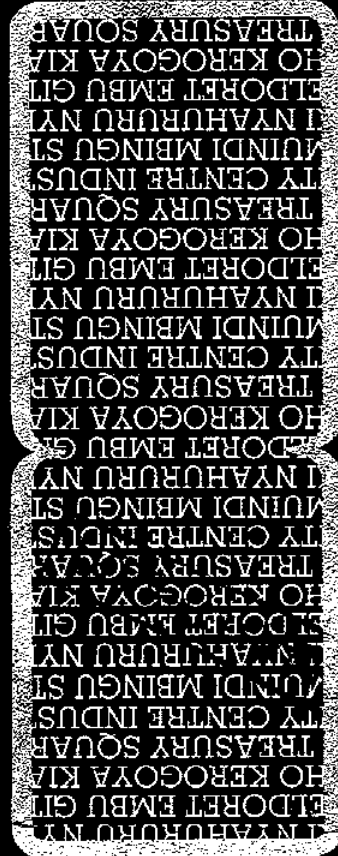
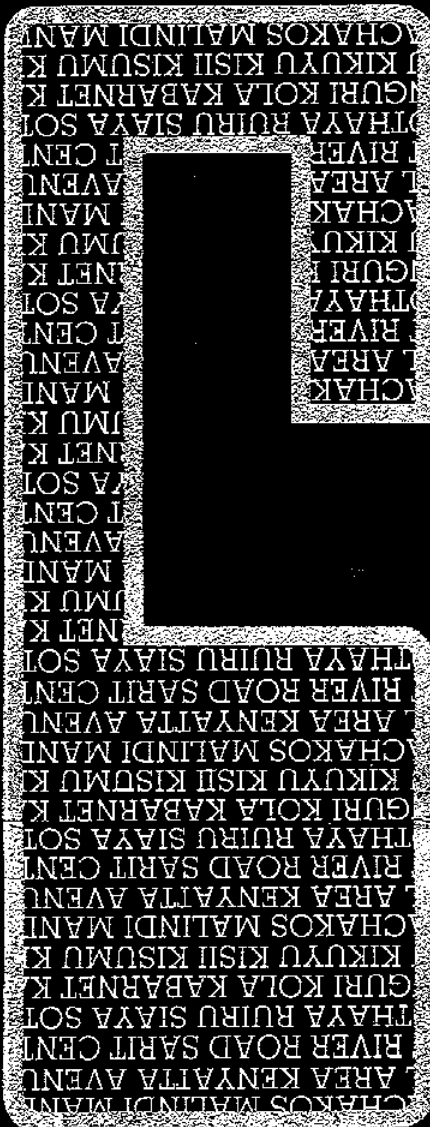


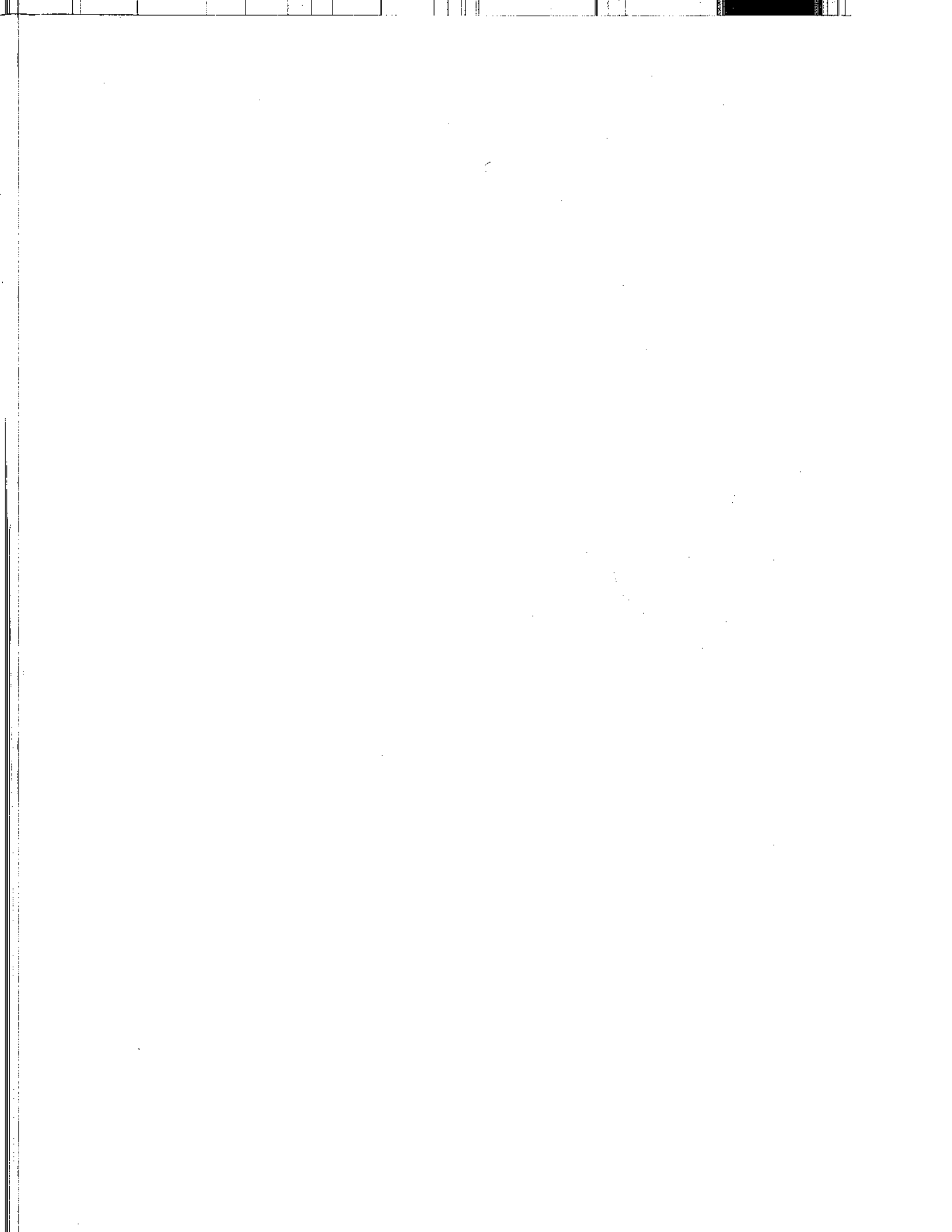
Annual Report & Accounts

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KENYA COMMERCIAL BANK LIMITED





Report and Accounts

31 December 1989

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Group Information and Directors

CAPITAL & RESERVES

Authorised Capital
KShs. 375,000,000 divided
into 37,500,000 shares of Shs. 10 each

Issued and Fully-Paid
KShs. 375,000,000

Capital Reserve
KShs. 136,210,000

General Reserves
KShs. 381,917,000

Statutory Reserves
KShs. 49,834,000

Subsidiary Companies
Kenya Commercial Finance Company Limited
Savings and Loan Kenya Limited
Kenya Commercial Bank Nominees Limited
Enterprise Consultants Limited



Dr. B.E. Kipkorir, EBS Executive Chairman



C.S. Mbindyo, EBS



Z. Mbori



Prof. P.M. Mbithi, EBS



Prof. P.N.K. Gufwoli



Rev. J.K.A. Cheseng'eny



G.C. Kirundi



A.H. Ali



A.P. Hamilton



Prof. F.F. Ojany



C.M.S. Kekayaya



Prof. J.K. Musuva



Dr. G.K. Misoi



T.M. Ongalo

2007/0521

**Chairman's Statement
for the year ended
31 December, 1989**

**Taarifa ya Mwenyekiti
ya Mwaka uliomalizika
Desemba 31, 1989**



*Dr. B. E. Kipkorir, EBS
Executive Chairman*

The Group's business results for the year ended 31 December, 1989 are in many respects, the most gratifying and inspiring so far in the Bank's history.

Considering the Bank's unique mandate, as both a commercial undertaking and a development agent, growth and progress were realized all round. The Group's pre-tax profits grew by 41.5% to an all-time record of KShs. 375 million in 1989. Similarly impressive results were realized in the growth of assets, by 25.8% to KShs. 15,435 million; advances, by 11.2% to KShs. 9,711 million; deposits by 27.3% to KShs. 13,981 million; and in capital and reserves, by 9.3 to KShs. 1,005 million.

The Group's contribution to the exchequer in the form of taxes and dividends grew by 40.4% to KShs. 260 million while, in a continued demonstration of its commitment to the long-term benefit of the country, the Bank spent Shs. 310.3 million on capital development.

