months up to	8%
48 Months up to	7.5%
36 Months up to	7%
24 Months up to	6.5%
12 Months up to	6%
6 Months up to	5.25%
1-3 Months up to	5%

Come see us and let's chat.  
**Let's grow together, Barclays.**

# Board of Directors

**Francis Okomo-Okello**  
*Chairman*

He joined the Board in August 2003 and was elected Chairman in April 2005. He holds a Bachelor of Laws (LL.B) degree from the University of Dar-es-Salaam. He is a Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs. He is also a Fellow of the Kenya Institute of Bankers (FKIB). He is currently the Head of Legal & Corporate Affairs at the Industrial Promotion Services Group.



**Adan Mohamed (EBS)**  
*Executive Director*

He joined the Board in December 1999. He is a member of the Institute of Chartered Accountants in England and Wales and a graduate of Harvard Business School in the USA. He is currently the Managing Director.



**Charles Ongwae**  
*Executive Director*

He joined the Board in June 2002. He holds an MBA from the University of Nairobi and is a Certified Public Accountant. He is currently the Finance and Planning Director.



**Nick Mbuvi**  
*Executive Director*

He joined the Board in December 2007. He holds a Bachelor of Commerce degree from the University of Nairobi. He is currently the Corporate Director.





## Board of Directors *continued*

**Paul Chemng'orem**

***Non-executive Director***

He joined the Board in March 1998. An expert winer, he has extensive experience in the wines and spirits industry and has served as Managing Director of Kenya Wine Agencies Limited (KWAL). He is currently the Chief Executive of Distell (Kenya) Limited.



**Rose Ogega (MBS)**

***Non-executive Director***

She joined the Board in April 2002. She is a Bachelor of Commerce graduate from the University of Nairobi as well as a Fellow of Certified Public Accountants of Kenya. She is currently the Finance Director of Skynet Worldwide Express (Kenya) Limited. She is also the Non-executive Chairperson for the Advisory Board of the Women Enterprise Fund and a Non-executive Director of Old Mutual Life Assurance Company Limited.



**Jane W. Karuku**

***Non-executive Director***

She joined the Board in August 2003. She holds an MBA from the National University of California, USA. She is currently the Managing Director of Cadbury East & Central Africa.



**Brown M'Mbai Ondego**

***Non-Executive Director***

He joined the Board in August 2003. He is a graduate of the London Business School. He is an expert in Supply Chain Planning Management and Operations specialising in International Sea Transport, Port Planning and Management.



**Judy Nyaga**

***Company Secretary***

She was appointed in December 2007. She holds a Bachelor of Laws (LL.B) degree from the University of Nairobi and a Master of Laws (LL.M) degree from the University of Nottingham. She is an advocate of the High Court of Kenya and a member of the Institute of Certified Public Secretaries.

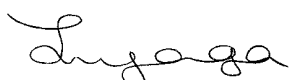


# Notice of the Annual General Meeting

Notice is hereby given that the Twenty Ninth Annual General Meeting of the Shareholders of Barclays Bank of Kenya Limited will be held in the Tsavo Ballroom, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Friday 9th May 2008 at 11:00 a.m. to transact the following business:-

1. To confirm the Minutes of the Twenty Eighth Annual General Meeting held on 4th May 2007.
2. To receive, consider and if thought fit, adopt the Annual Report and Financial Statements for the year ended 31st December 2007 together with the Directors' and Auditors' reports thereon.
3. To declare a dividend.
4. To elect Directors:-
  - (i) In accordance with Articles 94, 95 and 96 of the Company's Articles of Association, the following Directors are due for retirement by rotation and being eligible, individually offer themselves for re-election:-  
Adan Mohamed  
Charles Ongwae
  - (ii) In accordance with Article 101 of the Company's Articles of Association, Nick Mbuvi is due for retirement this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for re-election.
5. To fix the remuneration of the Directors.
6. To appoint Auditors.
7. To transact any other business of an Annual General Meeting.

By order of the Board



**Judy Nyaga**  
**Company Secretary**  
**20th February 2008**

*Note 1.* A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his or her 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 with the Registrar of the Company at Custody and Registrars Services, 6th Floor, Bruce House, Standard Street, Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar not later than 11.00 a.m. on Wednesday 7th May 2008.

*Note 2.* Any member may by notice duly signed by him and delivered to the registered office of the Company not less than 3 days and not more than 21 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 indicating his willingness to be elected.

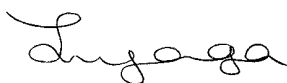


# Tangazo la Mkutano Mkuu wa Mwaka

Inaarifiwa hapa ya kwamba Mkutano Mkuu wa mwaka wa wenye hisa katika shirika la Barclays Bank of Kenya Limited, hiki kikiwa ni kikao cha Ishirini na Tisa, utafanyika ndani ya ukumbi wa Tsavo Ballroom, katika jumba la Kenyatta International Conference Centre, lililo katika Barabara ya Harambee, Nairobi mnamo tarehe 9 Ijumaa, mwezi wa Mei 2008 saa tano asubuhi kushughulikia yafuatayo:-

1. Kuthibitisha kumbukumbu za kikao cha Ishirini na Nane cha Mkutano Mkuu wa mwaka uliyofanyika tarehe 4 Mei 2007.
2. Kupokea, kuzingatia na ikionekana kuwa ni sawa, kuidhinisha taarifa za kifedha za mwaka uliomalizika tarehe 31 Disemba 2007 pamoja na ripoti ya wakurugenzi na ya wakaguzi wa hesabu zilizoambatanishwa humo.
3. Kutangaza malipo ya mgao.
4. Kuwachaguwa wakurugenzi:-
  - (i) Kwa mujibu wa vifungu 94, 95 na 96 vya kanuni za kampuni, wakurugenzi wafuatao ambao wanastaafu kwa zamu na kwa sababu inakubailika, kila mmoja wao anajitolea kuchaguliwa upya:-  
Adan Mohamed  
Charles Ongwae
  - (ii) Kwa mujibu wa kifungu 101 cha kanuni za kampuni, Nick Mbuvi anastaafu na kwa vile huu ni Mkutano Mkuu wa mwaka kufanyika tangu alipochaguliwa na kwa sababu inakubalika, anajitolea kuchaguliwa upya.
5. Kuamua ujira wa Wakurugenzi.
6. Kuchagua wakaguzi wa hesabu.
7. Kushughulikia mambo mengine yoyote yanayoambatana na Mkutano Mkuu wa mwaka.

**Kwa Amri ya Halmashauri**



**Judy Nyaga**  
**Katibu wa Shirika**

Tarehe 20 Februari 2008

*Ufahamisho1.* Mmiliki hisa aliye na haki ya kuhudhuria na kupiga kura mkutanoni, ana haki ya kumteua mwakilishi kuhudhuria kwa niaba yake. Mwakilishi si lazima awe mwanahisa. Ili uteuzi kukubalika, fomu ya uwakilishi inayotolewa pamoja na taarifa hii, sharti ijazwe kikamilifu na mmiliki hisa na sharti ikabidhiwe Msajili wa Kampuni katika Custody and Registrars Services, ghorofa ya 6, Bruce House, Barabara ya Standard Street, Nairobi au itumwe kupitia posta kwa Custody and Registrars Services, S.L.P 8484-00100 Nairobi, bora tu imfikie Msajili kabla ya saa tano asubuhi Jumatano tarehe 7 Mei 2008.

*Ufahamisho2.* Mwenyehisa yeyote, anaweza kumpendekeza mtu anayetaka achaguliwe katika halmashauri, kupitia notisi iliyowekwa saini na yeye mwenyewe na kupelekwa kwa katibu wa kampuni kwa muda usiopungua siku 3 au kuzidi siku 21 kabla ya siku iliyotengwa kwa ajili mkutano huu. Notisi hiyo lazima iambatane na notisi iliyotiwa saini na yule aliyependekazwa ikionyesha kuridhika kwake kuchaguliwa.

# Chairman's statement



**Francis Okomo-Okello**

***"The Bank delivered record results in 2007 spurred by bold investments that will create momentum for future growth and will enable the Bank to seek new revenue opportunities in the coming years."***

## Overview of the Kenyan Economy

The Kenyan economy recorded strong growth in 2007 expanding by 6.9% with agriculture and tourism sector playing key roles. The agricultural sector recorded good gains in output following favourable weather conditions. In particular, tea output increased by 26.1% in the first ten months whilst horticulture export volume increased by 14.8% for the same period. Flower exports continued to be the main stay of the horticulture sector representing 63% of total exports earnings which reached a high of Ksh 34,550 million.

Tourism made significant progress in the year with the number of recorded arrivals up from 2006 level. There was also notable growth in the telecommunications, building and construction sectors. In the manufacturing sector, growth has been

underpinned by rising demand in the local and regional market particularly for milk, beer and cigarettes all recording double digit growth during the year.

Interest and inflation rates during the year remained stable. The average 91-day Treasury Bill rate ranged between 6.0% and 7.5% during the year. Underlying inflation was also stable with the 12 month rate closing at 5.3% in December 2007 up from 4.3% in December 2006 while the annual average overall inflation rate dropped to 9.8% in 2007 (2006:14.5%).

The Kenyan Shilling remained stable against the major currencies throughout the year. Economic performance and investor confidence edged the Shilling up at the end of the year with the local unit closing at 63.30 (2006: 69.63) and 128.45 (2006:134.91) against the USD and Sterling Pound respectively.

This broad based economic growth and stable macroeconomic fundamentals have created an enabling operating environment for our business to perform and grow.

**Barclayscard**  
Your immediate essential need.

**50% DISCOUNT**  
on cash advance fee  
for limited period only\*

Your Barclayscard comes to the rescue when you need cash to pay or receive that don't accept credit card payments, or when cash is the preferred method of payment (for example, when paying for car repairs, a plumber, school fees, insurance premiums, etc.).  
\*Maximum discount 50% from your Barclayscard or a discounted cash advance fee of only 5.25%.

**Access up to 80% of your credit card limit in cash**

**Options**

1. Spend withdrawn cash towards repayments of the credit limit (subject to the bank's credit limit).
2. Use the Barclayscard to pay your credit limit (subject to the bank's credit limit).
3. Complete a formal application form for cash to be credited into your bank account.

\*Applies to your current Barclayscard only.  
\*Terms and conditions apply.  
\*Excludes the 2007-2008 period.

# Chairman's statement *continued*

## Banking Sector Developments

On the back of the economic progress made, the banking sector recorded robust growth during 2007. Industry loans and advances rose by 14% to close at Ksh 507,499 million (2006: Ksh 445,141 million) while total deposits stood at Ksh 697,510 million (2006: Ksh 578,629 million).

Average lending rates in the industry saw a steady decline during the year. This stable trend has contributed to the growth of loans and advances. Further growth of loans and advances in the coming years will be enhanced once the credit reference system becomes operational.

The 2007/2008 Budget proposed higher core capital requirements for players in the industry. Banks and mortgage finance companies will now be required to maintain a minimum core capital of Ksh 1 billion, up from the current Ksh 250 million. This requirement which will see much stronger financial institutions in the country is to be implemented in phases over a period of 3 years.

The Minister of Finance also proposed amendments to the Banking Act to transfer certain powers of regulation and approval to the Central Bank. Consequently, approval of various operational matters is expected to be



*Barclays Bank of Kenya, Head Office.*

faster. Another key development was the change in mandate of the Monetary Policy Committee from an advisory role to that of formulating monetary policy.

## Key Achievements

During the year, the Bank's performance was recognised on many fronts. We received global and local prestigious awards highlighting the progress we have made. 'The Banker Magazine' voted us the Bank of the Year while 'Global Finance' named us the Best Bank in Kenya. On the local scene, we were voted East Africa's Most Respected Company in the financial services sector by PwC and recognised as the Best Bank in Kenya by the 'Think Business Banking Survey'. All these bear testament to our leadership in the market place which is made possible through the support of our customers, staff and stakeholders.



*Barclays Global Retail & Commercial Banking CEO, Frits Seegers meets H.E. President Mwai Kibaki in State House shortly after donating Ksh 107 million towards the Barclays/UNICEF partnership aimed to rehabilitate Kenyan street children.*

# Chairman's statement *continued*

## Corporate Social Investment

In our continued effort to make lasting impact in the communities where we do business, we undertook various community development activities across the country which addressed issues within our areas of focus, namely, education, public health with special reference to malaria and HIV/AIDS. More details of our community involvement can be found in page 27 - 28 of the Corporate Social Responsibility Report.

Barclays recently contributed Ksh 27 million to the Kenya Red Cross in support of the 300,000 people displaced as a result of post election violence.

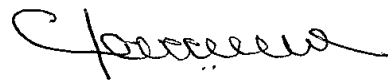
## Board Changes

In 2007, Dominic Bruynseels, and Carol Musyoka resigned from the Board. In place of Carol, Nick Mbuvi joined the Board as an Executive Director. Nick was previously the Managing Director of Barclays Bank Uganda Limited and joins Barclays Bank Kenya as the Corporate Director replacing Carol who has moved on to pursue other opportunities outside

the Bank. On behalf of the Board I wish to thank Carol for her contribution during her tenure and welcome on board Nick. Dominic will be replaced in the course of 2008.

## Conclusion

To conclude, I wish to express my sincere appreciation to the Board, Management and staff for their tireless dedication which has resulted in the delivery of record performance in 2007. This has also been made possible through continued patronage and spirited support of the Bank's customers and other stakeholders. Finally, I would like to thank the Government and regulatory bodies, particularly the Central Bank of Kenya, the Capital Markets Authority and the Nairobi Stock Exchange for their mutual trust, guidance and continued support.



**FRANCIS OKOMO-OKELLO**  
**CHAIRMAN**

## Awards won in 2007



Bank of the Year



Best Bank in Kenya



*East Africa's most respected  
Financial Institution*

# Taarifa ya Mwenyekiti



**Francis Okomo-Okello**

*“Benki iliwasilisha matokeo ya kuvunja rekodi katika 2007 kichocheo kikiwa uwekezaji wenye ujasiri ambao pia unaupatia msukumo ukuaji katika siku zijazo na kuwezesha Benki kutafuta fursa mpya za mapato katika miaka inayokuja.”*

## **Mtazamo wa uchumi wa Kenya**

Uchumi wa Kenya ulirekodi ukuaji thabiti katika 2007 wa asilimia 6.9 sekta za kilimo na utalii zikichangia pakubwa. Sekta ya kilimo ilirekodi mapato mazuri ya mazao kutokana na hali njema ya hewa. Mahsusi hasa, mazao ya majani chai yalizidi kwa asilimia 26.1 katika miezi kumi ya kwanza huku mauzo ya nje kutokana na kilimo cha bustani yakizidi kwa asilimia 14.8 katika kipindi hicho. Mauzo ya nje ya maua yaliendelea kuwa kielelezo katika sekta hii kilimo cha bustani yakiwakilisha asilimia 63 ya mapato yote ambapo yalifikia upeo wa juu wa Ksh Milioni 34,550.

Sekta ya utalii ilipiga hatua kubwa kwa kupata watalii wengi kuanzia 2006. Vile vile kulipatikana ukuaji wa maana katika sekta za mawasiliano na za ujenzi. Katika

sektaya viwanda uzalishaji ulioimarishwa na kuhitajika kwa bidhaa humu nchini na katika masoko ya eneo la karibu hasa zaidi maziwa, bia na sigara zikirekodi ukuaji wa dijiti maradufu katika kipindi cha mwaka huo.

Kulikuwa na utulivu wa viwango vya riba na vya gharama ya maisha katika mwaka tunaotazama. Kadirio la Hati ya Mkopo la siku 91 lilikuwa baina ya asilimia 6.0 na asilimia 7.5 katika mwaka huo. Nadharia ya gharama ya maisha pia ilikuwa na utulivu ambapo kiwango cha miezi 12 kiliishia asilimia 5.3 katika mwezi wa Disemba 2007 ongezeko kutoka asilimia 4.3 ya Disemba 2006 huku jumla ya makisio ya mwaka ya viwango vya gharama ya maisha ikipungua hadi asilimia 9.8 katika 2007 (2006: asilimia 14.5)

Thamani ya shilingi ya Kenya ilijithibiti dhidi ya sarafu muhimu katika kipindi chote cha mwaka. Utendaji mzuri wa uchumi na kuaminiwa na waekezaji kuliinua thamani ya Shilingi juu mwisho wa mwaka ambapo sarafu hii ya humu ilifungia katika 63.30 (2006: 69.63) na 128.45 (2006: 134.91) dhidi ya Dola ya Marekani (USD) na Paundi ya Sterling mtawalia. Usitawi huu mpana wa uchumi pamoja na kuimarika kimsingi kwa uchumi wote kwa ujumla kumebuni hali maridhawa ya kutuwezesha kutekeleza shughuli zetu vyema na kuimarika zaidi.

## **Maendeleo katika sekta ya benki**

Ikitegemeza kwa mafanikio yalopatikana katika uchumi, sekta ya biashara za benki ilipata ukuaji imara katika 2007. Utoaji mikopo katika sekta hii uliongezeka kwa asilimia 14 na kufungia katika Ksh Milioni 507,499 (2006: Ksh Milioni 445,141) huku jumla ya pesa zilizowekwa benki zikifikia Ksh Milioni 697,510 million (2006: Ksh Milioni 578,629).



# Taarifa ya Mwenyekiti

*inaendelea*

Kwa wastani viwango vya ada ya kukopesha vilionekana kupungua taratibu katika mwaka huo. Mtindo huu uthabiti umechangia usitawi katika nyanja ya utoaji mikopo. Ukuaji zaidi wa utoaji mikopo utatiwa nguvu pale mfumo wa uthamini wa mkopo utakapoanza kutekelezwa.

Makadirio ya bajeti ya mwaka 2007/2008 yalipendekeza kuhitajika kwa wahusika katika sekta hii kuweka dhima kubwa

zaidi. Mabenki na Kampuni za utoaji rehani sasa watahitajika kudumisha dhima ya kiwango kisichopungua Ksh Bilioni 1, ikiwa ni ongezeko la ilivyo sasa Ksh Milioni 250. Agizo hili litapelekea kuweko kwa mashirika imara ya kifedha humu nchini na litatekelezwa kwa awamu kadha katika kipindi cha miaka 3.

Waziri wa fedha vile vile alipendekeza marekebisho katika sheria



**...for your chama**

- No monthly fee
- KShs 5,000 opening balance
- No charge on withdrawals and deposits
- Interest rates of upto 5.5%

*Let's grow together, Barclays.*



# Taarifa ya Mwenyekiti

## inaendelea

zinazosimamia mabengi kuhamisha mamlaka fulani ya kuthibiti kanuni na uidhinishaji kupewa Benki Kuu. Kutokana na hivi, uidhinishaji wa maswala mbali mbali yahasuyo shughuli unatarajiwa kufanyika haraka zaidi.

Maendeleo mengine muhimu ilikuwa kubadilishwa kwa mamlaka katika Kamati ya sera ya mambo ya fedha kutoka kuwa ya ushauri pekee na kuwa ya kubuni sera za kifedha.

### Mafanikio muhimu

Katika mwaka tunaokariri, Mafanikio ya Benki yalitambulika katika pande mbali mbali. Tulipokea tuzo za heshima kubwa ulimwenguni na humu nchini kuashiria maendeleo makubwa tuliyoyafikia. 'The Banker Magazine' ilituchaguwa kuwa Benki Bora zaidi ya Mwaka huku 'Global Finance' ikitutaja kuwa Benki Bora zaidi Kenya. Katika jukwaa la hapa nchini, tulichaguliwa kuwa Kampuni inayohishimika zaidi katika Afrika Mashariki katika sekta ya huduma za kifedha na PwC na tukatambulika kuwa Benki Bora zaidi Kenya na 'Think Business Banking Survey'. Mafanikio haya yote yanathibitisha uongozi wetu katika soko la mabengi na yamesababishwa na kuungwa mkono kwetu na wateja, wafanyakazi na washikadau wetu.

### Uwekezaji katika kuwajibika kwa maswala ya kijamii

Katika kudumisha juhudi zetu za kuacha athari nzuri katika jumuiya tunakoendesha biashara yetu, tulianzisha miradi mbali mbali ya kuleta maendeleo katika jumuiya kote nchini ilioangazia maswala tunayoyatazama kwa makini, kama vile, elimu, afya ya umma kukiwa na mtazamo muhimu kwa ugonjwa wa Malaria na Ukimwi. Maelezo ya kina kuhusu shughuli zetu za kijamii yanapatikana katika kurasa

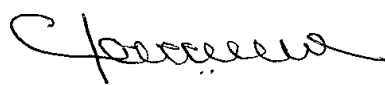
27-28 za Ripoti ya Uwajibikaji katika Jamii. Hivi karibuni Barclays ilitoa mchango wa kitita cha Ksh Milioni 27 kwa shirika la Kenya Red Cross ili kufadhili wakimbizi 300,000 wa ndani kutokana na ghasia za baada ya uchaguzi.

