CfC Bank

L REPORT AND FINANCIAL STATEMENTS 2005

T R I B U T E

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Mr. P. K. Jani who had been the Chairman of CFC Bank Limited, CFC Financial Services Limited, The Heritage All Insurance Company Limited and a Director of CFC Life Assurance Limited, passed away on 19th December 2005 after a brief illness.

Mr. Jani had been the mentor and guiding light behind the CFC Group of Companies for the last three decades. We will miss his wisdom and mature guidance. We pray to the Almighty to give us strength to bear this loss.

As we mourn Mr. Jani's passing away, we rededicate ourselves to the fulfilment of his vision to take the CFC Group to greater heights by enhancing the range and quality of our financial services products. We will continue to be inspired by Mr. Jani's passion for quality customer service standards and good corporate governance in the conduct of the Group's businesses.

CfCBank

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Corporate Information

BOARD OF DIRECTORS

C Njonjo	-	Chairman
M Soundararajan**	-	Managing
J G Kiereini		
A P Hamilton *		
S W Lewis *		
U P Jani *		
A D Gregory		
T T Naikuni		
F N Ojiambo		
A A Munda	-	Director, Finance
M Blasetti***	-	Director, Corporate Banking

* British
** Indian
*** Italian

COMPANY SECRETARY

R R Vora

AUDIT COMMITTEE

A P Hamilton	-	Chairman
J G Kiereini		
C Njonjo		

SENIOR MANAGEMENT

M Soundararajan	-	Managing Director
M Blasetti	-	Director, Corporate Banking
A A Munda	-	Director, Finance
K S KrishnaKumar	-	General Manager, Projects
S Sanger	-	General Manager, Treasury
G W Radier	-	General Manager, Risk
A K Seth	-	Asst General Manager, Mombasa Branch
D N Gichuhi	-	Asst General Manager, Hire Purchase & Marketing
L Thegeya	-	Asst General Manager, Corporate Banking
S Mbori	-	Asst General Manager, Operations
R Kanyogo	-	Asst General Manager, Corporate Banking
R Fazal	-	Asst General Manager, Structured Finance
E Vitisia	-	Asst General Manager, Retail Banking & SME
C Hemachandra	-	Asst General Manager, IT

OFFICES

Registered Office

CFC Centre
Chiromo Road
P O Box 72833 - 00200 Nairobi

Chiromo Road Branch
CFC Centre, Chiromo Road
P O Box 72833 - 00200 Nairobi

Upper Hill Medical Centre Branch
Ralph Bunche Road
P O Box 2492 - 00200 Nairobi

Kimathi Street Branch
Corner House, Kimathi Street
P O Box 75501 - 00200 Nairobi

Intercontinental Hotel Agency
P.O Box 755501 - 00200 Nairobi

Mombasa Branch
Social Security House, Nkrumah Road
P O Box 84418, Mombasa

Naivasha Branch
CFC Heritage House, Moi Road
P.O Box 1053 - 20117 Naivasha

AUDITORS

Deloitte & Touche
"Kirungii", Ring Road, Westlands
P O Box 40092 - 00100 Nairobi

2007/0332

CfCBank

Notice of the Annual General Meeting

Notice is hereby given that the fifty first Annual General Meeting of CFC Bank Limited will be held at the CFC Centre, Chiromo Road, Westlands, Nairobi on Friday 26th May 2006 at 10:30 a.m.

ORDINARY BUSINESS

1. To receive and consider the Annual Report and Financial Statements for the year ended 31st December 2005 and the Directors' and Auditors' Reports thereon.

2. To approve the payment of a first and final dividend for the year ended 31st December 2005 of 16.8 % on the Issued Share Capital.

3. To elect Directors:

   i) Mr U.P. Jani retires by rotation under the provisions of Article 90 of the Articles of Association and being eligible offers himself for re-election.

   ii) Mr. S.W. Lewis, a Director who is over 70 years retires by rotation. 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;

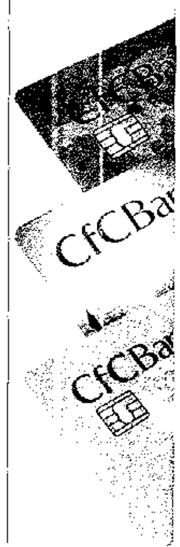
   "That Mr S.W. Lewis, a Director who is over 70 years be and is hereby re-elected to serve as Director of the Company until he next comes up for retirement by rotation under the Company's Articles of Association.

   iii) Mr Andrew Douglas Gregory having been appointed to the Board on 15th March 2006, retires from the Board under the provisions of Article 96 of the Articles of Association and being eligible offers himself for re-election.

   iv) Mr Titus Tukero Naikuni having been appointed to the Board on 15th March 2006, retires from the Board under the provisions of Article 96 of the Articles of Association and being eligible offers himself for re-election.

   v) Mr Fred N'cruba Ojiambo having been appointed to the Board on 15th March 2006, retires from the Board under the provisions of Article 96 of the Articles of Association and being eligible offers himself for re-election.

   vi) Mr Abel Apiyo Munda having been appointed to the Board on 15th March 2006, retires from the Board under the provisions of Article 96 of the Articles of Association and being eligible offers himself for re-election.



4. To approve the Directors' remuneration for the year ended 31st December 2005 as provided in the financial statements.

Notice of the Annual General Meeting
(Continued)

5. 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 authorize the Directors to agree their remuneration.

By Order of the Board

R R Vora
Secretary

Date: 15 March 2006

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.

Corporate Governance Statement

Corporate governance is the process and structure used to direct and manage the business affairs of CFC Bank and its subsidiaries to achieve prosperity and long term shareholder value.

The Board is committed to ensuring compliance with all the guidelines on corporate governance best practices issued by the Centre for Corporate Governance and the Capital Markets Authority (CMA). The Group complies with the provisions of the Code of Conduct for Directors, Officers and Employees in line with the Capital Markets Authority Act of 2002 in respect of guidelines on Corporate Governance Practices by public listed companies. The Group also complies with Central Bank of Kenya prudential guidelines together with the Insurance Act and Nairobi Stock Exchange Guidelines. The Group pursues professional standards and norms in handling its business relationships.

Shareholders' Responsibilities

The shareholders' role is to appoint the Board of Directors and the External Auditors. This role is extended to holding the Board accountable and responsible for efficient and effective corporate governance.

Board's Responsibilities

The composition of the Board is given on Page 2 of this report. Eight out of the eleven members of the Board, including the Chairman, are independent non-executive Directors. The Board of Directors is responsible for the governance of the Group and for conducting the business and operations of the Group with integrity and in accordance with the generally accepted corporate governance practices, in a manner based on transparency, accountability and responsibility. The Board retains full responsibility for the direction and control of the Bank and Group.

The Board meets at least once every quarter for scheduled meetings and on other occasions as may be necessary to deal with specific matters that may require attention in between the scheduled meetings. The Directors are provided with full and timely information to enable them to discharge their responsibilities effectively.

The Board has delegated authority for the day to day running of the Bank and its Subsidiary Companies to the Managing Directors and the Senior Management of the Bank and Subsidiary Companies.

Board Committees

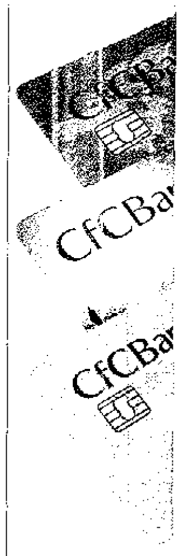
The Board has three standing committees that operate in accordance with the terms of reference set by the Board of Directors. The committees are as follows.

Audit & Risk Committee

The principal Board committee is the Audit & Risk Committee which is chaired by an independent non-executive Director and comprises of two other independent non-executive Directors. The committee meets twice every quarter. The mandate of the Audit Committee is to oversee the Group's financial reporting policies and internal controls; review and make recommendations on management programs established to monitor regulatory compliance and oversee the Group's risk management policies and procedures.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is responsible for the appointments, induction and remuneration of the Directors. Remuneration of the Directors is based on responsibilities allocated to the Directors, and is subject to annual reviews to ensure that it adequately compensates them for the time spent on the affairs of the Bank. The committee comprises two independent non-executive Directors, including the Chairman of the Board and the Managing Director. The committee meets at least once every year or more frequently as the committee's business may require.



Corporate Governance Statement
(Continued)

Board Credit Committee

The committee is responsible for the review, sanctioning and monitoring of all significant credit facilities in line with the Bank's credit policies. The committee is composed of two non-executive Directors, Managing Director, Director - Corporate Banking and General Manager - Risk. The committee meets on monthly basis or more frequently as the business requires.

Management Committees

The following are the management committees' which comprises of the Managing Director, Executive Directors and Senior Management.

Executive Management Committee

The committee which is chaired by the Managing Director and comprises of executive directors and all heads of departments meets at monthly intervals or more frequently as required to review business and operational aspects of the business on an ongoing basis.

Management Credit Committee

The committee, which is headed by the Managing Director, includes the Director (Corporate Banking), Assistant General Manager (Corporate Credit) and Senior Manager (Risk). The committee meets at least monthly, or more frequently as required by the Board through the Board credit committee.

The functions of the committee include appraisal and approval of credit applications. The committee also monitors and reviews non-performing assets and ensures adequate provisions are held against identifiable losses.

Assets-Liability Management Committee

The Bank has an Asset-Liability Management Committee (ALCO), which is chaired by the Bank's Managing Director and comprises of Senior Management in relevant departments. The committee meets monthly or more frequently as appropriate to monitor and manage the Bank's balance sheet to ensure that various markets, liquidity, interest rates and operational risks are addressed.

Communication with the Shareholders

The Group is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the distribution of the Group's annual report and financial statements and the release of quarterly results' and notices in the national press.

In this regard, the Group complies with its obligations contained in the Nairobi Stock Exchange's Listing guidelines and the Capital Markets Authority Act, 2002.

Direct equity interest of the Directors.

As at 31 December 2005, the direct equity interest of the Directors in CFC Bank were as follows

Director	Direct equity holding	Percentage of holding
C Njonjo	216,000	0.15
AP Hamilton	31,236	0.022

Corporate Social and Environmental Responsibility

The Company devotes considerable resources towards managing and balancing stakeholder relationships and interests so as to add social, environmental and economic value and to produce a positive sustainable impact for the business and society. This emanates from the realization that success in business depends largely on how a company interacts with all stakeholders within the environment in which it operates.

During the year the Company engaged in a number of initiatives to fulfill its commitment to good corporate citizenry. It mobilized its staff and financial resources to support various projects that have been established to serve special needs in the society. Among the institutions that received the Company's support were Pumwani Maternity Hospital, Nairobi Womens Hospital, Shangilia Mtoto Wa Africa Children's Home, the Spinal Injury Unit, SOS Children's Home and Little Sisters of the Poor. The Company donated cash and other valuables to further the noble objectives for which these institutions were set up.

The Company is equally aware that it should play a role in improving and maintaining a clean environment. Towards this end it supported tree planting initiative at Karura forest both through financial contribution and participation by its employees. The programme involved the planting of trees in a one-acre piece of land. In order to ensure uninterrupted growth the Company pays for the maintenance of these trees and conducts frequent site visits.

A dedicated, motivated and highly competent staff is an invaluable resource to any business aspiring for success. The Company is committed to the development of staff at all levels and sponsors training programmes each year that promote career progression. A performance based rewarding system is in place to recognize efforts made in achieving mutually agreed objectives. Staff are also supported in sporting activities which the Company sponsors in pursuit of a healthy and vibrant workforce.

The CFC House at the SOS Children's Village in Buruburu received Christmas gifts from the staff members.

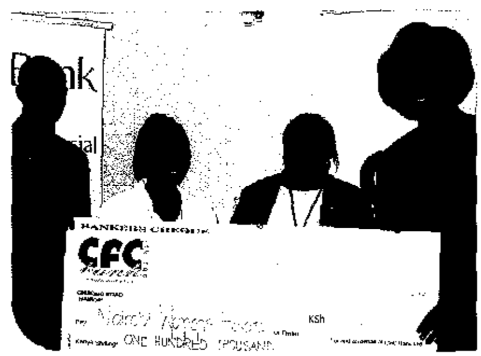
Staff members donated medical supplies to Pumwani Maternity Hospital, Nairobi.

Corporate Social and Environmental Responsibility (Continued)

CFC Naivasha branch contributed to the funding of the Naivasha Homecrafts Exhibition

Staff members planted trees at Karura Forest as part of CFC 's commitment to taking care of the environment.

CFC donated computers to the Computer for Schools Kenya Programme (CFSK).



Staff members visited The Nairobi Women's Hospital and donated funds to assist in the running of this unique health facility.

Chairman's Statement

Dear Shareholder,

It is my pleasure to present the Bank's Annual Report and Financial Statements for the year ended 31st December 2005.

The Passing away of Mr. Jani

I begin my first statement as Chairman with a tribute to Mr. P. K. Jani, our founding Chairman who passed away on 19th December 2005 after a short illness. Mr. Jani was the inspiration behind CFC Group's success and emergence as a strong financial services conglomerate in Kenya. His passion for excellence and ethical values in business inspired his colleagues on the Board and the management team to continually enhance the range and quality of products and services to customers. Mr. Jani's death was a great loss to the CFC family and a personal loss to me as PK was my close friend and business associate. As we grieve his passing we must celebrate his achievements and continually remind ourselves of his commitment to deliver exemplary shareholder value on a sustainable basis.

Operating environment

The year under review saw the resurgence of business confidence and strong corporate performance across key sectors of the economy. Real GDP growth was slightly ahead of 5% in 2005 thanks to improved performance by tourism, building and construction, transportation and horticulture sectors. Increased consumption of electricity, fuel and cement pointed to robust growth in the manufacturing sector as well. The financial sector posted improved performance with impressive credit off take by the Retail, SME, transportation and telecommunication sectors.

The 12 month overall inflation registered an increase of 7.56 % at year end 2005 while underlying inflation for the same period was 4.94%. However inflationary trends showed clear signs of acceleration towards year end thanks to surging oil prices and the impact of drought affecting most parts of the country.

