



KCB
Customer First

Annual Report & Accounts 2000

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Notice of the 30th Annual General Meeting

Notice is hereby given that the 30th Annual General Meeting of Kenya Commercial Bank Limited will be held at the Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi, on Friday, 25th May, 2001 at 11 a.m. when the following will be transacted, namely:

AGENDA

1 CONSTITUTION OF MEETING

To read the notice convening the meeting and determine if a quorum is present.

2 ORDINARY BUSINESS

(a) Report of the Auditors

To read the Auditors' Report on the Consolidated Accounts and Balance Sheet of the Company for the year ended 31st December, 2000.

(b) Report and Accounts for the year ended 31st December, 2000

To receive and consider the Report of the Directors and the Statement of the Consolidated Accounts and Balance Sheet of the Company of the year ended 31st December 2000 together with the Auditors' Report thereon.

(c) Dividend

To note that the Board does not recommend the payment of a dividend for the year 2000.

(d) Bonus Shares

To authorize the issuance of one bonus share for each three held by shareholders as at 11th May, 2000 by capitalization of revenue reserves.

(e) Election of Director

Pursuant to the provisions of article 101 of the Company's Articles of Association, the Board appointed Mr. Kiriinya Mwendia to fill a casual vacancy on the Board and as Director, Finance and Planning. Being eligible, the said Mr. Kiriinya Mwendia, offers himself for re-election as director.

(f) Election of Directors

In accordance with Article 94 of the Company's Articles of Association, Prof. A.W. Mwang'ombe and Mr J.E. Kiriimi, retire by rotation from the office as Directors of the Company and, being eligible, offer themselves for re-election respectively.

(g) Remuneration of the Directors

To authorize the Board to fix the remuneration of the Directors.

(h) Appointment of Auditors

To re-appoint Messrs Ernst & Young, Certified Public Accountants, as the Auditors of the Company until the conclusion of the next Annual General Meeting.

(i) Remuneration of the Auditors

To authorize the Directors to fix the remuneration of the Auditors.

3 SPECIAL BUSINESS

Merger of Subsidiaries

To consider and, if thought fit, confirm the following resolution as a "Special Resolution".

"That the operations of Kenya Commercial Finance Company Limited and Savings and Loan Kenya Limited be merged into those of Kenya Commercial Bank Limited in accordance with the recommendations of the respective Directors".

4 ANY OTHER BUSINESS

To transact any other business which may be properly transacted at an Annual General Meeting.

Dated at Nairobi this 23rd day of February, 2001

By Order of The Board

K D Malakwen

Secretary

Ilani ya Mkutano Mkuu wa 30

Ilani inatolewa kwamba mkutano mkuu wa 30 wa Kampuni ya Kenya Commercial Bank utafanywa katika ukumbi wa Plenary katika Kenyatta International Conference Centre katika Harambee Avenue, mjini Nairobi, siku ya Ijumaa tarehe 25 mwezi Mei mwaka 2001 kuanzia saa tano asubuhi ambapo yafuatayo yatajadiliwa:-

AJENDA

1 KUJUMUIKA KWA MKUTANO

Kusomwa kwa ilani ya kuitisha mkutano na kubainisha ikiwa kuna idadi ya watu wa kutosha kuendelea nao.

2 SHUGHULI ZA KAWAIDA

(a) Ripoti ya Wahasibu-wakaguzi

Kusomwa kwa ripoti ya wahasibu-wakaguzi kuhusu Akaunti ya Pamoja na Mizania ya Kampuni hii kwa mwaka uliomalizika tarehe 31 Disemba 2000.

(b) Ripoti na Akaunti kwa mwaka uliomalizika tarehe 31 Disemba, 2000

Kupokea na kuzingatia Ripoti ya Wakurugenzi na Taarifa ya Akaunti ya Pamoja na Mizania ya Kampuni kwa mwaka uliomalizika tarehe 31 Disemba 2000 na hatimaye Ripoti ya Wahasibu-Wakaguzi.

(c) Mgao wa Faida

Kubaini kwamba Halmashauri ya Wakurugenzi haipendekezi malipo ya mgao wa faida kwa mwaka 2000.

(d) Bakhshishi ya Hisa

Kuidhinisha utoaji wa bakhshishi ya hisa moja kwa kila hisa tatu alizo nazo mwenye-hisa kufikia tarehe 11 mwezi Mei mwaka 2000. Bakhshishi hiyo ya hisa inatokana na akiba ya mapato.

(e) Uchaguzi wa Mkurugenzi

Kuambatana na mahitaji ya kipengele 101 cha masharti ya Kampuni, Halmashauri ya Wakurugenzi imemteua Bw Kiriinya Mwendia kujaza nafasi ya muda katika Halmashauri ya Wakurugenzi, akiwa Mkurugenzi wa Idara ya

Fedha na Mipango. Kwa vile anastahili, Bw Kiriinya Mwendia amejitoa mhanga achaguliwe tena kama mkurugenzi.

(f) Uchaguzi wa Wakurugenzi

Kuambatana na kipengele 94 cha masharti ya Kampuni, Prof. A.W. Mwang'ombe na Bw J.E. Kiriimi, wanastaafu kwa zamu kutoka ofisi kama Wakurugenzi wa Kampuni hii na, kwa vile wanastahili, wamejitoa mhanga kutaka kuchaguliwa tena.

(g) Malipo ya Wakurugenzi

Kuidhinisha Halmashauri iweke viwango vya malipo ya Wakurugenzi.

(h) Uteuzi wa Wahasibu-Wakaguzi

Kuteua tena kampuni ya Messrs Ernst & Young kuwa Wahasibu-Wakaguzi wa Kampuni hii hadi kumalizika kwa mkutano mkuu wa mwaka ujao.

(i) Malipo ya Wahasibu-Wakaguzi

Kuidhinisha Wakurugenzi kuweka viwango vya malipo ya Wahasibu-Wakaguzi.

3 SHUGHULI MAALUM

Muungano wa Kampuni ndogo na Benki

Kuzingatia na ikiwa itakubalika, kudhibiti-sha azimio lifuatalo kama "Azimio Maalum."

"KWAMBA shughuli za Kenya Commercial Finance Company Limited na Savings and Loan Kenya Limited ziunganishwe na zile za Kenya Commercial Bank Limited kuambatana na mapendekezo yaliyotolewa na Wakurugenzi."

4 SHUGHULI NYINGINE YOYOTE

Kutekeleza shughuli yoyote nyingine ambayo yaweza kutekelezwa katika Mkutano Mkuu wa Mwaka.

Tarehe 23 Februari, 2001

Kwa amri ya Halmashauri ya Wakurugenzi

K.D. Malakwen

Katibu

KCB Board Directors



Standing (from left): Livingstone Otundo, Martin Oduor-Otieno and Dr. Kipkirui Lang'at
Seated: Gareth George, Sarah Wainaina, Peter Nyakiamo, Prof. Agnes Mwang'ombe and John Kirimi

Directors of Subsidiaries



Standing (from left): Dr. Gideon Misoi, Prof. Jeremiah Musuva and Prof. Francis Ojany
 Seated: Barrak Amollo, Antony Ondiegi, Peter Nyakiamo, Stanley Towett and Gareth George
 Inset: Prof. Nzele Nzomo, Francis Koske, Baltazar Mwenda, Mohamed Rayi and Nassir Arte

Senior Management Team



Standing (from left): Fred Mwhia, Colin Ryan and John Kiarie
 Seated: Alban Mwendar, Ernest Saina, Gareth George, Kiriinya Mwenda and Siraj Siddiqui

Chairman's Review

2000 – A Year of Progress

I am pleased to report a major improvement in KCB Financial Performance in 2000. Any Loss is a disappointment to our Stakeholders but a Full Year Loss of KShs. 765 million, an improvement of 66% over the 1999 Result (and a virtual breakeven Second Half Result), marks considerable progress by the KCB Team (Board, Management and Staff), working together in the short term to achieve financial turnaround, and in the medium term to deliver the KCB Vision:

"TO BE THE BEST BANK IN KENYA AND THE REGION IN THE EYES OF ITS CUSTOMERS, SHAREHOLDERS, KCB TEAM AND OTHER STAKEHOLDERS".

The quality of our assets (lending) continues to be the major weakness in the business, reflected in the adverse impact caused by Non-Performing Debt and the need for further Provisions. However, we are beginning to see improvements – it is worth highlighting that of the total Non-Performing Debt of KShs. 19.4 billion for the Bank, interest is now being serviced on 40% of the total, which reflects the success of KCB Management in taking a thoroughly professional and rigorous approach to ensuring that all its debtors honour their obligations.

It is also worth highlighting another key feature of our financial performance in 2000, that Operating Costs were well managed, down from KShs. 6.4 billion in 1999 to KShs. 5.7 billion.

That we successfully managed our Costs reflects the start of our restructuring and the related reduction in the number of staff from 4,220 at the beginning of the year to 3,420 at the year-end.

I am also pleased to report that the Bank continues to enjoy healthy Liquidity and Capital Adequacy which, together with the improvement in our financial performance, give the Management Team a firm platform upon which to accelerate the turnaround and the restructuring of the Bank.

In the pursuit of this restructuring and our Vision, it is essential to reiterate our Values which will help to change the culture in KCB, to influence the KCB Team's behaviour externally towards the customer and internally amongst each other:

Putting the CUSTOMER FIRST.

Working together as a TEAM.

Being PROFESSIONAL in everything we do.

A willingness to CHANGE.

Caring for the COMMUNITY.

Let me add a few words about our Customers, the KCB Team and the wider Community in which we do business.

Our culture is shifting to one in which we are putting the Customer at the very heart of our business, influencing everything we do – we are putting the Customer First. I acknowledge that we have much to do to improve service standards rightly demanded by our Customers. Many

KCB – Being PROFESSIONAL in everything we do

Taarifa ya Mwenyekiti

2000 – Mwaka wa Maendeleo

Nafurahia kuripoti maendeleo makubwa katika shughuli za kifedha za Benki hii katika mwaka 2000. Hasara yoyote ni jambo la kuvunja moyo kwa wahusika wetu wote lakini hasara ya mwaka mzima ya shilingi milioni 765, ambayo ni nyongeza ya asilimia 66 ikilinganishwa na matokeo ya mwaka 1999, inaonyesha maendeleo makubwa yaliyofanywa na kundi la Benki hii (Halmashauri, Wasimamizi na Wafanyakazi), wakifanya kazi pamoja katika muda mfupi ili kuafikia hali nzuri ya kifedha, na katika muda wa kadiri kuafikia Maono ya KCB ya:

"KUWA BENKI BORA ZAIDI NCHINI KENYA NA KATIKA ENEO HILI KATIKA MACHO YA WATEJA WAKE, WENYE HISA, WAFANYAKAZI NA WAHUSIKA WENGINE".

Hali ya rasilimali zetu(ukopeshaji)inaendelea kuwa unyonge mkubwa katika shughuli zetu, kama inavyoonekana na athari mbaya zilizosababishwa na madeni yasiyolipwa na haja ya kuongezea mtaji. Hata hivyo tunaanza kuona mabadiliko – inafaa kueleza kwamba huku jumla ya deni linalotokana na mikopo isiyolipwa ikiwa shilingi bilioni 19.4 riba sasa inatozwa asilimia 40 ya jumla hiyo, hali inayoonyesha ufanisi wa wasimamizi wa Benki hii katika utendaji kazi ili kuhakikisha kwamba wadeni wote wanatekeleza wajibu wao wa kulipa madeni yao.