### Mabadiliko katika Bodi

Katika 2007, Dominic Bruynseels, na Carol Musyoka walijiuzulu kutoka kwa Bodi ya wakurugenzi, Nick Mbuvi alijiunga na Bodi kama Mkurugenzi Mtendaji. Mbeleni, Nick alikuwa Mkurugenzi Mkuu wa Barclays Bank Uganda Limited na anjiunga na Barclays Bank Kenya kama Mkurugenzi wa Shirika kwa kuchukua nafasi ya Carol ambaye ametuwacha kwenda kufuatilia mambo mengine nje. Kwa niaba ya Bodi ningependa kumshukuru Carol kwa mchango wake wakati alipokuwa nasi na namkaribisha Nick. Nafasi ya Dominic itajazwa mwakani 2008.

### Kutamatisha

Kumaliza, napenda kutoa shukrani zangu za dhati kwa Bodi ya wakurugenzi, Wasimamizi na wafanyakazi kwa juhudi zao zisizo kikomo zilizopelekea kufaulisha na kuleta matokeo mazuri katika 2007. Haya yaliwezekana kupitia uungwaji mkono na wateja wa Benki pamoja na washikadau wake. Mwisho, ningependa kuishukuru serikali na idara za usimamizi, hasa Benki kuu ya Kenya, Halmashauri kuu ya mtaji na Soko la Hisa la Nairobi kwa usaidizi wao, uongozi na kwa kuendelea kutuunga mkono.



**FRANCIS OKOMO-OKELLO**  
**MWENYEKITI**

# Managing Director's Report



**Adan Mohamed**

*"2007 was a hallmark year for Barclays in Kenya. It was a year in which we commenced our ambitious growth journey; expanding our distribution footprint, reaching out to key market segments and greatly enhancing our sales capability. We have laid a solid foundation for long term growth."*

## **A year of investment and success**

I am pleased to report that 2007 was another record year for Barclays Kenya. Our investment to expand our franchise has injected new momentum into the growth of our revenues by enabling us to take our services and products closer to our customers and reach out to key customer segments. This investment has already begun to deliver returns in year one and will provide an engine of growth in the future.

Total income for the year was Ksh 18,860 million (2006: Ksh 15,123 million) marking a 25% growth from 2006. This impressive performance has been spurred by a rapid growth in our balance sheet and in particular by customer assets. Customer loans and advances increased by 43% over 2006 to reach Ksh 105,346 million (2006: Ksh 73,907 million) while

customer deposits also recorded strong growth of 16% closing at Ksh 109,097 million (2006: Ksh 93,837 million). This growth of the balance sheet in addition to growth on our customer numbers drove net interest and non interest income up by 27% and 24% respectively over last years levels.

I am glad to report that notwithstanding the aggressive growth in customer loans and advances, our impairment charge recorded a 22% decline to settle at Ksh 687 million (2006: Ksh 881 million). This has been achieved through selective asset acquisition to ensure a quality stock of loans as well as having a diversified asset book particularly for consumer loans. An improved macroeconomic environment also helped to reduce 'stress' incidences in the corporate and SME sector.



**Open a  
Barclays  
Students  
Account  
today**

- Pay only 20/- for ATM withdrawals
- Opening balance 1000/- only
- Enjoy Barclays' wide branch network

\* Terms and conditions apply  
Offer valid to University of Nairobi

**Let's grow together, Barclays.**

# Managing Director's Report

*continued*

In attaining this spectacular growth in income, our cost base has expanded reflecting the increase in distribution footprint and staff numbers. Operating expenses grew by 43% to reach Ksh 11,095 million (2006: 7,767 million). Of this, Ksh 2,500 million is attributable to the expansion programme meaning that the underlying cost of the business recorded 11% growth which is broadly in line with overall inflation for the year.

As a result we have delivered record profit

## Growing our reach

One of our key strategic goals for 2007 was to widen our reach through radically expanding our distribution channels and enhancing our sales capability. To secure future growth, we needed to make investments to enable double digit growth in the top line. We achieved this in year one of investment.

In 2007, we established an unmatched distribution network to serve more customers every day, than any other financial services company in Kenya, through our outlets and ATM network.

We have significantly grown our branch network 107 (2006: 62). This is aimed at bringing us closer to customers providing them greater convenience in accessing our products and services.



*The new Barclays University of Nairobi Express Branch: Barclays embarked on a branch network expansion programme aimed at reaching diverse market segments across the country.*

before tax for the year reaching Ksh 7,079 million (2006: Ksh 6,475). This is a growth of Ksh 604 million or 9% which has translated to an 18% rise in shareholder funds to close at Ksh 17,564 million (2006: Ksh 14,862) for the year. I am pleased to report that based on this excellent performance, the Board of Directors have recommended a final dividend of Ksh 1.15 per share making the total dividend for the year Ksh 1.65 per share (2006: 1.65 per share). This has meant that we have maintained a sustainable dividend payment, which is consistent with the Board's desire to make good returns to shareholders.

On the Automatic Teller Machine (ATM) front we introduced 95 new ATMs bringing our number of ATMs spread across the country to 193 (2006: 98). The number of machines in non branch sites more than doubled reaching 46 (2006: 26). Again this provides greater convenience to our customers in accessing their money 24/7.

Another key hallmark for 2007 was the revolution in our sales capability. During the year we recruited 4,358 direct sales staff enabling us to take our products to wherever existing or potential retail customers are. This unrivalled sales

# Managing Director's Report

*continued*



force has been instrumental in fuelling our growth of customer numbers and assets.

We introduced new product offerings in order to provide a greater range of products to our customers, tailored to a wider spectrum of customers. This was marked by launching the Pepea, La Riba Al Wahda and Uwezo accounts. We shall continually strive to improve our products, aligning them with needs of our retail, cards and corporate customers.

## Growing Barclaycard

Our card business also witnessed significant investment and growth. The number of cards issued doubled to reach 81,024 (2006 : 41,019) cementing our leadership position in the industry. The outstanding growth was achieved through growing our sales capability; improving the product offering – making it more affordable to customers and an innovative

approach to partnership and co-branding. We were the first in the market to launch a co-branded card.

To support the growth in cards issued, we also made significant strides in growing our acquiring side of the business. The number of point of sales (POS) rose to reach 4,490 which is the biggest network of POS in the country.

## Corporate Banking

Corporate Banking recorded strong growth in 2007 underpinned by tailored customer solutions and a good macroeconomic environment. Income growth was supported by success in key sectors of the economy namely tourism, construction, telecommunications, manufacturing and public sectors all posting good growth during the year.

During the year we successfully launched online banking products for our corporate customers. This has enabled our customers to transact from the comfort of any desk top with internet access. The growth in our branch network achieved in 2007 will provide a very sound platform in entrenching ourselves as the leading Corporate Bank in provision of a wide range of payment and cash management solutions for both large corporate and SMEs in Kenya.

Our Public Sector team participated in the Telkom Syndicated Loan of Ksh 6,000 million for Telkom restructuring to the tune Ksh 1,000 million of the Syndicated amount. This was key to the subsequent restructuring and privatisation of the company through a sale of 51% stake to France Telecom



# Managing Director's Report

## *continued*

With presence in 11 African countries, Barclays continues to be a one stop shop for our corporate customers operating in various countries across Africa. Recently we participated in the IPS Group part financing of the \$772 million Bujagali hydro-power project in Uganda to the tune of \$35.5 million. This project was inaugurated in August 2007 and is expected to produce 250 mega watts of electricity.

Our Vehicle and Asset Finance offering continued to be the leader in the market as we broadened the product offering to cover a wide range of asset classes. The efficiency of our Vehicle

Asset Finance offering continued to be a key selling feature, posting strong growth in 2007 with over Ksh 4,000 million of new assets booked during the year. The growth of our Custody picked up pace, ending the year with close to Ksh 140,000 million of assets under custody. The business continued to be a market leader achieving Commended Status awards for Foreign Investors/Cross-Border, Domestic Clients and Leading Clients from the Global Custodian Survey 2007. We also became the first Custodian Bank to partner with the newly formed Kenya Association of Investment Groups (KAIG).

### Treasury

Our treasury business had a record year underlined by strong growth in foreign exchange income supported by good growth in key foreign exchange earning sectors of the economy. A stable interest rate environment, which saw the 91 day

Treasury bill oscillating in the 6-7.5% band also created an enabling environment for strong revenue growth.

During the year we obtained approval from the Capital Markets Authority (CMA) to raise KES 5,000 million long term debt. The first tranche of KES 1,000 millions was a major success with 15% over subscription in what was the largest corporate bond launched by a commercial bank in the region. The bond programme will improve our ability to fund longer term assets and avail greater flexibility in structuring asset products.

### Investing in our people

Our success could only be achieved by ensuring we are able to attract the right people to the right roles. People are a key enabler and the unprecedented business growth has been supported by recruiting high calibre staff at all levels in 2007.



**BARCLAYS**  
La Riba Banking  
قسم لاربا

**Al Wahda account**  
**Marhaba to the**  
**Al Wahda account**

حساب الوحدة

**For KShs 100 you get:**

- Free cash deposits into the account
- Free cash transfers within our Rariba branches

**Benefits of Al Wahda:**

- Open to salaried and non-salaried customers regardless of faith.
- Access to your money at all Barclays ATM's countrywide and all ATMs displaying the Visa logo throughout the world.
- Approved by Barclays Shariah Advisory Board.

**Let's grow together, Barclays.**

# Managing Director's Report

*continued*

During the year we more than trebled our staff numbers from 2,197 to 6,900, majority of whom are direct sales agents.

We further increased our training and development activities to ensure that we have well grounded staff to support our growth agenda. As a result, many of our people have had opportunities to take on higher responsibilities which saw over 500 staff being promoted.

Barclays remains committed to enabling its employees to be the best they can be in all areas of their professional and personal lives. We continue to sponsor a comprehensive wellness programme that ensures the entire well-being of our people and their families.

We undertake an annual Group wide Employee Opinion Survey (EOS). In 2007 not only did we have one of the highest participation rate in the Group but the positive results gives us the confidence that we are on the right track in creating a business that attracts and retains the

best people. We continue to offer staff opportunities to work in different parts of the Group at all levels.

In 2008, we shall continue with the momentum gathered in 2007, focusing on our peoples' development in order to support further growth of the business.

## **Managing our risks**

Credit risk management for our corporate customers continued to reap the benefits of a robust credit risk management framework implemented in the previous years. Our unrelenting focus on unlocking value from the stock of non-performing debts, coupled with robust monitoring and control, resulted in a 22% improvement on the impairment charge.

Helped by a favourable economic environment and innovative turnaround strategies, our Business Support and Corporate Recoveries department delivered exceptional turnaround results.



*Barclays staff "Eagle Award" winners recognized at the function attended by Barclays GRCB CEO, Frits Seegers.*



# Managing Director's Report

## *continued*

In 2008, we will be looking to not only build on the success of the previous years, but also introduce new cutting-edge risk management tools and structures to allow us to support the sustainable growth of our commercial business.

In line with the growing Retail lending we significantly increased our staff compliment and hired analytical skilled staff to ensure we effectively monitor our portfolio quality.

With the increased staff numbers we had to adopt a new structure to ensure optimal productivity as well as operational efficiency. The new structure brings together all the retail credit products under one team which has enabled us to combine our knowledge of card and loan products.

In addition, we have adopted a test and learn approach to risk enabling us to improve the credit quality of our Retail asset book. Ultimately, this ensures that, we will retain a competitive edge in regard to our knowledge of the Kenyan consumer finance market

As a result we have witnessed a decline in annual impairment values compared to 2006 in spite of dramatic growth of the retail loan book.

Key targets for 2008 include enhanced credit systems to ensure faster turnaround to our customers and enhanced management information to allow for efficient identification of risk and retention of a quality credit portfolio

### **Improving our efficiency**

The demand on our operating capability has doubled in tandem with growth of the

number of outlets and ATMs. In addition we have re-engineered our processes to make it easier for customer to do business with us. To this end, customers can now receive their ATM cards when they open their accounts through our branch network. The turn around time, between the customer's application for a loan to the time the money is disbursed, has also been improved substantially.



*The Card & PIN technology has greatly improved customer service.*

### **Summary**

2007 was a record setting year where we began the journey of transforming our business and exceeded many of the ambitious goals we set ourselves. We doubled our distribution network and more than trebled our workforce. This is a remarkable achievement and we have been able to translate this to record bottom line performance.

My sincere thanks to our customers, staff, the Board of Directors and Central Bank of Kenya whose support has been instrumental in our success.

A stylized, handwritten signature in black ink, consisting of several loops and a long horizontal stroke.

**ADAN MOHAMED  
MANAGING DIRECTOR**

# Ripoti ya Mkurugenzi Mkuu



**Adan Mohamed**

*“2007 ulikuwa mwaka wa mafanikio makubwa kwa Barclays hapa Kenya. Katika mwaka huo ndiyo tulianzisha hatua za kufanikisha malengo yetu; ukuaji mkubwa wa kimsingi katika usambazaji, hadi kufikia sehemu muhimu ya soko na hivyo basi kustawisha pakubwa uwezo wetu wa uuzaji. Tumeweka msingi madhubuti wa ukuaji katika siku nyingi zijazo.”*

## **Ulikuwa mwaka wa uwekezaji na mafanikio**

Nina furaha kuwaripotia kuwa 2007 ulikuwa mwaka mwingine wa kuvunja rekodi kwa Barclays Kenya. Uwekezaji wetu katika kustawisha kabisa matawi yetu, umeleta msukumo mpya wa kutupeleka katika ukuaji wa mapato yetu, kwa vile umetuwezesha kufikisha huduma na bidhaa zetu karibu zaidi na wateja na kufikia sehemu maalum ya wateja wetu katika taswira ya wateja kwa ujumla. Kitega uchumi hiki tayari kimeanza kuleta faida katika kipindi cha mwaka mmoja na kitakuwa motisha kubwa kwa ukuaji wa mustakabali wetu.

Jumla ya mapato katika mwaka huo ilikuwa Ksh Milioni 18,860 (2006: Ksh Milioni 15,123) kiwango cha ukuaji kikiwa asilimia 25 kutoka 2006. Matokeo haya ya kupendeza yalitiwa hima na ukuaji wa haraka kwenye mizania yetu na hasa

rasilimali ya wateja. Utoaji mikopo kwa wateja uliongozeka kwa asilimia 43 zaidi ya ilivyokuwa 2006 na kufika Ksh Milioni 105,346 (2006: Ksh Milioni 73,907) huku fedha za wateja benki zikirekodi ukuaji wa nguvu wa asilimia 16 na kufunga katika Ksh Milioni 109,097 (2006: Ksh Milioni 93,837). Kuimarika huku kwa mizania na kuongezea ukuaji wa idadi ya wateja kulipelekea faida ya riba na faida isiyo ya riba kupanda kwa asilimia 27 na 24 mtawalia.

Nina furaha kuripoti ya kuwa licha ya ukuaji wenye hima wa mikopo kwa wateja, gharama ya uharibifu ilikuwa ya kiwango cha chini asilimia 22 ikiwa ni upungufu wa Ksh Milioni 687 (2006: Ksh Milioni 881). Mafanikio haya yamefikwa kupitia uteuzi wa makini wa rasilimali kwa kuhakikisha utoaji wa hali ya juu wa mikopo pamoja na uboreshaji wa daftari zetu za rasilimali hasa mikopo kwa wateja. Kuboreshwa kwa mandhari ya uchumi kwa ujumla vile vile kumesaidia kupunguza kuweko kwa “mfadhaiko” katika sekta na Mashirika na ya wafanyabiashara wadogo (SME).

Katika kufikia upataji huu wa faida unaostahili sifa, gharama yetu imezidi kuashiria ongezeko la matawi na ongezeko la idadi ya wafanyakazi. Gharama ya kuendesha shughuli iliongozeka kwa asilimia 43 kufika hadi Ksh Milioni 11,095 (2006: Milioni 7,767). Miongoni mwa hizi, Ksh Milioni 2,500 zilizusika na harakati za upanuzi hii ikimaanisha gharama ya kuendesha shughuli zetu za biashara ilipanda kwa asilimia 11 ambayo inaafikiana na gharama za kimaisha kwa ujumla zilizokuwa katika mwaka tunaouzungumzia.

Kutokana na haya tumepata faida za kuvunja rekodi, ikiwa ni faida iliyofikia Ksh Milioni 7,079 kabla ya kulipa kodi (2006: Ksh Milioni 6,475). Hili ni ongezeko la Ksh Milioni 604 au asilimia 9 ambayo inaweza kuchukuliwa kuwa ongezeko la asilimia 18 ya fedha za wenyehisa kufikia Ksh Milioni 17,564 (2006: Ksh 14,862) katika mawka tunaozungumzia. Nina furaha kuripoti kuwa kugegemezea matokeo haya ya kuridhisha, Halmashauri ya

# Ripoti ya Mkurugenzi Mkuu

## inaendelea

Wakurugenzi imependekezwa mgawo wa mwisho wa Ksh 1.15 kwa kila hisa kwa jumla ikiwa ni mgawo katika mwaka wa Ksh 1.65 kwa kila hisa. Hii inamaanisha tumedumisha malipo thabiti ya mgawo na inaambatana na dhamira ya Bodi ya kuwaletea wenyehisa faida nzuri.

### Ukuaji katika kusambaa kwetu

Moja ya malengo yetu ya kimkakati katika mwaka wa 2007 ilikuwa kuzidisha kusambaa kwetu kupitia kupanua njia za usambazaji na uwezo wetu wa kuuza. Kufikia ukuaji katika siku zijazo, tulihitaji kuchukua kuweka vitega uchumi maridhawa ili kutimiza faida yenye dijiti mbili. Tukitimiza haya katika mwaka wa kwanza wa uwekezaji.

Katika 2007, tuliasisi mfumo wa kipekee wa mtandao wa usambazaji kuwahudumia wateja wengi zaidi kila siku, kushinda kampuni nyingine yoyote ya kifedha hapa Kenya, kupitia matawi na mtandao wetu wa mashine za ATM.

Mtandao wa matawi yetu umezidi na kufika matawi 107 (2006: 62). Hii ikiwa na lengo la kutukurubisha na wateja wetu na kuwapa njia rahisi ya kufikia bidhaa na huduma zetu.

Katika nyanja ya mashine za ATM, tulianzisha mashine mpya 95 hii ikiongeza idadi ya ATM zetu kufika 193 kote nchini (2006: 98). Idadi ya mashine zilizowekwa sehemu zisizokuwa tawi ziliongezeka zaidi ya maradufu hadi kufikia 46 (2006: 26). Hii vile vile inawapa urahisi zaidi wateja wetu katika kufikia pesa zao saa 24 siku 7 za wiki.

Faniko lingine la maana katika 2007 ilikuwa kuleta mabadiliko katika uwezo wetu wa mauzo. Katika mwaka huo tuliajiri wafanyakazi 4,358 wa kuuza moja kwa moja jambo ambalo lilituwezesha kupeleka bidhaa zetu kwa wateja tuliyo nao sasa na watarajiwa popote walipo. Tukio hili la kipekee la kuajiri kundi la wauzaji lilileta msukumo wa kuongeza wakopaji na wawekaji fedha katika Benki.

Tulibuni bidhaa mpya ili kuongeza idadi ya aina tofauti za bidhaa kwa wateja wetu,

mahsusun zinazoambatana na matakwa ya wengi wao. Hapo ndiyo tulianzisha akaunti za Pepea, La Riba, Al Wahda na Uwezo. Na bado tutaendelea kujitahidi kuboresha bidhaa zetu, huku tukiziweka sawa ili zikidhi haja ya wateja wetu wa rejareja, wa kadi na wa mashirika.

### Ukuaji wa Barclaycard

Biashara yetu ya kadi za kukopa imepewa uwekezaji wa maaana na imeimarika zaidi. Idadi ya kadi iliongezeka zaidi ya maradufu hadi kufika 81,024 (2006: 41,019) ikiimarisha kuongoza kwetu katika sekta hii ya biashara. Kukua huku kwa kipekee kulitekelezwa kupitia kukuzwa kwa uwezo wetu wa mauzo; kuboreshwa kwa bidhaa tunazotoa – kuzifanya ziwe na unafuu zaidi kwa wateja wetu na mwelekeo wenye ubunifu wa ushirika na uwekaji wa pamoja wa alama ya biashara. Sisi ndiyo wa kwanza katika soko la mabanki kushirikiana na maduka kuanzisha uwekaji alama wa pamoja wa kadi ya mkopo.

Katikakuhimiliusitawiwakadizilizotolewa, tulipiga hatua maridhawa kukuza umiliki



## Open a Barclays Pepea Account today

- Pay only 20/- for ATM withdrawals
- No other charges
- Enjoy Barclays' wide branch network

\* Terms and conditions apply  
Offer valid to University of Nairobi

*Let's grow together, Barclays.*

# Ripoti ya Mkurugenzi Mkuu

## *inaendelea*

wa upande huo wa biashara. Idadi ya sehemu za mauzo (POS) iliongezeka na kufikia 4,490 ambao ndiyo mtandao mkubwa zaidi wa sehemu za mauzo kote nchini.

