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Corporate Information

BOARD OF DIRECTORS

P K Jani - Chairman
M N Majmudar ** - Managing
J G Kiereini
C Njonjo
A P Hamilton *
J C Kulei

** Indian
* British

COMPANY SECRETARY

R R Vora

OFFICES

Registered Office

KCS House
Kaunda Street
P O Box 72833
Nairobi

Nairobi Branch

Corner House
Kimathi Street
P O Box 72833
Nairobi

Mombasa Branch

Social Security House
Nkrumah Road
P O Box 84418
Mombasa

AUDITORS

Deloitte & Touche
"Kirungii" Ring Road, Westlands
P O Box 40092
Nairobi

2007/0313

Notice of Annual General Meeting

Notice is hereby given that the forty fourth Annual General Meeting of CFC Bank Limited will be held at the CFC Centre, Chiromo Road, Westlands, Nairobi on Friday 11th June 1999 at 11.00 a.m. for the following purposes:

1. To confirm the Minutes of the forty third Annual General Meeting held on 29th May 1998.

2. To receive and consider the financial statements for the year ended 31st December 1998 and the Directors' and Auditors' Reports thereon.

3. To approve the payment of a first and final dividend for the year ended 31st December 1998 of 13.4% on the Issued Share Capital.

4. To elect Directors:

(i) Mr. A.P. Hamilton, a director who has attained the age of 71 years, vacates office under section 186(5) of the Companies Act (Cap 486). Special notice has been received by the Company pursuant to Section 142 of the Companies Act of the intention to propose the following resolution, in accordance with section 186(5) of the said Act, to be considered and, if thought fit, passed by the Members:
" That Mr. A.P. Hamilton, a Director who has attained the

age of 71 years be and is hereby re-elected as a Director of the Company until he next comes up for retirement by rotation under the Company's Articles of Association."

(ii) Mr. J.G. Kiereini retires from the Board by rotation and, being eligible, offers himself for re-election.

5. To approve the Directors' remuneration for the year ended 31st December 1998 as provided in the financial statements.

6. To note that Deloitte & Touche continue as Auditors under the provisions of Section 159(2) of the Companies Act (Cap 486) and subject to Section 24(1) of the Banking Act (Cap 488) and to authorise the Directors to agree their remuneration.

By Order of the Board

R R Vora
Secretary

15. March 1999

Note. A member entitled to attend and vote at the above mentioned meeting and any adjournment thereof is entitled to appoint a proxy to attend and vote on his or her behalf. Such proxy need not be a member of the Company. A form of proxy, which must be lodged at the Registered Office of the Company not later than 48 hours before the time for holding the Meeting is enclosed.

Chairman's Statement

1998 proved to be a turbulent year in the banking industry and the economy as a whole. As I had indicated in my statement last year, the pressures on a large number of banks competing in a risk-prone market with limited growth potential led to a banking crisis with the inevitable increase in non-performing advances and consequential provisions for bad and doubtful debts for a number of banks. The measures taken by the Central Bank of Kenya, covering quite a few aspects affecting the banking system, are timely and intended to assist the much needed consolidation and professionalism.

On the economic front, Kenya has faced many challenges against a back-drop of falling GDP growth. Whereas the control of inflation and money supply, the recent reduction in interest rates and the stability of the shilling were some of the positive factors, the continued lack of progress in certain macro level issues has remained a key feature influencing investor confidence and attendant inflows; the aftermath of the tragic events of August last year compounded the problem contributing to a general slow down in the economy at large.

There has been an ongoing debate about the reduction in interest rates which are, of course, welcome. With the demand for credit being subdued, coupled with the need to oversee a growing volume of non performing advances, the liquidity in the banking system continued to remain parked substantially in treasury bills. With supply exceeding demand, the yield trend for treasury bills continued to decline. It is of interest for you to note that your Bank had 9% and 17% of total assets and

total demand/time liabilities respectively as holdings in treasury bills and bonds as at 31st December 1998. I am pleased to report that your Bank was one of the few to increase its advances albeit modestly during the year.

Most certainly the present low interest rate scenario represents an opportunity. Control of operating costs through increasing operational efficiency will become an area demanding greater focus. Your Bank's sustained policy of containment of cost/income ratio, of plough-back of substantial profits to reserves and careful planning of investments to tap the Bank's business potential, namely the new CFC Centre which will become fully operational this year, will continue for future years. The decision to expand business by way of such productive investments will form the foundation of your Bank's future.

The simultaneous re-organisation of systems and reporting lines will result in further cost economies leading to an improved cost/income ratio for 1999.

Turning now to your Bank's performance, we have continued to focus on liability management introduced since 1996 through our Asset and Liability Management Committee. The Bank's deposit base reduced by 12% (Certificates of Deposit were well below the statutory ceiling) with a modest increase in advances. This reduction in deposits was managed despite the "flight to quality" that was widely experienced following the turmoil in the banking industry referred to above. The resulting Credit /Deposit Ratio which stood at 84% has also been soundly managed through the increasing usage of the Line obtained from the International Finance

Corporation (IFC) of Washington which was fully drawn during the year. Usage of the IFC Line has had a two-fold benefit viz lowering funding costs for the Bank's expanding clientele and a significant improvement in mis match of assets and liabilities which is a serious issue in the Kenyan banking industry.

The growth in your Bank's advances against the general trend represented a determined effort to broaden your Bank's core lending portfolio across all major productive sectors of the economy viz trade, industry and agriculture. This growth may be considered satisfactory noting the regular in-flows in respect of the Bank's portfolio of asset backed financing. During 1998 your Bank continued to diversify further into lendings by way of overdrafts, term loans and bill discounting business including import and export financing. Stringent prudent risk assessment policies continued to be in place and are being reinforced from year to year depending upon actual experience as evidenced by the increased level of Non-Performing Loans and Advances totalling Shs 426,969,000 representing 13% of Gross Loans and Advances with Provisions totalling Shs 233,771,601 being 7% of gross loans and advances. In line with your Bank's conservative approach, a significant number of credit risk opportunities were not found suitable during the year and as such were declined. Actual Provisions as a percentage of Non-Performing Loans and Advances stood at 55% with Interest in Suspense totalling Shs 66,388,052. Additionally, the Bank's General Provisions remained at Shs 37,872,309. It is hoped that the reduced debt servicing burden on our clients presently experiencing difficulties

Chairman's Statement

will assist the Bank in future recoveries contributing to an improvement in this area of asset management.

Given the "knock-on" effect of the trading conditions, your Bank's liquidity has remained extremely high at an average of 49% as compared to the mandatory 20%. This feature per se may not appear to be acceptable but, in view of the Bank's conscious policy of managing its liability profile and investment portfolio, this feature may be regarded as satisfactory. Further, your Bank's Capital Adequacy Ratio stood at 33% compared to the mandatory 7.5% with Paid-up Capital and Unimpaired Reserves to Total Deposit Liabilities at 41% compared to the statutory minimum of 8%.