Pia inafaa kueleza jambo jingine muhimu kuhusu hali yetu ya kifedha katika mwaka 2000, kwamba gharama za shughuli zetu zilisimamiwa vyema, kwa kupungua kutoka shilingi bilioni 6.4 mwaka 1999 hadi shilingi bilioni 5.7.

Kwamba tumefanikiwa kupunguza gharama zetu ni ishara ya mwanzo wa marekebisho na hatua ya kupunguza idadi ya wafanyakazi kutoka 4,220 mwanzo wa mwaka hadi 3,420 kufikia mwisho wa mwaka.



KCB – CHANGING Bank

Pia nafurahia kuripoti kwamba Benki hii inaendelea kufurahia hali nzuri ya pesa taslimu na mtaji, ambayo pamoja na matumizi bora ya kifedha, inalipa kundi la wasimamizi kianzio thabiti cha kuharakisha marekebisho na ufanisi wa Benki hii.

Katika kuafikia marekebisho haya na Maono yetu, ni muhimu kukariri mambo tunayoyathamini ambayo yatabadilisha itikadi katika Benki hii, kuweza kuathiri jinsi kundi la KCB linavyowiana na mteja nje, na ndani miongoni mwao wenyewe:

Kumuweka MTEJA MBELE.

Kufanya kazi PAMOJA.

Kutumia UTAALAMU katika kila tunachofanya.

Kukubali KUBADILIKA.

Kujali JAMII.

Hebu niongeze machache kuhusu wateja wetu, kundi la KCB na jamii kwa jumla ambayo kwayo tunafanyia shughuli zetu.

Utamaduni wetu unabadilika ambapo tunamuweka mteja wetu katikati ya shughuli zetu, katika kila tunalolifanya, hivyo tunamuweka MTEJA KWANZA. Nakiri kwamba kuna mengi ambayo twapaswa kufanya kuinua viwango vya huduma

Chairman's Review



KCB – CHANGING Bank

initiatives are underway and the Chief Executive, Gareth George, refers to our Customer First Programme in his Commentary, which follows my Review. The ongoing loyalty of our customers is greatly appreciated – we must now give them better service.

We are placing a great deal of emphasis on teamwork, so important to accelerating the performance improvement of our Bank, and also to making the working environment much more enjoyable and rewarding for the KCB Team.

This working philosophy has been seen in the excellent relationship between the Board and the new Senior Management Team, led by Gareth George whom the Board appointed as Chief Executive last May. It is also seen in the way in which our Senior Management Team is leading the business. And right throughout the Bank, in our Branches, Subsidiaries and Departments, teamwork is beginning to thrive. I know that this will make a difference in the quality of the service experienced by our customers.

It is also making a difference to our wider Community which, in line with our Values, we supported through our 2000 Community Initiative Programme. In most of our Branches, Subsidiaries

and Departments, Community Teams, led by our Community Champions, responded magnificently to this Initiative, to support those in need in communities across the country.

I take this opportunity to thank our Stakeholders, including:-

- The KCB Team (Board, Management and Staff) for the professional and committed way in which so many changes were successfully handled in 2000, contributing to an impressive improvement in our Bank's financial performance.
- Our Customers for continuing to do business with us and their loyalty is all the more appreciated, given the difficult times facing KCB.
- Our Shareholders who, like our Customers, rightly expect a better relationship with KCB.

Whilst, arising from the Trading Loss incurred, the Board does not consider it prudent to recommend a Dividend payment, we are pleased to recommend a Bonus Share Issue. Let me assure our Shareholders that Dividend payments will be made should our performance expectations be met this year.

I wish to conclude by giving our Stakeholders a big reassurance that, in respect of KCB's performance, better times lie ahead. Your Bank remains very solid and it has great potential as captured in our Vision, the pursuit of which has begun. We intend to succeed and with your support we know we can "be the Best Bank in Kenya and the Region".

PETER NYAKIAMO, EBS, EGH
Chairman

Taarifa ya Mwenyekiti

kama inavyostahili wateja wetu. Mipango mingi inatekelezwa, na Mkurugenzi Mkuu, Gareth George, atagusia Mpango wetu wa Mteja Kwanza katika hotuba yake ambayo itafuatia hii yangu. Uaminifu unaoendelea kuonyeshwa kwetu na wateja wetu unafurahiwa sana-nasi sasa twapasa kuwahudumia kwa njia bora zaidi.

Tunatilia mkazo sana jambo hili la kufanya kazi pamoja, ambalo ni muhimu katika kuboresha utendaji kazi wa Benki yetu, na pia katika kufanya mazingira ya kufanya kazi kuwa ya kufurahia na ya kuvutia kwa kundi la KCB.

Filosofia hii ya utendaji kazi inabainika katika uhusiano mzuri kati ya Halmashauri na kundi jipya la wasimamizi, linaloongozwa na Gareth George, ambaye Halmashauri ilimteua mnamo mwezi Mei mwaka jana. Pia inaonekana katika jinsi kundi letu la wasimamizi wakuu linavyoendesha shughuli zetu. Kushirikiana na kufanya kazi pamoja pia kunaonekana kote katika Benki hii, katika matawi yetu, kampuni zetu ndogo na Idara mbali mbali. Najua kwamba hali hii italeti mabadiliko bora katika kiwango cha huduma inayopokewa na wateja wetu.

Hali hii pia inasababisha tofauti katika jamii yetu kwa jumla, ambayo kuambatana na yale tunayoyathamini, tuliisaidia kupitia Mpango Wetu wa Usaidizi kwa Jamii. Katika mengi ya matawi yetu, kampuni zetu ndogo na Idara, makundi ya kijamii,

yakiongozwa na mabingwa wa jamii, yaliitikia vyema mwito wa mpango huu, kusaidia wale wanaohitaji usaidizi katika jamii mbali mbali kote nchini.

Nachukua fursa hii kuwashukuru wahusika wetu wote, ikiwa ni pamoja na-

- Kundi la KCB (Halmashauri, Wasimamizi na Wafanyakazi) kwa ufanisi mkubwa katika kukabiliana kitaalamu na kwa kujitolea, mabadiliko mengi yaliyofanywa mwaka 2000, na hivyo kuchangia kwa kiasi kikubwa matokeo bora ya kifedha ya Benki hii.
- Wateja wetu kwa kuendelea kufanya biashara nasi na uaminifu wao tunaujali sana, hasa kutokana na wakati mgumu unaokabili KCB.
- Wanahisa wetu ambao, kama wateja wetu, wana haki ya kutarajia uhusiano bora na KCB. Ingawa kutokana na hasara ya kibiashara iliyopatikana, Halmashauri haionelei kuwa itafaa kupendekeza mgao wa faida, tunafurahia kupendekeza mgao wa toleo la hisa. Nataka kuwahakikishia wenye hisa kwamba mgao wa faida utatekelezwa ikiwa matarajio ya matokeo yetu yataafikiwa mwaka huu.

Ningependa kumaliza kwa kuwahakikishia wenye hisa wetu kwamba, kuhusiana na matokeo ya kibiashara ya KCB, kuna matumaini makubwa siku zijazo. Benki yako ingali thabiti na ina uwezo mkubwa, kama inavyoelezwa kwenye maono yetu, ambayo tayari tumeanza kuyaafikia. Tuna nia ya kufanikiwa na kutokana na kutuunga mkono kwenu tunajua tunaweza "kuwa Benki Bora Zaidi nchini Kenya na katika Eneo hili.

PETER NYAKIAMO, EBS, EGH
Mwenyekiti



KCB - COMMUNITY Bank

Chief Executive's Commentary

2001 and beyond – KCB, the changing bank

As reviewed by the Chairman, Peter Nyakiamo, the improvement in the Bank's Financial Performance in 2000 gives the new Management Team a firm platform to accelerate the financial turnaround and restructuring of the Bank.

Our following short term Business Priorities will continue to have strong management focus:

- Improvement in the quality of our Lending Portfolio which will be seen in the conversion of Non-Performing to Performing Debt and in lower Provisions.
- Disposal of Non-Core Assets to generate Exceptional Income to cover Exceptional Restructuring Costs.
- Further reduction in Operating Costs, which will include a Voluntary Early Retirement Programme to match the number of staff to the falling number of jobs brought about by restructuring.
- The retention and development of our Savings Balances, using our extensive Branch and expanding ATM Networks; the

quality of our Savings Products and our Customer First Programme.

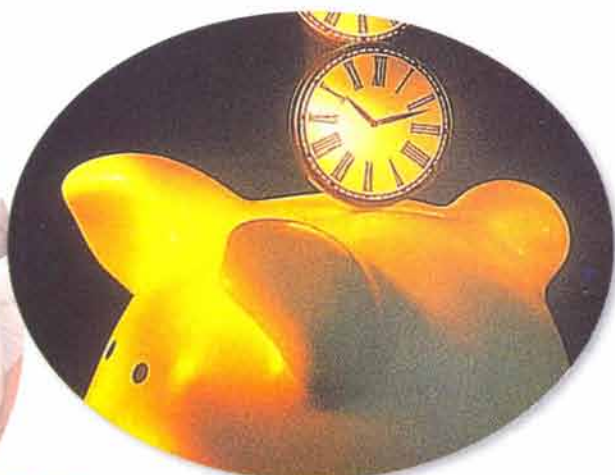
As we concentrate on these immediate priorities to ensure that the momentum of financial turnaround is maintained, we are also implementing a customer focused Strategy. This aims to develop our Core Business defined in terms of our Key Customer Segments (e.g. Corporate, Small Businesses, Personal Customers). Our Customer First Programme is about understanding the needs of these different customer groups and developing tailored customer propositions to meet the needs of each group, e.g. how to use our Branch and ATM Networks to deliver services to these groups; and to provide the right products at a fair price.

This Customer First Programme includes a number of other initiatives, all of which add up to a major transformation of our Bank, a transformation taking place around the customer – Customer First.

For example, we recognize the urgent need for a new IT System, which will facilitate the delivery of services to our customers much more efficiently. Implementation of this new System is likely to commence in June of this year.

We know that we must be continuously innovative, especially on products. I am pleased to report that we have a Visa KCB Debit Card and a KCB Consumer Loan under development.

Our plans to merge Savings & Loan and KCFC Subsidiaries into KCB must not be misunderstood. We see the products delivered by these Subsidiaries as vital to our Core Business. Our objective is to improve the delivery of these products to more of



KCB – ACCESSIBLE Bank

Taarifa ya Mkurugenzi Mkuu

2001 na baadaye – KCB, benki inayobadilika

Kama ilivyoielezwa na Mwenyekiti, Peter Nyakiamo, maendeleo yaliyopatikana katika shughuli za Benki mwaka 2000 yanatoa fursa kwa kundi jipya la wasimamizi kuharakisha mbinu za kuongeza mapato na marekebisho ya Benki.

Malengo yafuatayo ya muda mfupi kibiashara yataendelea kutiliwa mkazo na wasimamizi:

- Kuboresha shughuli za kukopesha, hali itakayobainika katika kubadilisha madeni yasiyolipwa kuwa yanayolipwa.
- Uuzaji wa rasilimali zisizo husika moja kwa moja na shughuli za Benki ili kuongeza mapato yatakayotumiwa kugharamia marekebisho.
- Kupunguza zaidi gharama za shughuli, ambazo ni pamoja na Mpango wa Ustaafishaji mapema kwa hiari ili kuambatanisha idadi ya wafanyakazi na nafasi za kazi zinazopungua kwa sababu ya marekebisho.
- Ustawishaji wa akiba zetu, kwa kutumia matawi na mitambo ya ATM inayoongezeka, ubora wa huduma zetu za akiba na filiosofia yetu ya Mteja Kwanza.