### **Huduma za kibenki kwa Mashirika**

Huduma za benki kwa mashirika kuliwasilisha ukuaji mkubwa katika mwaka wa 2007 ikiungwa mkono na utatuzi kwa wateja na kuwoko kwa hali nzuri ya uchumi. Upataji faida kubwa kulisaidiwa na mafanikio katika sekta za utalii, ujenzi, mawasiliano, uzalishaji viwandani na mashirika ya umma yalipopata ukuaji mkubwa katika mwaka huo.

Mwakani tulifaulu kuanzisha huduma za kibenki kupitia mtandao wa internet kwa wateja wetu wa mashirika. Hii imewawezesha wateja wetu kutazama shughuli za akaunti zao na sisi kutoka kwa wamebarizi kwenye daftari zao popote walipo kupitia internet. Ukuaji katika mfumo wa matawi yetu kulikofikiwa katika mwaka wa 2007 kutatupa nafasi muafaka kabisa ya kufanya madhubuti cheo chetu cha Benki inayoongoza katika utoaji wa huduma tofauti tofauti zenye suluhisho za kulipa na kusimamia pesa za mashirika makubwa na za wafanyabiashara wadogo hapa Kenya.

Kundi letu la sekta ya umma lilihusika katika mkopo wa pamoja kwa shirika la Telkom wa Ksh Milioni 6,000 kufidia Telkom kupunguza wafanyikazi wake kwa kutoa kitita cha Ksh Milioni 1,000 ya kiasi cha mkopo huo wa pamoja, kiasi hicho kilichangia pakubwa kufanikisha mpango huo wa kustaafisha na hatimaye kubinafsisha shirika hilo kwa kuuza asilimia 51 ya umiliki kwa shirika la France Telecom.

Kuweko kwetu katika nchi 11 za Afrika, kunaifanya Barclays kuwa ni kituo cha kupata huduma zote mahala pamoja kwa wateja wa mashirika wanaoendesha biashara zao katika mataifa tofauti ya Afrika. Hivi karibuni tulihusika katika mpango wa shirika la IPS Group kugharamia sehemu ya

Dola Milioni 772 za mradi utoaji nguvu za umeme Bujagali hydro-power project kule Uganda kwa kiasi cha Dola Milioni 35.5. Mradi huu ulianzishwa rasmi Agosti 2007 na unatarajiwa kutoa megawatt 250 za nguvu za stima.

Mpango wetu wa kutoa mkopo wa kununua magari na kununua rasilimali unaendelea kuongoza katika soko lote la mabanki na wakati huo tunatarajia kuongeza bidhaa nyingine tofauti tofauti za kutoa mikopo kwa rasilimali aina mbali mbali. Unafuu wa ulipaji kodi katika mkopo tunaotoa wa kununua magari unaendelea kuwa kipengee muhimu cha uuzaji, ambapo ukuaji kaika 2007 ulikuwa wa zaidi ya Milioni Ksh 4,000 ya rasilimali mpya zilizopatikana mwakani. Upande wa uangalizi tulipiga hatua kubwa ya ukuaji, na kutamatisha mwaka na takriban kiasi cha Ksh Milioni 140,000 za rasilimali tunazosimamia. Biashara hii iliendelea vyema na kuipa benki nafasi ya kwanza na kutunikiwa tuzo la Commended Status awards for Foreign Investors/Cross-Border, Domestic Clients and Leading Clients kutoka shirika la the Global Custodian Survey mwaka 2007. Vile vile tukawa benki ya kwanza ya usimamizi rasilimali kushirikiana na kundi lililobuniwa hivi karibuni la Kenya Association of Investment Groups (KAIG).

### **Hazina**

Biashara yetu ya hazina ilirekodi mafanikio mazuri ikiwekwa kasi na ukuaji wa nguvu wa mapato kutokana na biashara ya ubadilishanaji wa fedha za kigeni uliyosababishwa na kuimarika kwa uchumi hasa sekta ya ubadilishanaji wa fedha. Mazingira ya viwango tulivu vya ubadilishanaji, yalipeleke hawala ya serikali ya siku 91 kuzunguka katika kiwango cha asilimia 6-7.5% na hivyo basi pia kuchangia pakubwa mazingira haya ukuaji wa faida.

Kufaulu kukubwa katika kipindi cha mwaka 2007, kulitokana na uombaji kutoka kwetu wa asilimia 15 zaidi kupita kiasi wa hati za ukopesaji kuwahi kutolewa na benki nyingine yeyote ile. Miongoni mwa mipango iliyopitishwa na Halmashauri

# Ripoti ya Mkurugenzi Mkuu

## inaendelea

kuu ya Mtaji (Capital Markets Authority) ya kiasi cha Ksh Milioni 5,000, sisi tulikweza Ksh Milioni 1,000 katika awamu ya kwanza katika 2007. Mpango huu wa hati za ukopesaji utaimarisha uwezo wetu wa kugharamia rasilimali za muda mrefu na vile vile kutupatia unyumbufu katika kuunda bidhaa za kirasilimali.

### Uwekezaji katika watu wetu

Kufaulu kwetu katika mwaka wa 2007 kulifikiwa tu kutokana na kuhakikisha tunavutia wafanyakazi waliyo sawa na majukumu waliopatiwa. Watu ndiyo kichocheo cha ufanisi na kufualu kwetu kwa kipekee katika biashara kumesaidiwa uajiri sahihi wa wafanya kazi wenye ujuzi wa upeo wa juu katika viwango vyote katika mwaka wa 2007.

Katika mwaka huo tuliongeza mara tatu zaidi idadi ya wafanyakazi wetu kutoka 2,197 hadi 6,900, wengi wao wakiwa maajenti wa uuzaji.

Zaidi ya hayo tuliongeza shughuli za mafunzo na kuendeleza maarifa ili kuhakikisha tuna wafanyakazi stadi amabo wako tayari kuunga mkono dhamira yetu ya ukuaji, basi kusababisha utoaji wetu mkubwa wa mafunzo. Matokeo ya haya, wengi miongoni mwa watu wetu walipata fursa ya kuchukua nyadhifa kubwa ambapo 500 katika yao walipanda madaraka.

Barclays bado inajitolea kuwawezesha wafanyakazi wetu kufikia ubora wa upeo wa juu katika nyanja zote kikazi na kibinafsi. Tunaendelea kufadhili mipango kamilifu ya kuwaweka watu wetu wote katika hali njema, wao pamoja na familia zao.

Natija ya kuridhisha kutoka mpango ya utafiti wa ndani wa maoni ya wafanyakazi inatupa matumaini kuwa tuko katika mwenendo sawa wa kuunda biashara inayowatia na kuwadumisha wale waliyo bora zaidi.

Katika 2008, tutaendelea na msukumo huo huo tuliouanza 2007, tukitazama kwa makini maendeleo ya watu wetu na hivyo basi kutupatia fursa nzuri ya usitawi katika siku sijazo.

### Usimamizi wa dhima yetu

Vitengo vya usimaizi wa dhima katika biashara zetu vimekuwa washirika wakubwa katika kuhakikisha tumepata ukuaji tuliopata katika mwaka na unaambatana na viwango vya juu tuliijiwekea wenyewe.

Usimamizi wa hatari ya mikopo kwa wateja wetu wa mashirika uliendelea kuleta faida kubwa kutokana na usimamizi imara uliyoasisiwa katika mwaka uliopita, Mtazamo wetu na kupumua wa kufungua thamani ya limbiko la mikopo isiyolipwa, pamoja na uangalifu wa makini na usimamizi, ulisababisha kuimarika kwa 22% dhidi ya mikopo hiyo iliyokwama.

Ikisaidiwa na hali nzuri ya uchumi na ubunifu katika utekelezaji wa mikakati, idara yetu ya Business Support and Corporate Recoveries iliwasilisha matokeo mazuri ya kipekee.



# Ripoti ya Mkurugenzi Mkuu

## inaendelea

Katika 2008, licha ya kuendelea kujenga juu ya ufanisi wa miaka iliyopita, vile vile tutaanzisha njia mpya za kisasa za usimamizi wa dhima ili kusaidia ukuaji wa kudumu biashara yetu.

Kulingana na utoaji mkopo rejareja unaoendelea kukua tuliongeza idadi ya wafanyakazi wetu na kuajiri wenye ustadi kusiamia vyema ubora wa majalada yetu.

Kwa sababu ya ongezeko kubwa la wafanyakazi ilibidi tuchukue mfumo mpya wa kuhakikisha utenda kazi bora. Mfumo huu mpya unaleta pamoja huduma ya utoaji mkopo wa rejareja chini ya kundi moja hivyo basi kujuimusha ujuzi wetu wa bidhaa za kadi na mikopo pamoja.

Juu ya haya, tulichukua msimamo ya kujaribu na kufahamu dhima hivyo basi kutuwezesha kuimarisha usimaizi mwema wa mikopo ya rejareja. Hatimaye, hii ilihakikisha, tunaendelea kuhifadhi ubora wa ufahamu wetu wa wateja wa mambo ya kifedha katika soko la Kenya.

Matkeo ikwa ni upungufu mkubwa thamani ya mikopo butu ya kila mwaka iklinganishwa na 2006 licha ya kuweko kwa ukuaji mkubwa waombaji mkopo wa rejareja katika madaftari.

Malengo muhimu katika 2008 ni pamoja na kusitawisha mifumo ya utoaji mkopo ili kuhakikisha uwasilishaji wa haraka kwa wateja wetu na kuboresha usimamizi

wa maelezo ili kutambua haraka hatari ya kutolipwa na kubakia na wakopaji bora.

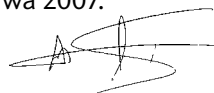
### Kuboresha utendakazi wetu

Kuhitajiwa kwa utendakazi wa shughuli zetu kumizidi maradufu sambamba na kule kwa matawi yetu na mtandao wetu wa ATM. Zaidi ya hivi tumeunda upya mifumo yetu kuwa rahisi kwa wateja wetu kufanya biashara nasi. Kwa ajili yahii, wateja wetu sasa wanaweza kupokea kadi zao za ATM pale wanapofungua akaunti kupitia matawi yetu. Muda wa kuhudumiwa, kati ya wakati mteja anapoomba mkopo na wakati wa kupata pesa hizo, umeboreshwa pia.

### Kumalizia

2007 ulikuwa mwaka wa kuvunja rekodi ya ufanisi ambapo tulileta mageuzi na kupata faida kubwa kuliko matarajio yetu. Tuliongeza mtandao wetu wa usambazaji maradufu na wafanyikazi wakaongezeka mara tatu zaidi, na hapo kubuni benki nyingine. Haya ni mafanikio makubwa na tuliweza kuyageuza haya kuwa faida kubwa ya kuvunja rekodi.

Shukrani zangu za dhati kwa; wateja wetu, wafanyakazi wetu, bodi ya wakurugenzi na Benki kuu ya Kenya ambayo usaidizi wake ulihusika katika kufaulisha mwaka wa 2007.



**ADAN MOHAMED**  
**MKURUGENZI MKUU**



*Mbale Branch: One of the branches opened under the Retail Expansion Programme.*



# Corporate Social Responsibility Report

2007 was a transformational year for Barclays CSI agenda. This was achieved through three key areas of community focus.

## Banking on Brighter Futures

Through the Banking on Brighter Futures initiative, Barclays has pledged its money and its colleagues' expertise to help disadvantaged people work towards financial independence. Barclays Group committed to investing \$150 million and 1,500 hours of colleagues' time over the next 5 years to support 1,500 Banking on Brighter Futures projects around the world.

Barclays Kenya was the first part of the Group to undertake this initiative, announcing a Kshs 107 million commitment, over three years, to support street children as part of this global community investment programme designed to help disadvantaged children build a brighter financial future for themselves, their families and their communities.



Barclays GRCB CEO Frits Seegers at the launch of the Ksh 107 million Barclays / UNICEF launch. With him, the former Vice President, Hon. Moody Awori and UNICEF Country Director, Olivia Yambi.

## Looking after our local Communities

Barclays has continued to engage in collaborative partnerships with the Government and reputable NGOs to address entrepreneurship development issues, public health with special attention to HIV/AIDs and Malaria, provision of

formal education as well as disability issues.

For the fifth consecutive year, Barclays committed substantial amounts of money to address challenges in the education sector in support of the Ministry of Education plans and the Millennium Development Goals.

Our support included building on past relationships as well as engaging new community partners. This was mainly in public secondary and primary schools. Barclays invested Kshs. 20million in the construction of science and computer laboratories, dormitories, provision of sanitation facilities, construction of classrooms and provision of 400 computers. In all the institutions supported, we further provided equipment such as student desks, computers and laboratory tools.



Barclays built a computer lab and donated 20 computers to Nduluku Primary School. On the immediate left is the Chief of General Staff, Jeremiah Kianga, patron of the school.

Based on the success of our past partnership with World Vision Kenya in addressing Malaria concerns in the country, Barclays donated a further Kshs 7.5 million towards the provision of long life treated mosquito nets for distribution to malaria prone areas across the country.

# Corporate Social Responsibility Report *continued*



*Our Ksh 7.5 million partnership with World Vision involves the distribution of 10,000 treated and durable mosquito nets in malaria prone areas around the country.*

To address disability concerns, Barclays partnered with Kenya Institute for the Blind and Loresho Eye Hospital by donating a total of Kshs 7.5 million. The funds were used to purchase Braille text books for children across Kenya with visual impairment as well as meet the cost of surgery to restore the sight of 1000 people across Kenya, suffering from cataracts

## **Charity begins at Work**

To ensure that employees of Barclays are constantly engaged with their communities, as well as where they work, Barclays has provided for exciting community schemes which employees can utilise to support their charities. These schemes include “shilling for shilling” which entails the matching of funds by Barclays and the total amount donated to a charity of their choice; “Make A Difference Day” (MADD) when all employees spend the day making a difference to charities in their communities and 2-days volunteering enabling staff to take time off to volunteer in various community projects of their choice. Kshs10 million was used to benefit various community projects across the country using these staff schemes.

Our employees have been recognized by the Barclays Group through the prestigious annual Chairman’s Award which Kenya has topped for eight years consecutively in various categories. 2007 was an exceptional one, as the overall

winners in the Barclays Group were from Kenya.



*Rehema Khatib and Lillian Makasembo, overall winners of Barclays Group Chairman’s Awards 2007.*

## **Make A Difference Day (MADD)**

There was increased participation in 2007 of both our staff members as well as customers in “Make A Difference Day” activities. This is an annual dedicated day when all staff members spread some sunshine to charities of their choice. More than 4,500 participants undertook activities such as giving motivational sessions to examination candidates in public schools and provided them with stationery ; renovating public health centres and schools and spending quality time with orphaned children.



*Barclays Employees embark on a clean up exercise at Garden Estate Primary School in Nairobi during the Make a Difference Day.*

In total, Kshs 152 million commitment was made towards supporting the community. Barclays has had a special focus on identifying community-based projects programmes that can sufficiently recognize and address the myriad of social issues that have been a barrier to equitable development opportunities. We care about and have a long tradition of making a difference and giving back to the communities where we live and work. It’s a three way win for the community, for colleagues and for our business

# Report of the Directors for the Year Ended 31 December 2007

The Directors have the pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2007.

## 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 (Cap 488).

## Results

The results for the year are set out on pages 40 - 82

## Dividends

One interim dividend of Kshs. 50 cents per share totaling Kshs. 679 million was paid on 2nd November 2007. Subject to the approval of the shareholders, the Directors recommend a final dividend for the year of Kshs. 1.15 per share. This will be paid on or about 9 May 2008 to shareholders registered at close of business on 19 March 2008. This distribution would leave a balance of retained group profit for the year of Kshs. 2,669 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 on the next page.

Dominic Bruynseels who served as a Director of the Board since January 1999 and Carol Musyoka who served as a Director of the Board since November 2005 both resigned from the Board in August 2007 and November 2007 respectively to pursue other opportunities.

The following Directors are due to retire from the Board by rotation under Articles 94, 95 and 96 of the Company's Articles of Association at the forthcoming Annual General Meeting and are eligible for re-election:-

Adan Mohamed  
Charles Ongwae

In accordance with Article 101 of the Company's Articles of Association, Nick Mbuvi is due for retirement this being the first Annual General Meeting to be held since his appointment and being eligible, offers himself for re-election.

## 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 Directors' fees and amounts received under employment contracts for Executive Directors.

# Report of the Directors for the Year Ended 31 December 2007

*continued*

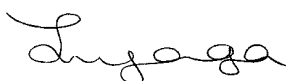
The aggregate amount of emoluments for Directors' services rendered in the financial year is disclosed on page 82.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement 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 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



**Judy Nyaga**  
**Company Secretary**  
**Nairobi**

## **Directors**

Francis Okomo-Okello	Chairman
Adan Mohamed	Managing Director
Charles Ongwae	Finance Director
Nick Mbuvi	Corporate Director
Paul Chemng'orem	
Rose Ogega	
Brown Ondego	
Jane Karuku	

## **Company Secretary**

Judy Nyaga

## **Auditors**

PriceWaterhouseCoopers  
Rahimtulla  
Upper Hill  
P.O. Box 41968 Code 00100  
Nairobi

## **Registered Office**

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

## **Registrar**

Custody and Registrars Services Limited  
6th Floor, Bruce House, Standard Street  
P.O. Box 8484 Code 00100  
Nairobi

# Ripoti ya Wakurugenzi ya mwaka uliyopita wa tarehe 31 Desemba 2007

Wakurugenzi wana furaha kuwaletea ripoti yao pamoja na taarifa za kifedha zilizokaguliwa za kipindi cha mwaka uliyomalizikia tarehe 31 Desemba 2007.

## *Shughuli muhimu*

Ikitumia jina lake na kupitia kampuni zake tanzu, Benki hutoa huduma mbali mbali za kina za kibenki, kifedha na huduma nyingine zinazohusiana, na ina leseni kwa mujibu wa Sheria za Mabenki (Kifungu 488).

## *Matokeo*

Matokeo ya mwaka yanaonyeshwa kwenye ukurasa 40 - 82.

## *Mgawo*

Mgawo wa awali wa muda wa senti 50 kwa kila hisa ukijumlisha Kshs. Milioni 679 ulilipwa mnamo 2 Novemba 2007. Wenye hisa wakiidhinisha, wakurugenzi wanapendekeza mgawo wa mwisho wa mwaka wa Kshs. 1.15 kwa kila hisa. Mgawo huu utalipwa mnamo au kabla ya tarehe 9 Mei 2008 kwa wenye hisa waliyo katika rejista kabla ya kufungwa shughuli mnamo 19 Machi 2008. Kugawanywa huko kutawacha baki katika faida ya mwaka ya kundi ya kiasi cha Kshs. Milioni 2,669 ambayo itajumuishwa na mapato yote ya kundi na kuhifadhiwa.

## *Taarifa za kifedha*

Hadi kufikia wakati wa kukusanywa kwa ripoti hii, Wakurugenzi hawakuona jambo lolote lile ambalo lingegeuza thamani ya rasilimali katika taarifa za kifedha za kundi kuwa ya kupotosha.

## *Wakurugenzi*

Wakurugenzi wa Halmashauri waliyotumikia katika kipindi cha mwaka tunaozungumzia na hadi kufikia tarehe ya ripoti hii, wameonyeshwa kwenye ukurasa unaofuatia.

Dominic Bruynseels aliyetumikia kama Mkurugenzi katika Halmashauri tangu mwezi wa Januari 1999 na Carol Musyoka aliyetumikia kama Mkurugenzi katika Halmashauri tangu mwezi wa Novemba 2005 wote wawili walijiuzulu katika Halmashauri mnamo mwezi wa Agosti 2007 na mwezi wa Novemba 2007 mtawalia kwenda kujishughulisha na kazi nyingine.

Wakurugenzi wafutao wamefikia kustaafu kwq zamu kutoka kwa Halmashauri kwa mujibu wa vifungu 94, 95 na 96 vya kanuni za Kampuni kwenye kikao hicho kinachikuja cha Mkutano Mkuu wa mwaka na kuchaguliwa tena kwao kunakubalika:-

Adan Mohamed  
Charles Ongwae

Kuambatana na kifungu 101 cha kanuni za Kampuni, Nick Mbuvi amefikia kustaafu na kwa vile Mkutano huu Mkuu wa mwaka ni wake wa kwanza tangu alipochaguliwa na sababu anastahili, anajitolea kuchaguliwa tena.

## *Marupurupu ya Wakurugenzi*

Tangu Mkutano Mkuu wa mwaka uliyopita wa Kampuni hadi kufikia tarehe ya ripoti hii, hakuna Mkurugenzi aliyepokea au aliyekuwa na haki ya kupata marupurupu yoyote

# Ripoti ya Wakurugenzi ya mwaka uliyopita wa tarehe 31 Desemba 2007 *inaendelea*

isipokuwa ada ya kawaida ya Wakurugenzi pamoja na malipo ya mshahara kulingana na makubaliano yahusuyo Wakurugenzi Watendaji.

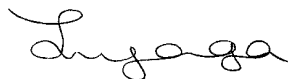
Jumla ya kiasi cha malipo kwa Wakurugenzi kufidia huduma zao walizotoa katika mwaka wa kifedha tunaouzungumzia yanaonyeshwa kwenye ukurasa 40 - 82.