Against the back-drop of the difficult trading environment detailed above, compared to previous year, Consolidated Profit after Taxation reflected a marginal reduction of 5% to Shs 279,350,490 whereas Earnings Per Share showed a reduction of 7% to Shs 2.39. While Return on Assets evidenced a marginal reduction to 4%, the Return on Average Capital still remains high in comparison to, and in the context of, the banking industry. A final dividend of Shs 0.67 per share is recommended payable on or about 18th June 1999.

As mentioned earlier, your Bank continues to invest for the future. In addition to the new CFC Centre, investments continue in the new MICR system, where we look forward to further improvements in the money transmission system, together with enhanced technology particularly in the treasury management area. We also continue to make substantial investments each year on

staff training at all levels so as to enhance client satisfaction, staff motivation and the Bank's overall competitive abilities.

Your Bank is well advanced with a comprehensive programme to address the implications of the Year 2000 problem. The Bank's core banking software systems have been certified as compliant and the remaining hardware and non-core software applications are concurrently under final review. As you will no doubt have read, there still remains some doubts as to the totality of the problem and accordingly we are establishing Year 2000 business continuity plans in the event that any systemic faults arise.

To close, I would like to express my continued appreciation to my fellow directors for their professional contributions, support and guidance. I would also like to thank the management and staff for their performance during a difficult year. It is generally acknowledged that this year will prove to be more challenging with spreads remaining under pressure exerting an impact on potential profit. Nonetheless, I would like to assure you that your Bank remains proactive and continues to take the required steps to remain alert and competitive. I, therefore, remain confident as to both the short and medium term future of your Bank.

P.K. Jani
Chairman

15 March 1999

Taarifa ya Mwenyekiti

Mwaka 1998 ulidhihirisha kwamba ni wa matatizo kwa benki za nchini na uchumi kwa jumla. Kama nilivyoeleza katika taarifa yangu mwaka jana, hali ilivyokuwa kwa benki nyingi nchini zikishindana kwenye soko ambalo ustawi ulikuwa haba ulisababisha msukosuko miongoni mwa mabanki na Kuongezeka kwa visa vya malipo mengine ya awali kutolewa hatimaye kuwepo kwa madeni makubwa kwa baadhi ya mabanki. Hatua zilizochukuliwa na Benki Kuu ya Kenya kugusia mambo kadhaa yanayohusu utaratibu wa benki, zinafaa na zinatumiwa kusaidia uthabiti na uwajibaki unaohitajika sana.

Kuhusu hali ya kiuchumi, Kenya imekabiliwa na mambo mengi huku ustawi wa mapato (GDP) ukipunguka mno. Ijapokuwa juhudi zimefanywa kukabiliana na kupanda kwa gharama za maisha na hali ya utoaji pesa, hatua za majuzi za kupunguzwa kwa viwango vya riba na uthabiti wa shilingi zilikuwa baadhi ya hatua za kufaa, lakini hata hivyo kuendelea kukosekana kwa ustawi katika viwango fulani, imebakia kama jambo la kuwafia moyo wenye rasilmali na kuvutia wengine, na hasa kufuatia maafa ya Agosti mwaka jana yaliyoongeza dhiki na kuzorotesha hali ya kiuchumi kwa jumla.

Kumekuwepo na mjadala ambao umekuwa ukiendela kuhusu kupunguzwa kwa viwango vya faida, ambavyo kwa kweli, unakaribishwa. Huku kukiwepo na mahitaji ya mkopo ambao unapunguzwa huku kukiwepo na umuhimu wa kuchunguza ongezeko la mikopo iliyotolewa awali na isiyolipiwa, kadhalika kupungua kwa fedha kwenye utaratibu wa benki ambao umeendelea kubakia kwa wingi katika hundi za biashara za Serikali (treasury bills and bonds).

Ugawaji nao ukiwa umezidi mahitaji, matokeo ya hundi za biashara za Serikali ulizidi kupungua. Ni jambo la maana kwako kujua kwamba Benki yako ilikuwa na asilimia 9 na asilimia 17 ya mali yote na madeni ya wakati zikifuatana, kwenye hundi za biashara za Serikali kufikia Desemba 31, 1998. Hata hivyo nina furaha kuripoti kwamba Benki yako ilikuwa moja yazile chache kuongeza mikopo kwa wateja, ijapokuwa kwa kiwango cha chini, mwaka jana.

Ama kwa kweli viwango vya chini vya faida vinatoa nafasi fulani. Kukabiliwa kwa gharama kupitia usimamizi mwema, kutakuwa ni jambo ambalo litapaswa kuchunguzwa kwa makini.

Benki yako ilizingatia maongozi ya kukabiliana na viwango vya gharama na mapato, kwa kurejesha tena kwenye hazina yake faida za kutosha na wakati huo huo kupanga kwa makini rasilmali yake ili kuhakikisha kuwa biashara yake, kwa jina CFC Centre, itaweza kuanza kazi kamili mwaka huu, na itaendelea kwa miaka mingi ijayo.

Uamuzi wa kupanua biashara kwa njia ya rasilmali zenye faida utakuwa sehemu moja ya msingi ya Benki yako siku za usoni. Uratibu wa mara kwa mara na habari zinazotolewa utawezesha kuimarishwa kwa viwango vya gharama na mapato mwaka huu wa 1999.

Sasa tukigusia matokeo ya Benki yako, tumeendelea kuangalia jinsi ya kukabiliana na usimamizi wa madeni zilizozanzishwa tangu 1996 chini ya kamati ya usimamizi wa mali na madeni (Asset and Liability Management Committee.) Kiwango cha uwekaji akiba katika Benki kilipungua kwa kiwango cha asilimia 12 (hati za uwekaji zilikuwa chini ya kiwango

kinachohitajiwa) kukiwepo na ongezeko kidogo kwa mikopo. Kupungua huko kwa uwekaji pesa uliweza kukabiliwa licha ya kuwepo kwa "kuyoyomea kwa ubora" ambao ulishuhudiwa kote baada ya kuzuka kwa msukosuko kwenye sekta ya benki kama ilivyogusiwa hapo juu.

Matokeo ya Kiwango cha pesa zinazowekwa (Credit/Deposit Ratio) ambayo yalikuwa ni asilimia 84, pia yameweza kusimamiwa vyema kupitia kwa ongezeko la kutumiwa kwa 'laini' iliyopatikana kutoka kwa International Finance Corporation (IFC) ya Washington na ambayo ilitumiwa vilivyvo mwaka jana.

Utumizi wa laini ya IFC umekuwa na faida sehemu mbili, yaani, kupunguza gharama za kugharamia idadi kubwa ya wateja inayoongezeka na ustawi wa kuweza kukabiliana na hali ya mali na madeni, jambo ambalo linachukuliwa kwa uzito katika soko la nchini kibiashara.

Kuongezeka kwa mikopo inayotolewa na Benki yako dhidi ya utaratibu wa kawaida kunawakilisha juhudi za kupanua shughuli za Benki yako kwenye sekta zote muhimu za kiuchumi kama vile, kwa biashara, viwandani na kilimo. Upanuzi huu unaweza kuchukuliwa kama wakuridhisha ikitiliwa maanani kwamba uwekaji wa fedha katika akiba ya Benki watosheleza.