The only objective way to judge a corporation is by its performance, and specifically its results. By this criterion, therefore, KCB Group continues to fulfill the purpose for which the Kenya Government set it up 20 years ago, and in doing so it has won the confidence of the investing public.

Shares and dividends

During 1989, their first full year of trading, KCB shares maintained their integrity on the stock exchange, their market value rising steadily. The popularity of the KCB shares was demonstrated by the fact that, despite heavy demand by buyers, shareholders held on to their stocks. As at 31 December, 1989, only 3.7% of the KCB shares floated in August 1988 had changed hands. Original expectations on the competitiveness of the KCB shares have thus been exceeded, and the stage set for an upsurge in demand for participation in the Bank's equity.

The Board of Directors recommend a dividend of KShs. 4 per share, representing a yield of 40%, and an increased earning of 33.3% over the previous year.

Matokeo ya shughuli za Kundi hili ya mwaka uliomalizika Desemba 31, 1989, ni kwa njia nyingi, ya kuridhisha zaidi na kutia moyo katika historia ya Banki hii kufikia sasa. Kwa kutambua wajibu maalumu wa kipekee wa Banki hii,

kama kielelezo cha miradi ya biashara na maendeleo, ufanisi na ustawi ulifikwa katika shughuli zote. Faida za Kundi hili kabla ya kukata kodi ziliongezeka kwa asilimia 41.5 na kuvunja rekodi kufikia kiwango cha Sh. 375 milioni mnano 1989. Hivyo hivyo, matokeo ya kutia moyo yalifikwa katika ufanisi wa mali kwa asilimia 25.8 hadi Sh. 15,435 milioni; malipo ya makopo, yaliongezeka kwa asilimia 11.2 hadi Sh. 9,711 milioni; dhamana za akiba zikaongezeka kwa asilimia 27.3 hadi Sh. 13,981 milioni, na katika rasilmali na akiba zilizotengwa, kwa asilimia 9.3 hadi Sh. 1,005 milioni.

Mchango wa Kundi hili kwa Serikali kama kodi na migao ya faida uliongezeka kwa asilimia 40.5 hadi Sh. 260 milioni, hali katika kuendelea kudhihirisha ari yake ya miaka mingi ya manufaa kwa nchi hii, Banki hii ilitumia Sh. 310.3 milioni katika maendeleo ya rasilmali.

Mbinu bora ya pekee ya busara ya kupima hali ya banki ni kutokana na wajibu wake, hasa matokeo. Ni kwa njia hii ndipo, kwa hivyo, Kundi la KCB, linaendelea kutimiza madhumuni ambayo Serikali ilitumia kuanzisha miaka 20 iliyopita, na katika kufanya hivyo, imevutia imani ya wawekaji pesa.

Hisa na migao ya faida

Mnano 1989, mwaka wao wa kwanza kamili wa biashara ya hisa, hisa za KCB zilidumisha thamani yao katika soko la hisa na thamani hizo ikazidi kupanda. Thamani hiyo nzuri ya hisa za KCB ilidhihirishwa na sababu kwamba, licha ya kung'ang'aniwa sana na wanunuzi, wenyehisa walidindia kabisa hisa zao. Kufikia Desemba 31, 1989, ni asilimia 3.7 pekee ya hisa za KCB zilizotolewa Agosti 1988, zilibadilishana mikono. Hivyo, ni wazi kwamba matarajio ya mwanzoni ya uthabiti wa hisa za KCB, yamepitika, na kuonyesha



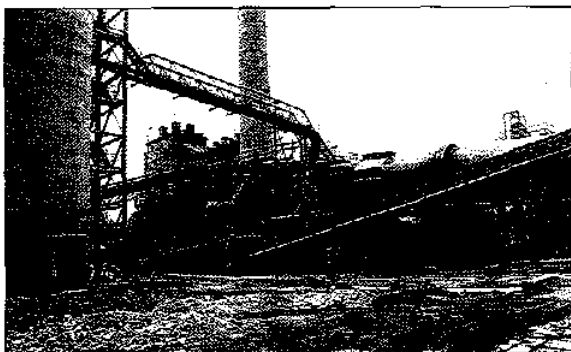
The Chairman addressing the 18th Annual General Meeting at Kenyatta International Conference Centre (KICC) flanked by some Group directors.

The KCB Group's Annual General Meeting held in June was the first one ever to involve the participation of the public, who now own 20% of KCB shares. The symbolic significance of the meeting lay in the added responsibility that the new ownership structure places on the management and staff of the Group. They now need to espouse an even more rigorous and scientific outlook in order to satisfy the shareholders' and customers' increased expectations.

A major organizational restructuring that took place in 1989 involved the establishment of distinct corporate and retail branches of the Bank's operations, with the primary aim of streamlining and expediting processes and thus minimizing delays and congestions at service outlets. A new Corporate Branch was therefore established, domiciled at the KCB Moi Avenue Branch in Nairobi. Coupled with the planned launching, in the course of 1990, of the extensively revamped KCB computer facility, these measures will lead to faster decision-taking and, an extension of ever efficient and personalized services to all categories of customers.

Country branch network and overseas correspondent banks

The Bank strengthened and consolidated its network of service outlets, both in Kenya and



Cement manufacturing at E.A. Portland Cement factory at Athi River. KCB's continued support for Building and Construction Sector.

A cross-section of the shareholders at the 18th Annual General Meeting at K.I.C.C.

kwamba hisa hizo za KCB zitaendelea kuhitajika zaidi katika siku zijazo. Halmashauri ya Wakurugenzi inapendekeza mgao wa faida wa Sh. 4 kwa kila hisa ya kuwakilisha faida ya asilimia 40, na ongezeko la mapato la asilimia 33.3 kuzidi mwaka uliopita.

Usimamizi na utaratibu

Mkutano Mkuu wa Mwaka wa Kundi la KCB uliofanyika Juni ulikuwa wa kwanza kuwashirikisha wananchi ambao sasa wanamiliki asilimia 20 za hisa za KCB. Thibitisho kwamba mkutano huo ulikuwa wa maana sana lilionekana katika jukumu zaidi ambalo utaratibu mpya wa umilikaji hisa zake lililongezea wakuu na wafanya kazi wa Kundi hili. Sasa wanahitajika hata kujitolea zaidi kwa dhati kutimiza wajibu wao kwa umakini na ustadi ili kutosheleza matarajio yanayoongezeka ya wenyehisa pamoja na wateja.

Marckebisho makubwa yaliyofanyika 1989 yalihu su uanzishaji wa matawi maalumu na madogo ya Banki hii, kwa lengo hasa la kuimarisha zaidi na kuharakisha huduma, na hivyo kupunguza visa vya ukawiaji na misongamano katika vituo vyake vya huduma. Kwa hivyo, tawi jipya la kuhudumia mashirika lilianzishwa, ambapo lina makao yake katika tawi la KCB Moi Avenue mjini Nairobi. Pamoja na mipango inayokusudiwa kuanzishwa mnamo 1990 ya huduma zilizoimarishwa za kompiyuta za kisasa za KCB, hatua hizo zitasaidia kuharakisha zaidi maamuzi na utekelezaji wao, na kwa hivyo, usambazaji huduma zilizo imara wakati wote na zenye kuridhisha wateja wa aina zote.

Matawi ya KCB nchini, na banki inazoshirikiana nazo ng'ambo

Banki hii iliimarisha zaidi na kusimamia thabiti huduma zake zote nchini Kenya na ng'ambo huku idadi ya banki za kigeni inazoshirikiana nazo ikiongekeza kutoka 451

abroad, with the number of its correspondent banks overseas rising from 451 in 1988 to 488 in 1989. The Bank's country branch network improved with the addition of two new full-time branches, at Ongata Rongai and Gilgil, and the upgrading of several outlets to provide more comprehensive services. At the end of 1989, the KCB Group had a total of 245 service outlets, of which 69 were full-time branches, 59 sub-branches and 117 agencies spread throughout the country. The KCB network remained by far the largest of any



Launching of KCB's children's saving account in November.

single bank or financial institution in Kenya. Faced with the ever-increasing demand for modern banking facilities, KCB has, over the years, shouldered a heavy burden of network and rural expansion at considerable cost and sacrifice. In 1989, KShs. 310.3 million was spent on construction, equipment, re-equipment and renovation of the Group's premises countrywide. In this connexion, I would like to reiterate my statement in the 1987 Annual Report that the Group considers it a legitimate objective to provide modern



A Book Publishing Process at Jomo Kenyatta Foundation Nairobi. The Bank actively participates in promotion of education.

mnamo 1988 hadi 488 mnamo 1989. Idadi ya matawi ya banki hii nchini iliongezeka baada ya matawi mapya kamili mawili kufunguliwa Ongata Rongai na Gilgil, pamoja na kupandishwa hadhi vituo vyake kadha ili vitoe huduma adilifu. Kufikia mwisho wa 1989, Kundi la KCB lilikuwa na vituo 245 vya kutoa huduma ambapo 69 kati yao yalikuwa matawi kamili, 59 matawi madogo na maaajenti 117 kuenea kote nchini.