Siyo mwisho wa mwaka wa kifedha wala wakati wowote ule katika kipindi cha mwaka tunaoutazama kumekuweko mipango yoyote ambapo Wakurugenzi walipata fadhila ya hisa au stakabadhi za mikopo kutoka Benki au mashirika yake tanzu.

## ***Wakaguzi wa hesabu***

Wakaguzi wa hesabu, PriceWaterhouseCoopers wameonyesha kutaka kwao kuendelea na wadhifa huo kulingana na Sehemu ya 159(2) ya sheria zinazosimamia Makampuni (Kifungu 486) na Sehemu 24(1) ya Sheria zinazosimami Mabenki (Kifungu 488).

Kwa Amri ya halmashauri



**Judy Nyaga**  
**Katika wa Kampuni**  
**Nairobi**

## ***Wakurugenzi***

Francis Okomo Okello	Chairman
Adan Mohamed	Managing Director
Charles Ongwae	Finance Director
Nick Mbuvi	Corporate Director
Paul Chemng'orem	
Rose Ogega	
Brown Ondego	
Jane Karuku	

## ***Katibu wa Kampuni***

Judy Nyaga

## ***Wakaguzi wa hesabu***

PriceWaterhouseCoopers  
Rahimtulla, Upper Hill  
P.O. Box 41968 Code 00100  
Nairobi

## ***Makao Makuu***

Jumba la Barclays Plaza  
Barabara ya Loita  
S.L.P 30120 Kodi 00100  
Nairobi

## ***Msajili***

Custody and Registrars Services Limited  
Ghorofa ya 6, Jumba Bruce House, Barabara ya Standard  
S.L.P 8484 Kodi 00100  
Nairobi



# Corporate Governance Statement

The Board and Management of the Bank are bound by the highest standards of integrity in carrying out their responsibilities to ensure that sound banking and governance practices are adopted in the Bank's engagement with all its stakeholders who include its customers, shareholders and regulators etc. The Board keenly adheres to the code of governance prescribed by the Central Bank of Kenya Prudential Guidelines, the Capital Markets Authority and the Barclays Group as well as its own stringent standards of governance and control as is evident by the governance framework outlined below. During 2007, the Bank embarked on a bold expansion programme and consequently enhancement of the Board's capability to carry out its oversight responsibilities over the Bank's risk, control and compliance framework was in key focus during the year.

The Bank has three key Board Committees (Audit, Advances and External Relations) which meet at least quarterly, supported by four key Management Committees (Country Management Committee (CMC), Assets and Liabilities Committee (ALCO), Risk and Control Committee (RCC) and Remuneration and Promotions Committee (RPC).

## Audit Committee

The Audit Committee plays a vital role in ensuring the integrity of the financial statements prior to review and approval by the Board. It is also responsible for continually evaluating the effectiveness of the internal control systems and regularly receives reports from the internal and external auditors as well as Management's Risk and Control Committee. The Audit Committee comprises 4 independent Non-Executive Directors and has direct access to the Barclays Internal Audit

function, the Company Secretary as well as the authority to engage external professional advisors.

## Advances Committee

The Advances Committee plays a critical role in the formulation and review of lending policies and ensures that such policies are in compliance with regulatory requirements. It assesses the credit quality and risk profile of the Bank's lending book by sector and by product and makes recommendations to the Board on remedial actions or on matters that may enhance the quality of the lending book. The Committee comprises 3 independent Non-Executive Directors.

## External Relations Committee

This Committee has been tasked with advising and supporting the Management of the Bank in the conduct of its relationship with key stakeholders. It has been instrumental in guiding the Bank's policies on public relations, corporate social responsibility programmes and marketing of the Bank's products and services. The Committee is also a vital component of the Bank's strategy to protect, promote and enhance its brand. The Committee comprises 3 independent Non-Executive Directors.

## Country Management Committee (CMC)

This Committee meets twice every month. It is a key Management Committee in that it is responsible for the implementation of strategy and driving the financial performance of the Bank. It also reviews the work of other Management Committees. CMC works in tandem with the Board to formulate strategy and policy for the Bank. The Committee is also charged with the responsibility of identifying and coaching senior talent within the Bank for succession planning.

# Corporate Governance Statement *continued*

## **Assets & Liabilities Committee (ALCO)**

ALCO is tasked with managing financial risk specifically liquidity, interest rates, market risk, capital management and balance sheet structure. The Committee meets at least once a month and is instrumental in ensuring that sustainable and stable returns are obtained from the deployment of the Bank's assets within a framework of financial risks and controls.

## **Risk and Control Committee (RCC)**

This Committee was established by Management in November 2007 to replace the Regional Governance and Control Committee. Its mandate is to embed and implement policies and controls to provide assurance on the effectiveness of internal controls. RCC monitors credit risk exposures against defined appetite and thresholds. The Committee also monitors legal and regulatory changes in the external environment and oversees compliance with relevant laws, regulations and directives. The Committee meets once a month and periodically reports to the Board Audit Committee highlighting key risk and control issues and Management actions to address them.

## **Remuneration and Promotions Committee (RPC)**

In line with the Bank's commitment to develop, motivate and retain talent, RPC was established by Management in November 2007 with the primary aim of ensuring good governance in the appointment of senior executives and managers and of developing a framework of policies and practices in the promotion and remuneration the Bank's employees

## **Board Performance in 2007**

The Board has continued to monitor the Bank's financial performance, advise on regulatory relationships and compliance, review external audit performance and oversee strategic planning.

In accordance with the widely accepted

principles of good governance, the Board and the Board Committees carried out their annual self assessments in 2007 to evaluate their effectiveness and performance. The feedback received demonstrated that the Board and Board Committees were all achieving their respective goals and objectives as set out in the Board Work Plan for 2007 and the respective Committees' Terms of Reference.

As part of continuous development of the Board's mix of skills and experience, during the year 2007 a number of training activities were undertaken by Board members on among other things, the Bank's Impairment Model, the management of risk and control self assessments, Basle II, business continuity management, sanctions and compliance and the Bank's New Product Approval Policy.

During the year, the Board convened and held four (4) ordinary meetings and three (3) special meetings. The Advances Committee and the External Relations Committee convened and held four (4) meetings each and the Audit Committee convened and held six (6) meetings. All the meetings convened had sufficient quorum and an average of 87% of the Board members required to attend were present at each meeting.

## **Directors' Emoluments, Loans and Conflicts of Interest**

The aggregate amount of emoluments and fees paid to directors during the year are disclosed in note 38 of the financial statements. No member of the Board indicated any willingness to acquire shares of the company during the year. Directors are required to disclose all areas of conflict of interest to the Board and are excluded from voting on such areas.

**20 February 2008**

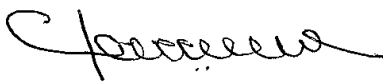
# Statement of Directors' Responsibilities

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 the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable, prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the

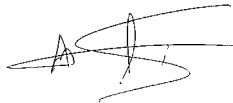
Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit in accordance with International Financial Reporting Standards. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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



**FRANCIS OKOMO-OKELLO**  
CHAIRMAN

20 February 2008



**ADAN MOHAMED**  
MANAGING DIRECTOR

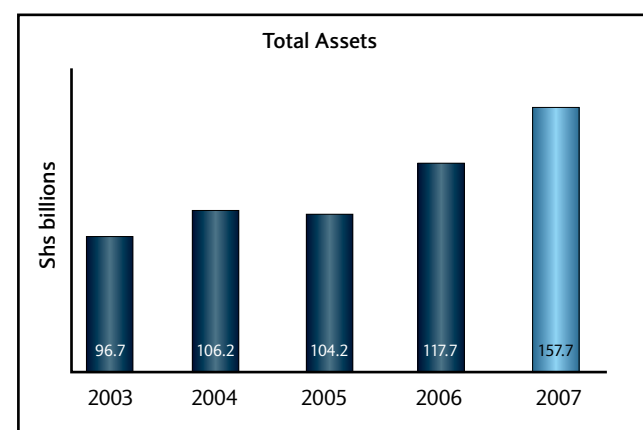
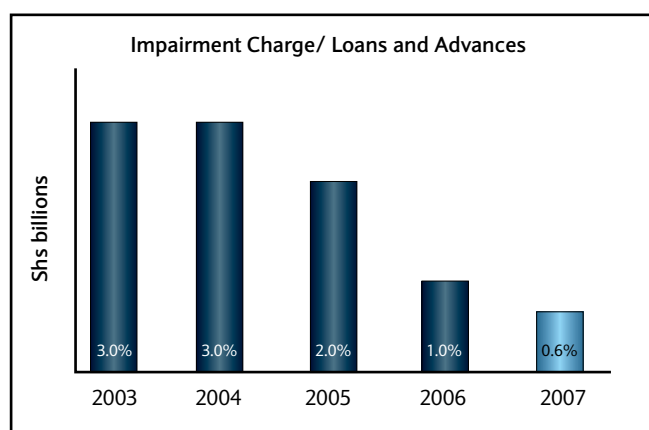
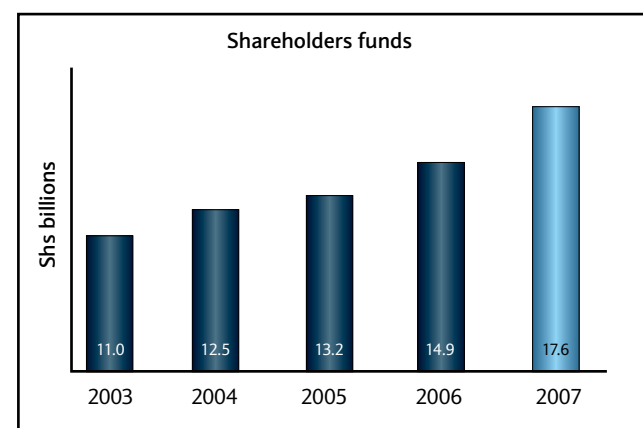
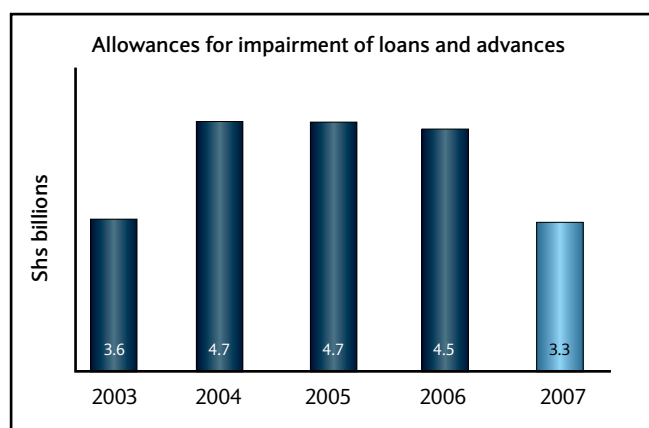
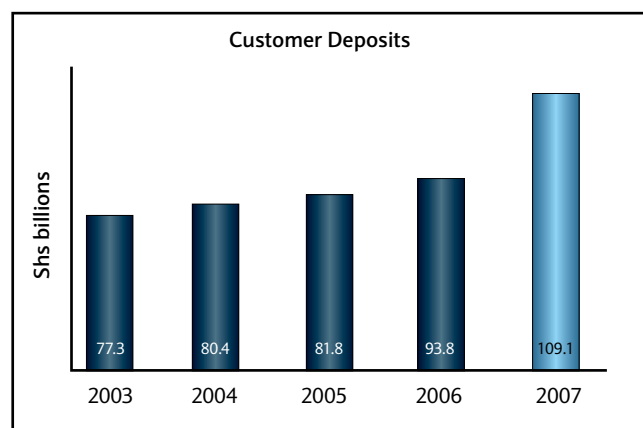
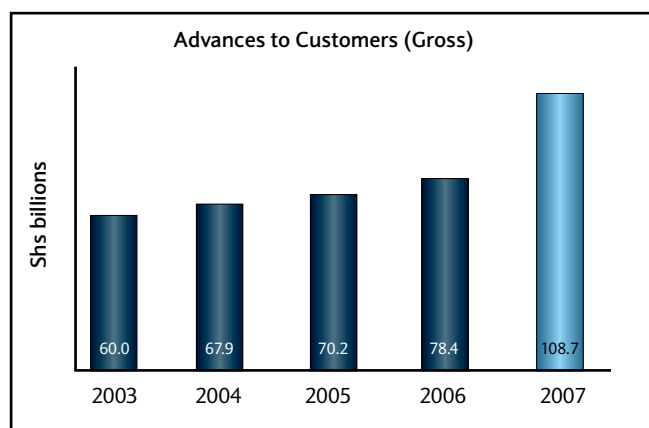
# Five Year Group Review

KShs. Million	2002	2003	2004	2005	2006	2007
Operating Income	11,494	13,942	13,953	14,275	15,123	18,860
Operating expenses	(7,431)	(7,539)	(6,471)	(7,519)	(7,767)	(11,095)
Impairment losses on loans and advances	(1,513)	(1,613)	(1,913)	(1,329)	(881)	(687)
Profit before tax	2,550	4,790	5,569	5,427	6,475	7,078
Net profit	1,783	3,367	3,820	3,729	4,492	4,910
Earnings per share (Shs)*	1.30	2.48	2.80	2.70	3.30	3.60
Dividends per share (Shs)	1.80	2.10	2.10	2.10	1.65	1.65
Loans and advances to customers (Gross)	53,335	60,038	67,940	70,220	78,412	108,670
Allowances for impairment of loans and advances	(2,664)	(3,568)	(4,718)	(4,658)	(4,505)	(3,324)
Cash and short term funds	15,187	13,816	16,062	15,663	11,869	10,774
Government securities	16,189	22,885	21,470	15,767	25,484	25,721
Property and Equipment	1,427	1,411	1,580	1,503	1,613	2,772
Other assets	2,440	2,073	3,861	5,731	4,849	13,043
<b>Total Assets</b>	<b>85,914</b>	<b>96,655</b>	<b>106,195</b>	<b>104,226</b>	<b>117,722</b>	<b>157,656</b>
Customer deposits	69,023	77,266	80,449	81,800	93,837	109,097
Other liabilities	6,902	8,367	13,271	9,249	9,023	30,995
<b>Total Liabilities</b>	<b>75,925</b>	<b>85,633</b>	<b>93,720</b>	<b>91,049</b>	<b>102,860</b>	<b>140,092</b>
<b>Net assets</b>	<b>9,989</b>	<b>11,022</b>	<b>12,475</b>	<b>13,177</b>	<b>14,862</b>	<b>17,564</b>
<b>Shareholders funds</b>	<b>9,989</b>	<b>11,022</b>	<b>12,475</b>	<b>13,177</b>	<b>14,862</b>	<b>17,564</b>
<b>Performance ratios</b>						
Return on Capital employed	18%	31%	30%	28%	30%	28%
Return on assets	2%	3%	3%	3%	4%	3%
Impairment Charge / Loans and Advances	3%	3%	3%	2%	1%	1%
<b>Balance sheet ratios</b>						
Net advances to deposits (%)	73%	73%	79%	80%	79%	97%
Impairment allowances / Gross Advances	5%	6%	7%	7%	6%	3%
Classified Debt / Gross Advances	15%	15%	13%	13%	13%	5%
<b>Others</b>						
Staff Numbers	1,811	1,741	1,775	1,762	2,197	6,900
Number of shareholders	34,540	33,938	33,545	33,556	46,119	58,946

\* In 2006 there was a share split and bonus share issue increasing the number of shares to 1,358 million from 203.7 million 2005. Earnings per share between 2002-2005 has been calculated using the current number of shares for comparative purposes

# Financial Graphs

Sustainable performance underlined by growth in customer assets and liabilities.





# Report of the Independent Auditor to the members of Barclays Bank of Kenya Limited

## Report on the consolidated financial statements

We have audited the accompanying consolidated financial statements of Barclays Bank of Kenya Limited (the company) and its subsidiary (together, the group), as set out on pages 40 to 82. These financial statements comprise the consolidated balance sheet at 31 December 2007 and the consolidated profit and loss account, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the company standing alone as at 31 December 2007 and the statement of changes in equity of the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors responsibility for the financial statements

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

## Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

## Opinion

In our opinion the accompanying financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2007 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

## Report on other legal requirements

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

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

**PRICEWATERHOUSECOOPERS** 

Certified Public Accountants  
Nairobi

20 February 2008

# Taarifa ya Wakaguzi wa Hesabu Huru kwa Wanachama wa Benki ya Barclays

## Taarifa ya pamoja ya hesabu za fedha.

Tumefanya hesabu ya ukaguzi kwenya taarifa ya fedha ya Barclays of Kenya Limited (kampuni) na kampuni zake tanzu (kwa pamoja kama kundi moja) kama ilivyoorodheshwa kwenya kurasa za 40 hadi 82. Taarifa hizi za fedha zinashirikisha mabakiyote kwenye mizania kama inavyoonekana 31 Desemba, 2007 na faida ya pamoja na akaunti ya hasara, taarifa iliyofanyiwa mabadiliko kwenya mgawanosawa na taarifa ya jinsi fedha zilivyoshughulikiwa mwaka uliomalizika, pamoja na mizania ya kampuni kama ilivyokuwa 31 Desemba 2007 pamoja na taarifa ya mabadiliko kwenye mgawano ya kampuni mwaka uliomalizika, na muhtasari wa maongozi ya uhasibu na ufafanuzi wake.

## Wajibu wa Wakurugenzi ya taarifa za Fedha

Wakurugenzi wana wajibu wa uandalizi na utoaji wa taarifa hizi za kifedha kwa haki kulingana na Utaratibu wa Kimataifa wa kuripoti taarifa za kifedha na kuhakikisha wanatosheleza Sheria za Kenya za Makampuni. Wajibu huu unashirikisha; upangaji, utekelezaji na usimamizi wa udhibiti wa ndani unaohusiana na uandalizi na uasilishaji wa haki wa taarifa za kifedha usionyajiwa na taarifa za kupotosha, iwe kwa ulaghai au makosa, kuchagua na kutumia maongozi ya uhasibu; na kufanya makadirio ya uhasibu ambayo ni ya usawa katika hali ile.

## Wajibu wa Wakaguzi wa Hesabu

Wajibu wetu ni kueleza maoni yali huru juu ya taarifa za kifedha juu ya ukaguzi wetu. Tuliendesha ukaguzi wetu kulingana na vigezo vya ukaguzi wa fedha. Vigezo hivyo vinahitaji kwamba tufuate mahitaji ya madili na upanga na kutekeleza shughuli zetu za ukaguzi wa hesabu ili kuhakikisha kwamba taarifa zetu zinaepukana na habari za kupotosha.

Ukaguzi wa hesabu unahusisha shughuli zinazotoa ushahidi juu ya viwango na kutoa habari sahihi juu ya taarifa za kifedha. Utaratibu unaochaguliwa unategemea uamuzi wa mkaguzi mwenyewe, ikijumuisha upigaji msasa wa hatari zinazopatikana kutokana na habari zo zote za kupotosha ambazo huenda zikatolewa, iwe kwa ulaghai au kosa. Kwa kufanya ukaguzi huo wa hatari, mkaguzi hufikiria usimamizi na udhibiti wa ndani unaohusiana na jinsi shirika lilivyojiandaa na uwasilishaji wa haki wa taarifa za kifedha ili kupanga utaratibu wa ukaguzi wa hesabu unaofaa katika hali ile, na wala sio kwa kutoa maoni juu ya uwezo wa ukaguzi wa hesabu wa ndani. Ukaguzi pia hushirikisha upigaji msasa wa uhakika na usawa wa maongozi ya uhasibu uliotumiwa na maiki ya makadirio yaliyofanywa na wakurugenzi, na pia kuchunguza kwa upana uwasilishaji wote wa taarifa za kifedha.

Tunaamini kwamba ushahidi wa ukaguzi wa hesabu tuliopata unatosha na sawa kuweza kutupa sisi msingi kwa kufikia maoni yetu.

## Maoni

Kulingana na maoni yetu taarifa za kifedha zilizoko zinaonyesha ukweli na haki ya hali ya fedha ya kundi hili na kampuni kwa ujumla kufikia 31 Desemba, 2007, na kuhusiana na faida na hali ya kifedha katika kundi hili kufikia mwisho wa mwaka kulingana na viwango vya kimataifa vya kutoa taarifa ya kifedha na kulingana na Sheria ya Kenya inayosimamia makampuni.