Mnamo 1998, Benki yako iliendelea kusambaza huduma zake za kutoa mikopo zikiwemo 'overdrafts' na hata kwa wenye biashara za kuingiza ama kuuza mali zao ugenini.

Maongozi ya tahadhari zinazoweza kutokea yaliendela kutiwa maanani na yanatiliwa mkazo mwaka hadi mwaka ikitegemea yaliyoshuhudiwa kama inavyoorodheshwa hapo

Taarifa ya Mwenyekiti

ambapo mikopo ambayo haya-jalipiwa faida ni jumla ya Shs 426,969,000 zikiwa na kiwango cha asilimia 13 ya mikopo kamili, nayo ya ziada zikiwa ni jumla ya Shs 233,771,601 ambazo ni asilimia 7 ya mikopo kamili.

Kulingana na uwelekevu wa Benki yako, maombi mengine ya mikopo yenye tashwishi, yali-kataliwa. Mikopo ya ziada kama kiwango fulani cha asilimia ya faida ya mikopo isiyolipiwa ilikuwa asilimia 55 ambapo riba ni jumla ya Shs 66,388,052. Zaidi ya hayo, fedha za kawaida za ziada za benki zilibakia kuwa Shs 37,872,309.

Inatazamiwa kuwa kupungua kwa madeni yanayohusu huduma kwa wateja wetu ambao kwa wakati huu wana matatizo, kutasaidia Benki siku zijazo kujisalamisha na hata kuji-imarisha kwenye sehemu hii ya usimamizi wa mali.

Kutokana na hali ya kibiashara "inavyogongana," fedha katika Benki yako zimeongezeka kwa kiwango cha asilimia 49 ikilinganishwa na kiwango cha chini kinachotakikana kisheria cha asilimia 20. Pengine ikisemwa hivi haiwezi kukubalika na wengine, lakini kutokana na maongozi ya Benki ya kujali hali ya usimamizi ya ufanisi na uwekaji rasilmali, hapana shaka jambo hili linaweza kuchukuliwa kama la kuridhisha.

Zaidi ya hayo, kiwango tashlezi cha fedha (Capital Adequacy Ratio) kimekuwa asilimia 33 kikilinganishwa na asilimia 7.5 inachohitajika ya fedha na akiba ambayo haijatengewa kazi yoyote (Paid-up Capital and Unimpaired Reserves) hadi kwa akiba ya mali kwa kiwango cha asilimia 41 kulinganishwa na kiwango cha chini kinachohitajika

kisheria cha asilimia 8. Inapochunguzwa, hali ngumu ya mazingira ya kibiashara kama ilivyoorodheshwa hapo juu, ikilinganishwa na mwaka uliotangulia ambapo faida ya pamoja baada ya kodi ilionyesha kupungua kidogo kwa asilimia 5 ambayo ilikuwa Shs 279,350,490 ambapo mapato kwa kila hisa yalionyesha kupungua kwa asilimia 7 ambapo ilikuwa Shs 2.39.

Wakati matokeo ya mali yalionyesha kupungua ambapo ilikuwa asilimia 4, rasilmali ya kadiri ilibakia kiwango cha juu ikilinganishwa na ya awali na katika sekta hii ya benki. Mgawo wa mwisho wa Shs 0.67 kwa kila hisa inapendekezwa ulipwe tarehe 18 Juni, 1999 au wakati huo.

Kama ilivyoelezwa awali, Benki yako inaendelea kuweka rasilmali kwa siku za usoni. Zaidi na kituo kipya cha CFC Centre, urasilmali unaendelezwa katika mpango mpya wa MICR, ambapo tunaangaza macho kwa uimarishaji wa mtindo wa upokezi wa pesa, pamoja na kuimarishwa kwa teknolojia na hasa eneo la usimamizi uwekaji rasilmali kila mwaka, upande wa mafunzo kwa wafanyi kazi wetu wa ngazi zote ili kuimarisha na kutosheleza huduma kwa wateja, matisha kwa watumishi wetu na uwezo wa Benki yetu kwa jumla kwenye ushindani.

Benki yako iko mbele na ratiba kamili ya kukabiliana na madhara ya tatizo la mwaka 2000. Vifaa vya Benki vya programu (software) vimeidhinishwa kwamba vitaweza kukabiliana na hali hiyo, na mitambo (hardware) inazosalia na vifaa vinginevyo vya utumizi wa programu kwa sasa vinachunguzwa kwa mara ya mwisho.

Hapana shaka umeshasoma kuwa bado kungali na tashwishi kuhusu utatuzi halisi wa tatizo hilo na kutokana na hayo, tunaanzisha mipango ya kibiashara itakayoendelea biashara baada ya Mwaka 2000 iwapo matatizo ya mitambo yangeweza kuzuka.

Kwa kufunga, ningependa kuwashukuru wakurugenzi wenzangu kwa yale yote wamefanya, kuniunga mkono na uongozi. Ningependa pia kuwapongeza wasimamizi na wafanyi kazi wote kwa matokeo mema wakati wa mwaka mgumu uliopita. Mwaka huu nao utakuwa na mengi yatakayohitajika kufanywa ili kutuwezesha kupata faida.

Hata hivyo ningependa kuwahakikishia kwamba Benki yako itaendelea kujiimarisha na kuchukua hatua za kufaa na kuwa macho na ushindani. Kwa hivyo, nabakia nikiwa na matumaini mema kwa Benki wakati huu na siku za usoni.

P.K. Jani
Mwenyekiti

15 Machi 1999

Consolidated Profit and Loss Account

For the year ended 31 December 1998

	Note	1998 Shs	1997 Shs
INCOME	2	1,845,795,310	1,775,600,316
EXPENDITURE	3	<u>1,420,114,217</u>	<u>1,291,834,244</u>
CONSOLIDATED OPERATING PROFIT BEFORE TAXATION	4	425,681,093	483,766,072
TAXATION	5	<u>146,330,603</u>	<u>189,735,948</u>
CONSOLIDATED PROFIT AFTER TAXATION	6	279,350,490	294,030,124
MINORITY INTEREST		<u>40,164,471</u>	<u>36,017,992</u>
CONSOLIDATED PROFIT AFTER MINORITY INTEREST		239,186,019	258,012,132
DIVIDEND - gross	7	<u>67,000,000</u>	<u>67,000,000</u>
RETAINED PROFIT FOR THE YEAR	19(a)	<u>172,186,019</u>	<u>191,012,132</u>
EARNINGS PER SHARE	8	<u>2.39</u>	<u>2.58</u>

Taarifa ya Mwenyekiti

ambapo mikopo ambayo haya-jalipwiwa faida ni jumla ya Shs 426,969,000 zikiwa na kiwango cha asilimia 13 ya mikopo kamili, nayo ya ziada zikiwa ni jumla ya Shs 233,771,601 ambazo ni asilimia 7 ya mikopo kamili.