The Government budget deficit was Shs 13.75 billion at year end representing 1% of GDP on commitment basis. The overall balance of payments improved to a surplus of US$ 293 million as at end November 2005 from US$ 111 million as at November 2004, the improvement resulting from increased capital and financial account which more than offset the deterioration in the current account. Gross foreign exchange reserves improved year on year by US$ 380 million to US$ 2430 million representing three months of imports cover. The Kenya Shilling appreciated against all major currencies during 2005.

Interest rates remained relatively stable during the year with the 91 day Treasury Bill yielding 8.07% at year end 2005 as compared to 8.04% at year end 2004. Short term interest rates edged downwards in the last quarter leading to increased trading in the secondary bond market.

The stock market was vibrant in 2005 thanks to strong earnings growth in listed companies and the successful introduction of a Central depository and settlement system for equities. The NSE Index went up by 34.8% in 2005 closing the year at 3973 with the market capitalization rising to Shs 462 billion.

For the year 2006 GDP growth is expected to be modest between 3.5% to 3.75%. Interest rates are expected to decline in the first half of the year thanks to surplus liquidity in the money markets and pick up in the second half in line with the steady increase in interest rates for US$. Inflationary pressures will accelerate in the first half of the year due to the impact of the drought and the steep increase in oil prices. Logically, Kenya Shilling should come under pressure; however capital flows for stock market investments and property purchases may still support a strong Kenya Shilling.

Chairman's Statement (Continued)

Highlights of performance in 2005

Banking assets increased by 21.38% from Shs 17.213 billion as at year end 2004 to Shs 20.893 billion at year end 2005. Liquid assets increased by Shs 2.568 billion to Shs 7.286 billion and loans and advances increased by Shs 692 million to Shs 11.662 billion. Deposits increased by 16.41% from Shs 14.342 billion to Shs 16.696 billion.

Group assets increased from Shs 29.829 billion to Shs 33.112 billion representing an increase of 11%.

Group pre tax profit rose to Shs 865.9 million, up from Shs 738.2 million representing an increase of 17.3%. Profit attributable to shareholders increased by 7.2% from Shs 433.1 million to Shs 464.2 million. Basic earnings per share went up to Shs 3.17 from Shs 2.97 based on the weighted average number of ordinary shares in issue during the year.

The subsidiaries continued to make positive contribution to Group profits. Pre tax profit from insurance operations increased from Shs 406 million for year ended December 2004 to Shs 472 million for year ended December 2005. CFC Financial Services Limited contributed Shs 95 million by way of pre tax profit. I am happy to report that brand CFC Life was well accepted by the customers of our life insurance business after the change of company name from Alico Kenya to CFC Life Assurance Limited.

As you are aware the share capital was increased in December 2005 by way of a Rights Issue of 12 million ordinary shares in the ratio of one share for every 12 shares held. The Rights Issue priced at Shs 62/- per share raised Shs 744 million. Your Bank also raised Shs 664.5 million by way of bond issue that was privately placed with institutional investors and fund managers; it is proposed to raise additional capital of Shs 135.5 million through a further issue of bonds in the first half of 2006 and list the bonds on the Nairobi Stock Exchange. The successful Rights issue of ordinary shares and the issue of bonds ensured that the Bank fully complied with capital adequacy guidelines. The additional capital will enable the growth momentum in evidence for the past few years to be accelerated. I take this opportunity to thank you all for enthusiastically responding to the Rights Issue and ensuring the success of the Issue.

We opened a new branch in Naivasha town in July 2005 and the initial response from our target market has been encouraging.

Based on the improved performance your Board recommends a final dividend of Shs 0.84 per share on the increased capital of Shs 780 million.

In December 2005 we celebrated the completion of 50 years of CFC's incorporation with a series of events culminating in a dinner hosted for our customers and business partners. I am happy to report that the staff enthusiastically participated in the 50th anniversary celebrations and various community support events that included blood donation programmes, planting of trees and partnering with organizations rendering monetary and moral support to disadvantaged sections of society.

Key focus areas for 2006

Key focus areas for 2006 are as follows:-

- We have commenced a Retail & SME initiative primarily targeted at increasing our current and savings accounts. A range of Retail asset and liability products will be launched during 2006.

- A new banking software will be installed in the first half of 2006. The new application will enhance our capacity to offer technology solutions to our customers. Our Retail & SME initiative will be supported by a

Chairman's Statement (Continued)

focused ICT strategy and infrastructure which will take into consideration the product requirements of the Group companies.

- We will issue chip based credit and debit cards for the first time in Kenya in the first half of 2006 under Master Card franchise. We propose to introduce a range of card products in consultation with Group companies and in collaboration with other business partners.

- Exploitation of Group synergies will be a key strategic initiative. A task force will be established to identify cross selling opportunities within the Group companies and implement practical and time bound action plans that will ensure marketing of Group products to the Group client base. This task force will also identify functions within the Group that can be centrally managed with a view to introducing consistent standards and practices across the Group and increasing overall efficiency by optimizing costs.

- Your Bank will adopt enhanced risk management processes in preparation for compliance with the impending Basel II regime and the new prudential guidelines introduced by Central Bank of Kenya. A more broad based enterprise wide risk management approach will be adopted covering all aspects of risk – credit risk, operational risk and market risk.

Our staff continue to be our most valuable asset. We will ensure that appropriate resources are committed to staff training and development. A job evaluation initiative has been taken up with the assistance of KPMG; once this exercise is completed a new business focused organizational structure will emerge that will provide career enhancement opportunities to high performers.

During 2005 Mr. R.J. Barry, Managing Director till May 2005 took early retirement. I take this opportunity to thank Mr. Barry for his contributions to the Bank in various senior management positions since 1993 when he joined the Bank. Mr. Madabhushi Soundararajan was appointed Managing Director on 3rd June 2005. He was appointed Managing Director of CFC Financial Services in March 2000. He has been an Executive Director of CFC Bank Limited since June 2000.

In conclusion I would like to register my appreciation to the Board, management and staff of the CFC Group companies for their unstinted support. I wish to thank you the shareholders, our customers and business partners for their continuing support with an assurance that we will continually strive to enhance the range and quality of our services.

Thank you.

C Njonjo

15 March 2006

Taarifa ya Mwenyekiti

Mpendwa Mwanahisa

Ni furaha yangu kuwaelezea kuhusu Ripoti ya Mwaka na Taarifa ya Pesa ya mwaka ulioisha tarehe 31. Desemba 2005.

Kifo cha Bwana Jani

Naanza taarifa zangu za kwanza kama Mwenyekiti kwakutoa rambirambi kwa Bwana P.K. Jani ambaye alifariki mnamo tarehe 19, Desemba, 2005 baada ya kuugua kwa muda mfupi. Bwana jani ndiye aliyekuwa msukumo wa mafanikio ya Kundi la CFC na kujitokeza kama kampuni inayotoa huduma thabiti za kifedha hapa Kenya. Kupenda kwake kazi nzuri na maadili mema katika biashara kulisukuma wenzake katika halmashauri na kundi la wasimamizi kuendelea kuzidisha na kuimarisha aina za bidhaa kwa wateja. Kifo cha Bwana Jani kilikuwa pigo kubwa kwa Familia ya CFC na pigo kubwa kwangu binafsi kwani Bwana Jani alikuwa rafiki yangu wa karibuna mwandani wangu kibiashara. Wakati tukiomboleza kifo chake nilazima pia tufurahie mafanikio yake na tuendelee kujikumbusha kujitolea kwake kutoa thamani ya wanahisa yakujitegemea.

Mazingira ya Utendajikazi

Mwaka tunaoangalia ulishuhudia ongezeko la biashara na mafanikio makubwa ya makamuni katika sekta nyingi za kiuchumi. Uzalishaji wa mapato ya nchi uliongezaka zaidi ya asili mia 5 ukilinganishwa na ule wa mwaka wa 2005, shukrani kwa kazi nzuri kutokana na sekta za utalii, ujenzi, usafiri na ile ya kilimo cha bustani pia. Sekta ya fedha ilifanya vizuri huku wateja kama wafanya biashara ndogondogo, wanaofanya biashara ya usafiri na mawasiliano wakichukua mikopo ya kupendeza.

Kupanda kwa gharama ya maisha kwa muda wa miezi 12 kulifikia asilimia 7.56 kufikia mwisho wa mwaka wa 2005 ambapo gharama za kawaida kwa muda huohuo zilikuwa asilimia 4.94. Hata hivyo, nyenzo za gharama za maisha zilionyesha kupanda wazi wazi kufikia mwisho wa mwaka kutokana na kupanda kwa bei za mafuta na athari za kiangazi kilichoathiri sehemu kubwa ya nchi.

Makadirio ya fedha za serikali zilipungua na kiwango cha shilingi bilioni 13.75 kufikia mwisho wa mwaka , hii ikiwa ni asilimia 1 ya uzalishaji wa mapato ya nchi kulingana na makadiro ya kujitolea. Kiwango cha jumla cha malipo kiliongezeka na zaidi ya dola milioni 293 kufikia mwisho wa mwezi wa Novemba 2005 kutoka kwa dola milioni 111 mnamo Novemba 2004, imarisho lililotokana na ongezeko la mapato fedha ambazo zinafidia kupungua kwa mahesabu ya sasa. Ubadilishaji wa fedha za akiba uliimarika mwaka hadi mwaka na dola za Marekani milioni 2430 ikiwakilisha uuzaji nje wa bidhaa wa muda wa miezi mitatu. Shilingi iliimarika dhidi ya sarafu nyingine mnamo mwaka 2005.

Viwango vya riba vilibakia katika hali ya kawaida kwa kiwango fulani katika mwaka na hisa za serikali za muda wa siku 91 zikizalisha asilimia 8.07 kufikia mwisho wa mwaka 2005 ikilinganishwa na asilimia 8.04 kufikia mwisho wa 2004. Viwango vya riba vya muda mfupi viliteremka katika muda miezi minne ya mwisho ya mwaka ikipelekea kuongezeka kwa kiwango cha biashara katika hisa za serikali.

Soko la Hisa lilikuwa na shughuli nyingi katika mwaka wa 2005 jambo lililosababishwa na kufanya vizuri kibiashara kwa makampuni yaliyoorodheshwa, na kuanzishwa kulikofanikiwa kwa mfumo wa pamoja wa uwasilishaji wa hisa. Kielezo cha Shirika la Ubadilishanaji wa Hisa la Nairobi kiliongezeka na asilimia 34.8 mnamo 2005 na kufunga mwaka katika 3973 huku fedha sokoni zikipanda na kufikia shilingi bilioni 462.

Katika mwaka huu wa 2006, uzalishaji wa mapato ya nchi unatarajiwa kuwa wa kadri, kati ya asilimia 3.5 na 3.75. Viwango vya riba vinatarajiwa kushuka katika nusu ya kwanza ya mwaka kutokana na kuweko kwa pesa zaidi katika masoko ya pesa na kupanda katika sehemu ya pili ya mwaka kutokana na kupanda kwa viwango vya riba vya dola ya Marekani. Misukumo ya kupanda kwa gharama za maisha itapanda katika sehemu ya kwanza ya mwaka kutokana na athari za kiangazi na kupanda sana kwa bei za mafuta. Kawaida, shilingi inatarajiwa kusukumwa kiasi; hata hivyo

Taarifa ya Mwenyekiti (Inaendelea)

mielekeo ya fedha kwa uwekezaji katika soko la hisa na ununuzi wa bidhaa bado vinaweza kuasidia kuimarika kwa shilingi katika siku za usoni.

Mambo muhimu ya ufanyajikazi wetu katika mwaka wa 2005

Rasilmali ya Benki iliongezeka na asilimia 21.38 kutoka kwa shilingi bilioni 17.213 kufikia mwisho wa mwaka wa 2004 hadi shilingi bilioni 20.893 mwisho wa 2005. Rasilmali za pesa ziliongezeka na shilingi bilioni 7.286, na mikopo na pesa nyingine ziliongezeka na shilingi milioni 696 na kufikia shilingi bilioni 11.662. Uwekaji pesa uliongezeka na asilimia 16.41 kutoka shilingi bilioni 14.342 hadi shilingi bilioni 16.696.

Rasilmali za kundi ziliongezeka kutoka shilingi bilioni 29.829 hadi shilingi bilioni 33.112 hili likiwa ni ongezeko la asilimia 11.

Faida kabla ya ushuru ilipanda hadi shilingi milioni 865.9, kutoka shilingi milioni 738.2 ikiwakilisha ongezeko la asilimia 17.3. Faida kutokana kwa mapato ya wanahisa iliongezeka na asilimia 7.2 kutoka kwa shilingi Milioni 433.1 hadi sh. 464.2. Mapato ya kawaida kwa hisa moja yalipanda hadi shilingi 3.17 kutoka 2.97 kutokana na kiwango cha hisa za kawaida zilizotolewa mwakani.

Matawi yetu yaliendelea kuleta faida katika kundi letu. Faida kabla ya ushuru kutoka kwa shughuli za bima ziliongezeka kwa shilingi Milioni 406 kwa mwaka ulioisha Desemba 2004 hadi shilingi Milioni 472 kwa mwaka ulioisha Desemba 2005. Kampuni ya CFC ya Huduma za Fedha ilitoa shilingi Milioni 95 kama faida kabla ya ushuru. Ninafuraha kuwambia kwamba Kampuni ya CFC Life ilikubal;ika na wateja wetu wa biashara ya bima ya maisha baada ya kubadili jina la kampuni kutoka Alico Kenya hadi kwa Kampuni ya Bima ya Maisha ya CFC.