Participants at KCB Senior Management Conference in 1989.

Hivyo, KCB ilikuwa imesambaza kote huduma zake na kufanya iwe banki kubwa zaidi ya kipekee, ama shirika la kifedha, kupita yote. Kutokana na ongezeko la mahitaji ya huduma za kisasa za banki, KCB imejitahidi na kujitolea kwa miaka hiyo yote kutekeleza mipango ya upanuzi na kuimarisha zaidi huduma zake katika sehemu za mashambani, licha ya pesa na gharama kubwa. Mnamo 1989, Sh. 310.3 milioni zilitumiwa katika ujenzi, na kununua mitambo mipya na urekebishaji majengo ya Kundi hili kote nchini.

Katika hatamu hii napenda kukariri taarifa niliyotoa katika Ripoti Kuu ya mwaka wa 1987 kwamba Banki hii inatambua wajibu wake halisi wa kusambaza huduma za kisasa za banki katika sehemu zote nchini bila kubagua. Hivyo, mpango wetu wa upanuzi wa taratibu wa matawi unaokusudiwa ni wa kusaidia kukuza uchumi wa kitaifa pamoja na kuimarisha zaidi hali ya maisha ya Wakenya wote, hasa katika sehemu za mashambani. Katika Banki hii, na hasa miongoni mwa wenyehisa wake, mpango huo ni rasilmali ya maana katika siku zijazo kwani kuna nafasi kufaidika zaidi hivi karibuni.

Huduma na vifaa

Mbali na huduma za kawaida zinazotolewa na banki zingine, KCB iliendelea kutekeleza jukumu la kusimamia mikopo aina nyingi kwa niaba ya Serikali na mashirika mengine maarufu ya kifedha ulimwengini kama vile IFC, OPEC na USAID, na hivyo kuthibitisha kuwa mshiriki mkubwa zaidi wa kugharimia maendeleo nchini.

banking services to all parts of the country without discrimination. Our branch expansion programme is, therefore, a deliberate one intended to contribute to the process of integration of the national economy and improvement of the standard of living of all Kenyans, particularly in the rural areas. For the Bank, and, in particular for its shareholders, it is also a prudent investment in the future from which they stand to reap more benefits in due course.

Services and products

Over and above the traditional facilities extended by all other banks, KCB continued to take on responsibility for administration of various lines of credit on behalf of the Government and such external donor agencies as IFC, OPEC and USAID, thus establishing itself as the largest intermediary of development financing in the country. In continuation of our commitment to provide specialized schemes to meet the needs of the various segments of society and of the market, we introduced new schemes in 1989 specially tailored for students, the **KCB Student Savings Account**, and for children, the **KCB Children's Savings Account**. Both schemes had an instant impact and success in the market.

Subsidiary companies

Our subsidiary companies the Kenya Commercial Finance Company Limited (KCFC) and the Savings and Loan Kenya Limited (S&L) performed very well indeed. Deposits held by S&L increased to KShs. 1,090.9 million, while its mortgage loans rose by 8.3% from KShs. 983.1 million to KShs. 1,064.7 million. KCFC's deposits also increased, by 9.3% from KShs. 1,416.0 million to KShs. 1,547.3 million, while its advances increased from KShs. 1,184.4 million to KShs. 1,327.2 million. These results demonstrated the ever-increasing demands on the services offered by our subsidiary companies and challenged us not only to expand but also to offer quality services.

Manpower utilization, development and staff welfare

During the year, staff training was intensified to conform to the spirit of the new corporate strategy and the fast-changing technology and skills in the banking industry. A total of 1,000 staff of all categories were trained in 66 different courses at the KCB Training School, constituting an increase of 13% and 40% in the number of staff and courses, respectively, over 1988. In addition, a total of 62 bank

Katika kuendelea na ari yetu ya kutoa huduma maalumu kutosheleza mahitaji ya jamii za tabaka mbali mbali na wateja, tulianzisha mipango mipya ya akiba mnamo 1989, hasa kwa wanafunzi - **KCB Student Savings Account** - na kwa watoto, **KCB Children's Savings Account**. Mipango hiyo yote miwili ilitibitika kuwa maarufu papo hapo na kufaulu.

Makampuni madogo ya KCB

Makampuni yetu madogo Kenya Commercial Finance Company Limited (KCFC) na Savings and Loan (S&L) zilifanya vyema sana. Dhamana za akiba katika S&L ziliongezeka hadi Sh. 1,090.9 milioni, hali mikopo yake ya rehani ikapanda kwa asilimia 8.3 kutoka Sh. 983.1 milioni hadi Sh. 1,064.7 milioni. Dhamana za akiba za KCFC ziliongezeka pia na kupanda kwa asilimia 9.3 kutoka Sh. 1,416.0 milioni hadi Sh. 1,547.3 milioni hali mikopo iliongezeka kutoka Sh. 1,184.4 milioni hadi Sh. 1,327.2 milioni. Matokeo haya yalithibitisha mahitaji yanayoongezeka wakati wote ya huduma zinazotolewa na makampuni yetu madogo nakututia moyo si tu kupanuka lakini pia kuwapa wateja wetu huduma bora za hali ya juu.

Wajibu wa wafanya kazi, maendeleo na maslahi zao

Mnamo mwaka huo, mafunzo ya wafanya kazi yaliimarishwa zaidi ili kuambatana na moyo wa maendeleo na mabadiliko mapya ya haraka ya teknolojia na maarifa katika shughuli za banki. Jumla ya wafanya kazi 1,000 wa tabaka zote walijifunza katika miradi 66 ya mafunzo katika Chuo cha Mafunzo ya Wafanya Kazi cha KCB, na kuwakilisha ongezeko la asilimia 13 la wafanya kazi na asilimia 40 ya miradi ya mafunzo walimoshiriki ikilinganishwa na 1988. Pamoja na hayo, jumla ya maafisa 62 wa banki hii, walipewa mafunzo nje ya chuo hicho, ambapo 16 kati yao walijifunza ng'ambo hali wengine 46 nchini. Ujenzi wa Chuo cha Mafunzo cha KCB pamoja na kituo kipya cha michezo na starehe katika Karen mjini Nairobi, ilioanzishwa mapema mwaka huu, unaendelea kwa hali ya kuridhisha mno na sehemu yake ya kwanza kutazamiwa kukamilishwa na kufunguliwa rasmi kufikia mwishoni mwa mwaka huu. Idadi ya wafanya kazi iliongezeka kwa asilimia 3.2 pekee kutoka 3,235 mnamo 1988 hadi 3,339 mwishoni mwa 1989. Sasa, KCB ndiyo banki yenye idadi kubwa zaidi ya wafanya kazi nchini. Tuna fahari kuwa na idadi kubwa kama hiyo ya wafanya kazi,

officers were trained outside the KCB Training School, 16 of them abroad and 46 locally. The construction of the new KCB Training School and Sports Complex at Karen, in Nairobi, which was started early in the year, progressed satisfactorily and Phase One of the project is expected to be ready for commission by the end of 1990.

The Group's staff strength increased by a mere 3.2% from 3,235 in 1988 to 3,339 at the end of 1989. Today, KCB is the largest single employer in the banking industry. We take pride in our numerical strength, but even more in our demonstration of the requisite skills and capacities — strengths which we should strive to nurture and sustain among the staff at all levels. Recognizing the crucial role that our staff will play in tackling the challenges of the years ahead, a major consultative exercise will be undertaken in the Group during 1990 to formulate a corporate personnel policy to guide all our actions in respect of staff recruitment, training, motivation and development.

General

Since my last statement, some changes have occurred in the Board of the Bank. Mr Solomon Adagala retired from the Board after more than six years of outstanding service, and Professor Peter Gufwoli was appointed in his place. I would like to record the Bank's gratitude to Mr Adagala for exemplary service and commitment to duty during his tenure and wish him happiness in retirement. I also take this opportunity to welcome Professor Gufwoli to the Group. I would like to thank the General Manager and the entire management and staff of the Group without whose commitment and loyalty our excellent achievements of 1989 would not have been possible. The year 1990 has special significance for us as we mark the 20th anniversary of KCB's incorporation. We are all called upon to work together to attain even greater heights for the Bank.