Kulingana na uwelekevu wa Benki yako, maombi mengine ya mikopo yenye tashwishi, yalikatuliwa. Mikopo ya ziada kama kiwango fulani cha asilimia ya faida ya mikopo isiyolipwiwa ilikuwa asilimia 55 ambapo riba ni jumla ya Shs 66,388,052. Zaidi ya hayo, fedha za kawaida za ziada za benki zilibakia kuwa Shs 37,872,309.

Inatazamiwa kuwa kupungua kwa madeni yanayohusu huduma kwa wateja wetu ambao kwa wakati huu wana matatizo, kutasaidia Benki siku zijazo kujisalamisha na hata kujiimarisha kwenye sehemu hii ya usimamizi wa mali.

Kutokana na hali ya kibiashara "inavyogongana," fedha katika Benki yako zimeongezeka kwa kiwango cha asilimia 49 ikilinganishwa na kiwango cha chini kinachotatikiana kisheria cha asilimia 20. Pengine ikisemwa hivi haiwezi kukubalika na wengine, lakini kutokana na maongozi ya Benki ya kujali hali ya usimamizi ya ufanisi na uwekaji rasilimali, hapana shaka jambo hili linaweza kuchukuliwa kama la kuridhisha.

Zaidi ya hayo, kiwango toshalezi cha fedha (Capital Adequacy Ratio) kimekuwa asilimia 33 ikilinganishwa na asilimia 7.5 inachohitajika ya fedha na akiba ambayo haijatengewa kazi yoyote (Paid-up Capital and Unimpaired Reserves) hadi kwa akiba ya mali kwa kiwango cha asilimia 41 kulinganishwa na kiwango cha chini kinachohitajika

kisheria cha asilimia 8. Inapochunguzwa, hali ngumu ya mazingira ya kibiashara kama ilivyoorodheshwa hapo juu, ikilinganishwa na mwaka uliotangulia ambapo faida ya pamoja baada ya kodi ilionyesha kupungua kidogo kwa asilimia 5 ambayo ilikuwa Shs 279,350,490 ambapo mapato kwa kila hisa yalionyesha kupungua kwa asilimia 7 ambapo ilikuwa Shs 2.39.

Wakati matokeo ya mali yalionyesha kupungua ambapo ilikuwa asilimia 4, rasilimali ya kadiri ilibakia kiwango cha juu ikilinganishwa na ya awali na katika sekta hii ya benki. Mgawo wa mwisho wa Shs 0.67 kwa kila hisa inapendekezwa ulipwe tarehe 18 Juni, 1999 au wakati huo.

Kama ilivyoelezwa awali, Benki yako inaendelea kuweka rasilimali kwa siku za usoni. Zaidi na kituo kipya cha CFC Centre, urasilimali unaendelezwa katika mpango mpya wa MICR, ambapo tunaangaza macho kwa uimarishaji wa mtindo wa upokezi wa pesa, pamoja na kuimarishwa kwa teknolojia na hasa eneo la usimamizi uwekaji rasilimali kila mwaka, upande wa mafunzo kwa wafanyi kazi wetu wa ngazi zote ili kuimarisha na kutosheleza huduma kwa wateja, matisha kwa watumishi wetu na uwezo wa Benki yetu kwa jumla kwenye ushindani.

Benki yako iko mbele na ratiba kamili ya kukabiliana na madhara ya tatizo la mwaka 2000. Vifaa vya Benki vya programu (software) vimeidhinishwa kwamba vitaweza kukabiliana na hali hiyo, na mitambo (hardware) inazosalia na vifaa vinginevyo vya utumizi wa programu kwa sasa vinachunguzwa kwa mara ya mwisho.

Hapana shaka umeshasoma kuwa bado kungali na tashwishi kuhusu utatuzi halisi wa tatizo hilo na kutokana na hayo, tunaanzisha mipango ya kibiashara itakayoendelea biashara baada ya Mwaka 2000 iwapo matatizo ya mitambo yangeweza kuzuka.

Kwa kufunga, ningependa kuwashukuru wakurugenzi wenzangu kwa yale yote wamefanya, kuniunga mkono na uongozi. Ningependa pia kuwapongeza wasimamizi na wafanyi kazi wote kwa matokeo mema wakati wa mwaka mgumu uliopita. Mwaka huu nao utakuwa na mengi yatakayohitajika kufanywa ili kutuwezesha kupata faida.

Hata hivyo ningependa kuwahakikishia kwamba Benki yako itaendelea kujiimarisha na kuchukua hatua za kufaa na kuwa macho na ushindani. Kwa hivyo, nabakia nikiwa na matumaini mema kwa Benki wakati huu na siku za usoni.

P.K. Jani
Mwenyekiti

15 Machi 1999

Report of the Directors

The directors present their report together with the audited financial statements for the year ended 31 December 1998.

ACTIVITIES

The principal activities of the group are the provision of banking, insurance, financial and related services.

GROUP RESULTS

	Shs
Consolidated profit for the year after taxation and minority interest	239,186,019
Proposed dividend	67,000,000
Retained profit carried to reserves	<u>172,186,019</u>

DIVIDEND

The directors recommend a first and final dividend of sixty seven cents per share (13.4%) for the year ended 31 December 1998 which is to be paid on or about 18 June 1999 to shareholders registered at the close of business on 21 May 1999.

DIRECTORS

The present directors are shown on page 2.

Mr J G Kiereini retires by rotation and being eligible, offers himself for re-election.

Mr A P Hamilton retires under the provision of section 186 of the Companies Act Cap 486. A special notice has been received by the company pursuant to Section 142 of the Companies Act, and a resolution will be considered at the Annual General Meeting for his reappointment as a director of the bank.

AUDITORS

The auditors, Deloitte & Touche, having indicated their willingness, continue in office in accordance with section 159 (2) of the Companies Act and subject to Section 24(1) of the Banking Act.

By order of the Board

R R Vora
Secretary
Nairobi

15 March 1999

Report of the Auditors

To the members of CFC Bank Limited

We have audited the financial statements on pages 10 to 28 and have obtained all the information and explanations considered necessary for our audit.

The financial statements are the responsibility of the directors. Our responsibility is to express an opinion on the financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. These standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the directors, and evaluating the overall financial statement presentation.

In our opinion:

- 1 Proper books of account have been kept by the bank and the bank's balance sheet is in agreement therewith.
- 2 The financial statements, which comply with the Companies Act, give a true and fair view of the state of affairs of the bank and the group at 31 December 1998 and of the profit and cash flows of the group for the year ended on that date.