## Taarifa Juu ya Mahitaji Mengine ya Kisheria

Sheria ya Makampuni Nchini Kenya (Kenya Company's Act) inahitaji kwamba katika utekelezaji wa shughuli zetu za ukaguzi tufuate na kuwafahamisha maswala Fulani. Tunadhibitisha kwamba:

- i) Tumepokea habari zote na maelezo, ambayo kulingana na tunavyofahamu na kuamini yalikuwa muhimu kwa malengo ya ukaguzi wetu.
- ii) Kwa maoni yet madaftari sahihi ya hesabu yametumiwa na kampuni, kulingana na upekuzi wetu wa madaftari hayo.
- iii) Mizania inawiana na madaftari ya hesabu za kampuni

**PRICEWATERHOUSECOOPERS** 

Certified Public Accountants  
Nairobi

20 Februari 2008

*NOTE: The text set out above is a Kiswahili translation of the 'Report of the Independent Auditors to the members of Barclays Bank of Kenya Limited', which appears on page 38. In the event of any dispute over the interpretation of the Auditors, the English version shall be the authoritative version.*

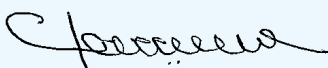
# Consolidated profit and loss account

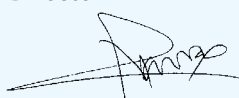
	Notes	2007 Shs million	2006 Shs million
Interest income	4	13,634	10,428
Interest expense	5	(2,253)	(1,492)
<b>Net interest income</b>		<b>11,381</b>	<b>8,936</b>
Net fees and commission income		5,984	4,915
Foreign exchange income		1,478	1,195
Other operating income		17	77
<b>Operating income</b>		<b>18,860</b>	<b>15,123</b>
Impairment losses on loans and advances	15	(687)	(881)
Other operating expenses	6	(11,095)	(7,767)
<b>Profit before income tax</b>		<b>7,078</b>	<b>6,475</b>
Income tax expense	8	(2,168)	(1,983)
<b>Profit for the year</b>		<b>4,910</b>	<b>4,492</b>
<b>Earnings per share</b>			
- Basic and diluted (Shs per share)	9	3.6	3.3
<b>Dividends: (Shs million)</b>			
Interim dividends – paid in the year	10	679	611
Proposed final dividend for the year	10	1,562	1,630
		<b>2,241</b>	<b>2,241</b>

# Consolidated balance sheet

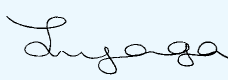
	Notes	2007 Shs million	2006 Shs million
<b>ASSETS</b>			
Cash and balances with Central Bank of Kenya	11	10,774	8,198
Government securities: available-for-sale securities	12	25,721	25,484
Deposits and balances due from banking institutions	13	3,105	1,454
Balances due from group companies	38	3,382	3,322
Other assets	14	4,631	2,072
Loans and advances to customers	15	105,346	73,907
Current income tax recoverable		23	-
Goodwill	17	128	128
Property and equipment	19	2,772	1,613
Prepaid operating lease rentals	20	64	65
Retirement benefit asset	21	1,710	1,479
<b>Total assets</b>		<b>157,656</b>	<b>117,722</b>
<b>LIABILITIES</b>			
Balances due to Central Bank of Kenya	22	6,054	-
Customer deposits	23	109,097	93,837
Deposits and balances due to banking institutions	24	6,823	2,268
Lines of credit	25	559	1,215
Other liabilities	26	8,219	3,893
Balance due to group companies	38	6,396	913
Current income tax payable		-	391
Dividends payable		1,583	-
Deferred income tax	18	378	343
Long term liabilities - Medium term note	27	983	-
<b>Total liabilities</b>		<b>140,092</b>	<b>102,860</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	28	2,716	2,716
Revaluation reserves: available-for-sale securities		138	37
Retained earnings		12,870	10,364
Statutory loan loss reserve		278	115
Proposed dividend	10	1,562	1,630
<b>Total shareholders' equity</b>		<b>17,564</b>	<b>14,862</b>
<b>Total equity and liabilities</b>		<b>157,656</b>	<b>117,722</b>

The financial statements on pages 40 to 82 were approved for issue by the board of directors on 20 February 2008 and signed on its behalf by:

  
FRANCIS OKOMO-OKELLO  
Director

  
CHARLES ONGWAE  
Director

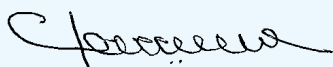
  
ADAN MOHAMED  
Director

  
JUDY NYAGA  
Secretary

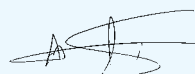
# Company Balance Sheet

	Notes	2007 Shs million	2006 Shs million
<b>ASSETS</b>			
Cash and balances with Central Bank of Kenya	11	10,774	8,198
Government securities: available-for-sale securities	12	25,721	25,484
Deposits and balances due from banking institutions	13	3,105	1,454
Amounts due from group companies	38	3,382	3,322
Other assets	14	4,631	2,096
Loans and advances to customers	15	105,346	73,907
Current income tax recoverable		20	-
Investments in subsidiary companies	16	275	275
Goodwill	17	128	128
Property and equipment	19	2,772	1,613
Prepaid operating lease rentals	20	64	65
Retirement benefit asset	21	1,710	1,479
<b>Total assets</b>		<b>157,928</b>	<b>118,021</b>
<b>LIABILITIES</b>			
Balances due to Central Bank of Kenya	22	6,054	
Customer deposits	23	109,097	93,837
Deposits and balances due to banking institutions	24	6,823	102,268
Lines of credit	25	559	1,215
Other liabilities	26	8,491	4,182
Amounts due to group companies	38	6,396	913
Current income tax payable		-	401
Dividends Payable		1,583	-
Deferred income tax	18	378	343
Long term liabilities – Medium term note	27	983	-
<b>Total liabilities</b>		<b>140,364</b>	<b>103,159</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share capital	28	2,716	2,716
Revaluation reserve : investment in subsidiaries		89	97
Revaluation reserve: available-for-sale securities		138	37
Retained earnings		12,781	10,267
Statutory loan loss reserve		278	115
Proposed dividend	10	1,562	1,630
<b>Total shareholders' equity</b>		<b>17,564</b>	<b>14,862</b>
<b>Total equity and liabilities</b>		<b>157,928</b>	<b>118,021</b>

The financial statements on pages 40 to 82 were approved for issue by the board of directors on 20 February 2008 and signed on its behalf by:



FRANCIS OKOMO-OKELLO  
Director



ADAN MOHAMED  
Director



CHARLES ONGWAE  
Director



JUDY NYAGA  
Secretary



# Consolidated statement of changes in equity

	Notes	Share capital	Retained earnings	Statutory reserves	Revaluation reserve on available-for-sale securities	Proposed dividend	Total
		Shs million	Shs million	Shs million	Shs million	Shs million	Shs million
<b>Year ended 31 December 2006</b>							
At start of year		2,037	8,907	-	(8)	2,241	13,177
Net change in available-for-sale securities		-	-	-	45	-	45
Profit for the year		-	4,492	-	-	-	4,492
Total recognised gains for 2006		-	4,492	-	45	-	4,537
Statutory loan loss reserve			(115)	115	-	-	-
Dividends:							
- final for 2005 paid		-	-	-	-	(2,241)	(2,241)
- interim for 2006 paid		-	(611)	-	-	-	(611)
- proposed final for 2006	10	-	(1,630)	-	-	1,630	-
Bonus issue		679	(679)	-	-	-	-
<b>At end of year</b>		<b>2,716</b>	<b>10,364</b>	<b>115</b>	<b>37</b>	<b>1,630</b>	<b>14,862</b>
<b>Year ended 31 December 2007</b>							
At start of year		2,716	10,364	115	37	1,630	14,862
Net change in available-for-sale securities		-	-	-	101	-	101
Profit for the year		-	4,910	-	-	-	4,910
Total recognised gains for 2007		-	4,910	-	101	-	5,011
Statutory loan loss reserve		-	(163)	163	-	-	-
Dividends:							
- final for 2006 paid		-	-	-	-	(1,630)	(1,630)
- interim for 2007 paid		-	(679)	-	-	-	(679)
- proposed final for 2007	10	-	(1,562)	-	-	1,562	-
<b>At end of year</b>		<b>2,716</b>	<b>12,870</b>	<b>278</b>	<b>138</b>	<b>1,562</b>	<b>17,564</b>

# Company statement of changes in equity

	Notes	Share capital	Revaluation reserves on investment in subsidiaries	Retained earnings	Statutory reserves	Revaluation reserves on available for sale securities	Proposed dividends	Total
		Shs million	Shs million	Shs million	Shs million	Shs millions	Shs million	Shs million
<b>Year ended 31 December 2006</b>								
At start of year		2,037	248	8,659		(8)	2,241	13,177
Surplus on revaluation of investment in subsidiary		-	3			-	-	3
Dividends paid to BBK		-	(154)	-			-	(154)
Net gains recognised directly in equity		-	(151)	-		-	-	(151)
Net change in available-for-sale securities		-	-	-	-	45	-	45
Profit for the year		-	-	4,643		-	-	4,643
Total recognised gains for 2006		-	(151)	4,643		45	-	4,537
Statutory loan loss reserve				(115)	115			
Loan Capital – new issue								
Dividends:								
- final for 2005 paid		-	-	-		-	(2,241)	(2,241)
- interim for 2006 paid		-	-	(611)		-	-	(611)
- proposed final for 2006	10			(1,630)			1,630	
Bonus issue		679	-	(679)		-	-	-
<b>At end of year</b>		<b>2,716</b>	<b>97</b>	<b>10,267</b>	<b>115</b>	<b>37</b>	<b>1,630</b>	<b>14,862</b>
<b>Year ended 31 December 2007</b>								
At start of year		2,716	97	10,267	115	37	1,630	14,862
Surplus on revaluation of investment in subsidiary		-	(8)	8	-	-	-	-
Dividends paid to BBK								
Net gains recognised directly in equity		-	(8)	8	-	-	-	-
Net change in available for sale securities		-	-	-		101	-	101
Profit for the year		-	-	4,910	-	-		4,910
Total recognised gains / (losses) for 2007		-		4,910	-	101	-	5,011
Statutory loan loss reserve				(163)	163			
Dividends:								
- final for 2006 paid		-	-	-		-	(1,630)	(1,630)
- interim for 2007 paid		-	-	(679)	-	-	-	(679)
- proposed final for 2007	10	-	-	(1,562)	-	-	1,562	-
<b>At end of year</b>		<b>2,716</b>	<b>89</b>	<b>12,781</b>	<b>278</b>	<b>138</b>	<b>1,562</b>	<b>17,564</b>

# Consolidated cash flow statement

	Notes	2007 Shs million	2006 Shs million
<b>Cash flows from operating activities</b>			
Interest receipts		13,911	10,333
Interest payments		(2,176)	(1,468)
Net fee and commission receipts		5,984	4,915
Other income received		1,494	1,272
Recoveries from loans previously written off	15	103	149
Payments to employees and suppliers		(9,946)	(7,586)
Tax paid		(2,547)	(1,399)
Cash flows from operating activities before changes in operating assets and liabilities		6,823	6,216
<b>Changes in operating assets and liabilities:</b>			
- loans and advances		(32,443)	(9,280)
- other assets		(2,458)	1,991
- CBK cash reserve requirement	32	(857)	(724)
- government securities maturing after 90 days		(473)	(18,984)
- lines of credit		(656)	(494)
- customer deposits		15,183	12,013
- other liabilities		4,261	(620)
- amounts due to group companies		5,483	(118)
Net cash from operating activities		(5,137)	(10,000)
<b>Cash flows from investing activities</b>			
Purchase of property and equipment	19	(1,573)	(448)
Proceeds from sale of property and equipment		21	204
Net cash used in investing activities		(1,552)	(244)
<b>Cash flows from financing activities</b>			
Dividends paid		(726)	(2,852)
Net cash used in financing activities		(726)	(2,852)
Net decrease in cash and cash equivalents		(7,415)	(13,096)
Cash and cash equivalents at beginning of year	32	5,081	18,177
Cash and cash equivalents at end of year	32	(2,334 )	5,081

# Notes to the Financial Statements

for the year ended 31 December 2007

## 1 General information

The Company is incorporated in Kenya under the Companies Act as a public limited liability company and is domiciled in Kenya. The address of its registered office is

Barclays Plaza  
Loita Street  
PO Box 30120  
NAIROBI

The shares of the company are listed on the Nairobi Stock Exchange.

## 2 Significant accounting policies

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

### (a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

#### **Adoption of new and revised standards**

In 2007, the following new and revised standards and interpretations became effective for the first time and have been adopted by the Company where relevant to its operations. The comparative figures have been restated as required, in accordance with the relevant requirements.

- **IAS 1 Amendment, Capital Disclosures.** The amendment to IAS 1 introduces disclosures about the level of the Company's capital and how it manages capital
- **IFRS 7, Financial Instruments: Disclosures.** IFRS 7 introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. This standard does not have any impact on the classification or measurement of the Company's financial instruments.

The following amendment to an existing standard and new standard will become effective from 1 January 2008 ( and have not been adopted early)

- IFRIC 11 – Group and Treasury share transactions ( from 1 March 2007)
- IFRIC 12 – Service concession Arrangements (from 1 January 2008)
- IFRS8 – Operating segments (from 1 January 2009)
- IAS 23 – Borrowing costs (revised) (from January 2009)

The Directors have assessed the relevance of these amendments and interpretations with respect to the company's operations and concluded that they are not relevant to the company

### (b) Consolidation

The consolidated financial statements comprise the financial statements of Barclays Bank of Kenya Limited and its subsidiary companies made up to 31 December. 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 16.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### (c) *Interest income and expense*

Interest income and expense are recognised in the profit and loss account for all interest bearing instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

### (d) *Fees and commission income*

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan appraisal fees together with related direct costs are recognised using the effective interest rate method.

### (e) *Translation of foreign currencies*

The accounting records are maintained in the currency of the primary economic environment in which the company operates, Kenya Shillings ("the functional currency"). Transactions in foreign currencies during the year are converted into the functional currency using the exchange rates prevailing at the dates of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account.

### (f) *Financial assets*

The bank classifies its financial assets into the following categories: financial assets at fair value through profit or loss; loans, advances and receivables and available-for-sale assets. Management determines the appropriate classification of its investments at initial recognition.

#### (a) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces a measurement inconsistency. Derivatives are also categorised as held for trading.

#### (b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the bank provides money, goods or services directly to a debtor with no intention of trading the receivable.

#### (c) Available-for-sale

Available-for-sale investments are those non-derivative financial assets that are not classified under any of the categories (a) or (b) above.

Purchases and sales of financial assets at fair value through profit or loss and available-for-sale are recognised on trade-date – the date on which the bank commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the group has transferred substantially all risks and rewards of ownership.



# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### (f) *Financial assets (continued)*

Loans, advances and receivables are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the profit and loss account in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account. However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the bank's right to receive payment is established.

Fair values of quoted investments in active markets are based on quoted bid prices. Fair values for unlisted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

The fair values of the company's financial assets and liabilities approximate the respective carrying amounts, due to the generally short periods to contractual repricing or maturity dates as set out above. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that directors expect would be available to the company at the balance sheet date.

### (g) *Leases*

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

Assets leased to customers under agreements which do not transfer substantially all the risks and rewards of ownership are classified as operating leases. The leased assets are included within property, plant and equipment on the Company's balance sheet and depreciation is provided on the depreciable amount of these assets on a systematic basis over their estimated useful lives. Lease income is recognised on a straight-line basis over the period of the lease unless another systematic basis is more appropriate.

### (h) *Impairment of financial assets*

The bank assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the bank about the following loss events:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as default or delinquency in interest or principal repayments;
- c) the bank granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties; or
- f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the group.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### (i) *Assets carried at amortised cost*

The bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the bank determines no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans or held-to-maturity investments carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the bank may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the bank's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the profit and loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit and loss account.

### (i) *Investments in subsidiaries*

Investments in subsidiary companies are carried only in the company accounts at fair value. Changes in fair value of the investments are recognised in equity and subsequent recycling into profit or loss on disposal or impairment.

### (j) *Property and equipment*

Land and buildings comprise mainly branches and offices. All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Freehold land is not depreciated. Depreciation on other assets is calculated on the straight line basis to write down their cost to their residual values over their estimated useful lives, as follows:

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### *(j) Property and equipment (continued)*

Buildings	25 – 40 years
Fixtures, fittings and equipment	3 – 15 years
Motor vehicles	5 – 8 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The bank assesses at each reporting date whether there is any indication that any item of property and equipment is impaired. If any such indication exists, the bank estimates the recoverable amount of the relevant assets. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

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.

### *(k) 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.

### *(l) 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 tested annually for impairment as well as when there are indications of impairment.

### *(m) Sale and repurchase agreements*

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate.

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

### *(n) Employee benefits*

#### *(i) Retirement benefit obligation*

The group 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 bank and the employees. Certain of the employees are members of the parent bank's defined benefit scheme. The bank and all its employees also contribute to the National Social Security Fund, which is a defined contribution 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 profit and loss account 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 asset recognised in the balance sheet in respect of defined benefit pension plan is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### *(n) Employee benefits (continued)*

defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives. In determining this cost the actuarial value of the assets and the liabilities of the scheme are calculated, modelling their future growth, based on key assumptions agreed with management as described in note 21.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

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

#### *(ii) Other employee entitlements*

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

### *(o) Income tax expense*

Income tax expense is the aggregate of the charge to the profit and loss account in respect of current income tax and deferred income tax.

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

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes.

However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

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

### *(p) 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.

### *(q) Derivative financial instruments*

Derivatives, which comprise forward foreign exchange contracts and foreign exchange swaps, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the profit and loss account.

### *(r) Provisions*

Provisions are recognised for present obligations arising as consequences of past events where it is more likely than not that a transfer of economic benefits will be necessary to settle the obligation, and these can be reliably estimated.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## **(r) Provisions (continued)**

When a leasehold property ceases to be used in the business provision is made, where the unavoidable costs of the future obligations relating to the lease are expected to exceed anticipated rental income. The net costs are discounted using market rates of interest to reflect the long-term nature of the cash flows.

Provision is made for the anticipated cost of restructuring, including redundancy costs when an obligation exists. An obligation exists when the group has a detailed formal plan for restructuring a business and has raised valid expectations in those affected by the restructuring by starting to implement the plan or announcing its main features. The provision raised is normally utilised within nine months.

Contingent liabilities are possible obligations whose existence will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is uncertain or cannot be reliably measured. Contingent liabilities are not recognised but are disclosed unless they are remote.

## **(s) Cash and cash equivalents**

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central 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.

## **(t) Acceptances and letters of credit**

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

## **(u) Fiduciary activities**

The group commonly acts as trustee, nominee or agent and in other fiduciary capacities that result in the holding or placing of assets on behalf of individuals, trusts, retirement benefit plans and other institutions. These assets and income arising thereon are excluded from these financial statements, as they are not assets of the group.

## **(v) Segment reporting**

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments.

## **3 Critical accounting estimates**

IFRS require that the group adopts accounting policies and estimation techniques that the Directors believe are most appropriate in the circumstances for the purpose of giving a true and fair view of the state of the group's financial affairs, its profit and cash flows. However different policies, estimation techniques and assumptions in critical areas could lead to materially different results.

The following are estimates which are considered to be complex and involve significant amounts of management valuation judgements, often in areas that are inherently uncertain.

### **(i) Impairment of assets**

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Identified impairment is raised when the group considers that the credit worthiness of a borrower has deteriorated such that recovery of the whole or part of an outstanding advance is in serious doubt.

For larger accounts, this is done on an individual basis and all relevant considerations that have a bearing on the expected future cash flows are taken into account, for example the business prospects for the customer, the realisable value of collateral, the group's position relative to other claimants and



# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 3 Critical accounting estimates (continued)

the reliability of customer information. Subjective judgements are made in this process that may vary from person to person and team to team. Judgements may also change with time as new information becomes available.

Within the retail and small business portfolio, which comprise a large number of small homogeneous assets, statistical techniques are used to raise identified impairment on a portfolio basis, based on historical recovery rates. These statistical techniques use as primary inputs the extent to which accounts in the portfolio are in arrears and historical information on the eventual losses encountered from such delinquent portfolios. The models do not contain judgemental inputs but judgement and knowledge is needed in selecting the statistical methods to use when the models are developed or revised.

Unidentified impairment is raised to cover losses which are known from previous historical experience to be present in loans and advances at the balance sheet date, but which have not yet been specifically identified. In establishing the level of unidentified impairment, management judgement is applied to the results of the statistical analysis.

### (ii) Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Some of the group's financial instruments are carried at fair value and include swaps, forwards and debt securities held as available for sale.

Financial instruments are either priced with reference to a quoted market price for that instrument or by using a valuation model. These models use as their basis independently sourced market parameters including for example interest rate yield curves. Most market parameters are either directly observable or are implied from instrument prices. However, where no observable price is available then instrument fair value will include provision for the uncertainty in the market parameter based on sale price or subsequent traded levels.