Benjamin Kipkorir

DR. B.E. KIPKORIR, EBS
EXECUTIVE CHAIRMAN, KCB GROUP



Sun N' Sand hotel at North Coast Mombasa. An example of KCB support of Tourist Industry.

lakini muhimu zaidi dhahirisho letu la maarifa yanayotakikana na ustadi katika shughuli za — banki vipawa ambavyo tunapasa kujitahidi kustawisha na kudumisha miongozi mwa wafanya kazi wetu. Kwa kutambua wajibu muhimu ambao wafanya kazi wetu wanatimiza katika kukabiliana na mahitaji ya miaka ijayo ya shughuli za banki, mashauriano muhimu yatafanywa na Kundi hili mnano 1990 ili kuanzisha maongozi kamili kuhusu wafanya kazi ambayo yatazingatiwa katika miradi yetu yote ya uajiri, mafunzo, kuwatia moyo wafanya kazi na maendeleo yao.

Maelezo mengine

Tangu taarifa niliyotoa mwaka jana, mabadiliko mengine yametokea katika Halmashauri ya Wakurugenzi. Bw. Solomon Adagala alistaafu kutoka kwa halmashauri hiyo baada ya kuitumikia kwa dhafi kwa zaidi ya miaka sita, na Profesa Peter N. Gufwoli akateuliwa badala yake. Napenda kuthibitisha shukrani za halmashauri hiyo kwa Bw. Adagala kwa utumishi wake bora na ari kwa wakati huo wote ambapo alikuwa mkurugenzi, na kumtakia kila la heri na fanaka maishani mwake. Nachukua pia fursa hii kumkaribisha Profesa Gufwoli katika Kundi hili. Kadhalika, napenda kumshukuru meneja mkuu, wasimamizi wote na wafanya kazi ambao kama si kwa ari yao na uaminifu, mafanikio haya yetu stahifu ya 1989 hayangewezekana. Mwaka wa 1990 una maana maalumu kwetu kwa sababu tunaadhimisha mwaka wa 20 tangu KCB ianzishwe. Tunahitajika kufanya kazi pamoja ili tufikie hata mafanikio makubwa zaidi katika Banki yetu.

Benjamin Kipkorir

DR. B.E. KIPKORIR, EBS
MWENYEKITI — KUNDI LA KCB

Report of the Directors to the Members

The Directors have pleasure in submitting their Report together with the Audited Accounts of the Bank and its subsidiary companies for the year ended 31 December 1989.

1. Activities

The Bank's principal activity continued to be the provision of corporate and retail banking services. The activities of the Bank's subsidiary companies continued to be those recorded in Note 3 to the accounts.

2. Consolidated Results

The Group's Results are set out on page 11.

3. Dividend

The Directors recommend the declaration of a first and final dividend of KShs. 70,000,000 (1988 — KShs. 52,500,000), representing KShs. 4.00 (1988 — KShs. 3.00) per Ordinary Share.

4. B Ordinary Shares

In view of the improved performance in the profitability of the Group, it is the intention of the Directors to recommend to the members to allow the B shareholders to participate in the dividends earlier than 1992.

5. Subsidiary Companies

The trading results of the subsidiary companies were satisfactory.

6. Directors

Since the last Directors' Report, the Board of the Bank consisted of:

Dr. B.E. Kipkorir, EBS	(Chairman)
Mr. C.S. Mbindyo, EBS	(Alternate: Mr. A.H. Ali)
Mr. Z. Mbori	
Prof. P.M. Mbithi, EBS	
Mr. S. Adagala	(Retired 29.5.89)
Rev. J.K.A. Cheseng'eny	
Mr. G.C. Kirundi	
Prof. P.N.K. Gufwoli	(Appointed 29.5.89)

Mr. Z. Mbori and Prof. P.M. Mbithi, EBS, retire by rotation and, being eligible, offer themselves for re-election.

6. Auditors

The auditors, Bellhouse Mwangi Ernst & Whinney, now renamed Bellhouse Mwangi Ernst & Young, who were appointed during the year have indicated their willingness to continue in office and do so under the terms of section 159(2) of the Companies Act.

By Order of the Board
Mr. T.M. Ongalo
Secretary

6th March 1990

**Consolidated Balance Sheet
as at 31 December 1989**

	Note	1989 KShs.'000	1988 KShs.'000
Assets Employed			
Fixed Assets			
Premises and equipment	2	480,909	421,314
Capital work in progress		137,475	32,888
Investments	3	205,532	191,843
Current Assets			
Cash and short term funds	4	3,132,105	1,548,541
Treasury bills and bonds		1,768,067	1,203,551
Advances, bills of exchange and other accounts	5	9,711,379	8,677,338
Bills discounted		—	191,235
		<u>14,611,551</u>	<u>11,620,665</u>
Current Liabilities			
Current, deposit and savings accounts		12,681,962	10,019,666
Other liabilities		1,299,211	959,938
Term loans	6	33,692	29,293
Taxation		230,091	162,944
Proposed dividend	7	70,000	52,500
		<u>14,314,956</u>	<u>11,224,341</u>
Net Current Assets		<u>296,595</u>	<u>396,324</u>
Non Current Liabilities			
Term loans	6	115,550	123,321
		<u>1,004,961</u>	<u>919,048</u>
Capital Employed			
Share Capital	8	375,000	375,000
Reserves	9	629,961	544,048
		<u>1,004,961</u>	<u>919,048</u>

The accounts were approved by the Board of Directors on 6th March 1990

Dr B.E. Kipkorir, EBS	} Directors
Mr Z. Mbori	
Mr. C.S. Mbindyo EBS	
T.M. Ongalo	} Secretary

**Consolidated Profit and
Loss Account for the year
ended 31 December 1989**

		1989	1988
	Note	KShs.'000	KShs.'000
Profit Before Taxation	10	366,670	257,927
Share of Profit of Associated Companies		8,551	6,752
		<u>375,221</u>	<u>264,679</u>
Taxation	11	215,718	151,729
Share of Taxation of Associated Companies		4,413	3,320
		<u>220,131</u>	<u>155,049</u>
Profit After Taxation		155,090	109,630
Transfer to Statutory Reserve	9	—	(16,578)
Available for Distribution		<u>155,090</u>	<u>93,052</u>
Proposed Dividend	7	70,000	52,500
Transfer to General Reserve	9	85,090	40,552
		<u>155,090</u>	<u>93,052</u>
Retained Profit for the year		<u>—</u>	<u>—</u>
Earnings per share	12	<u>8.8</u>	<u>6.3</u>

**Consolidated Statement of
changes in financial
position for the year ended
31 December 1989**

	1989 KShs.'000	1988 KShs.'000
Source of funds		
Profit before taxation	366,670	257,927
Items not involving the movement of funds:		
Depreciation	35,457	36,187
Depreciation adjustment	(3,171)	—
Write-back against cost of investments	(50)	(40)
Profit on sale of fixed assets	(1,554)	(886)
Profit on sale of investment	—	(320)
Dividends from associated companies	3,131	439
	<u>400,483</u>	<u>293,307</u>
Funds from other sources		
Disposal of fixed assets	1,984	1,560
Issue of shares	—	150,000
Sale of investments	—	4,000
	<u>402,467</u>	<u>448,867</u>
Application of funds		
Purchase of investments	11,809	—
Repayment of term loans	3,372	9,451
Dividend paid	52,500	50,000
Additions to fixed assets	196,898	59,785
Taxation paid	148,571	117,296
Cost of share issue	—	13,000
	<u>413,150</u>	<u>249,532</u>
(Decrease)/increase in working capital	<u>(10,683)</u>	<u>199,335</u>
Analysis of change in working capital		
Cash and short term funds	1,583,564	224,461
Treasury bills and bonds	564,516	(779,609)
Advances, bills of exchange and other accounts	1,034,041	1,713,804
Bills discounted	(191,235)	191,235
Current, deposit and savings accounts	(2,662,296)	(1,503,307)
Other liabilities	(339,273)	352,751
	<u>(10,683)</u>	<u>199,335</u>