Deloitte & Touche
Certified Public Accounts (Kenya)
Nairobi

15 March 1999

Consolidated Profit and Loss Account

For the year ended 31 December 1998

	Note	1998 Shs	1997 Shs
INCOME	2	1,845,795,310	1,775,600,316
EXPENDITURE	3	<u>1,420,114,217</u>	<u>1,291,834,244</u>
CONSOLIDATED OPERATING PROFIT BEFORE TAXATION	4	425,681,093	483,766,072
TAXATION	5	<u>146,330,603</u>	<u>189,735,948</u>
CONSOLIDATED PROFIT AFTER TAXATION	6	279,350,490	294,030,124
MINORITY INTEREST		<u>40,164,471</u>	<u>36,017,992</u>
CONSOLIDATED PROFIT AFTER MINORITY INTEREST		239,186,019	258,012,132
DIVIDEND - gross	7	<u>67,000,000</u>	<u>67,000,000</u>
RETAINED PROFIT FOR THE YEAR	19(a)	<u>172,186,019</u>	<u>191,012,132</u>
EARNINGS PER SHARE	8	<u>2.39</u>	<u>2.58</u>

Consolidated Balance Sheet

31 December 1998

	Note	1998 Shs	1997 Shs
ASSETS			
Cash and balances with Central Bank of Kenya	9	340,363,076	507,968,173
Government securities	10	1,118,095,620	919,133,564
Deposits and balances due from banking institutions		1,121,875,793	1,215,376,789
Loans and advances to customers	11	3,064,740,813	2,902,408,432
Other debtors and prepayments		363,368,909	464,009,705
Taxation recoverable		19,681,353	13,941,685
Investment in subsidiary company	13	60,000,000	-
Other investments	14	340,288,515	406,123,745
Fixed assets	15(a)	480,224,435	295,005,788
		<u>6,908,638,514</u>	<u>6,723,967,881</u>
LIABILITIES			
Customer deposits	16	2,399,545,115	2,384,513,641
Certificates of deposit		560,283,146	1,039,053,000
Line of credit	17	618,500,000	125,400,000
Other liabilities		1,535,429,023	1,362,053,922
Taxation payable		-	4,501,307
Deposits and balances due to banking institutions		485,088	258,443,847
Proposed dividend (gross)		67,000,000	67,000,000
		<u>5,181,242,372</u>	<u>5,240,965,717</u>
CAPITAL RESOURCES			
Share capital	18	500,000,000	500,000,000
Reserves	19(a)	<u>1,035,316,477</u>	<u>834,124,232</u>
Shareholders' funds		1,535,316,477	1,334,124,232
Minority interest		<u>192,079,665</u>	<u>148,877,932</u>
		<u>1,727,396,142</u>	<u>1,483,002,164</u>
		<u>6,908,638,514</u>	<u>6,723,967,881</u>

The financial statements on pages 10 to 28 were approved by the board of directors on 15 March 1999 and were signed on its behalf by:

P K Jani)
 A P Hamilton) - Directors
 M N Majmudar)
 R R Vora) - Secretary

Bank Balance Sheet

31 December 1998

	Note	1998 Shs	1997 Shs
ASSETS			
Cash and balances with Central Bank of Kenya	9	340,348,832	507,944,562
Government securities	10	512,195,620	359,775,000
Deposits and balances due from banking institutions		729,212,963	991,268,844
Loans and advances to customers	11	3,064,740,813	2,902,408,432
Other debtors and prepayments		95,543,601	213,334,163
Taxation recoverable		16,114,267	5,366,887
Due from subsidiary companies		29,224,000	29,200,000
Investment in subsidiary companies	13	223,582,180	223,582,180
Other investments	14	25,000,000	101,000,000
Fixed assets	15(b)	348,267,755	180,365,104
		<u>5,384,230,031</u>	<u>5,514,245,172</u>
LIABILITIES			
Customer deposits	16	2,473,206,715	2,394,613,641
Certificates of deposit		560,283,146	1,039,053,000
Line of credit	17	618,500,000	125,400,000
Other liabilities		293,443,494	392,623,907
Deposits and balances due to banking institutions		-	243,549,758
Amount due to subsidiary company		122,847,530	122,847,530
Proposed dividend (gross)		67,000,000	67,000,000
		<u>4,135,280,885</u>	<u>4,385,087,836</u>
CAPITAL RESOURCES			
Share capital	18	500,000,000	500,000,000
Reserves	19(b)	748,949,146	629,157,336
		<u>1,248,949,146</u>	<u>1,129,157,336</u>
		<u>5,384,230,031</u>	<u>5,514,245,172</u>

The financial statements on pages 10 to 28 were approved by the board of directors on 15 March 1999 and were signed on its behalf by:

P K Jani	}
A P Hamilton	} - Directors
M N Majmudar	}
R R Vora	} - Secretary

Consolidated Cash Flow Statement

For the year ended 31 December 1998

	Note	1998 Shs	1997 Shs
NET CASH INFLOW FROM OPERATING ACTIVITIES	20(a)	158,720,145	1,266,005,056
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Dividends paid		(67,000,000)	(50,000,000)
Dividends paid to minority		(10,800,000)	-
Dividend received - associated company		-	12,250,000
- quoted investments		3,676,823	15,011,047
- unquoted investment		-	471,427
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(74,123,177)	(22,267,526)
TAXATION PAID		(156,571,578)	(202,182,935)
INVESTING ACTIVITIES			
Additions to fixed assets		(193,322,343)	(130,295,003)
Purchase of government securities - net		(263,700,000)	(216,000,000)
Purchase of other investments - net		-	(251,304,248)
Proceeds on disposal of other investments - net		155,631,701	-
Proceeds on disposal of fixed assets		3,243,250	2,741,567
Investment in subsidiary		(60,000,000)	-
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(358,147,392)	(594,857,684)
NET CASH (OUTFLOW)/ INFLOW BEFORE FINANCING		(430,122,002)	446,696,911
FINANCING			
Line of credit drawdown		493,100,000	125,400,000
INCREASE IN CASH AND CASH EQUIVALENTS	20(c)	62,977,998	572,096,911

Notes to the Financial Statements

For the year ended 31 December 1998

1 ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The group prepares its financial statements on the historical cost basis of accounting, modified to include the revaluation of certain assets.

(b) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the bank and of its subsidiaries: CFC Financial Services Limited, Credit Banking Corporation Limited and The Heritage A.I.L. Insurance Company Limited. The financial statements of the consolidated subsidiaries have been made up to 31 December 1998. See also note 13.

(c) GOODWILL

Purchased goodwill represents the excess of consideration paid over the net assets acquired. Where, in the opinion of the directors, such goodwill has a useful economic life, it is capitalised and amortised through the profit and loss account.

Where, in the opinion of the directors, such goodwill does not have a long economic life, it is eliminated immediately on acquisition, against reserves.

Negative goodwill is credited directly to capital reserves.

(d) INVESTMENT IN SUBSIDIARY COMPANIES

Investments in subsidiary companies are stated at cost or directors' valuation.

OTHER INVESTMENTS

Other investments are stated at the following values:

- (i) Quoted ordinary shares at market value. The difference between valuation and cost is transferred to the capital reserve.
- (ii) Unquoted investments at lower of cost and directors' valuation.
- (iii) Government securities and commercial papers at face value, any unearned interest or discount is included in other liabilities and credited to income over the period of issue.

(e) INCOME RECOGNITION

Income is recognised on an accrual basis. When an account becomes non-performing, interest is suspended until it is realised on a cash basis.

Income from asset backed financing transactions is calculated by the sum of the digits method.

Notes to the Financial Statements (Continued)

1 ACCOUNTING POLICIES (continued)

(f) DEPRECIATION

Freehold land is not depreciated.

Freehold properties held for their investment potential are included in the balance sheet at open market values, which are determined periodically, and are not depreciated. Changes in the value of these properties are taken to the capital reserve.