Tukiendelea kutilia mkazo malengo haya kuhakikisha udumishaji wa hali yetu ya kifedha, pia tunatekeleza mpango wetu wa kutilia maanani mteja. Hii ina lengo la kustawisha kazi yetu muhimu ambayo ni huduma kwa wateja wetu muhimu (kwa mfano, kampuni, biashara ndogo na wateja binafsi).

Mpango wetu wa Mteja Kwanza ni kuhusu kuelewa

mahitaji ya makundi haya tofauti ya wateja na kustawisha njia za kuweza kutosheleza mahitaji ya kila kundi, kwa mfano jinsi ya kutumia matawi na mitambo yetu ya ATM kutoa huduma kwa makundi haya; na kutoa huduma zinazostahili kwa bei inayofaa.

Filosofia hii ya Mteja Kwanza ni pamoja na shughuli nyingine, ambazo zote zina lengo la kuibadili Benki yetu, mabadiliko ambayo yanatilia mkazo maslahi ya mteja – Mteja Kwanza.

Kwa mfano, tunatambua haja kubwa ya kuwa na teknolojia mpya ya habari, ambayo itarahisisha utoaji wa huduma bora kwa wateja wetu. Utekelezaji wa teknolojia hiyo mpya huenda ukaanza mwezi Juni mwaka huu.

Tunajua kwamba ni lazima daima tuwe na mbinu mpya, hasa katika huduma zetu. Nafurahi kuripoti kwamba tunaanzisha kadi ya Visa KCB Debit na huduma ya mkopo kwa mteja binafsi.

Mipango yetu ya kuziunganisha kampuni zetu ndogo mbili, Savings & Loan na KCFC na Benki hii haipaswi kueleweka vibaya. Tunaona huduma zinazotolewa na kampuni hizi mbili kuwa muhimu kwa kazi yetu kuu. Lengo letu ni kuimarisha utoaji



KCB – Working Together as a TEAM

Chief Executive's Commentary



KCB – A Willingness to CHANGE

our customers using our extensive Branch Network. We have plans to revitalize our Mortgage Product, to develop a strong KCB Home Loans Brand.

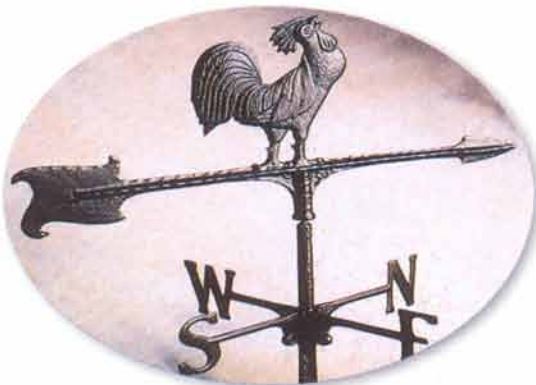
Another misunderstanding concerns our Branch Network. Following a number of Branch closures recently, we shall still have an extensive network of 95 Branches (and plans to grow the ATM Network from 30 to 50 by the end of this year). We are committed to going forward with these extensive networks.

In line with our Vision to be the Best Bank in Kenya and the Region, we are keen to develop our Regional Network. Earlier this year, KCB Tanzania

extended its Branch representation to Mwanza, and we are looking at the feasibility of opening Branches in Arusha and Moshi. Our Tanzania business is profitable and offers potential for growth.

The huge transformation of the Bank, which is underway, needs a highly motivated team. In turn, this calls for an extensive Human Resources Change Programme to give the entire KCB team a progressive HR environment. This will facilitate our business goal of getting the right people in the right jobs. It will ensure attractive employment terms, including career development opportunities in line with job performance and personal potential. This Change Programme has been defined and implementation is underway.

It is evident that better times lie ahead for all KCB Stakeholders. Management focus on our short term business priorities, a clear Customer focused Strategy, a growing confidence from a highly committed KCB team and your ongoing support will deliver these "better times".



KCB – REGIONAL Bank

GARETH GEORGE
Chief Executive

Taarifa ya Mkurugenzi Mkuu



KCB – Caring for the COMMUNITY

wa huduma hizi kwa wateja wetu kwa kutumia matawi yetu mbali mbali. Tuna mipango ya kuboresha huduma yetu ya mikopo ya nyumba.

Kuna utatanishi mwingine kuhusiana na matawi yetu. Kufuatia kufungwa kwa matawi kadha hivi majuzi, bado tutakuwa na matawi ya kutosha, ambayo ni 95 (na kuna mipango ya kuongeza mitambo ya ATM kutoka 30 hadi 50 kufikia mwisho wa mwaka huu).

Kuambatana na lengo letu la kuwa Benki Bora Zaidi nchini Kenya na katika eneo hili, twanuia kustawisha matawi katika eneo hili. Mapema mwaka huu KCB Tanzania ilifungua tawi Mwanza, na tunachunguza uwezekano wa kufungua matawi

Arusha na Moshi. Shughuli zetu nchini Tanzania zinaleta faida na kuna uwezekano wa kuzipanua.

Mabadiliko makubwa yanayofanywa katika Benki hii, yanahitaji wafanyakazi waliojitolea. Hatua hii nayo yahitaji marekebisho katika mpango wa matumzi ya wafanyakazi. Hii itarahisisha njia ya kufikia lengo letu la kuwa na wafanyakazi wanaostahili. Itahakikisha kuwepo kwa masharti mazuri ya kikazi, ikiwa ni pamoja na nafasi za kujiendeleza na kujistawisha. Mpango huu wa mabadiliko umetambuliwa na unatekelezwa.

Ni wazi kwamba kuna matumaini mema siku za usoni kwa wahusika wote wa Benki ya KCB. Lengo la wasimamizi katika majukumu ya muda mfupi ni mpango kabambe wa kumhudumia mteja, imani kuu kutoka kwa wafanya kazi waliojitolea na kwenu kuendelea kutuunga mkono ili tuweze kufikia “matumaini hayo mema”.

GARETH GEORGE
Mkurugenzi Mkuu



KCB – Working together as a TEAM

Report of the Directors

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 2000.

1. PRINCIPAL ACTIVITIES

The Bank's principal activity is provision of corporate and retail banking services. The activities of the subsidiary companies are those recorded in Note 4 to the accounts.

2. GROUP OPERATIONS

The directors have resolved to merge the operations of the Bank with those of some of its subsidiaries, Savings and Loan Kenya Limited and Kenya Commercial Finance Company Limited, subject to approval by the Minister for Finance. Following the approval, the operations of these subsidiaries will be carried out by the Bank. The transfer of all the assets and liabilities will be at net book value.

3. GROUP RESULTS

The Group's results are set out on page 21.

4. DIVIDEND

The Directors do not recommend the payment of a dividend.

5. ISSUE OF BONUS SHARES

Subject to all relevant approvals being obtained, the Directors have resolved to recommend to the members at the forthcoming Annual General Meeting, the issue of bonus shares from revenue reserves, at the rate of one fully paid ordinary share of KShs. 10 for every three shares held as at close of business on 11th May, 2001.

6. DIRECTORS

The directors who served during the year and to the date of this report were:-

Mr. P.C.J.O. Nyakiamo	Chairman
Mr. G.A. George	Appointed on 2.5.2000
Mr. N.M. Arte	Retired on 28.9.2000
Mr. F.K.A. Koske	Retired on 28.9.2000
Ms. S. Wainaina	
Mr. L.R. Otundo	
Dr. K.A. Lang'at	
Prof. A.W. Mwang'ombe	
Mr. J.E. Kirimi	
Mr. N. Kirira	
Mr. E.C.A. Saina	Retired 2.5.2000
Mr. M.L. Oduor-Otieno	
Mr. K.M. Mwendia	Appointed 25.1.2001

7. AUDIT COMMITTEE

The Group's audit committee consists of:-

Mr. J.E. Kirimi	Chairman
Mr. N. Kirira	
Dr. K.A. Lang'at	
Mr. N.M. Arte	Retired on 28.9.2000
Mr. K.D. Malakwen	Secretary

8. AUDITORS

Ernst & Young, have expressed their willingness to continue in office in accordance with the terms of section 159 (2) of the Companies Act.

By Order of the Board

MR. K.D. MALAKWEN

Secretary

23 February 2001

Repoti ya Wakurugenzi

Wakurugenzi wana furaha kuwasilisha ripoti yao , pamoja na hesabu za uhasibu za benki na mashirika yake, ya mwaka uliomalizika Disemba 31, 2000.

1. MAJUKUMU MAUU

Jukumu kuu la Benki ni kutoa huduma za kuweka na kukopa pesa kwa wateja wa makampuni na wale wadogo wadogo. Majukumu ya mashirika yake ni yale yaliyo-tajwa katika kipengele cha nne katika hesabu za uhasibu.

2. UTENDAKAZI WA KUNDI

Wakurugenzi wameamua kuunganisha utendakazi wa kundi hili na ule wa baadhi ya mashirika yake, Savings and Loans Kenya Limited na Kampuni ya Kenya Commercial Finance Limited kama hatua hii itaidhinishwa na Waziri wa Fedha. Kufuatia kuidhinishwa kwa hatua hii, utendakazi wa mashirika haya utasimamiwa na Benki. Kuchukuliwa kwa mali na madeni ya kampuni utafanywa kulingana na bei yake ya wakati huo.

3. MATOKEO YA KIBIASHARA YA KUNDI

Matokeo ya kibiashara ya kundi yamechapishwa katika ukurasa wa 21.

4. FAIDA

Wakurugenzi hawapendekezi kutolewa kwa faida kwa wanachama.

5. KUTOLEWA KWA HISA ZA FAIDA

Ikiwa idhini zote zitatolewa, Wakurugenzi wameamua kupendekeza kwa wanachama katika mkutano wa kila mwaka, kutolewa kwa hisa za faida kutoka kwa mfuko wa faida, kwa kiwango cha hisa moja ya kawaida ya shilingi 10 kwa kila hisa tatu alizonazo mwanachama kufikia tarehe 11 Mei, 2001.

6. WAKURUGENZI

Wakurugenzi ambao walifanya kazi katika kampuni mwaka huu hadi kufikia wakati wa kutayarishwa kwa ripoti hii ni:

Bw. P.C.J.O. Nyakiamo *Mwenyekiti*

Bw G.A. George *Aliteuliwa mnamo 2.5.2000*

Bw N.M. Arte *Alistaafu mnamo 28.9.2000*

Bw F.K.A. Koske *Alistaafu mnamo 28.9.2000*

Bw L.R. Otundo

Dkt K.A. Lang'at

Prof. A.W. Mwangombe

Bw J.E. Kirimi

Bw N. Kirira

Bw E.C.A. Saina *Alistaafu mnamo 2.5.2000*

Bw M.L. Oduor-Otieno

Bw K.M. Mwendia *Aliteuliwa mnamo 25.1.2001*

7. KAMATI YA WAHASIBU

Kamati ya Wahasibu ya Kundi hili inawajumuisha;

Bw J.E. Kirimi *Mwenyekiti*

Bw N. Kirira

Dkt K.A. Lang'at *Alistaafu mnamo 28.9.2000*

Bw K.D. Malakwen *Katibu*

8. WAHASIBU - WAKAGUZI

Ernst & Young wameonyesha nia ya kuendelea kufanya kazi hii kulingana na sehemu ya 159(2) sheria za Kampuni.