**Kenya Commercial
Bank Limited
Balance Sheet
as at 31 December 1989**

	Note	1989 KShs.'000	1988 KShs.'000
Assets Employed			
Fixed Assets			
Premises and equipment	2	417,119	374,222
Capital work in progress		137,475	32,888
Investments	3	200,687	196,637
Loan to Group Company		50,348	46,754
Current Assets			
Cash and short term funds	4	3,105,329	1,546,234
Treasury bills and bonds		1,187,635	834,698
Advances, bills of exchange and other accounts		7,346,228	6,505,201
Loan to group company		7,091	4,599
Group companies		2,775	2,775
		<u>11,649,058</u>	<u>8,893,507</u>
Current Liabilities			
Current, deposit and savings accounts		10,043,804	7,637,835
Other liabilities		1,284,759	940,483
Term loans	6	7,091	4,599
Taxation		171,950	116,951
Proposed dividend	7	70,000	52,500
Group companies		59,488	42,272
		<u>11,637,092</u>	<u>8,794,640</u>
Net Current Assets		<u>11,966</u>	<u>98,867</u>
Non Current Liabilities			
Term loans	6	50,348	46,754
		<u>767,247</u>	<u>702,614</u>
Capital Employed			
Share Capital	8	375,000	375,000
Reserves	9	392,247	327,614
		<u>767,247</u>	<u>702,614</u>

The accounts were approved by the Board of Directors on 6th March 1990

Dr B.E. Kipkorir, EBS	} Directors
Mr Z. Mbori	
Mr. C.S. Mbindyo EBS	
T.M. Ongalo	} Secretary

Notes to the Accounts as at 31 December 1989

1. Accounting Policies

a. Accounting Convention

The accounts of the Bank and its subsidiaries have been prepared under the historical cost convention modified by the revaluation of freehold and leasehold properties and the computation of related depreciation.

b. Depreciation

Fixed assets are depreciated over their estimated useful lives, using the straight line method of depreciation. The following rates of depreciation have been used.

Freehold land and buildings	Nil
Leasehold premises (where lease is more than 50 years)	Nil
Leasehold premises and improvements (where lease is less than 50 years)	Rates based on the unexpired lease term
Motor vehicles	20 – 25%
Furniture and fittings	10%
Other equipment	20%

c. Provision for doubtful debts

Specific provision is made in respect of advances considered to be doubtful of recovery.

d. Investments

- i. Quoted government and municipal securities with stated redemption dates are shown at cost.
- ii. Quoted equity investments are shown at the lower of cost or market value.
- iii. Unquoted investments are shown at the lower of cost or directors' valuation.
- iv. The Group's investments in associated companies have been incorporated in the Group accounts, to take account of the share of net assets attributable to the Group. The Banks investment in it's associated companies are shown at cost.

e. Foreign currencies

Assets and liabilities in foreign currencies have been converted at rates approximating to the mean rates of exchange ruling on 31 December 1989. Transactions during the year are converted at the rate ruling at the date of the transaction. Gains and losses on conversion are either included in the profit and loss account or, where appropriate, recharged to the relevant third party.

f. Group Accounts

The Group accounts incorporate the results, assets and liabilities of the Bank and its subsidiary companies, and the results and net assets of its associated companies based on the latest available accounts.

Certain associated companies have different accounting reference dates to the Group, but the effect of the difference is not material to the Group accounts.

Notes to the Accounts as at 31 December 1989

g. Deferred Taxation

Provision for deferred tax is made when income, expenditure or depreciation fall into different periods for accounting and for tax purposes. The provision is calculated at rates of tax current at the balance sheet date. No provision has been made because it is considered that no tax benefit or charge is likely to crystallise in the foreseeable future.

h. Change in Accounting Policy

During the year the Group accounting policy on depreciation of freehold and long leasehold land and buildings was changed. No charge for depreciation is made since, in the opinion of the directors, the values of such properties continue to rise. The effect of this change in accounting policy is to increase the Group's current year's profits by K.Shs 3,171,000/-.

2. Premises and Equipment

	Freehold & leasehold premises KShs.'000	Leasehold improvements KShs.'000	Motor vehicles furniture & equipment KShs.'000	Total KShs.'000
Group:				
Cost or valuation:				
At 1 January 1989	347,989	17,393	198,036	563,418
Additions	61,557	3,006	27,748	92,311
Disposals	—	—	(5,594)	(5,594)
At 31 December 1989	409,546	20,399	220,190	650,135
Valuation	319,880	—	—	319,880
Cost	89,666	20,399	220,190	330,225
Depreciation:				
At 1 January 1989	10,504	7,807	123,793	142,104
Charge for year	7,971	3,408	24,078	35,457
Disposals	—	—	(5,164)	(5,164)
Depreciation adjustment (note 1 (h))	(3,171)	—	—	(3,171)
At 31 December 1989	15,304	11,215	142,707	169,226
Net book value:				
At 31 December 1989	394,242	9,184	77,483	480,909
At 31 December 1988	337,485	9,586	74,243	421,314

**Notes to the Accounts
as at 31 December 1989**

	Freehold & leasehold premises KShs.'000	Leasehold improvements KShs.'000	Motor vehicles furniture & equipment KShs.'000	Total KShs.'000
Bank:				
Cost or valuation:				
At 1 January 1989	309,939	13,150	185,546	508,635
Additions	45,574	2,403	25,175	73,152
Disposals	—	—	(5,583)	(5,583)
At 31 December 1989	355,513	15,553	205,138	576,204
Valuation	281,830	—	—	281,830
Cost	73,683	15,553	205,138	294,374
Depreciation:				
At 1 January 1989	10,073	6,849	117,491	134,413
Charge for year	7,833	2,900	21,837	32,570
Disposals	—	—	(5,158)	(5,158)
Depreciation adjustment	(2,740)	—	—	(2,740)
At 31 December 1989	15,166	9,749	134,170	159,085
Net book value:				
At 31 December 1989	340,347	5,804	70,968	417,119
At 31 December 1988	299,866	6,301	68,055	374,222

A revaluation of the freehold and long leasehold properties held by the Group was carried out by professional valuers during 1987 and the revaluation results were incorporated in the accounts at 31 December 1987.

3. Investments

	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Quoted investments				
Government & Municipal securities, quoted with redemption dates	112,425	112,425	102,650	102,650
Quoted equity investments	720	670	720	670
	113,145	113,095	103,370	103,320

Market value of quoted investments at 31.12.89 was KShs. 118,663,000
Bank — KShs. 107,738,000

**Notes to the Accounts
as at 31 December 1989**

3. Investments (contd)

	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Unquoted investments	22,641	14,832	115	115
Directors' valuation was				
KShs. 22,641,000/-				
Bank — KShs. 115,000/-				

Investment in subsidiaries

Company	Activity	Beneficial Ownership %				
Kenya Commercial Finance Co. Ltd.	Commercial lending	100	—	—	20,000	20,000
Savings & Loan Kenya Ltd.	Mortgage Finance	100	—	—	67,402	67,402
Enterprise Consultants Ltd.	Property ownership	100	—	—	1,800	1,800
Kenya Commercial Bank Nominee Ltd.	Nominee shareholders	100	—	—	*	*
			—	—	89,202	89,202

*An amount of KShs. 160 was eliminated after rounding to the nearest thousand.

**Investments in Associated
Companies**

			Group		Bank	
			1989	1988	1989	1988
			KShs.'000	KShs.'000	KShs.'000	KShs.'000
Company	Activity	Beneficial ownership %				
Kencom House Limited	Property ownership & management	25	58,909	59,093	4,000	4,000
United Finance Ltd.	Hire purchase & lease finance	45	5,212	3,461	—	—
Notcutt Longaroni	Insurance	40	1,558	1,295	—	—
& Co. (Kenya) Ltd	Broking	Pref.	67	67	—	—
Loncom Ltd.	Property ownership & management	40	4,000	—	4,000	—
			69,746	63,916	8,000	4,000
Total Investments			205,532	191,843	200,687	196,637

**Notes to the Accounts
as at 31 December 1989**

4. Cash and Short Term Funds

	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
Cash on hand	561,251	394,663	546,368	379,485
Balance with Central Bank of Kenya	520,413	452,304	520,413	452,304
Balance with other banks and financial institutions	2,050,441	701,574	2,038,548	714,445
	<u>3,132,105</u>	<u>1,548,541</u>	<u>3,105,329</u>	<u>1,546,234</u>

5. Advances, Bills of Exchange and other Accounts

The following amounts have been lent to associated companies in the ordinary course of business.