Kama mjuavyo, kiwango cha hisa kiliongezeka mnamo Decemba 2005 kwa kutoa hisa zingine za kawaida milioni 21 katika resho ya hisa moja kwa hisa 12 mtu alizokuwa nazo.Hisa hizo ziliuzwa kwa bei ya shilingi 62 kwa hisa na kutuletea shilingi milioni 744. Benki yenu pia iliweza kupata shilingi Milioni 664.5 kwa kutoa hati ya pesa iliyotolewa kibinafsi kwa wawekezaji wa kibinafsi na wasimamizi wa fedha; Inapendekezwa kupata kiasi chengine cha shilingi milioni 135.5 kupitia hati nyingine ya pesa katika sehemu ya kwanza ya mwakawa 2006 na kuorodhesha hati zi katika kampuni ya hisa ya Nairobi. Kufanikiwa kwa utoaji huu wa hisa za kawaida na utoaji wa hati za pesa kulionelea kwamba benki ilifuata kanuni zilizowekwa. Pesa hizi za ziada za miaka michache iliyopita itaharakisha upataji wa faida. Nachukua nafasi hii kuwashukuru nyote kwa kuitikia kununua hisa hizo na kuonelea kwamba zoezi hilo linafanikiwa.

Tulifungua tawi jipya katika mji wa Naivasha na mwitikio wa awali kutoka kwa soko tulilotegea umekuwa wa kutia moyo.

Kutokana na kuimarika kwa ufanyajikazi, Halmashauri yenu inapendekeza kigawanyo cha mwisho cha shilingi 0.84 kwa kila hisa kwa ongezeko la pesa la shilingi milioni 780.

Mnamo Desemba 2005 tulisherehekea kumaliza kwetu kwa miaka 50 ya kufanya biashara kwa kampuni ya CFC kupitia kwa shughuli mbalimbaki zikimalizikia na sherehe ya chakula cha jioni kilichoandaliwa wateja na washiriki wetu wa kibiashara. Nafurahi kuwaeleza kwamba, wafanyakazi wetu walishiriki kwa kwa bidii katika sherehe za miaka 50 na katika shughuli mbalimbali za kusaidia jamii zilizojumuisha mipango ya utoaji damu, kupanda miti na kushirikiana na mashirika yanayotoa hudfuma za fedha na usaidizi mwingine kwa jamii ya wasiobahatika.

Taarifa ya Mwenyekiti (Inaendelea)

Mambo muhimu ya kuangazia katika mwaka wa 2006

Sehemu za kuangazia katika mwaka wa 2006 ni kama zifuatazo:

- Tumeanzisha ari ya rejareja nay a biashara ndogondogo iliyonuiwa kuongeza akaunti zetu za kibiashara na za uwekaji akiba. Rasilmali kadhaa za rejareja na bidhaa za kuwajibika zitazinduliwa katika mwaka wa 2006

- Tunararajia kuweka Mtandao mpya wa kufanyia kazi za benki katika sehemu ya kwanza ya mwaka wa 2006. Mtandao huu utaimarisha uwezo wetu wa kutoa masuluhisho ya kiteknolojia kwa wateja wetu. Ari yetu ya rejareja na biashara ndogondogo itasaidiwa na mkakati wa mawasiliano wenye mwelekeo thabiti na muundomsingi ambao utatilia maanani mahitaji ya bidhaa ya kundi la makampuni.

- Tutatoa mikopo rahisi na kadi za kutolea pesa kwa mara ya kwamna hapa Kenya katika sehemu ya kwanza ya mwaka huu wa 2006 chini ya kampuni ya Master Card. Tunapendekeza kuanzisha mkururo wa kadi kadhaa baada ya makubaliano na kundi la makampuni yetu na washirika wetu wa kibiashara.

- Ari kubwa mwaka huu nikuonelea kwamba mwingiliano wa makampuni yetu unatumika kwa manufaa na unaweza kujitegemea. Kundi la kufanya kufanya shughuli hii litachaguliwa ili kuangalia nafasi zilizoko katika kundi la makampuni na kuweka matendo yanayoweza kufanyika kwa mudas fulani yatakayoonelea kwamba bidhaa za kundi zinasambazwa kwa wateja wa kundi. Kundi hili pia litatafuta shughuli na kundi la makampuni ambayo yanaweza kusimamiwa kwa pamoja ili kuleta vegezo sawa na desturi katika kundi la makampuni yetu ili kuongeza utendaji kazi na kupunguza gharama.

- Benki yenu itaanzisha mikururo ya usimamizi wa hasara ili kujitayarisha kwa shughuli inayokuja ya BASE II REGIME na kanuni mpya zilizoanzishwa na Benku kuu ya Kenya. Usimamizi wa hali ya juu na mpana zaidi utaanzishwa ili kukidhi mahitaji yote ta hasara- hasara za mikopo, utendaji kazi na hasara masokoni.

Wafanyakazi wetu wanaendelea kuwa rasilmali yetu muhimu. Tutaonelea kwamba rasilmali za kufaa zinatengwa kwa ajili ya mafunzo na maendeleo yao yao. Tathmini ya kazi zao imefanywa kupitia kwa kampuni ya KPMG; mara zoezi hili likikamilika muundo mpya wa kampuni na wenye mwelekeo utakuweko ambao utaimarisha nafasi za kazi na utendakazi wa hali ya juu.

Mnamo mwaka wa 2005, Bwana R. J. Barry Mkurugenzi Mkuu hadi Mei 2005 aliamua kustaafu mapema. Nachukua nafasi hii kumshukuru Bwana Barry kwa mchango wake katika benki katika viwango mbalimbali vya usimamizi toka mwaka wa 1993 alipojiunga na Benki. Bwana Madabhushi Soundararajan alichaguliwa kuwa Mkurugenzi Mkuu tarehe 3 Juni 2005. Alichaguliwa Mkurugenzi Mkuu wa Kampuni ya Huduma za Fedha ya CFC mnamo mwezi Machi 2000. Amekuwa Mkurugenzi Afisa Mkuu wa Benki ya CFC kutoka Juni 2000.

Katika hitimisho, ningetaka kushukuru Halmashauri, wasimamizi na wafanyakazi wa Kundi la Makampuni la CFC kwa ushirikiano usiokuwa na doa. Ningependa kuwashukuru nyinyi wanahisa, wateja wetu, na washiriki wetu kwa msaada wa kila mara na hakikisho kuwa tutaendelea kujitahidi kuimarisha kiwango cha bidhaa zetu.

Asanteni

C Njonjo

15 Machi 2006

Report of the Directors

The Directors present their report together with the audited financial statements for the year ended 31 December 2005.

ACTIVITIES

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

GROUP RESULTS	Sh'000
Profit before taxation	865,879
Taxation expense	(313,388)
Profit after taxation	552,491
Minority interest	(88,296)
Net profit for the year transferred to reserves	464,195

DIVIDEND

The Directors recommend a first and final dividend of Shs 0.84 per share (16.8%) amounting to Shs 131,040,000 for the year ended 31 December 2005 which is to be paid on or about 26th May 2006 to shareholders registered at the close of business on 6th May 2006.

Directors

The present Directors are shown on page 2.

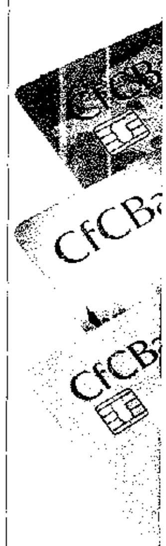
Mr R J Barry resigned on 2 June 2005 while Mr P K. Jani passed away on 19 December 2005.

Mr U P Jani retires from the Board by rotation, and being eligible offers himself for re-election

Mr S W Lewis, who is over 70 years, retires by rotation. Special notice has been received by the bank pursuant to Section 142 of the Companies Act, and resolution will be considered at the Annual General Meeting to propose his re-election as director of the Bank in accordance with Section 186 (5) of the Companies Act.

Messrs. A D Gregory, T T Naikuni, F N Ojiambo, A A Munda, having been appointed to the Board on 15 March 2006 retire from the Board under the provisions of Article 96 of the Articles of Association and being eligible offer themselves for re-election.

Mr. A P Hamilton will step down from the Board at the Annual General Meeting to be held on 26 May 2006.



AUDITORS

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

BY THE ORDER OF THE BOARD

Secretary
Nairobi

15 March 2006

Directors' Responsibilities

The Companies Act requires the Directors to prepare financial statements 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 and the bank for that year. It also requires the Directors to ensure that the Group keep proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group. They are also responsible for safeguarding the assets of the Group.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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

C Njonjo

Director

M Soundararajan

Director

15 March 2006

Independent Auditor's Report

We have audited the financial statements on pages 18 to 67 for the year ended 31 December 2005 and have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

Respective responsibilities of Directors and auditors
As described on page 16, the Directors are responsible for the preparation of the financial statements. Our responsibility is to express an opinion on those financial statements based on our audit.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform 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. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion,

(a) proper books of account have been kept by the bank and the bank's balance sheet is in agreement therewith;

(b) The financial statements give a true and fair view of the state of affairs of the bank and the Group as at 31 December 2005 and of the profit and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards and comply with the Kenyan Companies Act.

DELOITTE & TOUCHE

15 March 2006

Consolidated Income Statement

for the year ended 31 December 2005

	Note	2005 Sh'000	2004 Sh'000 (restated)
INTEREST INCOME	3	2,401,525	1,450,494
INTEREST EXPENSE	4	(881,876)	(337,076)
NET INTEREST INCOME		1,519,649	1,113,418
Fees and commission income		516,171	350,702
Foreign exchange trading income		125,127	90,324
Other operating income	5	2,702,531	1,985,863
OPERATING INCOME		4,863,478	3,540,307
Operating expenses	6	(3,935,838)	(2,744,917)
Impairment losses on loans and advances	16	(91,264)	(75,143)
OPERATING PROFIT		836,376	720,247
SHARE OF PROFIT IN ASSOCIATES	17	29,503	17,912
PROFIT BEFORE TAXATION		865,879	738,159
TAXATION	8	(313,388)	(215,442)
PROFIT AFTER TAXATION	9	552,491	522,717
ATTRIBUTABLE TO:			
MINORITY INTEREST		88,296	89,669
EQUITY HOLDERS OF THE PARENT		464,195	433,048
		552,491	522,717
		Shs	Shs
EARNINGS PER SHARE			
Basic	10	3.17	2.97
Diluted	10	3.17	2.97
DIVIDEND PER SHARE - Proposed	11	0.84	0.84

CfCBank

Consolidated Balance Sheet

for the year ended 31 December 2005

	Note	2005 Sh'000	2004 Sh'000 (restated)
ASSETS			
Cash and balances with Central Bank of Kenya	12	1,389,193	967,113
Government securities	13	9,548,033	9,124,433
Deposits and balances due from banking institutions	14	2,708,513	1,264,614
Loans and advances to customers	15	11,661,714	10,969,365
Investment in associates	17	109,533	107,095
Other assets	18	3,029,567	3,444,842
Taxation recoverable		48,463	5,185
Investment properties	20	293,981	152,250
Other investments	21	2,162,734	1,776,474
Property and equipment	22(a)	958,111	823,240
Operating lease prepayment	23	31,953	36,109
Goodwill	24	1,084,647	1,084,647
Intangible assets	25	16,505	18,946
Deferred tax asset	26(a)	69,247	54,357
Total assets		33,112,194	29,828,670
LIABILITIES			
Customer deposits	27	14,794,042	12,673,291
Deposits due to banking institutions	28	1,398,575	1,464,202
Line of credit	29	443,756	393,250
Borrowings	30	952,412	623,000
Other liabilities	31	11,356,939	11,508,084
Taxation payable		58,589	50,489
Deferred tax liability	26(b)	125,917	74,382
Unclaimed dividends		5,506	4,838
Total liabilities		29,135,736	26,791,536
CAPITAL RESOURCES			
Share capital	32	780,000	720,000
Share premium		669,420	-
Capital reserve		233,496	231,172
Revaluation reserve		40,962	-
Fair value reserve		(192,823)	20,961
Revenue reserve		1,894,027	1,442,786
Proposed dividend		-	120,800
Equity attributable to equity holders of the parent		3,425,082	2,535,719
Minority interest		551,376	501,415
Total equity		3,976,458	3,037,134
Total equity and liabilities		33,112,194	29,828,670

The financial statements on pages 18 to 67 were approved by the Board of Directors on 15 March 2006 and were signed on its behalf by:

C Njonjo)
J G Kiereini) Directors
M. Soundararajan)
R R Vora) Company Secretary

Bank Balance Sheet

for the year ended 31 December 2005

	Note	2005 Sh'000	2004 Sh'000
ASSETS			
Cash and balances with Central Bank of Kenya	12	1,383,392	967,111
Government securities	13	3,818,703	3,053,818
Deposits and balances due from banking institutions	14	2,083,724	696,539
Loans and advances to customers	15	11,661,714	10,969,365
Other assets	18	349,216	190,451
Due from subsidiary companies		116,660	100,807
Investment in subsidiary companies	19	641,235	691,235
Other investments	21	150,000	-
Property and equipment	22(b)	589,696	451,342
Operating lease prepayments	23	31,250	31,600
Intangible assets	25	12,025	10,771
Deferred tax asset	26(a)	55,780	50,366
Total assets		20,893,395	17,213,405
LIABILITIES			
Customer deposits	27	15,300,876	12,878,016
Deposits due to banking institutions	28	1,394,673	1,464,202
Line of credit	29	443,756	393,250
Other liabilities	31	341,527	613,855
Borrowings	30	664,500	-
Taxation payable		2,139	31,513
Amount due to subsidiary companies		22,658	4,988
Unclaimed dividends		5,506	4,838
Total liabilities		18,175,635	15,390,662
CAPITAL RESOURCES			
Share capital	32	780,000	720,000
Share premium		669,420	-
Revenue reserve		1,277,656	981,943
Fair value adjustments		(9,316)	-
Proposed dividend		-	120,800
Shareholders' funds		2,717,760	1,822,743
Total liabilities and shareholders' funds		20,893,395	17,213,405

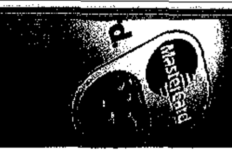
The financial statements on pages 18 to 67 were approved by the Board of Directors on 15 March 2006 and were signed on its behalf by:

C Njonjo	)	
J G Kiereini	)	Directors
M. Soundararajan	)	
R R Vora	)	Company Secretary