### (iii) Income taxes

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

## 4 Interest income

Loans and advances  
Government securities  
Cash and short term funds  
Other

2007	2006
Shs million	Shs million
9,970	7,692
2,910	2,165
279	252
475	319
13,634	10,428

## 5 Interest expense

Customer deposits  
Deposits by banks  
Other

1,794	1,283
311	91
148	118
2,253	1,492

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 6 Other operating expenses

	2007 Shs million	2006 Shs million
Staff costs (Note 7)	4,562	3,081
Other administrative expenses	6,533	4,686
	11,095	7,767
Other administrative expenses include:		
Depreciation (Note 19)	398	241
Amortisation of leasehold land (Note 20)	1	2
Operating lease rentals	419	322
Auditors remuneration	15	11

## 7 Staff costs

	2007 Shs million	2006 Shs million
Salaries and accrued incentive payments	4,022	2,500
Temporary staff costs	54	29
Social security costs	9	5
Retirement benefit costs	14	134
Staff training	54	58
Staff medical costs	162	115
Other staff costs	247	240
Total staff costs	4,562	3,081

	2007 Number	2006 Number
The number of persons employed by the group as at year end was:	6,900	2,197

## 8 Income tax expense

	2007 Shs million	2006 Shs million
Current income tax	2,133	1,961
Deferred income tax (Note 18)	35	22
	2,168	1,983

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

	2007 Shs million	2006 Shs million
Profit before income tax	7,078	6,475
Tax calculated at the statutory tax rate of 30% (2006: 30%)	2,123	1,943
Tax effect of:		
Income not subject to tax	(17)	(91)
Expenses not deductible for tax purposes	62	131
Income tax expense	2,168	1,983

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 9 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 4,910 million (2006: Shs 4,492 million) and on the weighted average number of ordinary shares outstanding during the period.

	2007 Shs million	2006 Shs million
Net profit attributable to shareholders (Shs million)	4,910	4,492
Adjusted weighted average number of ordinary shares in issue (millions)	1,358	1,358
Basic earnings per share (Shs)	3.6	3.3

There were no potentially dilutive shares outstanding at 31 December 2007 or 2006. Diluted earnings per share are therefore the same as basic earnings per share.

### 10 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 9 May 2008, a final dividend in respect of the year ended 31 December 2007 of Shs 1.15 per share amounting to a total of Shs 1,562 million is to be proposed. During the year an interim dividend of Shs 0.50 per share, amounting to a total of Shs 679 million was paid. The total dividend for the year is therefore Shs 1.65 per share (2006: Shs 1.65), amounting to a total of Shs 2,241 million (2006: Shs 2,241 million).

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

### 11 Cash and balances with Central Bank of Kenya

	Group and company	
	2007 Shs million	2006 Shs million
Cash in hand	3,699	2,485
Balances with Central Bank of Kenya	7,075	5,713
	10,774	8,198

### 12 Investment securities

Available-for-sale securities

	Group		Company	
	2007 Shs million	2006 Shs million	2007 Shs million	2006 Shs million
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	-	236	-	236
Maturing after 90 days of the date of acquisition	25,721	25,248	25,721	25,248
	25,721	25,484	25,721	25,484

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 2007 was 10.1% (2006: 9.0%).

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 13 Deposits and balances due from banking institutions

	Group and company	
	2007	2006
	Shs million	Shs million
Items in course of collection from other banks	2,846	1,282
Placements with other banks	259	-
Other balances	-	172
	3,105	1,454

The weighted average effective interest rate on deposits and balances due from banking institutions as at 31 December 2007 was 4.3% (2006: 0.7%)

## 14 Other assets

	Group		Company	
	2007	2006	2007	2006
	Shs million	Shs million	Shs million	Shs million
Financial guarantee	344	244	344	244
Derivative financial instruments	25	19	25	19
Deferred costs	177	-	177	-
Prepaid expenses	354	-	354	-
Other assets	3,731	1,809	3,731	1,833
	4,631	2,072	4,631	2,096

## 15 Loans and advances to customers

	Group and company	
	2007	2006
	Shs million	Shs million
Overdrafts	11,002	8,86
Commercial loans	86,916	60,973
Advances under finance lease agreements	6,136	1,313
Bills discounted	4,598	2,447
Bills negotiated	11	44
Others	7	4,768
Gross loans and advances to customers	108,670	78,412
Less:		
Allowances for impairment of loans and advances		
- Identified	(3,232)	(4,408)
- Unidentified	(92)	(97)
Loans and advances to customers net of provisions	105,346	73,907

The aggregate amount of impaired loans included in the balance sheet (net of impairment losses) is Shs 2,849 million (2006: Shs 4,807million). All such loans have been written down to the present value of their recoverable amount.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 15 Loans and advances to customers (continued)

Allowance for impairment - Identified  
31 December

	Group and company	
	2007	2006
	Shs million	Shs million
Opening Balance	4,408	4,583
New Allowances	1,051	1,035
Increased allowances	318	1,171
Allowances Released	(575)	(1,199)
Allowances written off	(1,970)	(1,182)
	3,232	4,408

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

	Group and company		
	Identified provisions	Unidentified provision	Total
	Shs million	Shs Million	Shs million
<b>Year ended 31 December 2006</b>			
At 1 January 2006	4,583	75	4,658
New impairment provisions	1,035	-	1,035
Increase/(decrease) in impairment provisions	1,171	22	1,193
Recoveries and impairment provisions no longer required	(1,199)	-	(1,199)
Net increase/(decrease) in impairment provisions	1,007	22	1,029
Amounts written off during the current period	(1,182)	-	(1,182)
At 31 December 2006	4,408	97	4,505
Net increase in impairment provisions above	1,007	22	1,029
Amount recovered previously written off	(148)	-	(148)
<b>Net impairment charge to the profit and loss account</b>	<b>859</b>	<b>22</b>	<b>881</b>
<b>Year ended 31 December 2007</b>			
At 1 January 2007	4,408	97	4,505
New impairment provisions	1,051	-	1,051
Increase in impairment provisions	318	(5)	315
Recoveries and impairment provisions no longer required	(574)	-	(574)
Net increase in impairment provisions	795	(5)	790
Amounts written off during the current period	(1,971)	-	(1,971)
At 31 December 2007	3,232	92	3,324
Net increase in impairment provisions above	795	(5)	790
Amounts recovered previously written off	(103)	-	(103)
<b>Net impairment charge to the profit and loss account</b>	<b>692</b>	<b>(5)</b>	<b>687</b>

The weighted average effective interest rate on loans and advances at 31 December 2007 was 11.9% (2006: 11.1%).



# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 15 Loans and advances to customers (continued)

### Impaired Loans and advances to customers

As at 31 December 2006

	Corporate Lending Shs millions	Retail lendings Shs millions	Totals Shs millions
Loans and advances individually assessed as impaired	6,535	-	6,535
Impairment allowance	(2,230)	-	(2,230)
Loans collectively assessed as impaired	-	2,680	2,680
Impairment allowance	-	(2,178)	(2,178)
<b>Carrying value of impaired loans and advances</b>	<b>4,305</b>	<b>502</b>	<b>4,807</b>

### Loans and advances to customers

As at 31 December 2007

	Corporate Lending Shs millions	Retail lendings Shs millions	Totals Shs millions
Loans and advances individually assessed as impaired	4,816	-	4,816
Impairment allowances	(1,982)	-	(1,982)
Loans collectively assessed as impaired	-	1,265	1,265
Impairment allowances	-	(1,250)	(1,250)
<b>Carrying value of impaired loans and advances</b>	<b>2,834</b>	<b>15</b>	<b>2,849</b>

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

	Group and company	
	2007 %	2006 %
Manufacturing	12	15
Wholesale and retail trade	6	7
Transport and communications	14	13
Business services	2	2
Agricultural	1	2
Private individuals	47	39
Other	18	22
	100	100

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 16 Investments in subsidiary companies

Percentage	Company		
	Shareholding	2007 Shs million	2006 Shs million
Barclays Financial Services Limited	100%	275	275
Barclays (Kenya) Nominees Limited	100%	-	-
Barclays Mercantile Limited	100%	-	-
		275	275

In 2006 Barclays Advisory and Registrar Services was disposed off for a consideration of Shs 28 million. The gain on disposal was included in the profit and loss. Barclays (Kenya) Nominees Limited holds various securities on behalf of customers of Barclays Bank of Kenya Ltd. Barclays Financial Services Limited (formerly Barclays Mortgages Limited) and Barclays Mercantile Limited are dormant companies. All the subsidiaries are incorporated in Kenya.

## 17 Goodwill

	Group and company	
	2007 Shs million	2006 Shs million
Net book amount		
At start of the year	128	128
At end of year	128	128

## 18 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted income tax rate of 30% (2006: 30%). The movement on the deferred tax account is as follows:

	2007 Shs million	2006 Shs million
At start of year	(343)	(321)
Profit and loss account charge	(35)	(22)
At end of year	(378)	(343)

Consolidated deferred income tax assets and liabilities and deferred income tax credit in the profit and loss account are attributable to the following items.

	1.1.2007 Shs Million	Credited to profit and loss Shs million	31.12.2007 Shs million
<b>Deferred tax liabilities</b>			
Retirement benefit asset	(444)	-	(444)
<b>Deferred tax assets</b>			
Property and equipment on historical cost	72	(34)	38
Provisions	29	(1)	28
<b>Net deferred tax liability</b>	<b>(343)</b>	<b>(35)</b>	<b>(378)</b>

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 19 Property and equipment

### The Group and company year ended 31 December 2006

	land and buildings Shs million	Freehold Buildings Shs million	fittings & equipment Shs million	Fixtures Motor vehicles Shs million	Total Shs million
<b>Cost</b>					
At 1 January 2006	71	1,642	3,351	78	5,142
Additions	18	153	277	-	448
Disposals	-	(170)	(10)	(20)	(200)
At 31 December 2006	89	1,625	3,618	58	5,390
<b>Depreciation</b>					
At 1 January 2006	30	600	2,935	74	3,639
Charge for the year	1	74	163	3	241
Eliminated on disposals	-	(75)	(9)	(19)	(103)
At 31 December 2006	31	599	3,089	58	3,777
<b>Net book amount</b>					
At 31 December 2006	58	1,026	529	-	1,613

### The Group and company year ended 31 December 2007

	Freehold land and buildings Shs million	Buildings Shs million	Fixtures fittings & equipment Shs million	Motor vehicles Shs million	Total Shs million
<b>Cost</b>					
At 1 January 2007	89	1,625	3,618	58	5,390
Additions	8	641	910	14	1,573
Disposals	-	(21)	(219)	(19)	(259)
Transfers	-	(1)	1	-	-
At 31 December 2007	97	2,244	4,310	53	6,704
<b>Depreciation</b>					
At 1 January 2007	31	599	3,089	58	3,777
Charge for the year	1	133	262	2	398
Eliminated on disposals	-	(7)	(219)	(17)	(243)
At 31 December 2007	32	725	3,132	43	3,932
<b>Net book amount</b>					
At 31 December 2007	65	1,519	1,178	10	2,772

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 20 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 and company	
	2007 Shs million	2006 Shs million
At start of the year	65	99
Disposal	-	(31)
Amortisation charge for the year	(1)	(2)
At end of year	64	65

### 21 Retirement benefit assets

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

	Group and company	
	2007 Shs million	2006 Shs million
Present value of funded obligations	(7,033)	(6,497)
Fair value of scheme assets	8,090	7,620
Fund surplus	1,057	1,123
Unrecognised actuarial losses	653	356
Asset in the balance sheet	1,710	1,479

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

	Group and company	
	2007 Shs million	2006 Shs million
Current service cost	216	193
Interest cost	936	833
Expected return on plan assets	(1,138)	(931)
Amortisation of unrecognised actuarial losses	-	40
Net charge for the year included in staff costs	14	135
Contributions paid	(245)	(173)
Movement in the asset recognised in the balance sheet	(231)	(38)

The actual return on scheme assets was 7% (2006:21%).

The principal actuarial assumptions used were as follows:

	2007	2006
- discount rate	12.0%	14.0%
- expected rate of return on scheme assets	13.0%	15.0%
- future salary increases	10.0%	12.0%
- future pension increases	4.5%	6.5%

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 22 Balances due to Central Bank of Kenya

	Group and company	
	2007	2006
	Shs million	Shs million
Overnight borrowing from the Central Bank of Kenya	6,054	-

In the normal course of business, the Group borrows overnight from Central Bank of Kenya. On 31 December 2007 the effective interest rate was 8.75%.

## 23 Customer deposits

	Group and company	
	2007	2006
	Shs million	Shs million
Current and demand deposits	63,715	41,625
Savings accounts	16,236	28,518
Fixed deposit accounts	28,224	23,357
La Riba accounts	922	337
	109,097	93,837

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2007 was 1.7% (2006: 1.5%).

Business sector risk concentrations within the customer deposit portfolio were as follows:-

	Group and company	
	2007	2006
	%	%
Non Financial public enterprises	2.2	4.2
Private enterprises	22.2	19.2
Non-profit enterprises & individuals	60.8	57.8
Foreign currency	14.3	18.5
Other	0.5	0.3
	100	100

## 24 Deposits and balances due to banking institutions

	Group and company	
	2007	2006
	Shs million	Shs million
Balances due to local banks	6,787	2,268
Balances due to Foreign Banks	36	-
	6,823	2,268

## 25 Lines of credit

Lines of credit relate to loans administered on behalf of the following agencies as follows:

	2007	2006
	Shs million	Shs million
European Investment Bank (EIB) Global Private Enterprises loan programme funding	548	838
PROPARCO funding	11	377
	559	1,215

The weighted average effective interest rate on the lines of credit at 31 December 2007 was 6.8% (2006: 5.2%).

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 26 Other liabilities

	2007 Shs million	Group 2006 Shs million	2007 Shs million	Company 2006 Shs Million
Bills payable	1,984	1,113	1,984	1,113
Unclaimed dividends	174	174	174	174
Financial guarantees	330	230	330	230
Other	5,731	2,376	6,003	2,665
	8,219	3,893	8,491	4,182

## 27 Long term liabilities – Medium term note

This is an unsecured five year floating Medium term note issued by the Bank for the development of the banks business and to strengthen its capital base. It is registered with the Capital Markets Authority.

	2007 Shs million	2006 Shs million
Floating rate Medium term note 2014	983	-

These notes bear interest at rates fixed periodically in advance based on the 91 days Treasury bill. Effective interest rate at 31 December 2007 was 8.13%

## 28 Share capital

	Number of shares in millions	Ordinary shares Shs million
Balance at 1 January 2007	1,358	2,716
Balance at 31 December 2007	1,358	2,716

### Capital Management

Barclays operates a centralised capital management model, considering both regulatory and economic capital. The capital management strategy is to continue to maximise shareholder value through optimising both the level and mix of capital resources in order to:

- Meet the individual capital ratios required by our regulators plus a prudent buffer.
- Maintain a high credit rating.
- Generate sufficient capital to support asset growth.
- Manage the currency exposure to its overall equivalent capital requirement.

Decisions on the allocation of capital resources are based on a number of factors including return on economic and regulatory capital. This is conducted as part of the strategic planning review.



# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 28 Share capital (continued)

#### Capital Resources

The Group manages both its debt and equity capital actively.

	2007 Shs million	2006 Shs million
Shareholders' equity	17,564	14,862
<b>Total capital resources</b>	<b>17,564</b>	<b>14,862</b>

The authorised share capital of Barclays Bank of Kenya Limited is Shs 2,720 million comprising 1,360 million ordinary shares of Shs 2 per share. The issued share capital comprises 1,358 million ordinary shares of Shs 2 each. All issued shares are fully paid for.

At a special general meeting held on 8th December 2006, the shareholders approved that the authorised share capital of the Bank be increased from Shs 2,040,000,000 to Shs 2,720,000,000 by the creation of 68,000,000 ordinary shares of Shs 10 each to rank pari passu with existing ordinary shares of the Company in all respects

At the same meeting the shareholders also approved that the issued share capital of the Bank be increased from 203.7 million ordinary shares of Shs 10 each to 271.6 million ordinary shares of Shs 10 each by capitalising the sum of Shs 678,942,000 million being part of the amount standing to the credit of revenue reserves of the Bank, and that the sum be applied in making full payment at par for 67,894,200 million ordinary shares of Shs 10 each to the existing shareholders in the proportion of one bonus share for every three shares held.

The share holders also approved a share split of the ratio of 5 to 1 and the par value of the shares was adjusted from Shs 10 per share to Shs 2 per share.

#### Regulatory Capital

##### Supervision and Regulation

Barclays is a financial services group involved primarily in Banking and Asset Management, and has over 107 branches across the Country. The Group's operations are subject to rules and regulations, including reserve and reporting requirements and conduct of business requirements imposed by the Central Bank of Kenya and other regulatory authorities.

##### Regulatory capital and capital adequacy

Capital adequacy and the use of regulatory capital are monitored by the Group, employing techniques based on the guidelines developed by the Basel Committee on Banking Supervision (the Basel Committee), as implemented by the Central Bank of Kenya for supervisory purposes. These techniques include the risk asset ratio calculation. The ratio calculation involves the application of designated risk weightings to reflect an estimate of credit, market and other risks associated with broad categories of transactions and counterparties.

Regulatory guidelines define two 'tiers' of capital resources. Tier 1 capital, comprising mainly shareholders' funds and including subordinated debt instruments and is the highest tier and can be used to meet trading and banking activity requirements. Tier 2 includes perpetual, medium-term and long-term subordinated debt, general provisions for bad and doubtful debts and fixed asset revaluation reserves. Tier 2 capital can also be used to support both trading and banking activities. Tier 2 capital included in the risk asset ratio calculation may not exceed tier 1 capital.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 28 Share capital (continued)

### Capital ratios

The Groups capital ratio and its weighted risk assets at 31 December 2007 and 2006 were as follows:-

	Group and company	
	2007	2006
	Shs million	Shs million
Capital Ratios		
Core capital to risk assets	13.0%	12.1%
Minimum	8.0%	8.0%
Total capital to risk assets	14.0%	13.2%
Minimum	12.0%	12.0%
Weighted risk assets		
On balance sheet	114,825	80,663
Off balance sheet	15,819	21,393
Total weighted risk assets	130,014	102,056

The Distribution of shareholders as at 31 December 2007 was as follows:

Share range	Number of shareholders	Shares held	%
Less than 500	19,018	4,305,145	0.32
501 to 5,000	22,567	40,684,382	3.00
5,001 to 10,000	14,782	114,202,805	8.41
10,001 to 100,000	2,241	62,972,960	4.64
100,001 to 1,000,000	297	78,677,498	5.79
Above 1,000,000	41	1,057,041,210	77.84
Total	58,946	1,357,884,000	100

The shareholders with the largest shareholding as at 31 December 2007 were:

Name	Share held	%
1 Barclays Bank Plc	930,204,000	68.50
2 National Social Security Fund Board of Trustees	22,459,165	1.65
3 Barclays (Kenya ) Nominees Limited – Account No. 9002	8,033,465	0.59
4 Barclays (Nominees) Kenya Limited – Account No. 1256	7,931,025	0.58
5 Kenya Commercial Bank limited Nominees account No. 769G	6,978,405	0.51
6 Barclays (Kenya ) Nominees Limited Account No. 9300	6,380,500	0.46
7 National Social Security Fund	6,290,865	0.46
8 Barclays (Kenya ) Nominees Limited Account No. 1853	5,880,840	0.43
9 Kenya Commercial Bank limited Nominees account No. 744	5,491,830	0.40
Old Mutual Insurance Co.	4,934,640	0.36
10 Others	353,299,265	26.02

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 29 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.

	2007 Shs Million	Group and company 2006 Shs million
<b>Contingent liabilities</b>		
Acceptances and letters of credit	8,831	8,725
Guarantee and performance bonds	14,485	12,613
	23,316	21,338

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 customers' default.

Nature of the contingent liabilities

	2007 Shs Million	Group and company 2006 Shs million
<b>Commitments</b>		
Undrawn formal stand-by facilities, credit lines and other commitments to lend	2,305	4,683
Forwards and SWAPS	3,329	-
Foreign exchange spot settlement agreements	2,350	1
	7,984	4,684

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. Undelivered spot transactions represent commitment either to buy or sell foreign currency and are recognised at cost on the trade date.

### 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 significant loss is expected and therefore, no provision has been made in these accounts. As at 31 December 2007, the Kenya Revenue Authority had issued tax demand notes amounting to Shs 917 million, which were objected by the Bank and are now subject to a law suit.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 30 Fiduciary activities

The group holds asset security documents on behalf of customers with a value of Shs 142,949 million (2006: Shs 119,093 million). Most of these securities are held by the custody services department. The assets held comprise of deposits with financial institutions, government securities, debentures, title deeds, quoted and unquoted shares.

### 31 Business segments analysis

#### By Geographical segments

The major part of the business is all within Kenya.

#### By Class of Business

The group was organised throughout Kenya into two main business segments Corporate and Retail Banking.