	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
	<u>124,993</u>	<u>128,977</u>	<u>55,678</u>	<u>68,318</u>

6. Term Loans

	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
OPEC Line I	29,982	32,178	29,982	32,178
OPEC Line II	27,457	19,175	27,457	19,175
International Finance Corporation	40,764	49,673	—	—
USAID	37,527	36,313	—	—
Government of Kenya	13,512	15,275	—	—
	<u>149,242</u>	<u>152,614</u>	<u>57,439</u>	<u>51,353</u>
Being:				
Due within one year	33,692	29,293	7,091	4,599
Due after one year	115,550	123,321	50,348	46,754
	<u>149,242</u>	<u>152,614</u>	<u>57,439</u>	<u>51,353</u>

i. OPEC

These amounts represent the net amount of funds lent to the Bank by the Government of Kenya in accordance with loan agreements for lines of credit from the OPEC Fund for International Development. The Bank has on-lent these funds to its subsidiary, Kenya Commercial Finance Company Limited, which disburses them in accordance with the terms of the loan agreement.

Notes to the Accounts as at 31 December 1989

The lines of credit are repayable in equal semi-annual instalments up to 2001 and 1998 respectively.

At the year end further funds to be on-lent to the Group under Line II amounted to K.Shs. 20,905,398 (1988 — K.Shs. 32,085,801) representing the undrawn funds available in US dollars.

ii. International Finance Corporation/USAID

These represent amounts which the Group has undertaken to on-lend to private enterprises on behalf of the Government of Kenya and the above named international development agencies.

The loans are repayable in equal semi-annual instalments up to 1991 and 1995 respectively.

The loans are expressed in foreign currencies. The Government of Kenya has undertaken the foreign exchange risk.

iii. Government of Kenya

This loan is repayable in equal semi-annual instalments.

7. Proposed Dividend

The directors have recommended payment of a dividend of K.Shs. 70,000,000 (1988 — K.Shs. 52,500,000) representing K.Shs. 4.00 per ordinary share of K.Shs. 10.00 each (1988 K.Shs. 3.00 per ordinary share of K.Shs. 10.00 each).

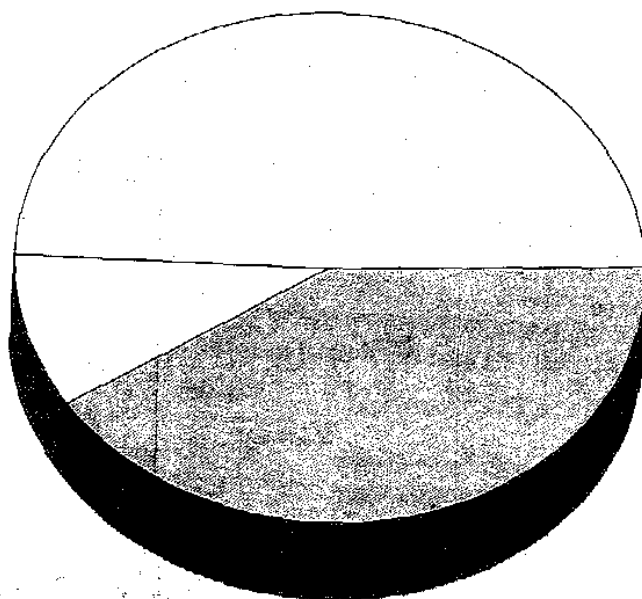
B Ordinary shares issued under a bonus issue in 1987 are not entitled to participate in dividends until after the year ending 31 December 1991.

8. Share Capital

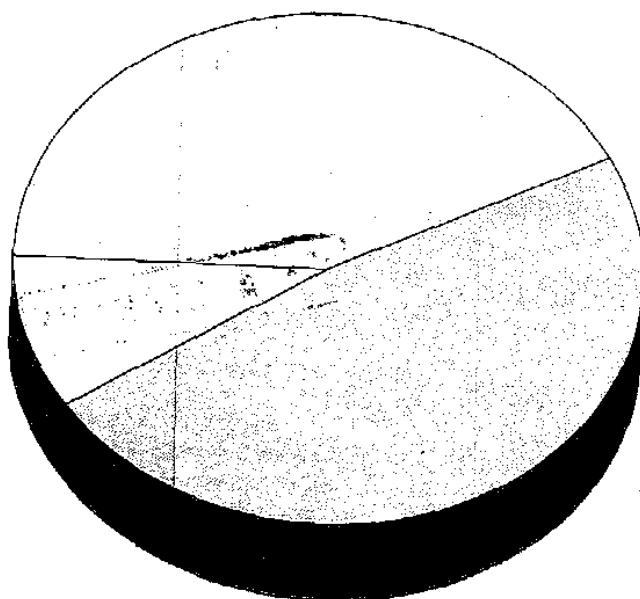
	1989 KShs.'000	1988 KShs.'000
Authorised		
17,500,000 Ordinary shares of Shs. 10/- each	175,000	175,000
20,000,000 B Ordinary shares of Shs. 10/- each	200,000	200,000
	<u>375,000</u>	<u>375,000</u>
Issued and fully paid		
At 1 January 1989 17,500,000 Ordinary shares of Shs. 10.00 each (1988 — 10,000,000 Ordinary shares of Shs. 10.00 each)	175,000	100,000
Shares issued to the public		
7,500,000 Ordinary shares of Shs. 10.00 each	—	75,000
	<u>175,000</u>	<u>75,000</u>
20,000,000 B Ordinary Shares of Shs. 10.00 each	200,000	200,000
At 31 December 1989	<u>375,000</u>	<u>375,000</u>

The B Ordinary shares are not entitled to participate in dividends until after the year ending 31 December 1991.

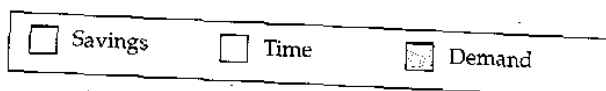
**Breakdown of Deposits
as at 31 December**



1988
Total Kshs. 7,638 Million



1989
Total Kshs. 10,044 Million



**Notes to the Accounts
as at 31 December 1989**

The lines of credit are repayable in equal semi-annual instalments up to 2001 and 1998 respectively.

At the year end further funds to be on-lent to the Group under Line II amounted to K.Shs.20,905,398 (1988 — K.Shs. 32,085,801) representing the undrawn funds available in US dollars.

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The loans are expressed in foreign currencies. The Government of Kenya has undertaken the foreign exchange risk.

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This loan is repayable in equal semi-annual instalments.

7. Proposed Dividend

The directors have recommended payment of a dividend of K.Shs. 70,000,000 (1988 — K.Shs. 52,500,000) representing K.Shs. 4.00 per ordinary share of K.Shs. 10.00 each (1988 K.Shs. 3.00 per ordinary share of K.Shs. 10.00 each).

B Ordinary shares issued under a bonus issue in 1987 are not entitled to participate in dividends until after the year ending 31 December 1991.

8. Share Capital

	1989 KShs.'000	1988 KShs.'000
Authorised		
17,500,000 Ordinary shares of Shs. 10/- each	175,000	175,000
20,000,000 B Ordinary shares of Shs. 10/- each	200,000	200,000
	<u>375,000</u>	<u>375,000</u>
Issued and fully paid		
At 1 January 1989 17,500,000 Ordinary shares of Shs. 10.00 each (1988 — 10,000,000 Ordinary shares of Shs. 10.00 each)	175,000	100,000
Shares issued to the public		
7,500,000 Ordinary shares of Shs. 10.00 each	—	75,000
	<u>175,000</u>	<u>75,000</u>
20,000,000 B Ordinary Shares of Shs. 10.00 each	200,000	200,000
At 31 December 1989	<u>375,000</u>	<u>375,000</u>

The B Ordinary shares are not entitled to participate in dividends until after the year ending 31 December 1991.