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital Sh'000	Share premium Sh'000	Capital reserve Sh'000	Fair value reserve Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Equity attributable to holders of the parent Sh'000	Minority interest Sh'000	Total Sh'000
At 1 January 2004	600,000	-	196,841	47,942	-	1,270,105	100,800	2,215,688	444,130	2,659,818
Net profit for the year	-	-		-	-	433,048	-	433,048	89,669	522,717
Exchange differences arising on translation of a foreign subsidiary	-	-	765	714	-	891	-	2,370	-	2,370
Fair value adjustment on quoted Investments	-	-		(19,946)	-	-	-	(19,946)	(10,403)	(30,349)
Realised on disposal of investment	-	-		(7,749)	-	-	-	(7,749)	-	(7,749)
Total of income and expense items	-	-	765	(26,981)	-	891		(25,325)	(10,403)	(35,728)
Recognised directly in equity Dividend declared – 2003	-	-	-	-	-	-	(100,800)	(100,800)	(21,981)	(122,781)
Dividend declared – 2004 (note 11)	-	-	-	-	-	(120,800)	120,800	-	-	-
Bonus issue of shares by parent Company	120,000	-	-	-	-	(120,000)	-	-	-	-
Bonus issue of shares by subsidiary companies	-	-	71,474	-	-	(71,474)	-	-	-	-
Transfer to revenue reserve	-	-	(37,908)	-	-	37,908	-	-	-	-
At 31 December 2004	720,000	-	231,172	20,961	-	1,429,678	120,800	2,522,611	501,415	3,024,026
At 31 December 2004 – as previously reported	720,000	-	231,172	20,961	-	1,429,678	120,800	2,522,611	501,415	3,024,026
Prior year adjustment (arising from deferral of insurance policies acquisition costs)	-	-	-	-	-	13,108	-	13,108	-	13,108
At 31 December 2004 - restated	720,000	-	231,172	20,961	-	1,442,786	120,800	2,535,719	501,415	3,037,134



Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

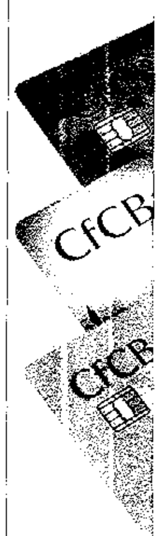
	Share capital Sh'000	Share premium Sh'000	Capital reserve Sh'000	Fair value reserve Sh'000	Revaluation surplus Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Equity attributable to holders of the parent Sh'000	Minority interest Sh'000	Total Sh'000
At 1 January 2005 – as restated	720,000	-	231,172	20,961	-	1,442,786	120,800	2,535,719	501,415	3,037,134
Net profit for the year	-	-	-	-	-	464,195	-	464,195	88,296	552,491
Exchange differences arising on translation of a foreign subsidiary	-	-	(12,201)	(2,324)	-	(1,764)	-	(16,289)	-	(16,289)
Fair value adjustment on quoted investments	-	-	-	(211,460)	-	-		(211,460)	(17,143)	(228,603)
Property Revaluation	-	-	-	-	63,280	-	-	63,280	-	63,280
Deferred tax on revaluation	-	-	-	-	(18,983)			(18,983)		(18,983)
Transfer of excess depreciation					(4,764)	4,764	-	-	-	-
Deferred tax on transfer	-	-	-	-	1,429	(1,429)	-	-	-	-
Total of income and expense items Recognised directly in equity	-	-	(12,201)	(213,784)	40,962	1,571	-	(183,452)	(17,143)	(200,595)
Dividend – 2004 declared	-	-	-	-	-	-	(120,800)	(120,800)	(21,192)	(141,992)
Rights issue by parent	60,000	669,420	-	-	-	-	-	729,420	-	729,420
Bonus issue of shares by subsidiary companies	-	-	12,016	-	-	(12,016)	-	-	-	-
Transfer from revenue reserve	-	-	2,509	-	-	(2,509)	-	-	-	-
At 31 December 2005	780,000	669,420	233,496	(192,823)	40,962	1,894,027	-	3,425,082	551,376	3,976,458

Capital reserves result from capitalisation of revenue reserves through bonus issue of shares by subsidiaries and exchange differences arising there from.
Revaluation reserve comprises accumulated surplus on revaluation of property and equipment and fair value adjustments relating to available-for-sale investments.
The retained earnings represent accumulated profits retained by the Group after payment of dividends to the shareholders.

Bank Statement of Changes in Equity

for the year ended 31 December 2005

	Share capital Sh'000	Share premium Sh'000	Fair value adjustments Sh'000	Revenue reserve Sh'000	Proposed dividends Sh'000	Total Sh'000
At 1 January 2004	600,000	-	-	980,308	100,800	1,681,108
Bonus issue	120,000	-	-	(120,000)	-	-
Net profit for the year	-	-	-	242,435	-	242,435
Dividend declared – 2003	-	-	-	-	(100,800)	(100,800)
Proposed dividend – 2004 (Note 11)	-	-	-	(120,800)	120,800	-
At 31 December 2004	720,000	-	-	981,943	120,800	1,822,743
At 1 January 2005	720,000	-	-	981,943	120,800	1,822,743
Rights issue	60,000	669,420	-	-	-	729,420
Revaluation deficit	-	-	(9,316)	-	-	(9,316)
Net profit for the year	-	-	-	295,713	-	295,713
Dividend declared – 2004	-	-	-	-	(120,800)	(120,800)
At 31 December 2005	780,000	669,420	(9,316)	1,277,656	-	2,717,760



Consolidated Cash Flow Statement

for the year ended 31 December 2005

	Note	2005 Sh'000	2004 Sh'000
CASH GENERATED FROM OPERATING ACTIVITIES	34(a)	1,781,862	2,446,075
Taxation paid		(365,057)	(190,160)
Net cash generated from operating activities		1,416,805	2,255,915
INVESTING ACTIVITIES			
Acquisition of Subsidiary Companies	34(c)	-	(1,757,333)
Additions to property and equipment		(267,386)	(90,575)
Additions to intangible assets		(12,134)	(4,581)
Proceeds from sale of equipment		3,687	273
Proceeds from the sale of intangible assets		1,010	-
Additions to investment properties		(32,213)	(272)
Investment in associate		-	(77,786)
Net cash used in investing activities		(307,036)	(1,930,274)
FINANCING ACTIVITIES			
Dividends paid		(120,132)	(100,174)
Dividends paid to minority		(21,192)	(21,981)
Proceeds from rights issue		729,420	-
Proceeds from borrowings		329,412	-
Dividend from associate		4,655	-
Net cash generated from/(used in) financing activities		922,163	(122,155)
Exchange rate adjustments		(8,464)	4,217
NET INCREASE IN CASH AND CASH EQUIVALENTS		2,023,468	207,703
CASH AND CASH EQUIVALENTS AT 1 JANUARY		138,154	(69,549)
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	34(b)	2,161,622	138,154

Notes to the Financial Statements
for the year ended 31 December 2005

1 *ACCOUNTING POLICIES*

The financial statements have been prepared in accordance with International Financial Reporting Standards. The principal accounting policies remain unchanged from the previous year and are set out below:

Basis of accounting
The financial statements are prepared under the historical cost basis of accounting modified to include the revaluation of certain assets.

Adoption of new and revised International Financial Reporting Standards
In 2005 several new and revised standards became effective for the first time and have been adopted by the Company where relevant to its operations. The adoption of these new and revised standards had no effect on the amounts reported for the current or prior years. This only resulted in changes in presentation and disclosure:

- IAS 10 has affected the presentation of proposed dividends
- IAS 16 has required the disclosure of comparative figures for movements in property and equipment
- IAS 24 has required the disclosure of the compensation of key management personnel
- IFRS 4 has affected disclosures with respect to insurance contracts and re-insurance contracts held
- IAS 39 has resulted in the recognition of fair value gains and losses on available-for-sale financial instruments in equity. Previously they were recorded in income statement

At the date of authorisation of these financial statements IFRS 7 on Financial Instruments Disclosures was in issue but not yet effective. The adoption of this Standard, when effective, will have no material impact on the financial statements of the Group.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries: CFC Financial Services Limited, CFC Holdings Limited, CFC Investments Limited, Equity Stock Brokers Limited, The Heritage AII. Insurance Company Limited, Azali Limited, The Heritage AII. Insurance Company (T) Limited and CFC Life Assurance Limited. The financial statements of the bank and its subsidiaries have been made up to 31 December.

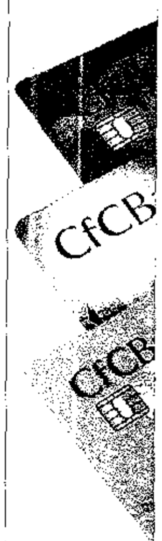
Subsidiary undertakings, which are those entities in which the Group has an interest of more than half of the voting rights or otherwise has power to exercise control over the operations are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group. All inter-Company transactions are eliminated.

Investments in associates are accounted for by the equity method of accounting. Associates are undertakings over which the Group has significant influence, but which it does not control.

Goodwill
Initially goodwill is measured at cost, being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

If the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the Group:

(a) reassesses the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination; and
(b) recognises immediately in profit or loss any excess remaining after that reassessment.



Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

Investments in Subsidiary Companies
Investments in Subsidiary Companies in the parent's separate financial statements (details of which are disclosed in note 19) are stated at cost less provision for impairment loss where applicable.

Investment properties
Investment properties are stated at open market value and are not depreciated. Valuations are carried out every three years by independent valuers and updated every year by the Directors. Changes in their carrying amounts are accounted for in the income statement in accordance with International Financial Reporting Standard No. 40, Investment Properties.

Revenue recognition

Banking
Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Fees and commission income are recognised at the time of effecting the transactions.

Insurance
Premium income is recognised on assumption of risks, and includes estimates of premiums due but not yet received, less an allowance for cancellations, and less unearned premium. Unearned premiums represent the proportion of the premiums written in periods up to the accounting date that relates to the unexpired terms of policies in force at the balance sheet date, and is computed using the 365ths method. Insurance contract liabilities for the long-term business are stated after adjustment for unearned premium.

Property and equipment
Property and equipment is stated at cost less accumulated depreciation and impairment losses

Depreciation is calculated to write off the cost of property and equipment in equal annual instalments over their estimated useful lives. The annual rates generally in use are:

Building	2% - 4%
Motor vehicles	25%
Furniture and equipment	12.5% - 30%

Operating lease prepayments
Payments to acquire leasehold interest in land are treated as prepaid operating lease rentals and amortised over the period of the lease.

Intangible assets - computer software development costs
Costs incurred on computer software are initially accounted for at cost as intangible assets and subsequently at cost less any accumulated amortisation and accumulated impairment losses. Amortisation is calculated on a straight line basis over the estimated useful lives at an annual rate of 30%.

Taxation
Income tax expense represents the sum of the current tax and deferred 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 income tax is provided under the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Currently enacted tax rates are used to determine deferred income tax.

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 income statement.

Foreign subsidiary
Exchange differences arising on translation of foreign subsidiary are accounted for as part of changes in equity.

Impairment
At each balance sheet date, the Group reviews the carrying amounts of its financial tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognized in the income statement whenever the carrying amount of the asset exceeds its recoverable amount.

Financial instruments
Financial assets and liabilities are initially recognised on the Company's balance sheet at cost using settlement date accounting, when the Company has become a party to the contractual provisions of the instrument.

Financial assets
The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. Management determines the classification of its investments at initial recognition.

(a) Financial assets at fair value through profit or loss
This category has two sub-categories: financial assets Held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as Held-for-trading unless they are designated as hedges.

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

(c) *Held-to-maturity*
Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. Were the Group to sell other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and reclassified as Available-for-sale.

(d) *Available-for-sale*
Available-for-sale investments are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Purchases and sales of financial assets categorised as held to maturity and available for sale at fair value through profit or loss are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Loans are recognised when cash is advanced to the borrowers. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be recognised in profit or loss. However, interest calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the entity's right to receive payment is established. The fair values of quoted investments in active markets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Impairment and uncollectability of financial assets
At each balance sheet date, all financial assets are subject to review for impairment. If it is probable that the Company will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is included in income statement for the period.

If a loss on a financial asset carried at fair value (recoverable amount is below original acquisition cost) has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative net loss that had been recognised directly in equity is removed from equity and recognised in the income statement for the period even though the financial asset has not been derecognised.

Financial liabilities

After initial recognition, the Company measures all financial liabilities, including customer deposits other than liabilities Held-for-trading, at amortised cost. Liabilities Held-for-trading (financial liabilities acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin) are subsequently measured at fair value.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessor
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

As lessee
Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease.

Retirement benefit obligations

Each operating Company in the Group operates a defined contribution retirement benefits scheme, the assets of which are held in separate trustee administered funds. The schemes are funded by contributions from employees and the Group companies. The amounts of contributions are determined by the respective scheme rules.

The Group also contributes to a statutory defined contribution pension scheme, the National Social Security Fund. Contributions are determined by local statute.

The Group's contribution in respect of retirement benefits obligations are charged to the income statement when incurred.

Segmental reporting

Segmental information is based on the primary format representing two business segments - banking and related services and insurance and secondary format representing geographical segment.

Segment results include revenue and expenses directly attributable to a segment. Segment results are determined before any adjustment for minority interest.

Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis. Segment assets are determined after deducting related allowances that are reported as direct offsets in the Group's balance sheet.

Capital expenditure represents the total cost incurred during the year to acquire segment assets that are expected to be used during more than one period (property and equipment).

Critical accounting estimates and judgements in applying the entity's accounting policies

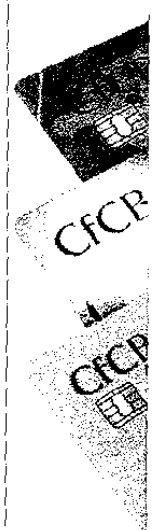
In the process of applying the entity's accounting policies, management has made estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. These are dealt with below:

Impairment losses on loans and advances

The Group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the Company makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held -to-maturity investments

The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.



Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

Reserves

Capital reserve results from capitalization of revenue reserves through bonus issues of shares by subsidiaries, transfers from revenue reserve in accordance with legislation in the insurance industry and exchange differences relating to translation of the ordinary share capital and the capital reserve of foreign subsidiaries. Distribution of the amounts arising from compliance legislation is restricted by the relevant legislation while other capitalised amounts are not distributable.