The segment results for the year ended 31 December 2006 are as follows:

Profit and loss account 31 December 2006

	Total Segment Shs million	Corporate Banking Shs million	Retail Banking Shs million	Unallocated Shs million
Net interest income	8,936	5,421	3,515	-
Non interest income - fees and commission	6,187	2,615	3,572	-
Operating income	15,123	8,036	7,087	-
Impairment losses on loans and advances	(881)	11	(892)	-
Operating direct and allocated expenses	(7,767)	(680)	(2,068)	(5,019)
Profit before income tax	6,475	7,367	4,127	(5,019)

The segment results for the year ended 31 December 2007 are as follows:

Profit and loss account 31 December 2007

	Total Segment Shs million	Corporate Banking Shs million	Retail Banking Shs million	Unallocated Shs million
Net interest income	11,381	5,004	6,377	-
Non interest income	7,475	3,099	4,376	-
Operating income	18,856	8,103	10,753	-
Impairment losses on loans and advances	(687)	48	(735)	-
Operating expenses	(11,091)	(1,603)	(4,676)	(4,812)
Profit before income tax	7,078	6,548	5,342	(4,812)

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 31 Business segments analysis (continued)

### Balance sheet as at 31 December 2006

	Total Segment Shs million	Corporate Banking Shs million	Retail Banking Shs million	Unallocated Shs million
Cash and balances with Central Bank of Kenya	8,198	-	-	8,198
Government securities	25,484	-	-	25,484
Deposits and balances due from Banking institutions	1,454	1,454	-	-
Balances due from group companies	3,322	3,322	-	-
Loans and advances to customers	73,907	47,960	25,947	-
Property and equipment	1,613	-	-	1,613
Other assets	3,744	-	-	3,744
<b>Total assets</b>	<b>117,722</b>	<b>52,736</b>	<b>25,947</b>	<b>39,039</b>

### LIABILITIES & EQUITY

Customer deposits	93,837	38,171	55,666	-
Deposits and balances due to banking institutions	2,268	2,268	-	-
Lines of credit	1,215	1,215	-	-
Amounts due to group companies	913	913	-	-
Deferred income tax	343	-	-	343
Other liabilities	4,284	-	-	4,284
Shareholders' equity	14,862	-	-	14,862
Inter-functional lending	-	10,169	(29,719)	19,550
<b>Total Liabilities</b>	<b>117,722</b>	<b>52,736</b>	<b>25,947</b>	<b>39,039</b>

### Balance sheet as at 31 December 2007

	Total Segment Shs million	Corporate Banking Shs million	Retail Banking Shs million	Unallocated Shs million
Cash and balances with Central Bank of Kenya	10,774	-	-	10,774
Government securities	25,721	-	-	25,721
Deposits and balances due from Banking institutions	3,105	3,105	-	-
Balances due from group companies	3,382	3,382	-	-
Loans and advances to customers	105,346	55,067	50,279	-
Property and equipment	2,772	-	-	2,772
Other assets	6,556	-	-	6,556
<b>Total assets</b>	<b>157,656</b>	<b>61,554</b>	<b>50,279</b>	<b>45,823</b>

### LIABILITIES & EQUITY

Balances due to Central Bank of Kenya	6,054	-	-	6,054
Customer deposits	109,097	41,010	68,087	-
Deposits and balances due to banking institutions	6,823	6,823	-	-
Lines of credit	559	559	-	-
Amounts due to group companies	6,396	6,396	-	-
Deferred income tax	378	-	-	378
Other liabilities	10,785	-	-	10,785
Shareholders' equity	17,564	-	-	17,564
Inter-functional lending	-	6,766	(17,808)	11,042
<b>Total Liabilities</b>	<b>157,656</b>	<b>61,554</b>	<b>50,279</b>	<b>45,823</b>

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

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

	2007 Shs million	2006 Shs million
Cash and balances with Central Bank of Kenya	10,774	8,198
Government securities maturing within ninety days	-	236
Balances due from group companies	3,382	3,322
Deposit and balances due from banking institutions	3,105	1,454
Deposits and balances due to banking institutions	(6,823)	(2,268)
Balances due to Central Bank of Kenya	(6,054)	-
Less: Central Bank of Kenya cash reserve requirement	(6,718)	(5,861)
	<b>(2,334)</b>	<b>5,081</b>

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% (2006: 6%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

### 33 Financial risk management

Barclays is a major financial services provider engaged in both retail and commercial banking, credit cards and investment management services. Managing risk is a fundamental part of its business activity and an essential component of the planning process. Barclays achieves its risk management goals by keeping risk management at the centre of the executive agenda and by building a culture that meshes risk management within everyday business decision-making. Barclays ensures that it has the capacity to manage the risk in its established businesses as well as new and growing ones and that its business plans are consistent with risk appetite, that is, the level of risk Barclays is willing to accept in fulfilling its business objectives

The main sources of financial risk that the group faces are those arising from financial instruments – credit risk, liquidity risk and market risk. The Group devotes considerable resources to maintaining effective controls to manage, measure and mitigate each of these risks and regularly reviews its risk management procedures and systems to ensure that they continue to meet the needs of the business.

Financial instruments are fundamental to the Group's business and constitute the core element of its operations. The risks associated with financial instruments are a significant component of the risks faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Group's balance sheet. These risks and the Group's policies and objectives for managing such risks are outlined below

Barclays risk management policies and processes are designed to identify and analyse these risks, to set appropriate risk appetite, limits, and controls, and to monitor the risks and adherence to limits by means of reliable and up-to-date data. Risk management policies, models and systems are regularly reviewed to reflect changes to markets, products and best market practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.



# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 33 Financial risk management (continued)

#### Risk responsibilities

On a day-to-day basis risks are managed through a number of management committees. Through this process the group 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.

The Board approves risk appetite and the Board Risk Committee monitors the Group's risk profile against this appetite. In more detail:

- The Risk Director has responsibility for ensuring effective risk management and control;
- Business Heads are responsible for the identification and management of risk in their businesses;
- Business risk teams, each under the management of a Business Risk Director, are responsible for assisting Business Heads in the identification and management of their business risk profiles for implementing appropriate controls.
- Internal Audit is responsible for the independent review of risk management and the control environment.

#### Market risk

Market risk is the risk that Barclays earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, credit spreads, commodity prices, equity prices and foreign exchange rates. The main market risks arise from trading activities.

#### Categorisation of market risks

To facilitate the management, control, measurement and reporting of market risk, Barclays has grouped market risk into three broad categories:

- Trading market risk. These risks arise in trading transactions where Barclays acts as principal with clients or with the market. Barclays' policy is that market risks arising from trading activities are concentrated in Barclays Capital, a related party.
- Asset and liability risk. These risks arise from banking activities, including those incurred on non-trading positions such as customer assets and liabilities and capital balances, comprising:
  - Interest rate risk.
  - Foreign currency risk.
- Other market risks. In some instances Barclays also incurs market risks that do not fall into the above categories. The principal risks of this type are defined benefit pension scheme risk.

#### Market Risk Measurement

The measurement techniques used to measure and control market risk include:

- Daily Value at Risk;
- Stress Tests;
- Annual Earnings at Risk;
- Economic capital.

#### Daily Value at Risk (DVaR)

DVaR is an estimate of the potential loss which might arise from unfavourable market movements, if the current positions were to be held unchanged for one business day, measured to a confidence level of 98%. Daily losses exceeding the DVaR figure are likely to occur, on average, twice in every 100 business days.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 33 Financial risk management (continued)

#### Stress Tests

Stress tests provide an indication of the potential size of losses that could arise in extreme conditions. The stress tests carried out include risk factor stress testing, where stress movements are applied to each of the five risk categories namely interest rate, inflation, credit spread, commodity, equity and foreign exchange rate and ad hoc stress testing, which includes applying stress scenarios to the trading risk book. If potential stressed losses exceed the trigger limit, the positions captured by the stress test are reviewed and discussed. The stress testing is tailored to the business and is typically scenario analysis and historical stress movements applied to respective portfolios.

#### Annual Earnings at Risk (AEaR)

AEaR measures the sensitivity of annual earnings to shocks in market rates at the 99th percentile for change over a one-year period. This shock is consistent with the standardised interest rate shock recommended by the Basel II framework for assessing banking book interest rate risk.

### 34 Interest rate risk

The group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The 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 group 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.

Interest rate risk arises from the variability of income from non-interest bearing products, managed variable rate products and equity. Interest rate exposures and other market risks may be managed through the use of derivatives.

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 any interest rate risk on off balance sheet items. All figures are in millions of Shillings.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 34 Interest rate risk (continued)

	Up to 1 month	1-3 Months	3-12 Months	Over 1 year	Non-interest Bearing	Total
<b>ASSETS</b>						
Cash and balances with Central Bank of Kenya	-	-	-	-	10,774	10,774
Government securities	1,509	5,969	4,277	13,966	-	25,721
Deposits and balances due from Banking institutions	3,105	-	-	-	-	3,105
Balances due from group companies	3,382	-	-	-	-	3,382
Other assets	-	-	-	-	4,631	4,631
Loans and advances to customers	105,346	-	-	-	-	105,346
Current income tax recoverable	-	-	-	-	23	23
Property and equipment	-	-	-	-	2,772	2,772
Prepaid operating lease rentals	-	-	-	-	64	64
Goodwill	-	-	-	-	128	128
Retirement benefit asset	-	-	-	-	1,710	1,710
<b>Total assets</b>	<b>113,342</b>	<b>5,969</b>	<b>4,277</b>	<b>13,966</b>	<b>20,102</b>	<b>157,656</b>
<b>LIABILITIES &amp; EQUITY</b>						
Balances due to Central Bank of Kenya	6,054	-	-	-	-	6,054
Customer deposits	50,658	13,390	3,890	1,131	40,028	109,097
Deposits and balances due to banking institutions	6,823	-	-	-	-	6,823
Lines of credit	-	-	-	559	-	559
Other liabilities	-	-	-	-	8,219	8,219
Amounts due to group companies	6,396	-	-	-	-	6,396
Deferred income tax	-	-	-	-	378	378
Dividends payable	-	-	-	-	1,583	1,583
Long term liabilities – medium term note	-	-	-	983	-	983
Shareholders' equity	-	-	-	-	17,564	17,564
<b>Total liabilities and equity</b>	<b>69,931</b>	<b>13,390</b>	<b>3,890</b>	<b>2,673</b>	<b>67,772</b>	<b>157,656</b>
<b>Interest sensitivity gap</b>	<b>43,411</b>	<b>(7,421)</b>	<b>387</b>	<b>11,293</b>	<b>(47,670)</b>	<b>-</b>
<b>As at 31 December 2006</b>						
Total assets	78,922	5,865	6,557	11,541	14,837	117,722
Total liabilities and Equity	41,093	9,914	1,754	3,315	61,646	117,722
<b>Interest sensitivity gap</b>	<b>37,829</b>	<b>(4,049)</b>	<b>4,803</b>	<b>8,226</b>	<b>(46,809)</b>	<b>-</b>

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 34 Interest rate risk (continued)

#### Interest risk sensitivity analysis

The impact on financial assets of a 1% increase or decrease in interest rates would be as follows:-  
As at 31 December 2007

	Carrying amounts	As at 31 December 2007 1% increase	1% decrease
<b>ASSETS</b>			
Cash and balances with Central Bank of Kenya	10,774	-	-
Government securities	25,721	287	(287)
Deposits and balances due from Banking institutions	3,105	3	(3)
Balances due from group companies	3,382	49	(49)
Other assets	4,631	-	-
Loans and advances to customers	105,346	1,044	(1,044)
Current income tax recoverable	23	-	-
Property and equipment	2,772	-	-
Prepaid operating lease rentals	64	-	-
Goodwill	128	-	-
Retirement benefit asset	1,710	-	-
<b>LIABILITIES &amp; EQUITY</b>			
Balances due to Central Bank of Kenya	6,054	-	-
Customer deposits	109,097	(710)	710
Deposits and balances due to banking institutions	6,823	(53)	53
Lines of credit	559	(9)	9
Other liabilities	8,219	-	-
Amounts due to group companies	6,396	(18)	18
Deferred income tax	378	-	-
Dividends payable	1,583	-	-
Long Term liabilities – Medium term note	983	-	-
Shareholders' equity	17,564	-	-
Net interest income increase/ (decrease)		593	(593)
Tax charge at 30%		(178)	178
Impact on profits		415	(415)

At 31 December 2007 if interest rates were to increase by 1% with all other variables held constant the after tax profit would have been Shs 415 millions ( 2006: Shs 314 millions) higher with other components of equity remaining the same.

Conversely if interest rates were to decrease by 1% with all other variables held constant the after tax profit would have been Shs 415 millions (2006: Shs 314 millions) lower with other components of equity remaining the same.

### 35 Liquidity risk

Liquidity risk is the risk that the Group is unable to meet its payment obligations when they fall due or to replace funds when they are withdrawn.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 35 Liquidity risk (continued)

The Group has several core liquidity management strategies. The first is to project future cash flows and make plans to address normal operating requirements, as well as variable scenarios and contingencies. The second is to manage day to day funding, by controlling intraday liquidity in real time and by forecasting future cash flows to ensure that requirements can be met. The third is maintaining a diverse and stable funding base. Finally, the Group maintains a portfolio of liquid assets that are highly marketable as per the statutory requirement that can easily be liquidated as protection against any unforeseen interruption to cash flows.

The Group's funding base comprises a mixture of different funding sources, including retail and corporate customer deposits, and short- and long term debt issuances. Although current accounts are repayable on demand and savings accounts at short notice, the Group's broad base of customers – numerically and by depositor type – helps to protect against unexpected fluctuations. Such accounts form a stable funding base for the Group's operations and liquidity needs.

#### Liquidity Risk Measurement

Monitoring and reporting of liquidity risk involves the measurement of cash flows and projections for the next day, week and month. In addition to cash flow management, Treasury also monitors unmatched medium-term assets and the level and type of undrawn lending commitments, the usage of overdraft facilities and the impact of contingent liabilities such as standby letters of credit and guarantees. Treasury develops and implements the process for submitting the Group's projected cash flows to stress scenarios.

Sources of liquidity are regularly reviewed to maintain a wide diversification by currency, provider, product and term. An important source of structural liquidity is provided by our core retail deposits, comprising mainly current accounts and savings accounts. To avoid reliance on a particular group of customers or market sectors, the distribution of sources and the maturity profile of deposits are also carefully managed.

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 to be completely matched since business transacted is often of uncertain terms and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Bank and its exposure to changes in interest rates and exchange rates.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 35 Liquidity risk (continued)

The table below presents the cash flows payable by the Group under financial liabilities by remaining contractual maturities at 31 December 2007. All figures are in millions of shillings.

### 31 December 2007

	Up to 1 month	1 – 3 Months	3-12 Months	1 – 3 Years	3 -5 Years	Over 5 years	Totals
<b>LIABILITIES &amp; EQUITY</b>							
Balances due to Central Bank of Kenya	6,584	-	-	-	-	-	6,584
Customer deposits	92,228	13,618	3,956	1,150	-	-	110,952
Deposits and balances due to banking institutions	7,198	-	-	-	-	-	7,198
Lines of credit	-	-	-	597	-	-	597
Other liabilities	8,219	-	-	-	-	-	8,219
Balances due to group companies	6,677	-	-	-	-	-	6,677
Deferred income tax	-	-	-	-	378	-	378
Current income tax	-	-	-	-	-	-	-
Dividends payable	-	-	1,583	-	-	-	1,583
Long term liabilities - MTN	-	-	-	-	1,063	-	1,063
<b>Total Financial liabilities</b>	<b>120,906</b>	<b>13,618</b>	<b>5,539</b>	<b>1,747</b>	<b>1,441</b>	<b>-</b>	<b>143,251</b>

The amounts disclosed are the contractual undiscounted cash flows of the Financial liabilities

### 31 December 2006

	Up to 1 month	1 – 3 Months	3-12 Months	1 – 3 Years	3 -5 Years	Over 5 years	Totals
<b>LIABILITIES &amp; EQUITY</b>							
Balances due to Central Bank of Kenya	-	-	-	-	-	-	-
Customer deposits	80,545	10,063	1,780	1,437	1,419	-	95,244
Deposits and balances due to banking institutions	2,268	-	-	-	-	-	2,268
Lines of credit	-	-	-	1,278	-	-	1,278
Other liabilities	3,893	-	-	-	-	-	3,893
Balances due to group companies	950	-	-	-	-	-	950
Deferred income tax	-	-	-	-	343	-	343
<b>Total Financial liabilities</b>	<b>87,656</b>	<b>10,063</b>	<b>1,780</b>	<b>2,715</b>	<b>1,762</b>	<b>-</b>	<b>103,976</b>

The amounts disclosed are the contractual undiscounted cash flows of the Financial liabilities



# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 36 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 2007 was Shs 341 million (2006: Shs 170 million).

### Non-structural

Non-structural (transactional) foreign exchange exposures represent exposure on banking assets and liabilities, the functional currencies of which are currencies other than shillings.

Concentrations of currency risk- on and off balance sheet financial instruments

The various currencies to which the bank was exposed at 31 December 2007 are summarised in the table below (all amounts expressed in millions of Kenya Shillings):

As at 31 December 2007	USD	GBP	Euro	Other	Total
<b>Assets</b>					
Cash and bank balances	414	2,550	307	888	4,159
Loans and advances to customers	17,675	78	1,728	62	19,543
Other assets	22,803	5,437	4,611	3,375	36,226
<b>Total assets</b>	<b>40,892</b>	<b>8,065</b>	<b>6,646</b>	<b>4,325</b>	<b>59,928</b>
<b>Liabilities</b>					
Balances due to banking institutions and group companies	5,791	18	532	396	6,737
Customer deposits	11,607	1,859	1,669	668	15,803
Other liabilities	21,821	5,812	4,949	3,387	35,969
<b>Total liabilities</b>	<b>39,219</b>	<b>7,689</b>	<b>7,150</b>	<b>4,451</b>	<b>58,509</b>
<b>Net balance sheet position</b>	<b>1,673</b>	<b>376</b>	<b>(504)</b>	<b>(126)</b>	<b>1,419</b>
<b>Off balance sheet net notional position</b>	<b>(844)</b>	<b>(210)</b>	<b>54</b>	<b>(78)</b>	<b>(1,078)</b>
<b>Overall net position</b>	<b>829</b>	<b>166</b>	<b>(450)</b>	<b>(204)</b>	<b>341</b>
<b>As at 31 December 2006</b>	<b>USD</b>	<b>GBP</b>	<b>Euro</b>	<b>Other</b>	<b>Total</b>
Total assets	18,206	2,000	2,993	1,006	24,205
Total liabilities	17,969	1,749	2,801	1,228	23,747
<b>Net balance sheet position</b>	<b>237</b>	<b>251</b>	<b>192</b>	<b>(222)</b>	<b>458</b>
<b>Off balance sheet net notional position</b>	<b>(123)</b>	<b>(20)</b>	<b>(92)</b>	<b>(53)</b>	<b>(288)</b>
<b>Overall net position</b>	<b>114</b>	<b>231</b>	<b>100</b>	<b>(275)</b>	<b>170</b>

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 36 Currency risk (continued)

#### Currency risk sensitivity analysis

The impact on financial assets of the 10% appreciation or depreciation of the shilling would be as follows:-

As at 31 December 2007	Currency carrying amount	10% Appreciation	10% Depreciation
<b>Assets</b>			
Cash and bank balances	4,159	(42)	42
Loans and advances to customers	19,543	(195)	195
Other assets	36,226	(362)	362
<b>Liabilities</b>			
Balances due to banking institutions and group companies	6,737	67	(67)
Customer deposits	15,803	158	(158)
Other liabilities	35,969	360	(360)
<b>Total Increase / (decrease)</b>		14	(14)
<b>Tax charge of 30%</b>		(4)	4
<b>Impact on profits</b>		10	(10)

At 31 December 2007 if the shilling had weakened 10% against the major trading currencies with all other variables held constant after tax profit would have been Shs 10 millions ( 2006: Shs 37millions) lower with other components of equity remaining the same.

Conversely if the shilling had strengthened 10% against the major trading currencies with all other variables held constant the after tax profit would have been Shs 10 millions (2006: Shs 37millions) higher with other components of equity remaining the same.

### 37. Credit Risk

Credit risk is the risk of suffering financial loss from any of the Group's customers, clients or market counterparties failing to fulfil their contractual obligations to the Group. Credit risk mainly arises from loans and advances.

There is a risk management team which is charged with devising and implementing Group risk policy, such as ensuring maximum exposure guidelines are in place relating to the exposures to any individual customer or counterparty and policies are in place that limit lending to certain industries, for example, commercial real estate

This functional team manages the resolution of all significant credit policy issues and runs the Credit Committee, which approves credit decisions. The Board Audit Committee reviews the Group credit policy and the impairment allowance as part of financial reporting. 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.

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 37. Credit Risk (continued)

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 and corporate guarantees. Credit risk is spread over a diversity of personal and commercial customers as set out in Note 15. The credit risk exposure relating to contingencies and commitments is further outlined in Note 27.

#### Credit risk measurement

The Group's credit rating systems use statistical modelling techniques throughout its business which assist the Group in front line credit decisions, such as managing its existing portfolios and making new commitments.

The Group assesses the credit quality and assigns an internal risk rating to all borrowers and other counterparties, including retail customers. Each internal rating corresponds to the statistical probability of a customer in that rating class defaulting within the next 12-month period. The probability of default, the exposure at default and the loss given default are calculated for all loan portfolios. This allows the Group to monitor its exposures, enabling it to derive measures such as Risk Tendency. Risk Tendency is a statistical estimate of the average loss for each loan portfolio for a 12-month period, taking into account the size of the portfolio and its risk characteristics under current economic conditions, and is used to track the change in risk as the portfolio of loans changes over time.