Kwa Amri ya Halmashauri ya Wakurugenzi

Bw K.D.MALAKWEN

Katibu

23 February 2001

Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare accounts for each financial year, which give a true and fair view of the state of affairs of the Group and the Bank as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure the Group and the Bank keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Bank. They are also responsible for safeguarding the assets of the Group.

The directors accept responsibility for the annual accounts, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with generally accepted accounting practice and in the manner required by the

Companies Act. The directors are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the Group and the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank and some of its subsidiaries will not remain a going concern for at least the next twelve months from the date of this statement. However, the relevant Boards have approved the merger of the Bank with its subsidiaries, Kenya Commercial Finance Company Limited and Savings and Loan Kenya Limited, subject to approval by the Minister for Finance.

P.C.J.O. Nyakiamo *Chairman* 23 February 2001

J.E. Kiriimi *Director* 23 February 2001

Prof. A.W. Mwang'ombe *Director* 23 February 2001

Taarifa ya Majukumu ya Wakurugenzi

Kulingana na sheria za makampuni, wakurugenzi wanahitajika kutayarisha hesabu za uhasibu kwa kila mwaka wa kifedha, ambazo zinaonyesha hali halisi ya kundi na benki kila mwisho wa mwaka wa kifedha, na jinsi kampuni imekuwa ikiendesha shughuli zake mwaka huo. Sheria hizo zinahitaji pia kuwa wakurugenzi wanaweka hesabu sawa za uhasibu ambazo zinaonyesha kwa uhakika hali ya kifedha ya kampuni na kundi zima. Wanahitajika pia kulinda mali ya kundi hili.

Wakurugenzi wanakubali kuwajibika kwa hesabu za mwaka ambazo zimetayarishwa kwa kufuata sera za uhasibu zinazokubalika zikiungwa mkono na uamuzi wa makadirio yaliyo sawa, kulingana na sheria za kijumla za kufanya uhasibu na sheria za makampuni. Wakurugenzi wana maoni kuwa

hesabu za uhasibu zinaonyesha ukweli wa hali halisi ya kifedha ya kundi na benki na hali ya kibiashara ya kampuni. Wakurugenzi pia wanakubali jukumu la kuweka hesabu za pesa ambazo zinaweza kutegemewa katika kutayarisha hesabu ya uhasibu pamoja na mipango ya uhasibu na usimamizi wa kifedha katika kampuni.

Hakuna ambalo limewaonyesha wakurugenzi kuwa benki na mashirika yake hazitaendelea kutoa huduma zake kwa miezi kumi na miwili ijayo kutoka tarehe ya taarifa hii. Hata hivyo, bodi zinazohusika zimetoa kibali kwa muungano wa Benki na mashirika yake, kampuni ya Kenya Commercial Finance Company Limited na ile ya Savings and Loan Kenya Limited ikiwa Waziri wa Fedha ataidhinisha hatua hiyo.

P.C.J.O. Nyakiamo Muenyekiti 23 Februari 2001

J.E. Kirimi Mkurugenzi 23 Februari 2001


Prof. A.W. Mwang'ombe Mkurugenzi 23 Februari 2001

Report of the Independent Auditors

To the Members of Kenya Commercial Bank Limited and Subsidiaries



 **Certified Public Accountants**
Alico House
Mamlaka Road
P.O. Box 44286
Nairobi, Kenya

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Fax: +254 21 716271
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We have audited the accounts on pages 20 to 42, which have been prepared on the basis of the accounting policies set out on pages 25 and 26. We obtained all the information and explanations which we considered necessary for our audit.

As stated on page 16, the directors are responsible for the preparation of accounts which give a true and fair view of the state of the affairs of the Group and the Bank and of the operating results of the Group. Our responsibility is to express an independent opinion on the accounts based on our audit and to report our opinion to you.

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain reasonable assurance that the accounts are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and

disclosures in the accounts. It also includes an assessment of significant estimates and judgements made by the directors in the preparation of the accounts and whether the accounting policies are appropriate in the Group's circumstances, consistently applied and adequately disclosed.

We draw attention to notes 8 and 22 to these accounts relating to potential additional tax liability and exceptional items respectively, without qualifying our opinion below.

In our opinion, proper books of account have been kept and the accounts, which are in agreement therewith, give a true and fair view of the state of the financial affairs of the Group and of the Bank at 31 December 2000 and of the loss and cash flows of the Group for the year then ended and comply with International Accounting Standards and the Companies Act.



Nairobi

23 February, 2001

Ripoti Ya Wahasibu

Kwa Wanachama wa Benki ya Kenya Commercial na Mashirika Yake



Certified Public Accountants
Alico House
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Tumefanya uhasibu wa hesabu katika kurasa 20 hadi 42 ambao umetayarishwa katika misingi ya sera za uhasibu zilizoolezwa katika kurasa 25 hadi 26. Tulipata habari zote na maelezo ambayo tuliyachukulia kuwa muhimu kwa shughuli ya uhasibu.

Kama ilivyoolezwa katika ukurasa wa 17, wakurugenzi wana jukumu la kutayarisha hesabu inayotoa picha halisi ya shughuli za kundi na benki na matokeo ya shughuli za kampuni na kundi kwa jumla. Jukumu letu ni kutoa maoni huru kuhusu misingi ya uhasibu na kuwaeleza maoni yetu.

Tulifanya uhasibu wetu kulingana na viwango vya kimataifa vya uhasibu vinavyokubalika. Tulipanga na kutekeleza uhasibu wetu ili kupata hakikisho kuwa hesabu hizo hazina kasoro. Uhasibu

unahusisha kuchunguza kwa makadirio na uamuzi uliofanywa na wakurugenzi katika matayarisho ya hesabu iwapo sera za uhasibu zinafaa kwa kampuni na kutumika inavyotakikana.

Tunawakumbusha kuhusu kifungo cha 8 na 22 vya hesabu hizi vinavyohusiana na uwezekano wa kuongezeka kwa kodi ziada na vitu maalumu, bila ya kuzingatia maoni yetu.

Kwa maoni yetu, vitabu vya hesabu vimewekwa kama inavyotakikana, na hesabu ambazo zinalingana sawasawa, zimeonyesha, hali halisi na ya ukweli ya shughuli za kifedha za benki na kundi hili kufikia Disemba 31, 2000 na ya hasara na matumizi au mapato ya pesa kwa kundi kwa mwaka iliomalizika na vinaambatana na viwango vya kimataifa vya uhasibu na sheria zinazosimamia makampuni.

Nairobi

Tarehe 23 Februari, 2001

Consolidated Balance Sheet

as at 31 December 2000

	Note	2000 KShs'000	1999 KShs'000
ASSETS			
Cash and balances with Central Banks	2	7,163,446	7,749,196
Cheques and items for clearing		79,590	100,428
Government securities	3	9,446,458	9,197,261
Placements and balances with other banking institutions		3,303,758	3,011,090
Investments	4	38,082	41,928
Loans and advances to customers	5	39,103,450	44,963,448
Taxation	8	1,909,213	1,522,232
Other assets	9	10,041,176	5,415,724
Capital work in progress		186,758	32,095
Fixed assets	10(a)	2,832,608	3,226,963
TOTAL ASSETS		74,104,539	75,260,365
LIABILITIES			
Deposits and balances from other banking institutions	11	8,058,978	11,613,234
Other customer deposits	12	48,637,503	48,538,731
Other liabilities	13	8,341,813	5,344,600
Lines of credit	14	495,891	627,569
Corporate bonds	15	176,000	295,000
TOTAL LIABILITIES		65,710,185	66,419,134
CAPITAL EMPLOYED			
Share capital	16	1,122,000	1,122,000
Reserves	17	7,272,354	7,719,231
SHAREHOLDERS' FUNDS		8,394,354	8,841,231
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		74,104,539	75,260,365

The accounts were approved by the Board of Directors on 23/02/2001 and were signed on its behalf by:-

P.C.J.O. Nyakiamo	Chairman
J.E. Kiriimi	Director
Prof. A.W. Mwang'ombe	Director
K.D. Malakwen	Secretary

Consolidated Profit and Loss Account

for the year ended 31 December 2000

	Note	2000 KShs'000	1999 KShs'000
Interest income	18	8,785,274	10,452,739
Interest expense	19	(4,342,316)	(5,084,686)
Net interest income		4,442,958	5,368,053
Fees and commission income		2,732,478	2,658,536
Dividend income		13,137	1,989
Gain on foreign exchange		321,825	803,229
Other income	20	1,859,602	467,543
		9,370,000	9,299,350
Operating expenses	21	(5,743,467)	(6,424,792)
Operating profit before provisions		3,626,533	2,874,558
Provision for bad and doubtful debts		(4,359,799)	(5,113,709)
Loss before exceptional items, share of loss of associated companies and taxation		(733,266)	(2,239,151)
Exceptional items	22	(29,377)	-
Share of loss of associated companies		(2,988)	(5,703)
Loss before taxation		(765,631)	(2,244,854)
Taxation	8	301,162	690,189
Loss after taxation		(464,469)	(1,554,665)
Attributable to the Bank		(391,305)	(1,538,571)
Attributable to the subsidiaries and associated companies		(73,164)	(16,094)
		(464,469)	(1,554,665)
		KShs	KShs
Loss per share	23	(4.14)	(13.86)

Balance Sheet of the Bank

as at 31 December 2000

	Note	2000 KShs'000	1999 KShs'000
ASSETS			
Cash and balances with Central Bank of Kenya	2	6,741,422	7,145,528
Cheques and items for clearing		47,579	91,643
Government securities	3	8,500,000	8,260,750
Placements and balances with other banking institutions		1,541,164	2,662,870
Investments	4	1,108,635	1,109,046
Loans and advances to customers	5	33,140,550	38,277,237
Balances due from group companies	7(a)	1,322,726	910,247
Taxation	8	1,611,770	1,310,246
Other assets	9	9,327,837	5,151,006
Capital work in progress		176,614	13,717
Fixed assets	10(b)	2,370,328	2,315,097
TOTAL ASSETS		65,888,625	67,247,387
LIABILITIES			
Deposits and balances from other banking institutions	11	7,933,485	11,498,917
Other deposits	12	42,149,352	41,773,054
Other liabilities	13	8,328,494	5,021,690
Lines of credit	14	1,353	4,058
Balances due to group companies	7(b)	1,006,033	2,088,455
TOTAL LIABILITIES		59,418,717	60,386,174
CAPITAL EMPLOYED			
Share capital	16	1,122,000	1,122,000
Reserves	17	5,347,908	5,739,213
SHAREHOLDERS' FUNDS		6,469,908	6,861,213
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		65,888,625	67,247,387

The accounts were approved by the Board of Directors on 23/02/2001 and were signed on its behalf by:-

P.C.J.O. Nyakiamo	Chairman
J.E. Kiriimi	Director
Prof. A.W. Mwang'ombe	Director
K.D. Malakwen	Secretary