Fair value adjustments result from measurement of available-for-sale financial instruments at fair value in accordance with IAS 39. Gains recognised in equity are unrealised and are not distributable.

Share premium results from issue of shares recognised in equity at a premium

Revaluation surplus comprises accumulated surplus on revaluation of property and equipment. The reserves are not distributable

The retained earnings represent accumulated profits retained by the Group after payment of dividends to the shareholders. The reserve is distributable.

Comparatives

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

2 SEGMENTAL REPORTING

The Group is currently organised into two major divisions - Banking and related services and Insurance. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Banking and related services - Taking deposits, lending to customers and provision of financial, advisory and stock broking services.

Insurance - Insuring risks for all classes of insurance business.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

(a) Primary reporting format - Business segments

	BANKING AND RELATED SERVICES		INSURANCE		GROUP	
	2005	2004	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
Income	2,162,103	1,491,018	3,612,754	2,404,277	5,774,857	3,895,295
Expenditure	1,768,386	1,159,218	3,140,592	1,997,918	4,908,978	3,157,136
Segment result	393,717	331,800	472,162	406,359	865,879	738,159
Taxation					313,388	215,442
Profit after taxation					552,491	522,717
Assets	21,145,708	16,666,711	11,966,486	13,161,959	33,112,194	29,828,670
Goodwill	-	-	1,084,647	1,084,647	1,084,647	1,084,647
Liabilities	18,230,218	14,575,906	10,905,518	12,215,630	29,135,736	26,791,536
Capital expenditure	215,046	61,918	52,340	33,238	267,386	95,156
Depreciation and amortisation	79,151	69,367	45,023	23,795	124,174	93,162

(b) Secondary reporting format – Geographical segments

The Group's operations are located in Kenya and Tanzania. The Tanzanian subsidiary contributes over 10% of the Group's consolidated income.

	KENYA		TANZANIA		GROUP	
	2005	2004	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
Income	5,127,818	3,488,397	647,039	406,898	5,774,857	3,895,295
Expenditure	4,345,197	2,835,629	563,781	321,507	4,908,978	3,157,136
Segment result	782,621	652,768	83,258	85,391	865,879	738,159
Taxation					313,388	215,442
Profit after taxation					552,491	522,717
Assets	31,242,529	27,264,416	1,869,665	2,564,254	33,112,194	29,828,670
Goodwill	1,084,647	1,084,647		-	1,084,647	1,084,647
Liabilities	27,549,978	24,499,747	1,585,758	2,291,789	29,135,736	26,791,536
Capital expenditure	256,864	92,072	10,522	3,084	267,386	95,156
Depreciation and amortisation	114,385	82,861	9,789	10,301	124,174	93,162

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

	2005 Sh'000	2004 Sh'000
3 INTEREST INCOME		
Loans and advances	1,455,835	936,944
Government securities	821,104	441,552
Placements and bank balances	100,862	52,109
Other	23,724	19,889
	2,401,525	**1,450,494**
4 INTEREST EXPENSE		
Customer deposits	701,926	294,981
Deposits and placements from other banks	86,437	35,317
Interest on borrowed funds	93,513	6,778
	881,876	337,076
5 OTHER OPERATING INCOME		
Insurance premiums earned	2,467,952	1,717,814
Profit on disposal of quoted equity investments	93,411	130,643
Dividends from quoted equity investments	37,612	33,373
Rental income	31,046	48,996
Profit on disposal of equipment	1,379	273
Profit on disposal of intangible asset	482	-
Fair value gain on investment properties	24,678	13,714
Other income	45,971	41,050
	2,702,531	1,985,863

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

	2005 Sh'000	2004 Sh'000
6 OPERATING EXPENSES		
Insurance claims incurred	1,989,133	1,104,942
Staff costs (Note 7)	805,191	701,037
Other costs	810,528	667,943
Depreciation	110,725	78,762
Fees and commissions	103,413	80,726
Directors' emoluments:-		
– as Directors	9,980	9,896
– as executives	42,441	35,885
Rent	23,047	30,514
Amortisation – intangible assets	13,089	12,237
– operating lease-leasehold land	360	2,163
Contribution to Deposit Protection Fund	18,865	13,991
Auditors' remuneration – parent	2,520	2,520
– subsidiaries	6,546	4,301
	3,935,838	2,744,917
7 STAFF COSTS		
Salaries and benefits	761,075	656,756
Pension contributions – defined contribution scheme	41,802	35,591
Termination benefits	1,033	7,330
National Social Security Fund (NSSF)	1,281	967
Other staff costs	-	393
	805,191	701,037
8 TAXATION		
(a) Taxation expense		
Current tax at 30%	330,641	225,658
Prior year overstatement	(762)	(564)
	329,879	225,094
Deferred taxation		
(Credit) (Note 26(a))	(16,551)	(15,324)
Debit/ (Credit) (note 26(b))	60	5,672
	(16,491)	(9,652)
Net tax expense	313,388	215,442

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

(b) Reconciliation of taxation expense to expected tax based on accounting profit

	2005 Sh'000	2004 Sh'000
Accounting profit before taxation	865,879	738,159
Tax at the applicable rate of 30%	259,764	221,448
Deferred tax under/(over) provided in prior periods	8,847	(2,376)
Prior year under provision of current tax	(762)	(564)
Tax effect of expenses not deductible for tax	58,426	30,614
Tax effect of income not taxable	(12,887)	(33,680)
	313,388	215,442

9 PROFITS AFTER TAXATION

Profit after taxation dealt with in the financial statements of the Bank is Sh 295,713,000 (2004-Sh 242,435,000)

10 EARNINGS PER SHARE

Earnings per share is calculated based on the profit attributable to ordinary equity holders of the parent entity of Shs 464,195,000 (2004 -Shs 433,048,000) and 146,433,000 (2004 – 146,016,000) weighted average number of ordinary shares in issue during the year.

Basic earnings per share is the same as diluted earnings per share.

11 DIVIDEND PER SHARE

At the annual general meeting scheduled for 26th May 2006, a first and final dividend in respect of 2005 of Shs 0.84 per share (2004 - Shs 0.84 per share) amounting to a total of Shs 131,040,000 (2004 – Shs 120,800,000) is to be proposed.

Payment of dividends to members with shareholding below 12.5% is subject to withholding tax at the rate of 5% for residents and 10% for non-residents.

	GROUP		BANK	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
12 CASH AND BALANCES WITH CENTRAL BANK OF KENYA				
Cash on hand	148,373	130,219	142,572	130,217
Balances with Central Bank of Kenya:				
Cash ratio requirement	931,453	805,319	931,453	805,319
Other (available to finance Group operations)	309,367	31,575	309,367	31,575
	1,389,193	**967,113**	**1,383,392**	**967,111**

The cash ratio balance is non interest earning and is based on the value of deposits as adjusted by the Central Bank of Kenya requirements. These funds are not available to finance the Bank's day to day operations.

	GROUP		BANK	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
13 GOVERNMENT SECURITIES				
Treasury Bills & Bonds				
Maturing within 90 days after balance sheet date	357,719	175,948	338,969	49,159
Maturing after 90 days after the balance sheet date	9,190,314	8,948,485	3,479,734	3,004,659
	9,548,033	**9,124,433**	**3,818,703**	**3,053,818**
Classification of government securities				
Held-for-trading	3,684,220	5,744,110	-	654,907
Held-to-maturity	4,401,955	1,789,954	2,356,845	1,387,347
Available-for-sale	1,461,858	1,590,369	1,461,858	1,011,564
Total	**9,548,033**	**9,124,433**	**3,818,703**	**3,053,818**

The effective interest rate on treasury bills as at 31 December 2005 was 9% per annum (2004-6%).

The effective interest rate on treasury bonds as at 31 December 2005 was 9% per annum (2004 -6%).

14 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	GROUP		BANK	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Balances due from banking institutions	301,993	525,608	156,119	272,395
Deposits due from banking institutions	2,406,520	739,006	1,927,605	424,144
	2,708,513	**1,264,614**	**2,083,724**	**696,539**

The weighted average effective interest rate during the year for deposits due from banking institutions at 31 December 2005 was 5% (2004- 4%) and nil for balances due from banking institutions.

	2005 Sh'000	2004 Sh'000
15 LOANS AND ADVANCES TO CUSTOMERS		
GROUP AND BANK		
Finance leases (Note 15 (a))	4,968,050	4,258,341
Loans, advances and bills discounted (Note 15(b))	7,601,320	7,479,995
	12,569,370	11,738,336
Unearned finance charges (Note 15 (a))	(638,699)	(509,078)
Impairment losses on loans and advances (Note 16)	(268,957)	(259,893)
	11,661,714	**10,969,365**

15 LOANS AND ADVANCES TO CUSTOMERS (Continued)

Analysis of gross loans and advances by maturity:

(a) Finance lease receivables

	Minimum lease payments		Present value of minimum lease payments	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
Amounts received under Finance leases:				
Within one year	2,615,844	2,145,597	2,279,548	1,888,066
Over one year to three years	2,171,950	2,112,744	1,892,721	1,861,197
Over three years	180,256	-	157,082	-
	4,968,050	**4,258,341**	**4,329,351**	**3,749,263**
Less unearned finance income	(638,699)	(509,078)	-	-
Present value of minimum lease payments receivable	4,329,351	3,749,263	4,329,351	3,749,263

The Company enters into finance leasing arrangements for certain plant, equipment and motor vehicles. The average term of finance leases entered into is between 2 to 3 years.

Unguaranteed residual values of assets under finance leases are estimated at nil (2004: nil).

The interest rate inherent in the lease is variable at the contract date for all of the lease term. The weighted average interest rate on finance lease receivables at 31 December 2005 was 15% (2004 13%).

The related party transactions and balances are covered under note 44 and concentrations of advances to customers are covered under note 40.

	2005	2004
	Sh'000	Sh'000
(b) Loans, advances and bills discounted:		
Maturing within one year	6,125,780	5,765,398
Over one year to three years	1,053,811	1,488,496
Over three years	421,729	226,101
	7,601,320	**7,479,995**

The effective interest rate on loans and advances to customers as at 31 December 2005 was 13% (2004 - 11%).

The aggregate balance of impaired loans and advances to customers as at 31 December 2005 was Shs 748,807,000 (2004 – Shs 547,948,000). These are included in the balance sheet (net of impairment losses) at Shs 243,738,000 (2004 –Shs 134,059,000).

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

16 IMPAIRMENT LOSSES ON LOANS AND ADVANCES

	Specific provision Sh'000	General provision Sh'000	Total 2005 Sh'000	Total 2004 Sh'000
At 1 January	151,836	108,057	259,893	235,195
Provisions made during the year	96,406	5,735	102,141	98,043
Recoveries and provision no longer required	(10,877)	-	(10,877)	(22,900)
	85,529	5,735	91,264	75,143
Provision on reinstated loans	4,093	-	4,093	-
Amounts written off during current year	(86,293)	-	(86,293)	(50,445)
At 31 December	**155,165**	**113,792**	**268,957**	**259,893**

	2005 Sh'000	2004 Sh'000
17 INVESTMENT IN ASSOCIATES		
GROUP		
At 1 January	107,095	10,043
Additional investment in Alliance Insurance Company (T) limited	-	77,786
Share of fair value gain on investment	-	968
Credit to income statement of negative goodwill and share of post acquisition profit	29,503	17,912
Dividends received	(4,655)	-
Currency translation	(22,410)	386
At 31 December	**109,533**	**107,095**

Strategis Insurance Company (T) Limited and Alliance Insurance Company (T) Limited are associates of Heritage All Insurance Company (T) Limited in which it owns 24% and 45% of the shares respectively. Strategis Insurance Company started trading in February 2003 and has a year end of 30th September.

Alliance Insurance Company (T) Limited became an associate in 2004 and has a year end of 30th September. Investment in associates has been accounted for by the equity method of accounting.

	GROUP		BANK	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
18 OTHER ASSETS				
Items in transit	184,927	146,407	184,927	146,407
Insurance premium receivables	457,597	479,380	-	-
Due from re-insurers	168,348	53,716	-	-
Deferred insurance commission	62,419	36,545	-	-
Re-insurance share of technical provision	1,437,343	2,275,406	-	-
Trade receivables and prepayments	405,771	332,729		
Other	313,162	120,659	164,289	44,044
	3,029,567	**3,444,842**	**349,216**	**190,451**

19 INVESTMENT IN SUBSIDIARY COMPANIES

BANK

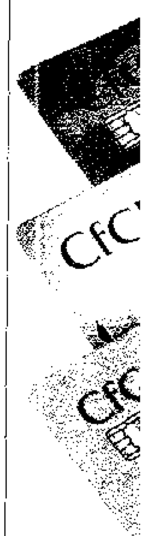
	Beneficial Ownership Company	Country of incorporation	2005 Sh'000	2004 Sh'000
CFC Financial Services Limited	100%	Kenya	100,530	100,530
Equity Stock Brokers Limited	100%	Kenya	-	-
The Heritage All Insurance Company Limited	64.08%	Kenya	65,705	65,705
Azali Limited	64.08%	Kenya	-	-
The Heritage All Insurance Company (T) Limited	38.45%	Tanzania	-	-
CFC Holdings Limited	90.48%	Kenya	475,000	525,000
CFC Life Assurance Limited	96.58%	Kenya	-	-
CFC Investments Limited	100%	Kenya	-	-
			641,235	**691,235**

Investment in Subsidiary Companies are stated at cost less provision for impairment loss where applicable.

The Heritage All. Insurance Company (T) Limited is a 60% subsidiary of The Heritage All Insurance Company Limited. CFC Life Assurance Limited is a 100% subsidiary of CFC Holdings Limited, while Azali Limited is a 100% subsidiary of Heritage All Insurance Company Limited.

Equity Stock Brokers Limited is a 100% subsidiary of CFC Financial Services Limited.

Investment in CFC Holdings Limited which cost Shs 50,000,000 was sold for Shs 50,000,000 at 31 December 2005.