**Notes to the Accounts
as at 31 December 1989**

9. Reserves	Capital reserve KShs.'000	Statutory reserve KShs.'000	General reserve KShs.'000	Share premium KShs.'000	Total KShs.'000
Group:					
Balance at 1 January 1989	135,387	49,834	296,827	62,000	544,048
Surplus on revaluation	823	—	—	—	823
Transfer from profit and loss account	—	—	85,090	—	85,090
At 31 December 1989	136,210	49,834	381,917	62,000	629,961
Group:	82,753	49,834	374,404	62,000	568,991
Share of associated companies	53,457	—	7,513	—	60,970
	136,210	49,834	381,917	62,000	629,961
Bank:					
At 1 January 1989	56,192	30,626	178,796	62,000	327,614
Transfers from profit and loss account	—	—	64,633	—	64,633
At 31 December 1989	56,192	30,626	243,429	62,000	392,247

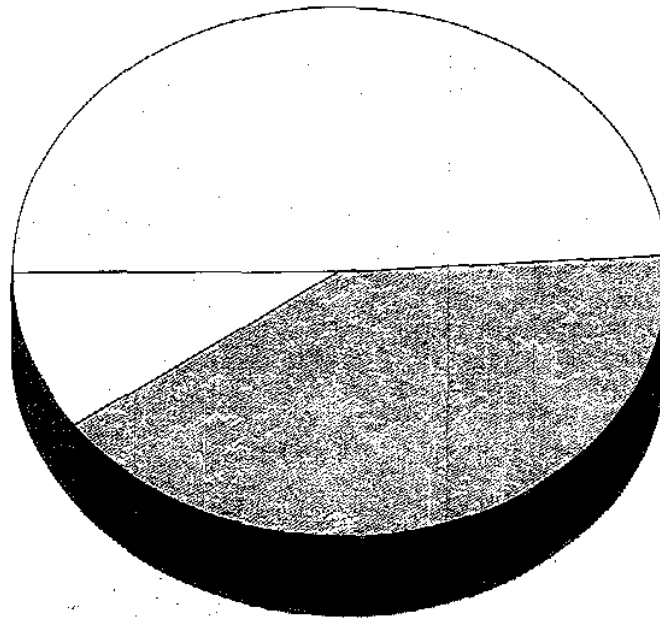
10. Profit Before Taxation

	1989 KShs.'000	1988 KShs.'000
This is stated after charging/(crediting):		
i. Expenses		
Directors emoluments		
As directors	459	340
As executives	981	946
Depreciation of fixed assets	35,457	36,187
Auditors' remuneration (parent company K.Shs. 800,000 1988 K.Shs. 700,000)	1,291	1,193
ii. Income		
Write back of provision for diminution of investments	(50)	(40)
Interest on Government Securities	(11,994)	(12,084)
Dividends — Quoted investments	(43)	(50)
— Unquoted investments	(3,600)	(3,675)
Management fees — Associated company	(3,636)	(3,250)

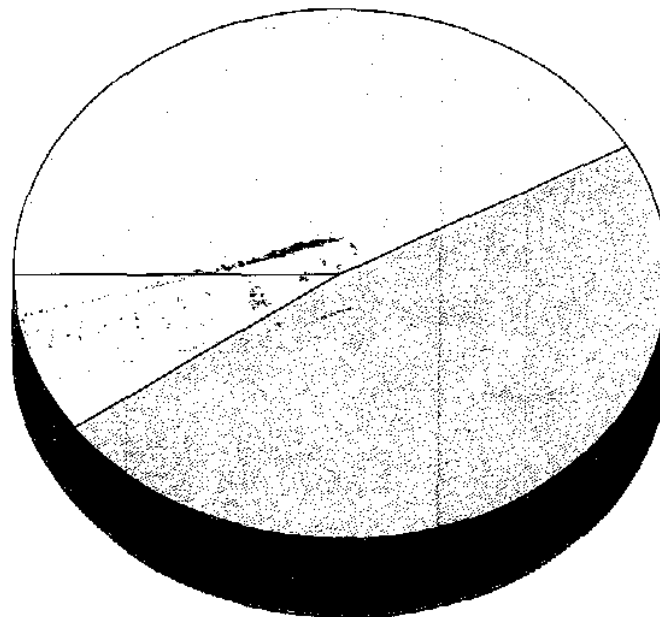
**Notes to the Accounts
as at 31 December 1989**

11. Taxation		1989	1988	
		KShs.'000	KShs.'000	
	Group:			
	Charge based on profits for the year	215,718	152,027	
	Overprovision in respect of previous years	—	(298)	
		<u>215,718</u>	<u>151,729</u>	
Associated companies		4,413	3,320	
		<u>220,131</u>	<u>155,049</u>	
12. Earnings per Share				
The calculation of basic earnings per share is based on earnings of K.Shs. 155,090,000 (1988 — K.Shs. 109,630,000) and on shares in issue of 17,500,000 (1988 — 17,500,000).				
13. Commitments				
	Group		Bank	
	1989	1988	1989	1988
	KShs.'000	KShs.'000	KShs.'000	KShs.'000
i. Capital commitments contracted for	<u>130,027</u>	<u>13,738</u>	<u>130,027</u>	<u>13,738</u>
ii. Loans committed not disbursed	<u>800,591</u>	<u>420,354</u>	<u>—</u>	<u>—</u>
14. Contingent Liabilities				
Acceptances, guarantees, indemnities and other engagements entered into on behalf of customers				
	5,425,256	3,297,060	5,423,756	3,297,060

**Breakdown of Deposits
as at 31 December**



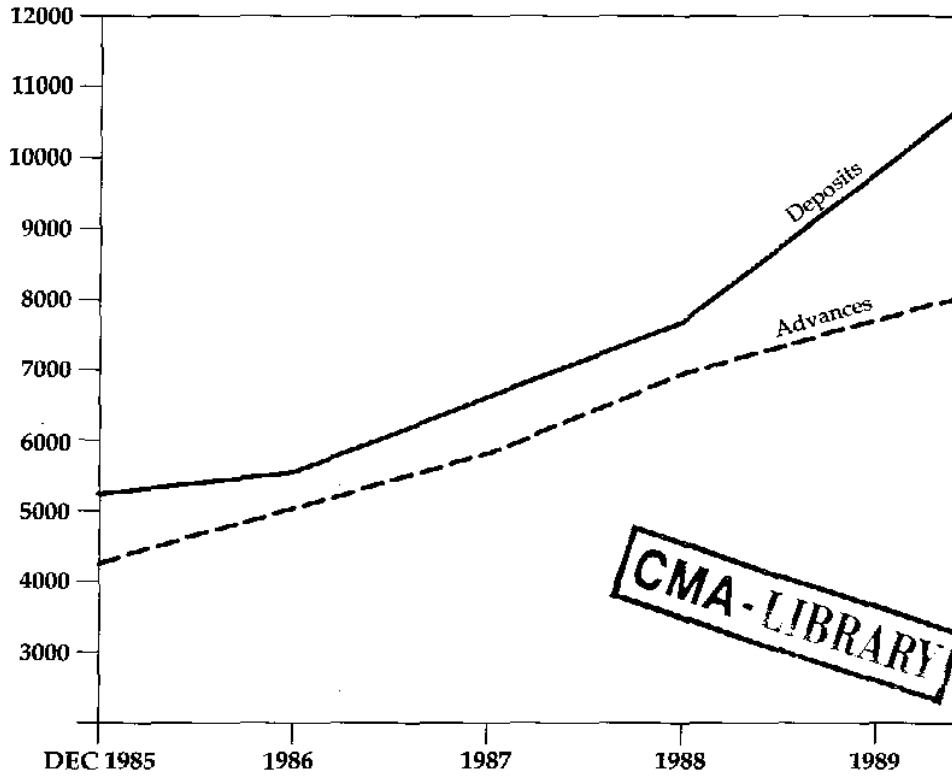
1988
Total Kshs. 7,638 Million



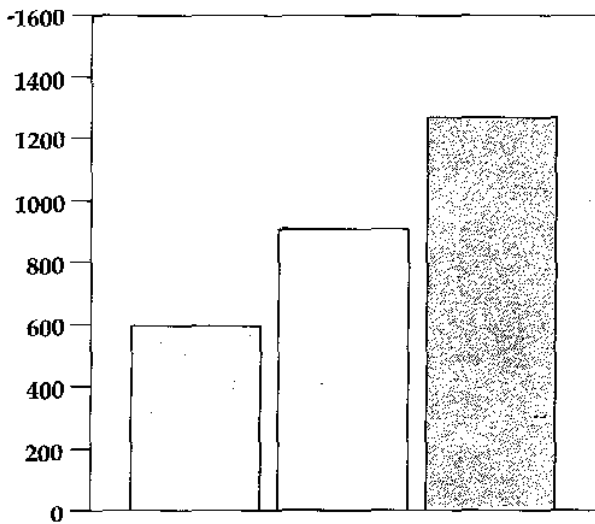
1989
Total Kshs. 10,044 Million

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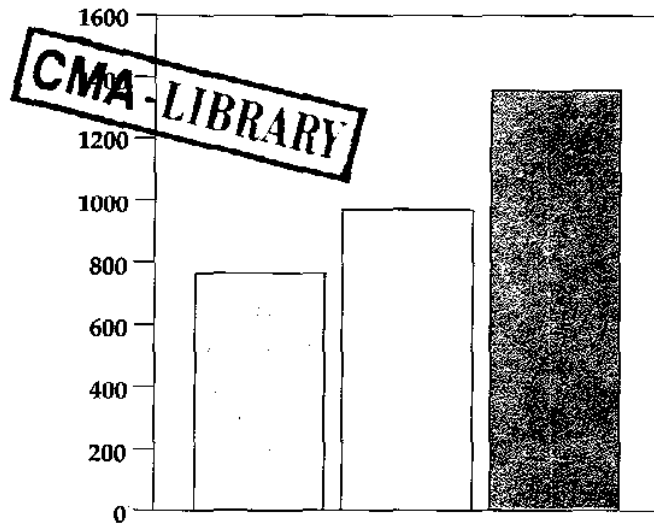
Deposits and Advances