Depreciation is calculated to write off the cost of other fixed assets in equal annual installments at the following rates:

Leasehold land and buildings	Over remaining life of the lease
Motor vehicles	25%
Furniture and equipment	20% - 25%

(g) TAXATION

Current taxation is provided on the basis of the results for the year as shown in the financial statements, adjusted in accordance with tax legislation.

Deferred taxation is accounted for to the extent that it is probable that timing differences will reverse in the foreseeable future.

(h) LOANS AND ADVANCES

Loans and advances are stated after provision for bad and doubtful debts, unearned finance charge and interest in suspense.

Specific provisions are made against loans and advances in line with the Central Bank of Kenya guidelines when, in the opinion of the directors, recovery is doubtful. In addition, general provisions are also maintained, in line with the Central Bank of Kenya guidelines, based on management's evaluation of the portfolios of loans and advances and other exposures in respect of losses which, although not specifically identified, are known from experience to be present in any such portfolio.

(i) FOREIGN CURRENCIES

Assets and liabilities in foreign currencies are expressed in Kenya shillings at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies during the year are converted at the rates ruling at the time of the transactions. The resulting profits or losses are dealt with in the profit and loss account.

Notes to the Financial Statements (Continued)

	1998 Shs	1997 Shs
2 INCOME		
Interest on loans and advances	880,977,188	973,567,000
Interest on Government securities	191,952,548	117,188,593
Interest on placements and bank balances	213,732,577	216,241,012
Dividends from quoted investments	3,676,823	7,517,819
Gains from dealing securities	60,258,530	41,765,674
Fees and commissions	44,701,644	38,100,532
Gains from foreign exchange dealing	11,600,749	14,662,564
Profit on disposal of fixed assets	311,965	2,324,735
Profit on disposal of quoted investments	1,355,874	-
Insurance premiums earned	426,044,197	349,505,183
Other income	11,183,215	14,727,204
	<u>1,845,795,310</u>	<u>1,775,600,316</u>
3 EXPENDITURE		
Interest on deposits	608,323,551	654,818,109
Interest on borrowed funds	30,482,888	7,093,934
Fees and commissions	21,465,607	16,689,003
Bad and doubtful debts	99,019,968	35,293,163
Write down of goodwill	-	37,152,470
Insurance claims incurred	279,032,496	203,640,781
Other expenses	381,789,707	337,146,784
	<u>1,420,114,217</u>	<u>1,291,834,244</u>

In line with additional recommended disclosure requirements by the Central Bank of Kenya, the income and expenditure disclosure items have been reclassified to provide more information. The comparative figures for 1997 have been amended accordingly.

4 CONSOLIDATED OPERATING PROFIT BEFORE TAXATION

	1998 Shs	1997 Shs
The consolidated operating profit before taxation is arrived at after charging:		
Contribution to Deposit Protection Fund	3,910,839	5,641,130
Depreciation	23,441,891	24,465,708
Directors' emoluments:		
As directors	6,612,000	6,101,500
As executives	13,592,400	12,521,280
Auditors' remuneration	3,083,484	2,831,148
and after crediting:		
Income from - Unquoted investment (gross)	-	471,427
- Kenya Government stock 2000	1,827,500	1,827,500
	<u>1,827,500</u>	<u>1,827,500</u>

Notes to the Financial Statements (Continued)

	1998 Shs	1997 Shs
5 TAXATION		
Taxation is based on the chargeable profit for the year and comprises:		
Income tax at 32.5% (1997 - 35%)	<u>146,330,603</u>	<u>189,735,948</u>

The effective tax rate is higher than the standard rate mainly due to disallowable expenditure under tax legislation.

As at 31 December 1998, the potential deferred tax asset of the group on timing differences amounted to approximately Shs 20 million (1997 - Shs 19 million).

6 CONSOLIDATED PROFIT AFTER TAXATION

Profit after taxation dealt with in the financial statements of the bank is Shs 186,791,810 (1997 - Shs 209,862,460).

	1998 Shs	1997 Shs
7 DIVIDEND - Gross		
First and final dividend - proposed	<u>67,000,000</u>	<u>67,000,000</u>

Payment of dividends is subject to withholding tax at the rate of 5% for Kenya residents and 10% for non-residents.

8 EARNINGS PER SHARE

Earnings per share is arrived at by dividing the consolidated profit after minority interest of Shs 239,186,019 (1997 - Shs 258,012,132) by the number of shares in issue at the balance sheet date.

Notes to the Financial Statements (Continued)

	GROUP		BANK	
	1998 Shs	1997 Shs	1998 Shs	1997 Shs
9 CASH AND BALANCES WITH CENTRAL BANK OF KENYA				
Cash on hand	13,644,375	50,386,196	13,630,131	50,362,585
Balances with Central Bank of Kenya : Cash ratio requirement	326,718,701	457,581,977	326,718,701	457,581,977
	<u>340,363,076</u>	<u>507,968,173</u>	<u>340,348,832</u>	<u>507,944,562</u>
10 GOVERNMENT SECURITIES				
(a) Treasury bills and bonds				
Maturing within 90 days of the balance sheet date	628,620,620	693,358,564	412,420,620	350,000,000
Maturing after 90 days of the balance sheet date	472,700,000	209,000,000	90,000,000	-
(b) Government stock - at cost K£ 850,000 - (Bank -K£ 500,000) -10.75 % Kenya Government stock (maturing in the year 2000)	16,775,000	16,775,000	9,775,000	9,775,000
	<u>1,118,095,620</u>	<u>919,133,564</u>	<u>512,195,620</u>	<u>359,775,000</u>

Notes to the Financial Statements (Continued)

	1998 Shs	1997 Shs
11 LOANS AND ADVANCES TO CUSTOMERS		
GROUP AND BANK		
Asset backed financing	1,591,218,152	2,028,865,446
Loans, advances and bills discounted	1,815,920,010	1,511,207,466
	<u>3,407,138,162</u>	<u>3,540,072,912</u>
Unearned finance charges	(42,237,696)	(433,340,070)
Interest in suspense	(66,388,052)	(5,209,181)
Provision for bad and doubtful debts (note 12)	(233,771,601)	(199,115,229)
	<u>3,064,740,813</u>	<u>2,902,408,432</u>
Analysis of gross loans and advances by maturity:		
Maturing within one year	1,782,245,088	1,615,585,485
Over one year to three years	1,471,049,604	1,798,267,874
Over three years	153,843,470	126,219,553
	<u>3,407,138,162</u>	<u>3,540,072,912</u>
Analysis of gross loans and advances by customer:		
Private companies	3,129,990,734	3,038,275,052
Non profit institutions and individuals	277,147,428	501,797,860
	<u>3,407,138,162</u>	<u>3,540,072,912</u>

The aggregate balance of non-performing advances as at 31 December 1998 was Sh 426,969,000 (1997 - Sh 275,958,000).

Total advances to employees, shareholders and associated companies was Sh 165,101,000 (1997 - Sh 152,832,000). There were no outstanding advances to directors.