	2005 Sh'000	2004 Sh'000
20 INVESTMENT PROPERTIES		
GROUP		
Freehold properties		
At 1 January	152,250	138,264
Additions resulting from acquisitions	32,213	272
Reclassification from property and equipment	81,044	-
Reclassification from operating lease prepayments	3,796	-
Net gain from fair value adjustments	24,678	13,714
At 31 December	**293,981**	**152,250**

Investment properties were revalued as at 31 December 2005 by Lloyd Masika Limited, independent registered valuers on an open market basis. The resultant revaluation gain net of deferred tax was credited to the income statement.

	GROUP		COMPANY	
	2005. Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
21 OTHER INVESTMENTS				
Quoted equity investments at mid -market value	1,110,602	517,755	-	-
Unquoted equity investments at cost	138,052	85,101	-	-
Commercial paper, corporate bonds and other investments	914,080	1,173,618	150,000	-
	2,162,734	**1,776,474**	**150,000**	-

The effective interest rate on commercial paper, corporate bonds and other investments as at 31 December 2005 was 10% (2004 - 5%).

22 PROPERTY AND EQUIPMENT

(a) GROUP

	Buildings on leasehold land Sh'000	Motor vehicles Sh'000	Furniture and equipment Sh'000	Total Sh'000
COST/VALUATION				
At 1 January 2004	352,710	57,284	468,839	878,833
Acquisition of subsidiary	297,591	19,051	147,390	464,032
Currency adjustment	-	330	839	1,169
Additions	23,564	3,755	63,256	90,575
Disposals	-	(999)	(10,362)	(11,361)
At 31 December 2004	**673,865**	**79,421**	**669,962**	**1,423,248**
At 1 January 2005	673,865	79,421	669,962	1,423,248
Currency adjustment	-	(1,729)	(4,540)	(6,269)
Additions	-	33,138	234,248	267,386
Transfer to investment property	(81,044)	-	-	(81,044)
Transfer to intangible assets	-	-	(300)	(300)
Reclassification	(20,255)	-	20,255	-
Revaluation surplus	63,280	-	-	63,280
Disposals	-	(16,925)	(8,751)	(25,676)
At 31 December 2005	**635,846**	**93,905**	**910,874**	**1,640,625**

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

22 PROPERTY AND EQUIPMENT (Continued)

(a) GROUP (Continued)

	Buildings on leasehold Land Sh'000	Motor Vehicles Sh'000	Furniture and Equipment Sh'000	Total Sh'000
DEPRECIATION				
At 1 January 2004	27,862	34,600	329,896	392,358
Acquisition of subsidiary	29,997	13,289	96,159	139,445
Currency translation	-	138	666	804
Charge for the year	7,054	10,759	60,949	78,762
Eliminated on disposals	-	(999)	(10,362)	(11,361)
At 31 December 2004	**64,913**	**57,787**	**477,308**	**600,008**
At 1 January 2005	64,913	57,787	477,308	600,008
Currency translation	-	(957)	(3,882)	(4,839)
Transfer to intangible assets	-	-	(12)	(12)
Charge for the year	14,074	13,189	83,462	110,725
Eliminated on disposals	-	(14,950)	(8,418)	(23,368)
At 31 December 2005	78,987	55,069	548,458	682,514
NET BOOK VALUE				
At 31 December 2005	**556,889**	38,836	**362,386**	**958,111**
At 31 December 2004	608,952	21,634	192,654	823,240

Motor vehicles, furniture and equipment stated at a cost of Shs 267,258,230 (2004- Shs 231,587,525) have been fully depreciated. The normal annual depreciation charge in respect of these assets would be Shs 63,386,957 (2004 – Shs 55,271,192).

Buildings were revalued as at 31 December 2005 by Tysons Limited, independent valuers, on the basis of the market value for existing use.

22 PROPERTY AND EQUIPMENT (Continued)

(b) BANK

	Building on leasehold land Sh'000	Motor vehicles Sh'000	Furniture and equipment Sh'000	Total Shs '000
COST				
At 1 January 2004	352,710	23,743	327,077	703,530
Additions	-	2,112	53,661	55,773
Disposals	-	-	(7,552)	(7,552)
At 31 December 2004	352,710	25,855	373,186	751,751
At 1 January 2005	352,710	25,855	373,186	751,751
Additions	-	10,211	197,426	207,637
Disposals	-	(4,204)	(5,850)	(10,054)
At 31 December 2005	**352,710**	**31,862**	**564,762**	**949,334**
DEPRECIATION				
At 1 January 2004	27,862	10,102	209,642	247,606
Charge for the year	7,054	5,477	47,824	60,355
Eliminated on disposals	-	-	(7,552)	(7,552)
At 31 December 2004	**34,916**	**15,579**	**249,914**	**300,409**
At 1 January 2005	34,916	15,579	249,914	300,409
Charge for the year	7,055	5,737	56,239	69,031
Eliminated on disposals	-	(4,204)	(5,598)	(9,802)
At 31 December 2005	**41,971**	**17,112**	**300,555**	**359,638**
NET BOOK VALUE				
At 31 December 2005	**310,739**	**14,750**	**264,207**	**589,696**
At 31 December 2004	**317,794**	**10,276**	**123,272**	**451,342**

Motor vehicles, furniture and equipment stated at a cost of Shs 169,819,231 (2004– Shs 152,532,525) have been fully depreciated. The normal annual depreciation charge in respect of these assets would be Shs 40,058,957 (2004 – Shs 36,216,192).

Notes to the Financial Statements (Continued)

For the year ended 31 December 2005

23 OPERATING LEASE PREPAYMENT

	GROUP Sh'000	BANK Sh'000
COST		
At 1 January 2004	35,000	35,000
Acquisition of subsidiary	6,609	-
At 31 December 2004	41,609	35,000
At 1 January 2005	41,609	35,000
Reclassified to investment property	(5,609)	-
At 31 December 2005	**36,000**	**35,000**
AMORTISATION		
At 1 January 2004	3,050	3,050
Acquisition of subsidiary	287	-
Amortisation for the year	2,163	350
At 31 December 2004	5,500	3,400
At 1 January 2005	5,500	3,400
Eliminated on reclassification to investment property	(1,813)	-
Amortisation for the year	360	350
At 31 December 2005	4,047	3,750
NET BOOK VALUE		
At 31 December 2005	31,953	31,250
At 31 December 2004	36,109	31,600

24 GOODWILL

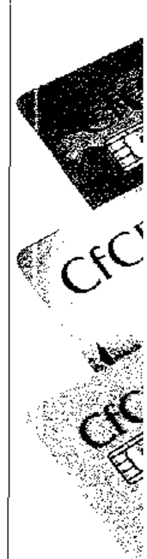
	2005 Sh'000	2004 Sh'000
COST		
At 1 January	1,084,647	-
On acquisition of subsidiary	-	1,084,647
At 31 December	**1,084,647**	**1,084,647**

On 15 December 2004, the Group acquired the life insurance business of CFC Life Assurance Limited (formerly Alico Kenya Limited) through the acquisition of the entire issued share capital of Alico Kenya limited. The acquisition was made through CFC Holdings Limited and CFC Investments Limited (formerly Trans-National Group Limited), both wholly owned subsidiaries of CFC Bank Limited. The fair value of the net assets acquired was Shs 819,733,000.

On 1 July 2004, the Group acquired 100% of the issued share capital of Azali Company Limited for a cash consideration of Shs 5,648,702. The fair value of the net assets acquired was Shs 5,648,702

25 INTANGIBLE ASSETS

	Group Computer Software Sh'000	Company Computer Software Sh'000
COST		
At 1 January 2005	71,058	40,389
Currency translation	(3,112)	-
Additions	12,134	8,757
Reclassification	300	-
Disposals	(818)	(819)
At 31 December 2005	79,562	48,327
AMORTISATION		
At 1 January 2005	52,112	29,618
Currency translation	(1,866)	-
Reclassification of Furniture & equipment	12	-
Charge for the year	13,089	6,974
Disposals	(290)	(290)
At 31 December 2005	**63,057**	**36,302**
NET BOOK VALUE		
At 31 December 2005	**16,505**	**12,025**
At 31 December 2004	**18,946**	**10,771**



25 INTANGIBLE ASSETS (Continued)

Group

Intangible assets still in use by the Group stated at a cost of Shs 33,164,238 (2004 – Shs 21,025,522) have been fully amortised. The normal annual amortisation charge in respect of these assets would be Shs 9,949,271 (2004 – Shs 6,306,827).

Company

Intangible assets still in use by the Company stated at a cost of Shs 24,500,238 (2004 – Shs 21,017,231) have been fully amortised. The normal annual amortisation charge in respect of these assets would be Shs 7,350,071 (2004 – Shs 6,305,169).

26 (a) DEFERRED TAX ASSET

	2005 Sh'000	2004 Sh'000
Group		
Asset		
General provision for bad and doubtful debts	42,099	32,417
Accelerated capital allowances	25,974	21,940
Provision for staff gratuity	1,065	-
Revaluation reserve	109	-
	69,247	**54,357**
Movement on the deferred tax asset is as follows:		
At 1 January	54,357	39,033
Transfer from deferred tax liability	(1,661)	-
Income statement credit – note 8 (a)	16,551	15,324
At 31 December	**69,247**	**54,357**
Company		
The net deferred tax asset is attributable to the following items:		
General provision for bad and doubtful debts	34,138	32,417
Depreciation in excess of capital allowances	20,577	17,949
Revaluation reserve	1,065	-
	55,780	**50,366**

26 (b) DEFERRED TAX LIABILITY

	2005 Sh'000	2004 Sh'000
Liability		
Accelerated capital allowances	17,208	13,207
Revaluation reserve	(107,772)	-
Fair value adjustment on investment properties	227	(87,589)
Prior year adjustment on Statutory reserve	(35,580)	-
	(125,917)	(74,382)
Movement on the deferred liability is as follows:		
At 1 January	74,382	18,118
Currency translation	(172)	40
Transfer to deferred tax asset	(1,489)	-
Deferred tax on acquisition of subsidiary	-	50,552
Income statement credit – note 8 (a)	60	5,672
Revaluation reserve	17,556	-
Prior year adjustment on statutory reserve	35,580	
At 31 December	125,917	74,382

27 CUSTOMER DEPOSITS

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Maturities				
Payable within 90 days	13,697,502	11,145,806	14,204,336	11,350,531
Payable after 90 days but within one year	956,121	1,424,075	956,121	1,424,075
Payable after one year	140,419	103,410	140,419	103,410
	14,794,042	12,673,291	15,300,876	12,878,016

The effective interest rate on customer deposits as at 31 December 2005 was 6% (2004 - 4%).
The related party transactions and balances are covered under note 44 and concentrations of customer deposits is covered under note 40.

28 DEPOSITS DUE TO BANKING INSTITUTIONS

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Maturities				
Maturing within 90 days	1,362,350	1,464,202	1,358,448	1,464,202
Maturing after 90 days	36,225	-	36,225	-
	1,398,575	**1,464,202**	**1,394,673**	**1,464,202**

The weighted average effective interest rate for deposits due to banking institutions at 31 December 2005 was 8% (2004 – 9%).

29 LINE OF CREDIT

	2005 Sh'000	2004 Sh'000
African Development Bank	443,756	393,250

The Group has an unsecured revolving term line of credit with the African Development Bank of Shs 507,150,000 (US$ 7,000,000). As at 31 December 2005, the draw down was Shs 443,756,000 (US$ 6,124,997).

30 BORROWINGS

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Term loan	482,912	623,000	-	-
Corporate bond	469,500	-	664,500	-
	952,412	**623,000**	**664,500**	-

The term loan from Barclays Bank of Kenya Limited is held in a subsidiary Company, CFC Holdings Limited. The loan is secured by a letter of comfort from the Bank and a letter of negative pledge from the subsidiary Company.

The loan is repayable over three years with semi-annual instalments.
The weighted average effective interest rate for year-end was 10.5%.

The corporate bond which was issued by the Bank on 31 October 2005 has a 7 year maturity and pays interest at the rate of the Treasury bill just before re-pricing plus 1.5%. The bond reprices quarterly.

31 OTHER LIABILITIES

	GROUP 2005 Sh'000	GROUP 2004 Sh'000	COMPANY 2005 Sh'000	COMPANY 2004 Sh'000
Payable under deposit administration contracts	4,298,868	3,259,350	-	-
Insurance contract liabilities	4,322,371	3,181,771	-	-
Unearned insurance premiums	1,106,897	912,912	-	-
Provisions for insurance claims	28,027	2,996,900	-	-
Amounts due to insurers	163,130	165,912	-	-
Bankers cheques unpresented	146,279	325,290	146,279	325,290
Other liabilities	1,291,367	665,949	195,248	288,565
	11,356,939	11,508,084	341,527	613,855

32 SHARE CAPITAL

	Number of shares	Value of shares Sh'000
Balance at 1 January 2005	144,000,000	720,000
Rights issue	12,000,000	60,000
At 31st December 2005	156,000,000	780,000

The total authorised number of shares is 156,000,000 with a par value of Shs 5 each. All issued shares are fully paid. During the year, a rights issue of 12,000,000 shares (1 share for every 12 held) was made at a price Shs 62 per share increasing the ordinary share capital by Shs 60,000,000 and share premium by Shs 669,420,114 (net of transaction costs of Shs 14,579,886).