Advances 1988

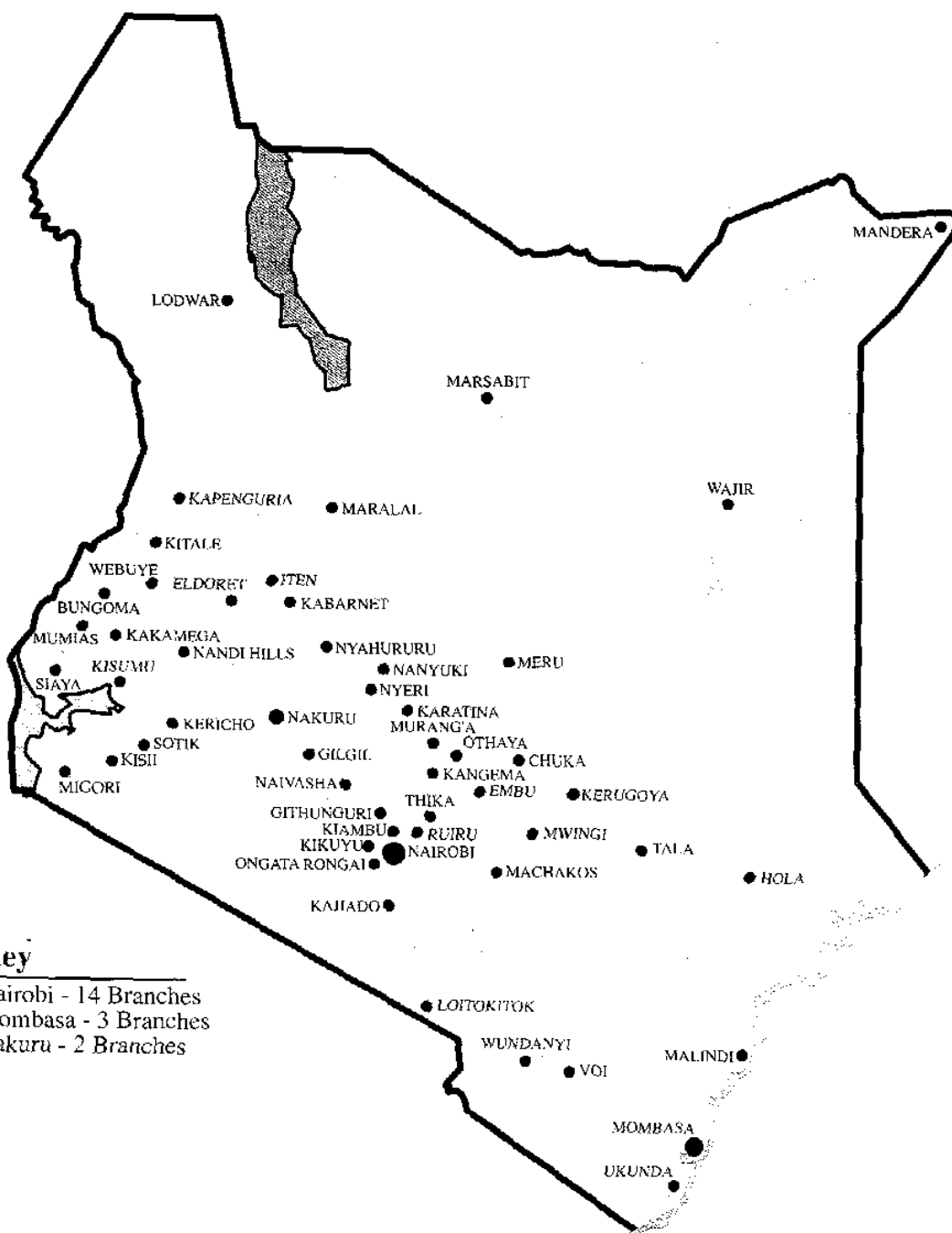


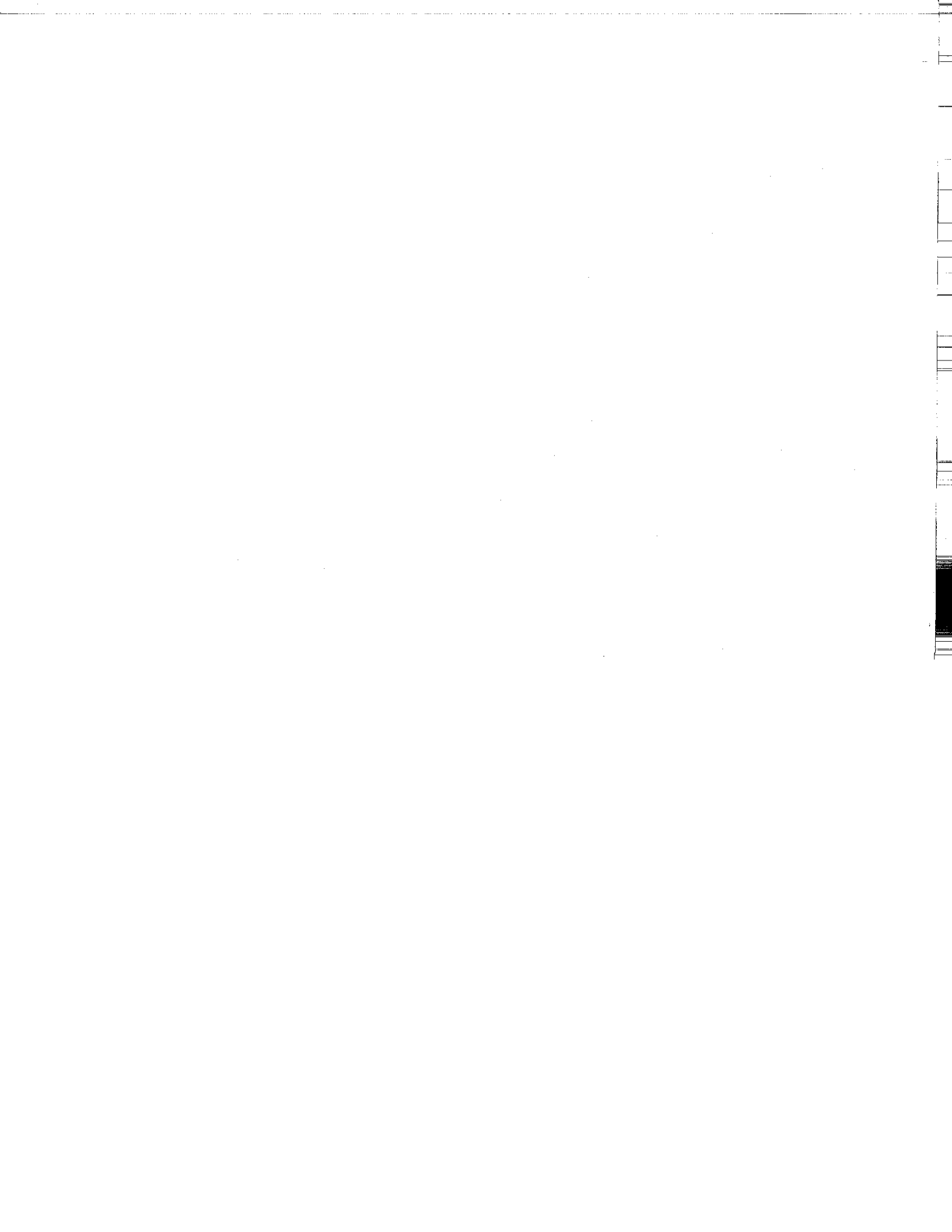
Advances 1989



☐ Agriculture
 ☐ Total Trade
 ☒ Manufacturing

Network of Branches





Annual Report & Accounts 1997



Mr. Mwangi
Please analyse
and update records
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