Notes to the Financial Statements (Continued)

	1998 Shs	1997 Shs
12 PROVISIONS FOR AND WRITE-OFFS OF LOANS AND ADVANCES CONSIDERED BAD AND DOUBTFUL OF RECOVERY		
GROUP AND BANK		
(a) Specific provisions		
Balance at the beginning of the year	161,242,920	137,927,827
Provisions made during the year	99,019,968	29,591,315
Write-offs	(64,363,596)	(6,276,222)
Balance at the end of the year	<u>195,899,292</u>	<u>161,242,920</u>
(b) General provisions		
Balance at the beginning and end of the year	<u>37,872,309</u>	<u>37,872,309</u>
Total provisions (note 11)	<u>233,771,601</u>	<u>199,115,229</u>

Notes to the Financial Statements (Continued)

13 INVESTMENT IN SUBSIDIARY COMPANIES

Company	Beneficial ownership	G R O U P		B A N K	
		1998 Shs	1997 Shs	1998 Shs	1997 Shs
CFC Financial Services Limited	100%	-	-	35,030,000	35,030,000
Credit Banking Corporation Limited	100%	-	-	122,847,530*	122,847,530*
The Heritage A.I.I. Insurance Company Limited	64.08%	-	-	65,704,650	65,704,650
The Heritage A.I.I. Insurance Company (Tanzania) Limited		60,000,000	-	-	-
		<u>60,000,000</u>	<u>-</u>	<u>223,582,180</u>	<u>223,582,180</u>

* At directors' valuation.

All others are at cost.

The Heritage A.I.I. Insurance Company (Tanzania) Limited, a 60% subsidiary of The Heritage A.I.I. Insurance Company Limited, was incorporated on 18 June 1998 and its first set of financial statements will be for the period ending 31 December 1999. The results of the subsidiary have not been consolidated as this would involve delay and expense out of proportion to the value to the members of the company. In the opinion of the Directors, the subsidiary is worth at least the value stated in the financial statements.

Notes to the Financial Statements (Continued)

14 OTHER INVESTMENTS

	GROUP		BANK	
	1998 Shs	1997 Shs	1998 Shs	1997 Shs
Quoted ordinary shares at mid market value (1997* - cost)	199,447,055	74,967,285	-	-
Unquoted ordinary shares at cost and directors' valuation	14,901,460	14,901,460	-	-
Commercial paper, corporate bonds and loans	<u>125,940,000</u>	<u>316,255,000</u>	<u>25,000,000</u>	<u>101,000,000</u>
	<u>340,288,515</u>	<u>406,123,745</u>	<u>25,000,000</u>	<u>101,000,000</u>

Quoted investments have been stated at market value as a result of changes in accounting policies on valuation of quoted investments by two of the subsidiaries. The comparative figures have not been amended to reflect this change in accounting policy as the differences are not material to the group.

* The market value of the quoted investments at 31 December 1997 was Shs 166,482,288.

Notes to the Financial Statements (Continued)

15(a) FIXED ASSETS - GROUP

	Freehold and leasehold land and buildings Shs	Motor vehicles Shs	Furniture and equipment Shs	Capital work in progress Shs	Total Shs
COST OR VALUATION					
At 1 January 1998	132,150,520	31,970,957	116,548,272	113,690,064	394,359,813
Additions	180,000	8,557,332	13,039,999	171,545,012	193,322,343
Disposals	-	(5,629,996)	(9,312,504)	-	(14,942,500)
Revaluation surplus	18,269,480	-	-	-	18,269,480
At 31 December 1998	150,600,000	34,898,293	120,275,767	285,235,076	591,009,136
COMPRISING:					
Cost	-	34,898,293	120,275,767	285,235,076	440,409,136
Valuation - 1995	35,000,000	-	-	-	35,000,000
- 1998	115,600,000	-	-	-	115,600,000
At 31 December 1998	150,600,000	34,898,293	120,275,767	285,235,076	591,009,136
DEPRECIATION					
At 1 January 1998	972,222	23,865,983	74,515,820	-	99,354,025
Charge for the year	353,535	4,997,322	18,091,034	-	23,441,891
Eliminated on disposals	-	(3,191,669)	(8,819,546)	-	(12,011,215)
At 31 December 1998	1,325,757	25,671,636	83,787,308	-	110,784,701
NET BOOK VALUE					
At 31 December 1998	149,274,243	9,226,657	36,488,459	285,235,076	480,224,435
At 31 December 1997	131,178,298	8,104,974	42,032,452	113,690,064	295,005,788

Motor vehicles, furniture and equipment stated at a cost of Shs 46,403,003 (1997 - Shs 25,910,103) have been fully depreciated. The normal annual depreciation charge in respect of these assets would be Shs 9,383,558 (1997 - Shs 5,458,879).

The freehold land and buildings of a subsidiary were revalued at 31 December 1998 by Lloyd Masika Limited, valuers, on an open market basis.

Capital work in progress relates to the construction costs of the CFC Centre in Westlands, Nairobi.

Notes to the Financial Statements (Continued)

15(b) FIXED ASSETS - BANK

	Leasehold land Shs	Motor vehicles Shs	Furniture and equipment Shs	Capital work in progress Shs	Total Shs
COST OR VALUATION					
At 1 January 1998	35,000,000	19,174,438	77,132,098	113,690,064	244,996,600
Additions	-	7,557,332	6,512,859	171,545,012	185,615,203
Disposals	-	(4,152,783)	-	-	(4,152,783)
At 31 December 1998	35,000,000	22,578,987	83,644,957	285,235,076	426,459,020
COMPRISING:					
Cost	-	22,578,987	83,644,957	285,235,076	391,459,020
Valuation - 1995	35,000,000	-	-	-	35,000,000
	35,000,000	22,578,987	83,644,957	285,235,076	426,459,020
DEPRECIATION					
At 1 January 1998	972,222	16,383,268	47,276,006	-	64,631,496
Charge for the year	353,535	3,251,111	12,773,814	-	16,378,460
Eliminated on disposals	-	(2,818,691)	-	-	(2,818,691)
At 31 December 1998	1,325,757	16,815,688	60,049,820	-	78,191,265
NET BOOK VALUE					
At 31 December 1998	33,674,243	5,763,299	23,595,137	285,235,076	348,267,755
At 31 December 1997	34,027,778	2,791,170	29,856,092	113,690,064	180,365,104

Motor vehicles, furniture and equipment stated at a cost of Shs 34,903,518 (1997 - Shs 12,255,639) have been fully depreciated. The normal annual depreciation charge in respect of these assets would be Shs 6,836,286 (1997 - Shs 2,712,360).

Capital work in progress relates to the construction costs of the CFC Centre in Westlands, Nairobi.