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

33 SHAREHOLDING

The top ten shareholders as at 31st December 2005

No	Name	Number of shares	%
1.	Gambit Holdings Limited	71,243,617	49.68
2.	African Liason & Consultants Services Limited	43,063,683	30.03
3.	Sovereign Trust Limited	19,967,592	13.92
4.	Kingsway Nominees Limited	5,198,498	3.62
5.	Kamau Mike Maina	1,622,930	1.13
6.	Shah Aruna Chandrakant (Mrs).	791,802	0.55
7.	Phoenix of East Africa Assurance Company Limited	495,410	0.35
8.	APA Insurance Limited	352,285	0.25
9.	Sayani Investments Limited	343,678	0.24
10.	Beechwood Investments Limited	325,000	0.23

The distribution of Shareholders as at 31 December 2005 was as follows:

Number of shares	Number of Shareholders	Number of Shares Held	% Shareholding
1 - 500	534	109,238	0.07
501 - 5,000	657	1,177,376	0.75
5,001 - 10,000	406	2,961,341	1.90
10,001 - 100,000	240	5,753,500	3.69
100,001 - 1,000,000	23	4,902,225	3.14
Over 1,000,000	5	141,096,320	90.45
TOTAL	**1,865**	**156,000,000**	**100.00**

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of consolidated profit before taxation to net cash generated from operating activities

	2005 Sh'000	2004 Sh'000
Consolidated profit before taxation	865,879	738,159
Depreciation	110,725	78,762
Amortisation of intangible asset	13,089	12,237
Amortisation of operating lease prepayments	360	2,163
Profit on sale of equipment	(1,379)	(273)
Profit on sale of intangible assets	(482)	-
Share of fair value gain in associate	(29,503)	(17,912)
Fair value adjustment for investment property	(24,678)	(13,714)
	934,011	**799,422**

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(a) Reconciliation of consolidated profit before taxation to net cash generated from operating activities (Continued)

	2005 Sh'000	2004 Sh'000
(Increase)/decrease in operating assets:		
Loans and advances to customers	(692,349)	(3,137,871)
Other investments	(386,260)	251,062
Other assets	461,925	(2,399,853)
Cash ratio requirement	(126,134)	(182,839)
Government securities	(470,432)	456,635
	(1,213,250)	**(5,012,866)**
Increase/(decrease) in operating liabilities		
Customer deposits	2,120,751	2,805,048
Line of credit	50,506	393,250
Other liabilities	(146,381)	3,409,655
Deposits due to other banking institutions	36,225	(50,688)
Life Fund	-	102,254
	2,061,101	**6,659,519**
Net cash generated from operating activities	1,781,862	2,446,075

(b) Analysis of balances of cash and cash equivalents as shown in the balance sheet and notes:

	2005 Sh'000	2004 Sh'000
Cash and other balances with Central Bank of Kenya	457,740	161,794
Treasury bills and bonds	357,719	175,948
Deposits and balances due from banking institutions	2,708,513	1,264,614
Deposits and balances due to banking institutions	(1,362,350)	(1,464,202)
	2,161,622	**138,154**

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.

34 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) In 2004, the Group acquired two subsidiaries. The fair value of assets acquired and liabilities assumed were as follows:

	Sh'000
Total purchase consideration	
(All settled in cash and cash equivalents)	1,910,029
Cash and cash equivalents acquired	(152,696)
	1,757,333
Assets other than cash & cash equivalents	
Government securities	5,062,515
Other investments	998,389
Other assets	324,321
Prepaid operating lease rentals	713
Property and equipment	330,236
	6,716,174
Liabilities:	
Actuarial value of policy holders' liabilities	2,206,173
Payable under deposit administration contracts	3,259,350
Unearned premiums	98,122
Outstanding claims provisions	183,170
Other payables	296,673
	6,043,488

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

35 LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity Groupings based on the remaining period at 31 December 2005 to the contractual maturity dates.

	Up to 1 month Sh'000	1 - 3 months Sh'000	3 - 6 months Sh'000	6 - 12 months Sh'000	1 - 3 years Sh'000	3 - 5 years Sh'000	Over 5 years Sh'000	Total Sh'000
ASSETS								
Cash and balances with Central Bank of Kenya	1,081,025	246,894	33,227	20,687	7,360	-	-	1,389,193
Government securities	134,137	271,541	172,214	1,227,708	3,248,763	2,434,065	2,059,605	9,548,033
Deposits and balances due from banking institutions	1,533,137	929,367	246,009	-	-	-	-	2,708,513
Loans and advances to customers	2,428,980	2,418,788	1,581,374	1,740,215	2,918,956	422,914	150,487	11,661,714
Other assets	232,300	390,160	10,820	2,351,110	39,849	1,878	3,450	3,029,567
Investment in associate	-	-	-	-	109,533	-	-	109,533
Taxation recoverable	-	46,279	-	-	-	-	2,184	48,463
Investment properties	-	-	-	-	-	152,281	141,700	293,981
Other investments	40,770	168,285	-	977	977	288,439	1,663,286	2,162,734
Property and equipment	-	-	-	-	10,972	-	947,139	958,111
Operating lease prepayments	-	-	-	-	-	-	31,953	31,953
Intangible assets	-	-	-	-	1,349	-	15,156	16,505
Goodwill	-	-	-	-	-	-	1,084,647	1,084,647
Deferred tax asset	-	-	-	-	12,917	55,780	550	69,247
Total assets	5,450,349	4,471,314	2,043,644	5,340,697	6,350,676	3,355,357	6,100,157	33,112,194

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

35 LIQUIDITY RISK (Continued)

	Up to 1 month Sh'000	1 - 3 months Sh'000	3 - 6 months Sh'000	6 – 12 months Sh'000	1 - 3 years Sh'000	3 – 5 years Sh'000	Over 5 years Sh'000	Total Sh'000
EQUITY AND LIABILITIES								
Customers deposits	9,347,276	4,350,226	597,674	358,447	140,419	-	-	14,794,042
Deposits and balances due to banking institutions	968,441	393,909	-	36,225	-	-	-	1,398,575
Line of credit	-	63,394	-	63,394	253,574	63,394	-	443,756
Term loan	-	67,578	-	103,835	-	311,499	-	482,912
Floating Interest rate note	-	-	-	-	-	-	469,500	469,500
Other liabilities	570,291	1,080,894	-	3,231,685	2,185,584	-	4,288,485	11,356,939
Taxation payable	20,228	27,653	-	10,708	-	-	-	58,589
Deferred tax liability	-	-	-	-	57,275	-	68,642	125,917
Unclaimed dividends	5,506	-	-	-	-	-	-	5,506
Share capital	-	-	-	-	-	-	780,000	780,000
Share premium	-	-	-	-	-	-	669,420	669,420
Capital reserves	-	-	-	-	-	-	233,496	233,496
Revaluation reserve	-	-	-	-	-	-	40,962	40,962
Fair value adjustments	-	-	-	-	-	-	(192,823)	(192,823)
Revenue reserves	-	-	-	-	-	-	1,894,027	1,894,027
Minority interest	-	-	-	-	-	-	551,376	551,376
Total equity and liabilities	**10,911,742**	**5,983,654**	**597,674**	**3,804,294**	**2,636,852**	**374,893**	**8,803,085**	**33,112,194**
Net liquidity gap	(5,461,393)	(1,512,340)	1,445,970	1,536,403	3,713,824	2,980,464	(2,702,928)	-
As at 31 December 2004								
Total assets	4,705,758	3,198,722	2,056,172	4,595,659	6,368,605	1,591,594	7,312,160	29,828,670
Total equity and liabilities	10,070,604	3,914,708	3,022,036	1,334,831	125,239	1,016,250	10,345,002	29,828,670
Net liquidity gap	(5,364,846)	(715,986)	(965,864)	3,260,828	6,243,366	575,344	(3,032,842)	-

Customer deposits in first category above represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

36 INTEREST RATE RISK

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risk. Included in the table are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not bear an interest rate risk on off balance sheet items.

	1 - 3 months Sh'000	3 - 6 months Sh'000	6 - 12 months Sh'000	1 - 3 years Sh'000	3 - 5 years Sh'000	Over 5 years Sh'000	Non interest bearing Sh'000	Total Sh'000
ASSETS								
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	1,389,193	1,389,193
Government securities	405,678	172,214	1,227,708	3,248,763	2,434,065	2,059,605	-	9,548,033
Deposits and balances due from banking institutions	2,462,504	246,009	-	-	-	-	-	2,708,513
Loans and advances to customers	10,913,711	-	-	-	-	-	748,003	11,661,714
Other assets	-	-	-	-	-	-	3,029,567	3,029,567
Investment in associate	-	-	-	-	-	-	109,533	109,533
Taxation recoverable	-	-	-	-	-	-	48,463	48,463
Investment properties	-	-	-	-	-	-	293,981	293,981
Other investments	209,055	-	977	977	288,439	1,663,286	-	2,162,734
Property and equipment	-	-	-	-	-	-	958,111	958,111
Operating lease prepayments	-	-	-	-	-	-	31,953	31,953
Intangible assets	-	-	-	-	-	-	16,505	16,505
Goodwill	-	-	-	-	-	-	1,084,647	1,084,647
Deferred tax asset	-	-	-	-	-	-	69,247	69,247
Total assets	13,990,948	418,223	1,228,685	3,249,740	2,722,504	3,722,891	7,779,203	33,112,194

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

36 INTEREST RATE RISK (Continued)

	1 - 3 months Sh'000	3 - 6 months Sh'000	6 - 12 months Sh'000	1 - 3 years Sh'000	3 - 5 years Sh'000	Over 5 years Sh'000	Non interest bearing Sh'000	Total Sh'000
EQUITY AND LIABILITIES								
Customers deposits	13,697,502	597,674	358,447	140,419	-	-	-	14,794,042
Deposits and balances due to banking institutions	1,362,350	-	36,225	-	-	-	-	1,398,575
Line of credit	443,756	-	-	-	-	-	-	443,756
Term loan	482,912	-	-	-	-	-	-	482,912
Floating interest rate Note	469,500	-	-	-	-	-	-	469,500
Other liabilities	-	-	-	-	-	-	11,356,939	11,356,939
Taxation payable	-	-	-	-	-	-	58,589	58,589
Deferred tax liability	-	-	-	-	-	-	125,917	125,917
Unclaimed dividends	-	-	-	-	-	-	5,506	5,506
Share capital	-	-	-	-	-	-	780,000	780,000
Share premium	-	-	-	-	-	-	669,420	669,420
Capital reserves	-	-	-	-	-	-	233,496	233,496
Revaluation reserves	-	-	-	-	-	-	40,962	40,962
Fair value adjustments	-	-	-	-	-	-	(192,823)	(192,823)
Revenue reserves	-	-	-	-	-	-	1,894,027	1,894,027
Minority interest	-	-	-	-	-	-	551,376	551,376
Total equity and liabilities	**16,456,020**	**597,674**	**394,672**	**140,419**	**-**	**-**	**15,523,409**	**33,112,194**
On balance sheet interest rate sensitivity gap	**(2,465,072)**	**(179,451)**	**834,013**	**3,109,321**	**2,722,504**	**3,722,891**	**(7,744,206)**	**-**
As at 31 December 2004								
Total assets	**12,760,719**	**684,207**	**1,074,712**	**3,292,615**	**668,250**	**4,107,388**	**7,232,435**	**29,828,670**
Total equity and liabilities	**12,780,956**	**479,852**	**773,275**	**103,410**	**-**	**1,016,250**	**14,666,583**	**29,828,670**
On balance sheet interest rate sensitivity gap	**(20,237)**	**204,355**	**301,437**	**3,189,205**	**668,250**	**3,091,138**	**(7,434,148)**	**-**

37 CURRENCY RISK

The bank operates wholly within Kenya and its assets are reported in the local currency. Although it maintains trade with other correspondent banks, and has a subsidiary with majority shareholding in a Company in Tanzania, it held no significant foreign currency exposure as at 31 December 2005.

The Group takes deposits and lends in currencies other than Kenyan shillings. The bank's currency position and exposure are managed within the exposure guideline of 20% of core capital as stipulated by Central Bank of Kenya. The significant currency positions are detailed below:

Group	Local currency Sh'000	US Dollar Sh'000	GB Pound Sh'000	Euro Sh'000	Others Sh'000	Total Sh'000
ASSETS						
Cash and balances with Central Bank of Kenya	1,357,931	17,584	4,553	7,881	1,244	1,389,193
Government securities	9,548,033	-	-	-	-	9,548,033
Deposits and balances due from banking institutions	575,850	1,296,176	491,637	336,023	8,827	2,708,513
Loans and advances to customers	8,684,207	2,189,537	41,450	746,520	-	11,661,714
Other assets	2,280,997	743,058	2,803	2,557	152	3,029,567
Investment in associate	109,533	-	-	-	-	109,533
Taxation recoverable	48,463	-	-	-	-	48,463
Investment property	293,981	-	-	-	-	293,981
Other investments	2,162,734	-	-	-	-	2,162,734
Property and equipment	958,111	-	-	-	-	958,111
Operating lease prepayments	31,953	-	-	-	-	31,953
Intangible assets	16,505	-	-	-	-	16,505
Goodwill	1,084,647	-	-	-	-	1,084,647
Deferred tax asset	69,247	-	-	-	-	69,247
TOTAL ASSETS	27,222,192	4,246,355	540,443	1,092,981	10,223	33,112,194

37 CURRENCY RISK (Continued)

Group	Local currency Sh'000	US Dollar Sh'000	GB Pound Sh'000	Euro Sh'000	Others Sh'000	Total Sh'000
LIABILITIES						
Customer deposits	11,599,887	1,962,645	372,539	845,583	13,388	14,794,042
Deposits and balances due to banking institutions	521,632	621,422	137,636	117,885	-	1,398,575
Line of credit	-	443,756	-	-	-	443,756
Term loans	482,912	-	-	-	-	482,912
Floating interest rate note	469,500	-	-	-	-	469,500
Other liabilities	11,242,994	106,393	5,090	1,712	750	11,356,939
Taxation payable	58,589	-	-	-	-	58,589
Deferred tax liability	125,917	-	-	-	-	125,917
Unclaimed dividends	5,506	-	-	-	-	5,506
TOTAL LIABILITIES	24,506,937	3,134,216	515,265	965,180	14,138	29,135,736
NET BALANCE SHEET POSITION	2,715,855	1,112,139	25,178	127,801	(3,915)	3,976,458
OFF BALANCE SHEET NET NOTIONAL POSITION	6,015,008	(521,807)	(24,308)	(108,904)	10,375	5,370,364
At 31 December 2004						
TOTAL ASSETS	26,441,298	2,365,725	336,859	666,417	18,371	29,828,670
TOTAL LIABILITIES	22,565,593	2,880,347	826,095	470,162	49,339	26,791,536
NET BALANCE SHEET POSITION	3,875,705	(514,622)	(489,236)	196,255	(30,968)	3,037,134
OFF BALANCE SHEET NET NOTIONAL POSITION	5,189,644	(308,423)	486,880	(192,120)	(48,169)	5,127,812

The exchange rates used for translating the major foreign currency balances at the year end were as follows:

	2005 Shs	2004 Shs
US Dollar	72.4500	78.6500
GB Pound	124.6600	152.1500
Euro	85.5000	107.3300
Tanzania shilling	0.068966	0.076923

38 CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

(a) Contingent liabilities

	2005 Sh'000	2004 Sh'000
Group and Company		
Acceptances and letters of credit	1,508,931	1,894,106
Guarantees and performance bonds	1,009,451	961,562
Spot and forward contracts	1,554,652	2,247,154
Others	1,297,330	24,988
	5,370,364	5,127,810

NATURE OF CONTINGENT LIABILITIES

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented and reimbursement by the customer is normally immediate.