Consolidated Cash Flow Statement

for the year ended 31 December 2000

	Note	2000 KShs'000	1999 KShs'000
NET CASH INFLOWS FROM OPERATING ACTIVITIES	25(a)	3,139,580	3,329,990
Taxation paid		(85,372)	(216,148)
CASH FLOWS FROM FINANCING ACTIVITIES			
Lines of credit	25(b)	(131,678)	20,147
Dividend paid		-	(280,500)
NET CASH OUTFLOWS FROM FINANCING ACTIVITIES		(131,678)	(260,353)
INVESTING ACTIVITIES			
Sale of investments		411	-
Proceeds from sale of fixed assets		1,198,173	23,583
Purchase of fixed assets		(494,510)	(564,035)
Capital work in progress		(154,663)	11,868
NET CASH INFLOWS/(OUTFLOWS) FROM INVESTING ACTIVITIES		549,411	(528,584)
Increase in cash and cash equivalents		3,471,941	2,324,905
Effects of exchange rate changes on opening net investment in foreign entity		17,592	(3,723)
		3,489,533	2,321,182
Cash and cash equivalents at the beginning of the year		8,444,741	6,123,559
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	25(c)	11,934,274	8,444,741

Consolidated Statement of Changes in Equity

for the year ended 31 December 2000

	Share capital KShs'000	Capital reserves KShs'000	Revenue reserves KShs'000	Share premium KShs'000	Translation reserves KShs'000	Total KShs'000
Balance at 1 January 1999	1,122,000	285,807	8,262,848	473,800	-	10,144,455
Prior year adjustment (note 17)	-	-	255,164	-	-	255,164
As restated	1,122,000	285,807	8,518,012	473,800	-	10,399,619
Translation differences	-	-	-	-	(3,723)	(3,723)
Transferred from profit and loss account	-	-	(1,554,665)	-	-	(1,554,665)
Balance at 31 December 1999	1,122,000	285,807	6,963,347	473,800	(3,723)	8,841,231
Balance at 1 January 2000	1,122,000	285,807	6,919,628	473,800	(3,723)	8,797,512
Prior year adjustment (note 17)	-	-	43,719	-	-	43,719
As restated	1,122,000	285,807	6,963,347	473,800	(3,723)	8,841,231
Translation differences	-	-	-	-	17,592	17,592
Transferred from profit and loss account	-	-	(464,469)	-	-	(464,469)
Balance at 31 December 2000	1,122,000	285,807	6,498,878	473,800	13,869	8,394,354

Notes to the Accounts

for the year ended 31 December 2000

1. ACCOUNTING POLICIES

a. Basis of accounting

The accounts of the Bank and its subsidiaries are prepared on the historical cost basis of accounting modified by the revaluation of freehold and leasehold properties.

b. Consolidation

The consolidated accounts of the Group comprise the accounts of the Bank and its subsidiaries made up to 31 December 2000 and the results and net assets of its associated companies based on accounts made up to dates not earlier than three months prior to 31 December 2000.

c. Income recognition

- (i) Income is recognised on an accrual basis. When an account becomes non-performing, interest is suspended until it is realised on a cash basis.
- (ii) The Bank reviewed dormant accounts and determined the amount which is unlikely to be claimed. This amount has been transferred to income and is disclosed in these accounts as exceptional income. This does not constitute a change in banking policy because proper records are maintained for these accounts and any legitimate claims that arise will be paid on demand.

d. Fixed assets and depreciation

Fixed assets are stated at cost or valuation, less accumulated depreciation.

Depreciation is calculated on the straight line basis at annual rates estimated to write off the carrying values of the assets over their expected useful lives. The annual depreciation rates in use are:-

Freehold land and buildings	Nil
Leasehold premises and improvements (where remaining lease period 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%
Office equipment	20%
Computers	20%

e. Provision for doubtful debts

Specific provision is made in respect of advances considered to be doubtful of recovery. A general provision is made in respect of loans and advances to cover bad and doubtful debts which have not been separately identified but are known from experience to be present in any portfolio of advances.

f. Write offs/write downs of advances

Advances are written off/written down only when the directors are of the opinion that their recoverability will not materialise.

1. ACCOUNTING POLICIES (continued)

g. 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 and market value.
- iii. Unquoted investments are shown at the lower of cost and directors' valuation.
- iv. The Group's investments in associated companies have been incorporated in the consolidated accounts to take account of the share of net assets attributable to the Group. The Bank's investments in its associated companies are shown at cost.

h. Foreign currencies

- (i) Assets and liabilities in foreign currencies have been translated at rates approximating the mean rates of exchange ruling at the balance sheet date. Transactions during the year are converted at the rates ruling at the dates of the transaction. Gains and losses on conversion and translation are either included in the profit and loss account or, where appropriate, recharged to the relevant third party.
- (ii) Exchange differences arising from translation of opening net investments in foreign entities are accounted for in the reserves.

i. Taxation

Current taxation is provided on the basis of the results for the year as shown in the accounts, adjusted in accordance with tax legislation. Deferred taxation is provided 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. Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and the unused tax credits can be utilised.

j. Retirement benefit costs

The Group contributes to a defined benefit pension scheme which is funded by the Bank and subsidiaries. The Group's contributions are charged against profit in the year they fall due. In determining the contributions to be made, the recommendations of independent qualified actuaries are taken into account. The pension accounting costs are assessed using the projected unit credit method. Under this method, the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of qualified actuaries who value the pension plan once in every three years. The pension obligation is measured at the present value of the estimated future cash outflows using interest rates of government securities which have terms to maturity approximating the terms of the related liability. All actuarial gains and losses are spread over the average remaining service lives of the employees.

Notes to the Accounts (continued)

for the year ended 31 December 2000

2.	CASH AND BALANCES WITH CENTRAL BANKS	GROUP		BANK	
		2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
	Cash on hand	2,241,779	1,843,066	2,187,789	1,788,943
	Balances with Central Banks	4,921,667	5,906,130	4,553,633	5,356,585
		<u>7,163,446</u>	<u>7,749,196</u>	<u>6,741,422</u>	<u>7,145,528</u>
3.	GOVERNMENT SECURITIES				
a)	Treasury bills				
	Maturing within 30 days	2,805,338	2,573,401	2,600,000	2,310,350
	Maturing after 30 days but within 1 year	5,534,163	5,033,610	4,900,000	4,620,400
		<u>8,339,501</u>	<u>7,607,011</u>	<u>7,500,000</u>	<u>6,930,750</u>
b)	Treasury bonds				
	Maturing within 30 days	58,174	100,000	-	100,000
	Maturing after 30 days but within 1 year	1,019,391	1,200,000	1,000,000	1,200,000
	Maturing after 1 year	19,392	250,250	-	-
		<u>1,096,957</u>	<u>1,550,250</u>	<u>1,000,000</u>	<u>1,300,000</u>
c)	Other Government stocks				
	Maturing within 30 days	10,000	-	-	-
	Maturing after 30 days but within 1 year	-	40,000	-	30,000
		<u>10,000</u>	<u>40,000</u>	<u>-</u>	<u>30,000</u>
	TOTAL GOVERNMENT SECURITIES	<u>9,446,458</u>	<u>9,197,261</u>	<u>8,500,000</u>	<u>8,260,750</u>
	Maturing as follows:-				
	Maturing within 30 days	2,873,512	2,673,401	2,600,000	2,410,350
	Maturing after 30 days but within 1 year	6,553,554	6,273,610	5,900,000	5,850,400
	Maturing after 1 year	19,392	250,250	-	-
		<u>9,446,458</u>	<u>9,197,261</u>	<u>8,500,000</u>	<u>8,260,750</u>

Notes to the Accounts (continued)

for the year ended 31 December 2000

4. INVESTMENTS

a) INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES

Company	Activity	Beneficial ownership %	GROUP		BANK	
			2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
Kenya Commercial Finance Co. Ltd	Commercial lending	100	-	-	150,000	150,000
Savings & Loan Kenya Ltd	Mortgage finance	100	-	-	167,402	167,402
Enterprise Consultants Ltd	Dormant	100	-	-	-	-
Kenya Commercial Bank Nominees Ltd	Nominee shareholders	100	-	-	*	*
Kencom House Ltd	Property ownership & management	100	-	-	363,025	363,025
Kenya Commercial Bank (Tanzania) Ltd	Commercial banking	100	-	-	422,438	422,438
Notcutt Longaroni & Co (K) Ltd	Insurance broking	100	-	-	-	-
United Finance Ltd	Hire purchase & lease finance	45	4,198	8,952	-	-
Clarkson Notcutt (Insurance Broker) Ltd.	Insurance Broking	50	14,864	13,545	-	-
			19,062	22,497	1,102,865	1,102,865
b) QUOTED INVESTMENTS			5,655	6,066	5,655	6,066
c) UNQUOTED INVESTMENTS			13,365	13,365	115	115
			19,020	19,431	5,770	6,181
Total investments			38,082	41,928	1,108,635	1,109,046

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

The market value of quoted investments is KShs. 6,671,125 (1999 - KShs. 25,826,451).

Notes to the Accounts (continued)

for the year ended 31 December 2000

5.	LOANS AND ADVANCES TO CUSTOMERS	GROUP		BANK	
		2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
5.1	Loans and Advances to Customers				
	Loans and advances to customers net of provisions and suspended interest	39,103,450	44,963,448	33,140,550	38,277,237
	Add:-				
	Specific provisions for bad and doubtful debts	7,765,707	6,220,579	6,786,241	5,569,667
	Interest in suspense	4,367,849	3,174,051	3,651,744	2,690,307
	Subtotal (Note 6.1(a))	12,133,556	9,394,630	10,437,985	8,259,974
	General provisions for bad and doubtful debts (Note 6.1(b))	288,428	502,834	250,000	412,949
		12,421,984	9,897,464	10,687,985	8,672,923
	Loans and advances to customers (gross)	51,525,434	54,860,912	43,828,535	46,950,160
5.2	Maturity Analysis of Gross Loans and Advances to Customers				
	Maturing within 1 year	21,331,968	33,662,650	19,382,922	31,106,050
	Maturing after 1 year	30,193,466	21,198,262	24,445,613	15,844,110
		51,525,434	54,860,912	43,828,535	46,950,160
5.3	Sectorial Analysis of Gross Loans and Advances to Customers				
	Private sector and individuals	45,317,559	47,998,296	37,858,368	40,371,039
	Government departments and parastatals	6,207,875	6,862,616	5,970,167	6,579,121
		51,525,434	54,860,912	43,828,535	46,950,160
6.	PROVISIONS				
6.1	Provisions for Bad and Doubtful Debts				
a)	Specific provisions and interest suspended (Note 5.1)				
	Balance held as at 1 January	9,394,630	5,356,798	8,259,974	4,376,747
	Provisions made during the year	4,359,799	5,113,709	3,966,244	4,505,978
	Interest suspended during the year	1,584,765	1,439,784	1,286,502	1,223,609
	Write downs/write offs during the year	(2,184,528)	(2,470,178)	(2,117,935)	(1,821,747)
	Recoveries/provisions written back during the year	(1,021,110)	(45,483)	(956,800)	(24,613)
	Balance as at 31 December	12,133,556	9,394,630	10,437,985	8,259,974

Notes to the Accounts (continued)

for the year ended 31 December 2000

6.1 Provisions for Bad and Doubtful Debts (continued)

b) General provisions	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
Balance held as at 1 January	502,834	502,834	412,949	412,949
Provisions written back	(214,406)	-	(162,949)	-
Balance as at 31 December	288,428	502,834	250,000	412,949

6.2 Non-performing loans where interest is suspended

Non-performing loans and advances for the Group amounted to KShs. 9,597,368,000 (1999 - KShs. 9,418,565,863) net of specific provisions and interest in suspense. For the Bank, this amounted to KShs. 9,061,746,469 (1999 - KShs. 7,572,285,000). Interest is not being accrued on these advances as they are classified as substandard, doubtful or loss. The Group uses a grading system that classifies advances into grades 1 to 5 and which recognises grades 3, 4 and 5 as non-performing in compliance with the Central Bank of Kenya guidelines.