The Group monitors its financial exposure to individual counterparties, to industries and countries to ensure that no undue concentrations of credit arise.

#### Guarantees and irrevocable loan commitments

The Group is exposed to loss through the financial guarantees it issues to clients and commitments to provide loan finance which cannot be withdrawn once entered in to. The credit risks associated with such contracts are managed in a similar way to loans and advances, and form part of the exposure at default measure.

#### Settlement Risk

Barclays is also exposed to settlement risk in its dealings with other financial institutions. These risks arise, for example, in foreign exchange transactions when Barclays pays away its side of the transaction to another bank or other counterparty before receiving payment from the other side. The risk is that the counterparty may not meet its obligation. While these exposures are of short duration, they can be large. In recent years settlement risk has been reduced by several industry initiatives that have enabled simultaneous and final settlement of transactions to be made Barclays has worked with its peers in the development of these arrangements. Increasingly the majority of high value transactions are settled by such mechanisms. Where these mechanisms are not available, the risk is further reduced by dealing predominantly with highly rated counterparties, holding collateral and limiting the size of the exposures according to the rating of the counterparty, with smaller exposures to those of higher risk.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 37. Credit Risk (continued)

The following table represents the credit risk exposure to the Group at 31 December 2007 and 2006, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets the exposures set out above are based on net carrying amounts as reported in the balance sheet.

### Maximum exposure to credit risk before collateral held or other credit enhancements

The Group's maximum exposure to credit risk is set out in the table below:

An analysis of financial assets subject to credit risk is set below

As at December 2006	Loans and advances to customers Shs millions	Loans and advances to banks Shs millions	Available for sale debt securities Shs millions	Totals Shs millions
Neither past due nor impaired	68,770	1,454	25,484	95,708
Past due but not impaired				
Past due up to 90 days	427	-	-	427
Past due over 90 days	-	-	-	-
Impaired				
Collectively assessed	2,680	-	-	2,680
Individually assessed	6,535	-	-	6,535
Total	78,412	1,454	25,484	105,350
Impairment allowances				
Collectively assessed	(2,178)	-	-	(2,178)
Individually assessed	(2,230)	-	-	(2,230)
Total carrying value	74,004	1,454	25,484	100,942

An analysis of financial assets subject to credit risk is set below

As at 31 December 2007	Loans and advances to customers Shs millions	Loans and advances to banks Shs millions	Available for sale debt securities Shs millions	Totals Shs millions
Neither past due nor impaired	102,463	3,105	25,721	131,289
Past due but not impaired				
Past due 30 to 90 days	126	-	-	126
Past due over 90 days	-	-	-	-
Impaired				
Collectively assessed	1,265	-	-	1,265
Individually assessed	4,816	-	-	4,816
Total	108,670	3,105	25,721	137,496
Impairment allowances				
Collectively assessed	(1,342)	-	-	(1,342)
Individually assessed	(1,982)	-	-	(1,982)
Total carrying value	105,346	3,105	25,721	134,172

# Notes to the Financial Statements (continued)

## for the year ended 31 December 2007

### 37. Credit Risk (continued)

#### Collateral and other credit enhancements

Financial assets that are past due or individually assessed as impaired are at least partially collateralised or subject to other forms of credit enhancement. The effects of such arrangements are taken into account in the calculation of the impairment allowance held against them.

#### Collateral and other credit enhancements obtained

The carrying value of assets held by the Group as at 31 December as a result of the enforcement of collateral was as follows:-

#### Carrying amount

	Group and company	
	2007	2006
	Shs million	Shs million
Nature of assets		
Commercial and industrial property	2,792	4,960
	2,792	4,960

### 38 Related party transactions

The group is controlled by Barclays Bank PLC incorporated in the United Kingdom. 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 as shown below:-

#### Balances with group companies

	Group and company	
	2007	2006
	Shs million	Shs million
Due from:		
Barclays Bank Plc	3,037	3,322
Other group companies	345	-
	3,382	3,322
Interest income earned on the above	268	201
Due to:		
Barclays Bank Plc	5,845	913
Other group companies	551	-
	6,396	913
Interest income incurred on the above	80	35

The weighted average effective interest rate at 31 December 2007 on amounts due from group companies was 6.6% (2006: 5.5%) and on amounts due to group companies was 4.4% (2006: 4.1%).

Group companies provide support services from time to time for which it charges at costs incurred at the country of origin.

# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 38 Related party transactions (continued)

### Value of services provided

	2007 Shs million	Group and company 2006 Shs million
Barclays Bank Plc	2,494	1,906
Other group companies	234	209

### Due to:

Barclays Bank Plc	559	151
-------------------	-----	-----

The value of the services provided has been debited to the profit and loss account and is included in total expenditure of the Group.

Advances to customers at 31 December 2007, include loans to directors, loans to companies controlled by directors or their families, and loans to employees as follows:-

	2007 Shs million	2006 Shs million
<b>Amounts due from directors</b>		
At the start of the year	28	28
Amounts advanced during the year	6	14
Repayments received	(16)	(14)
At the end of year	18	28

At 31 December 2007 advances to directors or companies controlled by directors or their families amounted to Shs 18 million (2006: Shs 28 million).

At 31 December 2007 advances to employees amounted to Shs 3,637 million (2006: Shs 3,167 million).

No provisions have been recognised in respect of loans given to the directors. (2006: Nil).

	2007 Shs million	2006 Shs million
Interest income earned	233	233

### Deposits by directors

During the year the directors maintained various deposit accounts with the Bank which included current, savings and fixed deposit accounts. At 31 December 2007 balances relating to directors deposits amounted to Shs 3 million (2006: Shs 3 million).

	2007 Shs million	2006 Shs million
<b>Key management compensation</b>		
Salaries and other short-term employment benefits	145	155



# Notes to the Financial Statements (continued)

for the year ended 31 December 2007

## 38 Related party transactions (continued)

	2007 Shs million	2006 Shs million
<b>Directors emoluments</b>		
- Fees for services as directors	6	7
- other emoluments (Included in key management compensation above)	35	45

Related parties comprise the trustees, the administrator, the participating company, and companies which are related to these parties through common shareholdings or common directorships.

### Staff pension scheme

Barclays Bank of Kenya Limited Staff Pension Fund is sponsored by Barclays Bank of Kenya Limited. The fund's foreign investments are managed by Barclays Private Banking & Trust Limited, which is a related entity to the Fund by virtue of shareholding.

The group provides normal banking services to the Barclays Bank of Kenya Staff Pension fund in order to facilitate the day to day financial administration of the Fund. The group also provides custodial services.

	2007 Shs million	2006 Shs million
<b>Transactions during the year</b>		
Rent payable	-	52
Interest on fixed and time deposits	10	4
Custodian fee – Barclays Security Services Limited	13	12

The transactions were at similar terms and conditions to those offered to other customers.

The following were the investments in related parties and outstanding balances with related parties as at the year end:

	2007 Shs million	2006 Shs million
<b>Outstanding balances:</b>		
Due from Barclays Bank of Kenya Limited	1	1
Cash at bank - Barclays Bank of Kenya Limited	6	27



## Proxy Form

Custody and Registrars Services Limited  
Bruce House, 6th Floor, Standard Street  
P. O Box 8484-00100, Nairobi

\*I/We \_\_\_\_\_ of \_\_\_\_\_  
\_\_\_\_\_ being \*a member/members 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 ninth Annual General Meeting of the Company to be held on 9th May 2008 and at any adjournment  
thereof.

As witness \*I/we affix \*my/our \*hand/hands this \_\_\_\_\_ day of \_\_\_\_\_ 2008.

Signature(s) \_\_\_\_\_

Unless otherwise instructed, the proxy will vote as \*he/she thinks fit.

\*Delete whichever is not applicable.

- NOTE 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy on his or her behalf. A proxy need not be a member of the Company.
- NOTE 2. In case of a member being a corporation this proxy must be executed under its common seal or signed on its behalf by an officer or attorney of the corporation duly authorised in writing.
- NOTE 3. To be valid, this proxy form must be duly completed by the member and must either be lodged with the Registrar of the Company at Custody and Registrars Services, 6th Floor, Bruce House, Standard Street, Nairobi or be posted to Custody and Registrars Services, P. O. Box 8484-00100 Nairobi, so as to reach the Registrar not later than 11.00 a.m. on Wednesday 7th May 2008.

Any member may by notice duly signed by him and delivered to the registered office of the Company not less than 3 days and not more than 21 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 uakilishi

Custody and Registrars Services Limited.  
Bruce House, 6th Floor, Standard Street,  
P.O. Box 8484 - 00100,  
Nairobi.

\*Mimi/Sisi \_\_\_\_\_  
wa \_\_\_\_\_

\*Mwanachama/Wanachama wa Barclays Bank of Kenya Limited, namteua: \_\_\_\_\_

wa (anwani) \_\_\_\_\_

au kama siye \_\_\_\_\_

wa (anwani) \_\_\_\_\_

ama kama siye Mwenyekiti wa Mkutano awe muwakilishi \*wangu/wetu kwa kupiga kura \*yangu/yetu na kwa niaba \*yangu/yetu kwenye kikao cha ishirini na tisa cha Mkutano Mkuu wa Mwaka utakaofanyika siku ya tarehe 9 Mei 2008 na kwenye uahirishwaji wake wowote.

Kwa ushahidi \*wangu/wetu

hii \_\_\_\_\_ siku ya \_\_\_\_\_ 2008.

Sahihi \_\_\_\_\_

Isipokua ikishauriwa vingine mwakilishi atapiga kura anavyo-onolea mwenyewe.

\*Futa ile isiohusika.

- IFAHAMIKE 1. Mwanachama anaestahili kuhudhuria na kupiga kura mkutanoni anaweza kumteua mwakilishi ahudhurie kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni.
- IFAHAMIKE 2. Ikiwa mwanachama ni shirika uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanasheria alio-idhinishwa kwa maandishi.
- IFAHAMIKE 3. Ili uteuzi kukubalika, fomu ya uwakilishi inayotolewa pamoja na taarifa hii, sharti ijazwe kikamilifu na mmiliki hisa na sharti ikabidhiwe Msajili wa Kampuni katika Custody and Registrars Services, ghorofa ya 6, Bruce House, Barabara ya Standard Street, Nairobi au itumwe kupitia posta kwa Custody and Registrars Services, S.L.P 8484-00100 Nairobi, bora tu imfikie Msajili kabla ya saa tano asubuhi Jumatano tarehe 7 Mei 2008.

Mwanachama yeyote anaweza kwa taarifa aliyoitia sahihi mwenyewe na kuwasilisha katika afisi iliyosajiliwa ya Kampuni siku zisizo pungua 3 na zisizozidi 21 kabla ya siku iliyochaguliwa ya kikao hiki kumpendekea mtu mwingine yeyote kuchaguliwa kwenye Halmashauri. Arifa hiyo ni lazima iandamane na notisi iliyotiwa saina na mtu aliyependekezwa ikionyesha ridhaa yake ya kuchaguliwa.

# Branch Network

HEAD OFFICE	ADDRESS	TELEPHONE	ISDN	FAX
Barclays Plaza	Box 30120-00100 Nairobi	(020)313405,241270	3267000	(020) 3123392,311375
Barclaycard Centre, Nairobi	Box 70292-00400 Nairobi	(020) 2714471	2872000	(020) 2715217,2717150,2710688,2710063
Mombasa Card Centre	Box 43212,80100 Msa	(041) 2316200,2222940		(041) 223884
Plaza Business Centre	Box 46661-00200 Nairobi	(020) 241270,313405	3267000	(020) 3123392,311375
Plaza Premier Centre	Box 46661-00200 Nairobi	(020) 241270,313405	3267000	(020) 3123392,311375
<b>NAIROBI BRANCHES</b>				
ABC	Box 14403-00300 Nairobi	(020) 4446641,4446656		(020) 4446642
Buru Buru	Box 775-00-515-Nairobi	3592955/6		
Butere Road	Box 18799-00500-Nairobi	3589866/7		
Development House	Box 44285-00-100 Nairobi	3592967/8		
Eastleigh	Box 16371-00-610 Nairobi	(020)6766544,6766546		
Embakasi- Nakumatt	Box	(020) 3544323/4		
Enterprise Road	Box 18060-00500 Nairobi	(020) 530700/1,531040,536680-4,531032/3		(020) 558846
Gikomba	Box 8175-00-300-Nairobi	020-3556248 T. wireless		
Githurai	Box 65515-100-607 Nairobi	3592969/70/810097		
Haille Selassie	Box 20415-00200 Nairobi	(020) 215895,219031		(020) 219039
Hurlingham	Box 34974-00505 Nairobi	(020) 2710114,2715408,2710667		(020) 2715393
JKIA	Box 19011-00501 Nairobi	(020) 822395/632		(020) 822021
Karen	Box 24189-00502 Nairobi	(020) 882932,882162		(020) 884335
Kariobangi	Box 310-00-618-Ruaraka	3592955/6		
Kawangware	Box 21524-00505-Nairobi	3512663/4		
Lavington	Box 25081-00-603-Nairobi	3589868/9		
Market	Box 30018-00200 Nairobi	(020) 222476/7	2857000	(020) 311229
Ngong	Box 245 Ngong Hills	(045) 41560-4		(045) 41560
Moi Avenue	Box 30116-00100 Nairobi	(020) 252244,210577		(020)214197
Muthaiga	Box 63419-00619 Nairobi	(020) 374024,3741501/2,3749763		(020) 3741507
Nairobi West	Box 27518-00-506-Nairobi	(020) 3556243,3556238		
NIC Hse	Box 72058-00200 Nairobi	(020) 2714471	2872000	(020) 2714361
Pangani	Box 31044-00-600 Nairobi	(020) 3556245,3556246		
Parklands/Highridge	Box 38350-00623 Nairobi	(020) 3556230,3556236		
Plaza	Box 30120-00100 Nairobi	(020) 241270/5,313405		(020) 312392
Queensway	Box 30011-00200 Nairobi	(020) 223161-76		(020) 213530/245804
River Road	Box 43200-00200-Nairobi	343296/252301/252382		
Ruaraka	Box 65090-00618 Nairobi	(020) 8561760/1,8563973		(020) 8564755
South C (Red Cross)	Box 26460 - 00504 Muchumbi,Nbi	020-3556235, 3556242		
Village Market	Box 1476-00621 Village Market	(020) 7122741,7121963,7120042		(020) 7122452
Westgate	Box 14820 - Westlands Nbi	(020)3741207/08/09/10/14		
Westlands	Box 14403-00300 Nairobi	020-4442685-7,44448617,4443017,4448911-2		020-444776
<b>COAST BRANCHES</b>				
Bamburi	Box 90182-80100 Msa	(041) 5485434,5487168/7547		(041) 5487134
Changamwe	Box 93603-80100 Msa	041-3432094/2,3434753		(041) 3432164
Diani	Box 685-80400 Ukunda	040-3202448/9,3202375,3202491		040-3202501
Digo	Box 90184-80100 Msa	041-2223667,2224570		041-2315911
Malindi	Box 100-80200 Malindi	042-30002,30871,30160		042-20692
Nkrumah Road	Box 90182-80100 Msa	041-2311660/1/4		041-2314477,2317599
Port Mombasa	Box 97121-80112- Mombasa	041-2319007/9/10		
Voi	Box 720 Voi	043-30991-4/6		043-30995
Wundanyi	P.O.Box1277-80304 Wundanyi	043-42402/6,42008/9,42341		043-42307
<b>UP COUNTRY BRANCHES</b>				
Bomet	Box 442-Bomet	3564203/4		
Bungoma	Box 91-50200 Bungoma	055-30908,30904,30912,30920		055-30945
Busia	Box 301-50400-Busia	3564205/6		
Chuka	Box 27-60400-Chuka	020-3556243/9 T.wireless		
Eldoret	Box 22-30100 Eldoret	053-2032880/9		053-2032890
Embu	Box 88-60100 Embu	068-31066-8		068-30717
Garissa	Box 1073-70100 Garissa	046-2344,3477,3269,2537		046-3053

# Branch Network (continued)

HEAD OFFICE	ADDRESS	TELEPHONE	ISDN	FAX
Gilgil	Box 496-20116 Gilgil	4002165/56,4002153/5		
Githunguri	Box 260 Githunguri	020-3556232 T.wireless		
Homa Bay	Box500 Homa Bay 40300	059-22283/86/40/54/66/69		
Juja	Box 580-01001Kalimoni	020-3556239/3556242 ( T.wireless)		
Kabarnet	Box 73-30400-Kabarnet	3592963/4		
Kakamega	Box 1815-30100 kakamega	056-30028,31317		056-31080
Kapenguria	Box 252- 3600 Kapenguria	3544331/2		
Kapsabet	Box 236 Kapsabet	053-52212,52213,52331,52553		
Karatina	Box 320-10101 Karatina	061-72010/11,72518		061-72528
Kericho	Box 79-20200 Kericho	052-20274/5,30607/8		052-30010
Kerugoya	Box 181-10300-Kerugoya	3592965/6		
Kilifi	Box 423-80108-Klifi	041-522540/436/024/051		
Kiria-ini	Box 83 Kiria-ini	020-3556237/40 T.wireless		
Kisii	Box 99-40200 Kisii	058-30021/27/37,31587/8/9		058-30322
Kisumu	Box 831-40100 Kisumu	057-2020512/4,2020529/45		057-2021276
Kitale	Box 62-30200 Kitale	054-30841/2,30418/9		054-30925
Kitui	Box 1206-90200-Kitui	44-22143/5, 23143/5		
Limuru	Box 252 Limuru	020-3556244,3556241 T. wireless		
Machakos	Box 652-90100 Machakos	044-20144,20720,21504		044-21567
Mbale	Box 285-50300 Maragoli	056-51271,51019,51270		056-51018
Meru	Box 92-60200 Meru	064-32785/6		064-30927
Nakumatt Meru	Box 3016-60200 Meru	020-3556231/4 T.wireless		
Migori	Box 326-40-400-Migori	3544317		
Mumias	Box1070 Mumias	056-64104/17/19/36/39/56		
Murang'a	Box 159-Muranga	060-314422, 31418		
Naivasha	Box 654-20117 Naivasha	050-2021466,2020202/3		050-2020139
Nakuru East	Box 59-20100 Nakuru	051-2216812/285		051-2217510
Nakuru West	Box 111-20100 Nakuru	051-2216812/285		051-2217510
Nanyuki	Box 214-10400 Nanyuki	062-31880-3,30051		062-32192
Narok	Box 1073-20500- Narok	23306/8		
Nyahururu	Box 15-20300 Nyahururu	065-32345		065-32347
Nyamira	Box 406 Nyamira	058-6144363/4/5/7/556/558		
Nyeri	Box 239-10100 Nyeri	061-2030792/3-5,2030871		061-2030873
Ongata Rongai	Box 133-00511 Ongata Rongai	045-24183/5/6		
Othaya	Box329 Othaya	061- 52271/72/73/74/75/76		
Thika	Box 219-01000 Thika	067-30229,21201/3,30230,21501		067-22318
Webuye	Box 12-Webuye	055-41205,41330/1/2		
Wote	Box 424 Wote	043-42008,42402,42009,42341		
<b>PRESTIGE CENTRES</b>				
ABC Prestige	Box 14403-00800 Nairobi	(020) 4446641,4446656		(020) 4446642
Eldoret Prestige	Box 22-30100 Eldoret	053-2032880-8		053-2032890
Enterprise Prestige	Box 18060-00500 Nairobi	(020) 530700/1,530901/2, 531032		(020) 530843,530846
Harambee Prestige	Box 72700-00200 Nairobi	020-316162/72,226140		020-311426
Hurlingham Prestige	Box 34974-00505 Nairobi	(020) 2710114,2715408,2710667		(020) 2731179
Karen Prestige	Box 24189-00502 Nairobi	(020) 882932,882162		(020) 884335
Kisumu Prestige	Box 831-40100 Kisumu	057-2020529/45,2020512-4		057-2021276
Malindi Prestige	Box 100-80200 Malindi	042-30871,30160,30002		042-20692
Moi Avenue Prestige	Box 30116-00100 Nairobi	(020) 252244,210577		(020)311571
Moi Avenue Prestige-msa	Box 90182-80100 Msa	041-2226794,2220296		041-2220318
Nakuru West Prestige	Box 111-20100 Nakuru	051-2216812/285		051-2217510
Nkrumah Prestige	Box 90182-80100 Msa	041-2311661-4,2229700		041-2314477
Nyerere Prestige	Box 90182-80100 Msa	041-2311461/427		041-2311495
Plaza Prestige	Box 30120-00100 Nairobi	(020) 241270/5,313405		(020) 312392
Queensway Prestige	Box 30011-00200 Nairobi	(020) 223161-76		(020) 213530/245804
Rahimtulla Prestige	Box 30120-00100 Nairobi	020-2719173/4		020-2719176
Sarit Prestige	Box 14403-00300 Nairobi	020-3744742,4449859		020-3747133
Yaya Prestige	Box 34974-00505 Nairobi	020-3878327/8		020-3878097