Notes to the Financial Statements (Continued)

		GROUP		BANK	
		1998 Shs	1997 Shs	1998 Shs	1997 Shs
16	CUSTOMER DEPOSITS				
	(a) From government and parastatals				
	Payable within 90 days	43,300,000	38,300,000	43,300,000	38,300,000
	(b) From private sector and individuals				
	Payable within 90 days	2,347,880,623	2,330,934,999	2,413,630,291	2,341,034,999
	Payable after 90 days but within one year	8,329,649	14,673,643	16,241,581	14,673,643
	Payable after one year	34,843	604,999	34,843	604,999
		<u>2,399,545,115</u>	<u>2,384,513,641</u>	<u>2,473,206,715</u>	<u>2,394,613,641</u>

The bank's customer deposits payable within 90 days include deposits from subsidiary companies amounting to Shs 73,661,600 (1997 - Shs 10,100,000).

		1998 Shs	1997 Shs
17	LINE OF CREDIT		
	GROUP AND BANK		
	International Finance Corporation (Washington)	<u>618,500,000</u>	<u>125,400,000</u>

The bank has an unsecured revolving medium term line of credit with the International Finance Corporation (Washington) of US\$ 10,000,000. As at 31 December 1998, the drawdown was US\$ 10,000,000 (1997 - US\$ 2,000,000).

		1998 Shs	1997 Shs
18	SHARE CAPITAL		
	Authorised, issued and fully paid:		
	100,000,000 ordinary shares of Shs 5 each	<u>500,000,000</u>	<u>500,000,000</u>

Notes to the Financial Statements (Continued)

19 RESERVES

	Capital Shs	Revenue Shs	Total Shs
(a) GROUP			
At 1 January 1998	63,978,881	770,145,351	834,124,232
Retained profit for the year	-	172,186,019	172,186,019
Surplus on revaluation of:			
Freehold land and buildings	11,707,082	-	11,707,082
Quoted investments	17,299,144	-	17,299,144
Realised on disposal of quoted investments	(1,949,203)	1,949,203	-
At 31 December 1998	<u>91,035,904</u>	<u>944,280,573</u>	<u>1,035,316,477</u>
(b) BANK			
At 1 January 1998	-	629,157,336	629,157,336
Retained profit for the year	-	119,791,810	119,791,810
At 31 December 1998	<u>-</u>	<u>748,949,146</u>	<u>748,949,146</u>

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	1998 Shs	1997 Shs
(a) Reconciliation of consolidated operating profit to net cash inflow from operating activities		
Consolidated operating profit	425,681,093	483,766,072
Depreciation	23,441,891	24,465,708
Dividends received - quoted and unquoted investments	(3,676,823)	(15,482,474)
Write down of goodwill	-	37,152,470
Profit on disposal of fixed assets	(311,965)	(2,324,735)
Profit on disposal of quoted investments	(1,355,874)	-
(Increase)/decrease in loans and advances to customers	(162,332,381)	360,167,170
Decrease/(increase) in other debtors and prepayments	100,640,796	(236,229,268)
Increase/(decrease) in customer deposits	15,031,474	(399,578,029)
Increase in other liabilities	109,508,512	865,990,982
Decrease in certificates of deposit	(478,769,854)	(195,167,697)
Decrease in cash ratio requirement	130,863,276	224,597,023
Due to change in group structure	-	118,647,834
Net cash inflow from operating activities	<u>158,720,145</u>	<u>1,266,005,056</u>

Notes to the Financial Statements (Continued)

20 NOTES TO THE CASH FLOW STATEMENT (Continued)

	1998 Shs	1997 Shs
(b) Analysis of balances of cash and cash equivalents as shown in the balance sheet and notes:		
Cash	13,644,375	50,386,196
Treasury bills and bonds	628,620,620	693,358,564
Deposits and balances due from banking institutions	1,121,875,793	1,215,376,789
Deposits and balances due to banking institutions	(485,088)	(258,443,847)
	<u>1,763,655,700</u>	<u>1,700,677,702</u>

For the purposes of the cash flow statement, cash equivalents include short term liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the dates of the advances.

	1998 Shs	1997 Shs
(c) Changes in cash and cash equivalents during the year		
Balance at the end of the year	1,763,655,700	1,700,677,702
Balance at the beginning of the year	1,700,677,702	1,128,580,791
Increase in cash and cash equivalents	<u>62,977,998</u>	<u>572,096,911</u>

Notes to the Financial Statements (Continued)

	1998 Shs	1997 Shs
21 CONTINGENT LIABILITIES		
GROUP AND BANK		
Letters of credit, guarantees and acceptances	226,855,102	443,254,515
Other	13,229,345	18,595,064
	<u>240,084,447</u>	<u>461,849,579</u>

The above irrevocable letters of credit, guarantees and acceptances are on behalf of customers.

	1998 Shs	1997 Shs
22 CAPITAL COMMITMENTS		
GROUP		
Contracted but not provided for in the financial statements	<u>140,233,333</u>	<u>203,553,504</u>
Authorised but not contracted for	<u>45,976,067</u>	<u>59,036,625</u>
BANK		
Contracted but not provided for in the financial statements	<u>100,000,000</u>	<u>203,553,504</u>
Authorised but not contracted for	<u>27,500,000</u>	<u>32,000,000</u>

Proxy Form

PROXY

I/We _____

of _____

being a member/members of the above Company hereby appoint

of _____

or failing him/her _____

_____ of _____

or failing him/her, the duly appointed Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the company to be held on 11th June 1999 and at any adjournment thereof.

As witness my/our hand(s) this _____ day of _____ 1999

Member

Notes:

1. To be valid this proxy must be deposited at the Registered Office of the company not less than 48 hours before the time appointed for the meeting.

2. If the appointer is a Corporation, the proxy must be under its common seal or under the hand of an Officer or Attorney duly authorised in writing.

MWAKILISHI

Mimi/Sisi _____

wa _____

kama mwanachama/wanachama wa Kampuni iliyotajwa hapo juu, hapa namchagua/tunamchagua

wa _____

ama akikosa _____

wa _____

ama akikosa yeye, basi namchagua/tunamchagua yule aliyechaguliwa Mwenyekiti wa Mkutano huu kuwa Mwakilishi wangu/wetu, kunipigia/kutupigia kura kwa niaba yangu/yetu katika Mkutano Mkuu wa kampuni wa Mwaka utakaofanywa tarehe 8th June 1999 ama tarehe ya yote ile iwapo Mkutano utahirishwa.

Kama Shahidi natia/tunatia sahihi hii/hizi _____ siku hii ya _____ 1999

Mwanachama

Ukumbusho:

1. Ili iithibitishwe Karatasi hii ya Mwakilishi inapaswa kupelekwa kwa ofisi iliyoandikishwa ya kampuni katika muda usiopungua masaa 48 kabla ya muda uliowekwa wa Mkutano.

2. Ikiwa mwenye kuchagua ni Shirika basi karatasi ya Mwakilishi lazima ibandikwe ule muhuri wa Kampuni wa kawaida ama kibali cha Ofisa ama Wakala aliyepewa kibali kwa maandishi.

FOLD 2
KISA KUNJA HAPA

STAMP

Company Secretary
CFC Bank Limited
P O Box 72833
Nairobi, Kenya

FOLD 1
KUNJA HAPA KWANZA

FOLD 3
HALAFU KUNJA HAPA

Insert flap inside
Sasa ingiza hii karatasi udani ya
mkunjo ili ionekane kama bahasha