7. a) BALANCES DUE FROM GROUP COMPANIES

	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
Dividends due from subsidiary companies	-	-	450,000	50,000
Loans to subsidiary companies	-	-	647,316	860,247
Others	-	-	225,410	-
	-	-	1,322,726	910,247

(b) BALANCES DUE TO GROUP COMPANIES

Due to subsidiary companies	-	-	1,006,033	2,088,455
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8. TAXATION

BALANCE SHEET

This comprises of:-

Tax recoverable	526,550	492,885	352,770	352,770
Deferred tax	1,382,663	1,029,347	1,259,000	957,476
	1,909,213	1,522,232	1,611,770	1,310,246

The net deferred tax asset is attributable to the following items:-

Excess of depreciation over tax allowances	39,581	30,899	38,494	36,394
General provisions held	86,528	194,313	75,000	165,100
Tax loss carried forward	1,256,554	804,135	1,145,506	755,982
	1,382,663	1,029,347	1,259,000	957,476

Notes to the Accounts (continued)

for the year ended 31 December 2000

8. TAXATION (continued)	2000	1999
PROFIT AND LOSS	KShs'000	KShs'000
Current tax	51,707	83,275
Deferred tax credit	(353,316)	(774,183)
Share of tax of associated companies	447	719
	(301,162)	(690,189)

Deferred tax credit in the profit and loss account comprises of the following temporary differences:

Excess of depreciation over tax allowances	8,682	13,767
General provisions for bad and doubtful debts	(120,596)	-
Tax loss carried forward	465,230	760,416
	353,316	774,183

The tax authorities have issued a notice of additional assessment relating to 1998 year of income for the Bank demanding additional tax of KShs. 514,138,378 and a notice of intention to raise additional assessment for 1999 year of income for an amount of KShs. 1,338,235,735, both amounts including penalties. These actions arise from the decision by the tax authorities to disallow specific provisions for bad and doubtful loans and advances.

The directors have objected against the decision and hence, no provision has been made in these accounts for the liability. The proposed change in taxation treatment has implications to the banking industry as a whole. Therefore, the matter will be discussed with the tax authorities by the industry stakeholders.

9. Other Assets	GROUP		BANK	
	2000	1999	2000	1999
	KShs'000	KShs'000	KShs'000	KShs'000
Head Office and Branches clearing accounts	7,489,187	2,811,171	7,489,187	2,811,171
Interest earned not collected	836,964	974,370	792,991	929,983
Prepayments and other suspense accounts	1,290,380	1,253,699	621,014	1,033,368
Customers liability for acceptances	424,645	376,484	424,645	376,484
	10,041,176	5,415,724	9,327,837	5,151,006

10. a) FIXED ASSETS (GROUP)

	Freehold and leasehold premises	Leasehold improvements	Motor vehicles, furniture and equipment	Total
	KShs'000	KShs'000	KShs'000	KShs'000
COST OR VALUATION				
At 31 December 1999	2,468,711	196,028	2,177,009	4,841,748
Additions	268,317	4,466	221,727	494,510
Disposals	(569,737)	-	(76,211)	(645,948)
Adjustments/write-offs	-	2,362	1,680	4,042
At 31 December 2000	2,167,291	202,856	2,324,205	4,694,352
Made up of:- Assets at valuation	412,173	-	-	412,173
Assets at cost	1,755,118	202,856	2,324,205	4,282,179
	2,167,291	202,856	2,324,205	4,694,352
DEPRECIATION				
At 31 December 1999	148,774	69,881	1,396,130	1,614,785
Charge for the year	15,379	22,443	295,056	332,878
Disposals	(21,259)	-	(64,668)	(85,927)
Adjustments/write-offs	-	(21)	29	8
At 31 December 2000	142,894	92,303	1,626,547	1,861,744
NET BOOK VALUE				
At 31 December 2000	2,024,397	110,553	697,658	2,832,608
At 31 December 1999	2,319,937	126,147	780,879	3,226,963

Notes to the Accounts (continued)

for the year ended 31 December 2000

10. a) FIXED ASSETS (GROUP) (continued)

Fixed assets in use with an original cost of KShs. 559,674,735 (1999 - KShs. 648,020,671) are fully depreciated. The theoretical depreciation charge on cost at the normal rates (Note 1(d)) for the current year, would be KShs. 108,206,060 (1999 - KShs. 120,907,301).

A revaluation of freehold and leasehold properties held by the Group was carried out by Professional Valuers on the basis of open market value. The revaluation surplus was transferred to capital reserve (note 17).

b) FIXED ASSETS (BANK)

	Freehold and leasehold premises KShs'000	Leasehold improvements KShs'000	Motor vehicles, furniture and equipment KShs'000	Total KShs'000
COST OR VALUATION				
At 31 December 1999	1,649,839	138,616	2,020,512	3,808,967
Additions	173,568	1,393	212,273	387,234
Disposals	(47,651)	-	(75,020)	(122,671)
At 31 December 2000	1,775,756	140,009	2,157,765	4,073,530
Made up of:- Assets at valuation	293,830	-	-	293,830
Assets at cost	1,481,926	140,009	2,157,765	3,779,700
	1,775,756	140,009	2,157,765	4,073,530
DEPRECIATION				
At 31 December 1999	146,743	43,082	1,304,045	1,493,870
Charge for the year	15,185	11,387	268,687	295,259
Disposals	(21,259)	-	(64,668)	(85,927)
At 31 December 2000	140,669	54,469	1,508,064	1,703,202
NET BOOK VALUE				
At 31 December 2000	1,635,087	85,540	649,701	2,370,328
At 31 December 1999	1,503,096	95,534	716,467	2,315,097

Fixed assets in use with an original cost of KShs. 517,795,419 (1999 - KShs. 614,871,146) are fully depreciated. The theoretical depreciation charge, on cost at the normal rates (Note 1(d)) for the current year, would be KShs. 101,066,311 (1999 - KShs. 115,199,895).

11. DEPOSITS AND BALANCES FROM

	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
OTHER BANKING INSTITUTIONS				
Deposits and balances with branches	3,822,588	7,006,698	3,697,095	6,892,381
Overnight borrowings	888,000	-	888,000	-
Borrowed funds	3,348,390	4,606,536	3,348,390	4,606,536
	8,058,978	11,613,234	7,933,485	11,498,917
Maturing as follows:				
Payable within 30 days	3,938,133	8,925,131	3,834,460	8,849,016
Payable after 30 days but within 1 year	2,576,705	1,959,103	2,554,885	1,920,901
Payable after 1 year	1,544,140	729,000	1,544,140	729,000
	8,058,978	11,613,234	7,933,485	11,498,917

Notes to the Accounts (continued)

for the year ended 31 December 2000

12. OTHER CUSTOMER DEPOSITS	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
a) From Government Departments and Parastatals				
Payable within 30 days	5,490,021	3,784,121	4,847,584	3,149,020
Payable after 30 days but within 1 year	4,085,586	5,825,674	3,860,000	4,647,011
	9,575,607	9,609,795	8,707,584	7,796,031
b) From Private Sector and Individuals				
Payable within 30 days	27,680,455	26,794,101	25,857,519	24,602,020
Payable after 30 days but within 1 year	11,355,683	12,068,230	7,559,188	9,375,003
Payable after 1 year	25,758	66,605	25,061	-
	39,061,896	38,928,936	33,441,768	33,977,023
TOTAL OTHER CUSTOMER DEPOSITS	48,637,503	48,538,731	42,149,352	41,773,054
Maturing as follows:-				
Payable within 30 days	33,170,476	30,578,222	30,705,103	27,751,040
Payable after 30 days but within 1 year	15,441,269	17,893,904	11,419,188	14,022,014
Payable after 1 year	25,758	66,605	25,061	-
	48,637,503	48,538,731	42,149,352	41,773,054
13. OTHER LIABILITIES				
Bills payable	1,424,780	1,004,304	1,409,801	972,426
Accounts payable in suspense	5,947,101	2,905,036	6,110,072	2,890,689
Provisions for expenses and contingencies	545,287	1,058,776	383,976	782,091
Customers liability for acceptances	424,645	376,484	424,645	376,484
	8,341,813	5,344,600	8,328,494	5,021,690

Notes to the Accounts (continued)

for the year ended 31 December 2000

14. LINES OF CREDIT	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
OPEC LINE I				
Payable within 1 year	1,353	2,705	1,353	2,705
Payable after 1 year	-	1,353	-	1,353
	1,353	4,058	1,353	4,058
OPEC LINE III				
Payable after 1 year	117,075	109,350	-	-
USAID/RPE LOANS				
Payable within 1 year	6,069	13,744	-	-
EUROPEAN INVESTMENT BANK				
Payable within 1 year	72,323	44,520	-	-
Payable after 1 year	47,064	157,678	-	-
	119,387	202,198	-	-
EIB DOLLAR LOAN				
Payable within 1 year	52,700	71,206	-	-
Payable after 1 year	198,695	225,177	-	-
	251,395	296,383	-	-
GOVERNMENT OF KENYA				
Payable within 1 year	612	1,836	-	-
TOTAL LINES OF CREDIT	495,891	627,569	1,353	4,058
Maturing as follows:-				
Payable within 1 year	133,057	134,011	1,353	2,705
Payable after 1 year	362,834	493,558	-	1,353
	495,891	627,569	1,353	4,058

a) OPEC

These amounts represent the net 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.

b) USAID/RPE LOANS

This represents amounts which the Group has on-lent to private enterprises under the Rural Project Enterprise Scheme, introduced in 1990 by the above named International Development Agency and channelled through the Central Bank of Kenya. The loan is secured by promissory notes.

Notes to the Accounts (continued)

for the year ended 31 December 2000

14. LINES OF CREDIT (continued)

c) EUROPEAN INVESTMENT BANK

This represents amounts which the Group has on-lent to private enterprises under the Global Private Enterprise Scheme, introduced in 1993 by the European Investment Bank and channelled through the Central Bank of Kenya. The loan is secured by 180 days promissory notes.

d) EIB DOLLAR LOAN

This represents amounts which the Group has on-lent to private enterprises under the Global Private Enterprise Scheme introduced by European Investment Bank and channelled through the Approved Financial Institutions. The loans are advanced in US dollars.

e) GOVERNMENT OF KENYA

This loan is repayable in equal semi-annual instalments.

15. CORPORATE BONDS

These represent deposits by customers for a fixed period of one year. They are issued at par with the minimum amount being KShs. 1 million. Interest on the corporate bonds is payable quarterly.

16. SHARE CAPITAL

		2000 KShs'000	1999 KShs'000
Authorised:-	150,000,000 ordinary shares of KShs. 10 each	1,500,000	1,500,000
Issued and fully paid:-	112,200,000 ordinary shares of KShs. 10 each	1,122,000	1,122,000

17. RESERVES

GROUP	Capital reserves KShs'000	Revenue reserves KShs'000	Share premium KShs'000	Translation reserves KShs'000	Total KShs'000
Balance at 1 December 1999	285,807	6,919,628	473,800	(3,723)	7,675,512
Prior year adjustment	-	43,719	-	-	43,719
As restated	285,807	6,963,347	473,800	(3,723)	7,719,231
Translation differences	-	-	-	17,592	17,592
Transferred from profit and loss	-	(464,469)	-	-	(464,469)
Balance at 31 December 2000	285,807	6,498,878	473,800	13,869	7,272,354
BANK					
Balance at 31 December 1999	62,843	5,202,570	473,800	-	5,739,213
Transfer from profit and loss account	-	(391,305)	-	-	(391,305)
Balance at 31 December 2000	62,843	4,811,265	473,800	-	5,347,908

The prior year adjustment relates to deferred tax provision for previous years which had not been provided for in accordance with International Accounting Standard IAS No. 12 - Revised.

The capital reserves of KShs. 285,807,000 arose on the revaluation of freehold and leasehold properties as shown under note 10(a).

The translation reserve arises from translation of the opening net investment in Kenya Commercial Bank (Tanzania) Limited to Kenya Shillings.

Notes to the Accounts (continued)

for the year ended 31 December 2000

18.	INTEREST INCOME	2000 KShs'000	1999 KShs'000
	Interest on loans and advances	6,692,673	8,717,593
	Interest on government securities	1,658,186	1,424,981
	Interest on placements and bank balances	429,354	302,796
	Other interest income	5,061	7,369
		<u>8,785,274</u>	<u>10,452,739</u>
19.	INTEREST EXPENSES		
	Interest on deposits	3,737,007	4,585,694
	Interest on borrowed funds	568,968	430,619
	Interest on corporate bonds	36,341	68,373
		<u>4,342,316</u>	<u>5,084,686</u>
20.	OTHER INCOME		
	Rent receivable	150,821	162,152
	Profit on sale of fixed assets	19,914	14,123
	Other miscellaneous income	1,688,867	291,268
		<u>1,859,602</u>	<u>467,543</u>
21.	OPERATING EXPENSES		
	Fees and commission paid	42,327	63,102
	Administrative expenses	5,236,583	6,009,459
	Directors' emoluments: As directors	15,801	14,534
	As executives	106,626	21,796
	Depreciation of fixed assets	332,878	307,565
	Auditors' remuneration		
	(Bank - KShs. 5,500,000, 1999 - KShs. 4,537,500;		
	KCB (T) Ltd - KShs. 1,047,000, 1999-KShs. 1,469,000)	9,252	8,336
		<u>5,743,467</u>	<u>6,424,792</u>
22.	EXCEPTIONAL ITEMS		
	Income: Profit on sale of Kencom House	447,808	-
	Other exceptional income	567,430	-
		<u>1,015,238</u>	<u>-</u>
	Expenses: Voluntary early retirement costs	(1,044,615)	-
	Net amount	<u>(29,377)</u>	<u>-</u>

a) Profit on sale of Kencom House

The profit on sale of Kencom House arose upon the sale of the building to Kenya Commercial Bank Staff Pension Fund Registered Trustees, by Kencom House Limited, a fully owned subsidiary of the Bank. The transfer of title has taken place and it is duly registered in the Lands Office. However, there is a civil case pending in court on this matter. Having taken into account all professional advice, the directors are of the opinion that the outcome will not have a material effect.

Notes to the Accounts (continued)

for the year ended 31 December 2000

22. EXCEPTIONAL ITEMS (continued)

b) Other exceptional income

Included in other exceptional income is an amount of KShs. 397 million transferred from dormant accounts as explained on note 1(c) (ii). A prior year adjustment has not been made in the accounts as the relative amount is not reasonably determinable.

c) Voluntary early retirement costs

These relate to costs incurred in respect of members of staff who opted to early retirement under the Bank's Voluntary Early Retirement Scheme.

23. LOSS PER SHARE

The calculation of loss per share is based on the after tax loss of KShs. 464,469,000 (1999 - loss of KShs. 1,554,665,000) and on the number of ordinary shares in issue during the year of 112,200,000 (1999-112,200,000).

24. ISSUE OF BONUS SHARES

Subject to all relevant approvals being obtained, the Directors have resolved to recommend to the members at the forthcoming Annual General Meeting, the issue of bonus shares from the revenue reserves, at the rate of one fully paid ordinary share of KShs. 10 for every three shares held as at close of business on 11 May 2001.

25. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

a) NET CASH FLOWS FROM OPERATING ACTIVITIES

	2000 KShs'000	1999 KShs'000
This has been derived as follows:-		
Loss before taxation	(765,631)	(2,244,854)
Adjustments for:		
Depreciation	332,878	307,565
Profit on sale of fixed assets	(638,152)	(14,123)
Net loss retained in associated companies	2,988	5,703
Loans and advances	5,859,998	3,591,504
Other assets	(4,625,452)	1,129,203
Certificates of deposits	-	(8,536)
Other customer deposits	98,772	1,944,761
Other liabilities	2,997,213	(1,362,580)
Corporate bonds	(119,000)	(19,000)
Fixed assets adjustment/write-offs	(4,034)	347
	3,139,580	3,329,990

b) LINES OF CREDIT

Additional lines of credit received	-	104,774
Repayments of lines of credit	(131,678)	(84,627)
	(131,678)	20,147

c) ANALYSIS OF CASH AND CASH EQUIVALENTS

Cash and balances with Central Banks	7,163,446	7,749,196
Cheques and items for clearing	79,590	100,428
Government securities	9,446,458	9,197,261
Placements and balances with other banking institutions	3,303,758	3,011,090
Deposits and balances from other banking institutions	(8,058,978)	(11,613,234)
	11,934,274	8,444,741

Notes to the Accounts (continued)

for the year ended 31 December 2000

26. RELATED PARTY TRANSACTIONS

a) Amounts lent to associated companies

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

	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
At 31 December	33,486	42,502	-	-

b) Inter-company transactions

The accounts include the following balances relating to transactions entered into with subsidiary companies.

	BANK	
	2000 KShs'000	1999 KShs'000
Due from subsidiary companies	1,322,726	910,247
Amount due to subsidiary companies	1,006,033	2,088,455

c) Loans due from Directors and Staff

Total amount of loans and advances granted to the Government of Kenya (Treasury), members of the board of directors, employees and other related parties in the ordinary course of business include:-

	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
Government of Kenya (Treasury)	3,966,356	2,690,841	3,966,356	2,690,841
Directors	2,339	5,527	2,339	5,527
Employees	2,069,966	2,679,825	2,001,786	2,611,916
	6,038,661	5,376,193	5,970,481	5,308,284

27. SEGMENT INFORMATION

a) Business segments

The Group's main business is banking/finance which accounts for more than 90% of the total income. There are therefore no material distinct business segments to necessitate detailed disclosures.

b) Geographical segments

One of the Group companies, Kenya Commercial Bank (Tanzania) Limited, operates in Tanzania, that is, outside the domestic financial market. However, the income derived from the company is less than 10% of the Group's total income.

28. COMMITMENTS

	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
a) Capital commitments contracted for at year end	-	57,851	-	57,851
b) Capital commitments authorised but not contracted for	1,088,181	2,636,240	1,083,000	2,500,175

Notes to the Accounts (continued)

for the year ended 31 December 2000

28. COMMITMENTS (continued)	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
c) Loans committed but not disbursed at year end	698,992	850,291	170,365	87,953
d) Foreign currency commitments	98,256	98,925	98,256	98,925

29. CONTINGENT LIABILITIES

Letters of credit, guarantees, indemnities and other engagements entered into on behalf of customers at 31 December

	15,484,403	15,715,254	15,484,403	15,583,518
Other contingent liabilities	98,952	116,499	56,488	114,124
Dormant accounts	397,000	-	397,000	-

The Kshs. 397 million relates to balances on dormant accounts absorbed into income. There is a potential liability due to possible claims by customers.

30. FOREIGN CURRENCY EXPOSURE	GROUP		BANK	
	2000 KShs'000	1999 KShs'000	2000 KShs'000	1999 KShs'000
Assets in foreign currencies	12,161,359	10,270,730	11,048,339	8,994,242
Liabilities in foreign currencies	(11,734,753)	(8,286,730)	(10,674,864)	(6,990,058)
Net foreign currency exposure at 31 December	426,606	1,984,000	373,475	2,004,184

31. RETIREMENT BENEFIT OBLIGATIONS

a) KCB Pension Fund Scheme

The scheme is independently managed and is funded by the Bank and the subsidiary companies. The pension plan assets are valued after every three years by independent actuaries. The assets were last valued as at 31 January 1999 and a deficit of KShs. 1.7 billion was reported in the actuarial report dated February 2000. In December 2000, the above valuation was updated to take into account the effect of the Voluntary Early Retirement and a deficit of KShs. 893 million was reported. The deficit is being amortised over 5 years.

b) National Social Security Fund (NSSF)

This is a statutory defined contribution pension scheme in which both the employer and employees contribute equal amounts. The contributions are charged to the profit and loss account.

Notes to the Accounts (continued)

for the year ended 31 December 2000

32. INTEREST RATE RISK

Structural interest rate risk arises when assets and liabilities in the Group's commercial banking activities have different maturity profiles or repricing dates. The primary source of interest rate risk originating in other banking activities arises from the employment of non-interest bearing liabilities such as shareholders' funds and some current accounts. When assets reprice more or in greater proportion than liabilities during a given period, a positive interest rate sensitivity gap results and this tends to benefit net interest income in a rising interest rate environment. Conversely, when liabilities reprice more or in greater proportion than assets during a given period, a negative interest rate sensitivity gap results and this tends to benefit net interest income in a declining interest rate scenario. The Group monitors net interest income and market value effects of interest rate positions and in different interest rate scenarios with a view to limiting potential adverse effects on net interest income. The table below shows interest rate sensitivity gap for the Group at 31 December 2000 based on the earlier of maturity or repricing dates. This is not necessarily indicative of the position at other times. Off balance sheet items do not pose any significant interest rate risk to the Group.

	Up to 1 month KShs'000	1-12 months KShs'000	Over 1 year KShs'000	Non-interest bearing KShs'000	Total KShs'000
ASSETS					
Cash and balances with Central Banks	-	-	-	7,163,446	7,163,446
Cheques and items for clearing	-	-	-	79,590	79,590
Government securities	2,873,512	6,553,554	19,392	-	9,446,458
Placements and balances with other banking institutions	3,303,758	-	-	-	3,303,758
Investments	-	-	-	38,082	38,082
Taxation	-	-	-	1,909,213	1,909,213
Loans and advances to customers (net)	11,206,390	10,125,578	17,771,482	-	39,103,450
Other assets	-	-	-	10,041,176	10,041,176
Capital work-in-progress	-	-	-	186,758	186,758
Fixed assets	-	-	-	2,832,608	2,832,608
Total Assets	17,383,660	16,679,132	17,790,874	22,250,873	74,104,539
LIABILITIES AND SHAREHOLDERS' FUNDS					
Deposits and balances from other banking institutions	3,938,133	2,576,705	1,544,140	-	8,058,978
Other customer deposits	33,170,476	15,441,269	25,758	-	48,637,503
Corporate bonds	-	-	176,000	-	176,000
Other liabilities	-	-	-	8,341,813	8,341,813
Lines of credit	-	133,057	362,834	-	495,891
Shareholders' funds	-	-	-	8,394,354	8,394,354
Total liabilities and shareholders' funds	37,108,609	18,151,031	2,108,732	16,736,167	74,104,539
Interest rate sensitivity gap	(19,724,949)	(1,471,899)	15,682,142	5,514,706	-
At 31 December 1999					
Total assets	25,097,599	20,523,152	8,903,712	20,735,902	75,260,365
Total liabilities and shareholders' funds	39,503,353	19,987,018	1,584,163	14,185,831	75,260,365
Interest rate sensitivity gap	(14,405,754)	536,134	7,319,549	6,550,071	-

Notes to the Accounts (continued)

for the year ended 31 December 2000

33. LIQUIDITY RISK MANAGEMENT

The Group manages the liquidity structure of assets, liabilities and commitments so that cash flows are appropriately matched to ensure that all funding obligations are met when due. Banking operations are such that mismatch of assets and liabilities according to their maturity profiles cannot be avoided. However, management ensures that the mismatch is controlled in line with allowable risk levels. Liquidity is managed on daily basis both at the parent company and subsidiary companies and incorporates known and unanticipated cash needs. The table below analyses maturity profiles of assets and liabilities of the Group based on the remaining period up to 31 December 2000 to the contractual maturity date.

	up to 1 month KShs'000	1-12 months KShs'000	over 1 year KShs'000	Total KShs'000
ASSETS				
Cash and balances with Central Banks	7,163,446	-	-	7,163,446
Cheques and items for clearing	79,590	-	-	79,590
Government securities	2,873,512	6,553,554	19,392	9,446,458
Deposits and balances with other banking institutions	3,303,758	-	-	3,303,758
Investments	-	-	38,082	38,082
Taxation	-	526,550	1,382,663	1,909,213
Loans and advances to customers (net)	11,206,390	10,125,578	17,771,482	39,103,450
Other assets	8,326,151	1,715,025	-	10,041,176
Capital work-in-progress	-	-	186,758	186,758
Fixed assets	-	-	2,832,608	2,832,608
TOTAL ASSETS	32,952,847	18,920,707	22,230,985	74,104,539
LIABILITIES AND SHAREHOLDERS' FUNDS				
Deposits and balances from other banking institutions	3,938,133	2,576,705	1,544,140	8,058,978
Other customer deposits	33,170,476	15,441,269	25,758	48,637,503
Other liabilities	7,371,881	969,932	-	8,341,813
Lines of credit	-	133,057	362,834	495,891
Corporate bonds	-	-	176,000	176,000
Shareholders' funds	-	-	8,394,354	8,394,354
Total liabilities and shareholders' funds	44,480,490	19,120,963	10,503,086	74,104,539
Net liquidity gap	(11,527,643)	(200,256)	11,727,899	-
At 31 December 1999				
Total assets	32,947,223	26,339,933	15,973,209	75,260,365
Total liabilities and shareholders' funds	40,507,657	24,327,314	10,425,394	75,260,365
Net liquidity gap	(7,560,434)	2,012,619	5,547,815	-

Notes to the Accounts (continued)

for the year ended 31 December 2000

34. EMPLOYEES

The number of employees of the Group as at the end of the year was 3,420 (1999 - 4,220).

35. COMPARATIVES

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, the comparative figures have been adjusted to take into account the effect of the prior year adjustment.

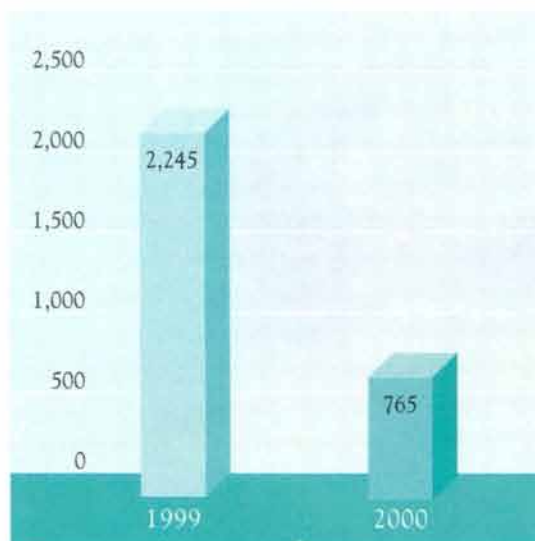
36. INCORPORATION

The Bank is incorporated in Kenya under the Companies Act.

37. CURRENCY

These accounts are presented in Kenya Shillings (KShs.).

Financial Indicators



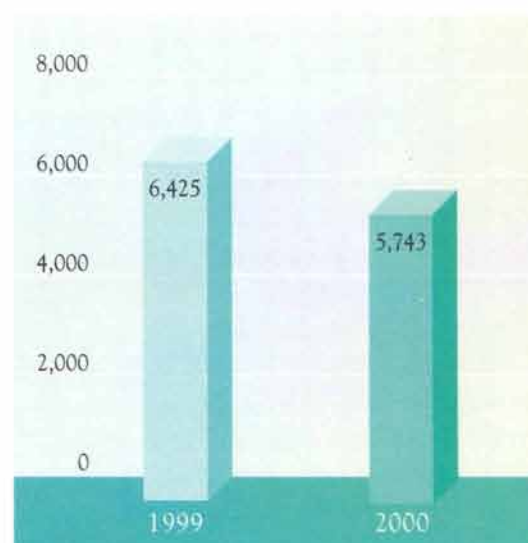
Pre-tax Group Results (loss)
KShs. millions



Group Net Interest Income
KShs. millions

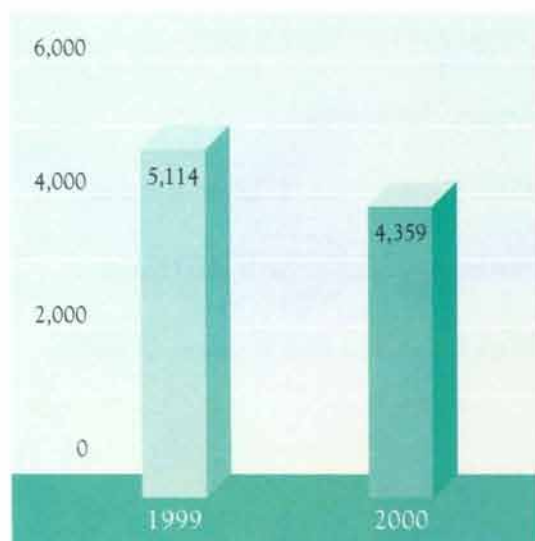


Group Non Interest Income
KShs. millions

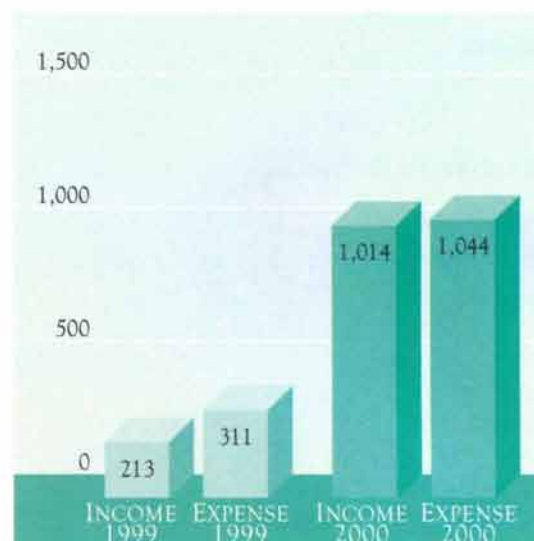


Group Total Operating Expenses
KShs. millions

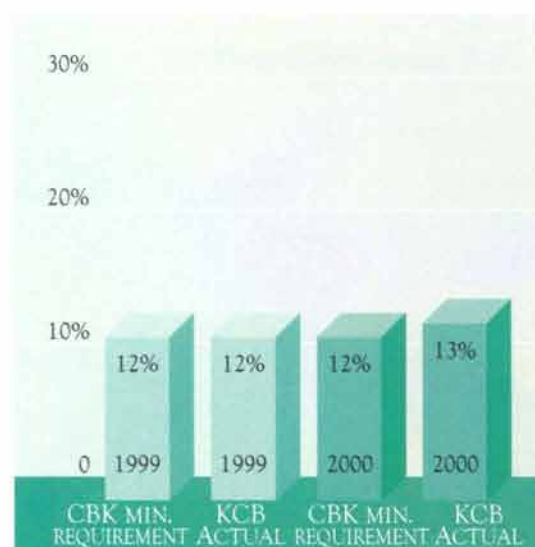
Financial Indicators



Group Provisions Charge
KShs. millions



Group Exceptional Items
KShs. millions



Capital Adequacy
Total Capital to Risk Assets Ratio



Liquidity Ratio

Group Information

Principal Place of Business

Kencom House
Moi Avenue
P. O. Box 48400
Nairobi

Registered Office

Kencom House
P. O. 48400
Nairobi

Solicitors

Various
A list is available at the Bank

Company Secretary

Mr. K D Malakwen
P O Box 48400
Nairobi

Company Auditors

Ernst & Young
Alico House
P O Box 44286
Nairobi

Subsidiary Companies

Kenya Commercial Finance Company

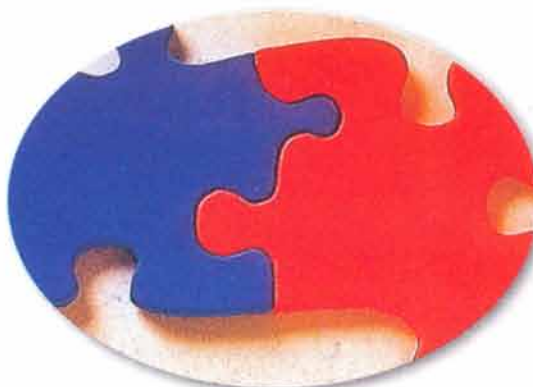
Savings and Loan Kenya Limited

Kencom House Limited

Kenya Commercial Bank (Tanzania) Limited

Notcutt Longaroni & Co (Kenya) Limited

Kenya Commercial Bank Nominees Limited



KCB – RELATIONSHIP Bank



KCB – ACCESSIBLE Bank

Proxy Form

31st December 2000

THE SECRETARY

Kenya Commercial Bank Limited
8th Floor, Kencom House Moi Avenue
P O Box 48400, Nairobi

I/We: _____

Shares A/c No: _____

of PO Box: _____

Being a Member/Members of the above named company, hereby appoint:

of PO Box: _____

or failing him, the Chairman of the Meeting, as my/our proxy to vote for me/us and on my/our behalf at the 30th Annual General Meeting of the Company to be held on 25th May, 2001 and at any adjournment thereof.

Signed this _____ day of _____ 2001

Signature(s) _____

NOTE: In case of a Member being a corporation, the Proxy Form must be under its common seal or under the hand of an officer or attorney duly authorised in writing. A proxy need not be a member of the Company.

Fomu ya Uwakilishi

31 Disemba 2000

KATIBU

Benki ya Kenya Commercial

Ghorofa ya 8, Kencom House Moi Avenue

Sanduku la Posta 48400, Nairobi

Mimi/Sisi:

Nambari ya Akaunti ya Mwenyehisa wa:

Sanduku la Posta:

nikiwa/tukiwa Mwanachama/Wanachama wa Kampuni hii ninamteua/tunamteua

wa Sanduku la Posta:

au akishindwa, Mwenyekiti wa Mkutano kama mwakilishi wangu/wetu kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa 30 wa Mwaka wa Kampuni utakaofanyika tarehe 25 Mei 2001 au pale utakapoahirishwa.

Imewekwa sahihi tarehe:

mwezi wa:

2001

Sahihi:

Kumbuka: Iwapo Mwanachama ni Shirika, Fomu ya Uwakilishi ni lazima iwe na mhuri wake au seal au iwe na afisa au wakili aliyeidhinishwa kwa maandishi. Si lazima mwakilishi awe mwanachama wa Kampuni.