Letters of credit commit the bank to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

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

Concentrations of contingent liabilities is covered under note 39.

(b) Capital commitments

	GROUP		COMPANY	
	2005 Sh'000	2004 Sh'000	2005 Sh'000	2004 Sh'000
Contracted but not provided for in the financial statements	70,446	30,498	-	-
Authorised but not contracted for	87,619	271,320	87,619	271,320

38 CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS (Continued)

(c) Commitments to extend credit

Commitments to lend are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The bank may withdraw from its contractual obligation to extend credit by giving reasonable notice to the customer.

(d) Operating lease arrangements

The Company as a lessor

At the balance sheet date, the Group had contracted with tenants for the following future lease receivables:

	GROUP		COMPANY	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
Amounts receivable in the next year in respect of obligations under operating leases expiring:				
Within one year	19,973	962	19,973	962
In one to five years	-	-	2,272	-
	19,673	**962**	**22,245**	**962**

The Company as a lessee

	GROUP		COMPANY	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
Amounts payable in the next year in respect of obligations under operating leases expiring:				
Within one year	33,536	10,330	14,661	10,330
In one to five years	55,569	46,227	54,249	46,227
After five years	84,424	105,990	85,424	105,990
	173,529	**162,547**	**154,334**	**162,547**

39 DERIVATIVE FINANCIAL INSTRUMENTS

Foreign exchange forward contracts are agreements to buy or sell a specified quantity of foreign currency, usually on a specified future date at an agreed rate. The bank transacts in foreign exchange forward contracts principally for the purpose of generating a profit from short term fluctuations in exchange rates. The contracts purchased are primarily denominated in the currencies of the bank's principal markets.

At the balance sheet date, the bank had contracted to sell Shs 1,571,325,000 and buy Shs 926,680,000 equivalents under forward contracts denominated in US dollars, GB pounds, Euro and South African Rands.

40 CONCENTRATIONS OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS

Details of significant concentrations of the bank's assets, liabilities and off balance sheet items by industry Groups are as detailed below:

(a) Advances to customers - gross

	2005 Sh'000	2005 %	2004 Sh'000	2004 %
Agriculture	1,020,317	8	1,017,752	9
Manufacturing	2,134,338	17	1,716,115	15
Wholesale and retail trade	1,568,963	12	1,737,751	15
Transport and communications	2,282,301	18	2,218,371	18
Real estate	120,393	1	81,800	1
Social community and personal services	141,747	1	134,675	1
Electricity and water	64,534	1	10,150	0
Business services	2,710,116	22	2,424,387	21
Other	2,526,661	20	2,397,335	20
	12,569,370	100	11,738,336	100

(b) Customer deposits

	2005 Sh'000	2005 %	2004 Sh'000	2004 %
Non profit institutions	5,739,808	38	5,075,935	40
Private enterprises	8,314,745	54	6,936,439	54
Insurance companies	904,151	6	688,209	5
Non public enterprises	318,109	2	169,130	1
Central Government	21,898	0	6,000	0
Co-operative societies	2,165	0	2,303	0
	15,300,876	100	12,878,016	100

40 CONCENTRATIONS OF ASSETS, LIABILITIES AND OFF BALANCE SHEET ITEMS (Continued)

(c) Off balance sheet items (letters of credit, guarantees and forward contracts)

	2005 Sh'000	2005 %	2004 Sh'000	2004 %
Agriculture	360,674	7	504,420	10
Manufacturing	527,758	10	845,838	16
Wholesale and retail	459,371	9	305,894	6
Transport and communications	349,582	7	215,938	4
Business services	880,897	16	756,019	15
Other	2,792,082	51	2,499,701	49
	5,370,364	**100**	**5,127,810**	**100**

41 RETIREMENT BENEFIT OBLIGATIONS

The Group makes contributions to defined contribution retirement benefits schemes and to the statutory defined contribution pension scheme, the National Social Security Fund. Contributions to the retirement benefits schemes are determined by the rules of the schemes while the contributions to the statutory scheme are determined by local statute. Total contributions by the Group in respect of retirement benefits during the year were Shs 43,083,000 (2004 – Shs 36,558,000). Retirement benefit costs are included in staff costs (note 7).

42 ASSETS PLEDGED AS SECURITY

As at 31 December 2005, there were no assets pledged to secure liabilities and there were no secured liabilities outstanding.

43 FAIR VALUES

The Directors consider that there is no material difference between the fair value and carrying value of the Company's financial assets and liabilities where fair value details have not been presented.

44 RELATED PARTY TRANSACTIONS

Included in loans and advances are amounts advanced to certain Directors and to companies in which Directors are involved either as shareholders or Directors (associated companies). In addition, contingent liabilities include guarantees and letters of credit, which have been issued to associated companies.

	Directors		Associated Companies	
	2005	2004	2005	2004
	Sh'000	Sh'000	Sh'000	Sh'000
Loans and advances:				
At 1 January	-	-	308,744	213,048
Net movement during the year	-	-	(55,316)	95,696
At 31 December	**-**	**-**	**253,428**	**308,744**
Deposits:				
At 1 January	31,667	26,837	269,941	396,420
Net movement during the year	57,814	4,830	797,661	(126,479)
At 31 December	**89,481**	**31,667**	**1,067,602**	**269,941**

Loans and advances to customers at 31 December 2005 include loans and advances to companies associated with the Directors and loans to employees of Shs 148,055,000 (2004– Shs 138,003,000). There were no outstanding advances to Directors.

These loans and advances are performing and adequately secured.

Contingent liabilities at 31 December 2005 include contingencies on behalf of companies associated with the Directors of Shs 214,541,000 (2004– Shs 187,688,000).

Directors fees has been disclosed in note 6.
All related party transactions are at arms length and in the normal course of business.

45 RISK MANAGEMENT POLICIES

The Group's financial risk management objectives and policies are as outlined below:

BANKING

Credit risk

The Group's credit risk covers the rules on extension of loans and advances to its customers.

The amounts presented in the balance sheet are net of allowances for doubtful debts, estimated by the Group's management based on prior experience and their assessment of the current economic environment.

The Group structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a Group of borrowers. Such risks are monitored on a regular basis and are subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers to meet interest and capital repayment obligations and by taking remedial action where appropriate. Exposure to credit risk is also mitigated in part by obtaining collateral and corporate guarantees, though ability to pay is the primary consideration.

The Group has no significant concentration of credit risk in any one sector, as exposure is spread over a diversity of personal and commercial customers as set out in note 31.

Interest rate risk

The Group is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rate. Interest rates on advances to customers and other risk assets are either pegged to the bank's base lending rate or treasury bill rate. The base rate is adjusted from time to time to reflect the cost of deposits. The interest rates, therefore, fluctuate depending on the movement in the market interest rates. The Group also invests in fixed interest rate instruments issued by the Central Bank of Kenya.

Interest rate on customer deposits are negotiated between the bank and the customer. The bank has the discretion to change the rates in line with changes in market trends.

These measures minimise the Group's exposure to interest rate risk.

Liquidity risk

The Group is exposed to the risk that the Group will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk is addressed through the following measures:

- The bank enters into lending contracts subject to availability of funds.
- The bank has an aggressive strategy aimed at increasing the customer deposit base.
- The bank borrows from the market through inter bank transactions with other banks, pension funds and insurance companies for short term liquidity requirements.
- The bank invests in short term liquid instruments which can easily be sold in the market when the need arises.
- Investments in property and equipment are properly budgeted for and done when the Group has sufficient cash flows.

Currency risk

The Group is exposed to the risk that the value of the financial instruments will fluctuate due to changes in foreign exchange rates. Forex exposure limits are reviewed and approved by the Board. The Board, through the assets and liability committee ensures that the foreign exchange risk policy is adhered to and any deviations are reported for appropriate action.

Operational Risk

The Group is exposed to operational risk which is associated with human error, system failures and inadequate procedures and controls. . The Group ensures that there is an effective, integrated operational risk management framework that incorporates a clearly defined organizational structure, with defined roles and responsibilities for all aspects of operational risk management/ monitoring and appropriate tools that support the identification, assessment, control and reporting of key risks. The policy includes-

- The structure of operational risk management function;
- The roles and responsibilities of individuals involved and
- Systems and procedures for effective operational risk management

INSURANCE

The Group's activities expose it to a variety of financial risks, including insurance risk, financial risk, credit risk, and the effects of changes in property values, debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the identification and management of risks and seeks to minimise potential adverse effects on its financial performance, by use of underwriting guidelines and capacity limits, re-insurance planning, credit policy governing the acceptance of clients, and defined criteria for the approval of intermediaries and re-insurers. Investment policies are in place which help manage liquidity, and seek to maximise return within an acceptable level of interest rate risk.

Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is random and therefore unpredictable.

For a portfolio of insurance contracts where the theory of probability is applied to pricing and provisioning, the principal risk that the Group faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the frequency or severity of claims and benefits are greater than estimated. Insurance events are random and the actual number and amount of claims and benefits will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected across the Board by a change in any subset of the portfolio. The Group has developed its insurance underwriting strategy to diversify the type of insurance risks accepted and within each of these categories to achieve a sufficiently large population of risks to reduce the variability of the expected outcome.

Factors that aggravate insurance risk include lack of risk diversification in terms of type and amount of risk, geographical location and type of industry covered.

Financial risk

The Group is exposed to financial risk through its financial assets, financial liabilities (investment contracts and borrowings), re-insurance assets and insurance liabilities. In particular the key financial risk is that the proceeds from its financial assets are not sufficient to fund the obligations arising from its insurance and investment contracts. The most important components of this financial risk are interest rate risk, equity price risk, currency risk and credit risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Group primarily faces due to the nature of its investments and liabilities are interest rate risk and equity price risk.

Notes to the Financial Statements (Continued)

for the year ended 31 December 2005

The Group manages these positions within an asset liability management (ALM) framework that has been developed to achieve long-term investment returns in excess of its obligations under insurance and investment contracts. The principal technique of the Group's ALM is to match assets to the liabilities arising from insurance and investment contracts by reference to the type of benefits payable to contract holders. For each distinct category of liabilities, a separate portfolio of assets is maintained.

Interest rate risk
Exposure to interest sensitive assets is managed by use of a yield curve in order to ensure that the Group does not hold low yielding investments in a high interest rate environment.

The Group has an investment committee which sets investment guidelines that seek to reduce exposure to interest rate risk.

Credit policy
The Group grants a one month credit period to all classes of policies after which they lapse.

Liquidity risk
The Group manages its investments in such a way as to meet its liabilities as they fall due.

Currency risk
The Group's policy is to minimise currency risk by holding assets in the same currency as the underlying liabilities.

46 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Insurance
The estimation of future benefit payments from long-term insurance contracts is the Group's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims.

The determination of the liabilities under long-term insurance contracts is dependent on estimates made by the Group. Estimates are made as to the expected number of deaths for each of the years in which the Group is exposed to risk. The Group bases these estimates on standard mortality tables that reflect historical mortality experience. The estimated number of deaths determines the value of the benefit payments and the value of the valuation premiums. The main source of uncertainty is that epidemics such as AIDS could result in future mortality being significantly worse than in the past for the age Groups in which the Group has significant exposure to mortality risk.

For contracts without fixed terms, it is assumed that the Group will be able to increase mortality risk charges in future years in line with emerging mortality experience. Estimates are also made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Impairment losses on loans and advances
The Group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a Group, or national or local economic conditions that correlate with defaults on assets in the Group. Management uses

Notes to the Financial Statements (Continued)

estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Held -to-maturity investments
The Group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement, the Group evaluates its intention and ability to hold such investments to maturity. If the Group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

47 INCORPORATION

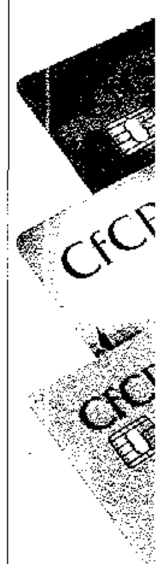
The bank is domiciled and incorporated in Kenya under the Companies Act.

48 CURRENCY

These financial statements are presented in Kenya shillings thousands (Sh'000).

Notes

Notes



Notes

CfCBank

Proxy Form

I/We ______________________________ of ______________________________ being a Member/Members of the above-named Bank, 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 Bank to be held on 26th May 2006 and at any adjournment thereof.

As witness my/our hand(s) this ______________ day of ______________________ 2006

____

Member

Notes:

1. To be valid, this proxy must be deposited at the Registered Office of the Bank 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.

Fomu ya Uakilishi

Mimi/Sisi ______________________________ wa ______________________________ kama mwanachama / wanachama wa Benki 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 Benki wa Mwaka utakaofanywa tarehe 26 Mei 2006 ama tarehe yo yote ile iwapo mkutano utaahirishwa.

Kama shahidi natia / tunatia sahihi hii / hizi ______________ siku hii ya ______________________ 2006

____

Mwanachama

Ukumbusho:

1. Ili Ithibitishwe, karatasi hii ya Mwakilishi inapaswa kupelekwa kwa ofisi iliyoandikishwa ya Benki 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
KISHA KUNJA HAPA

FOLD 1
KUNJA HAPA KWANZA

Company Secretary
CFC Bank Limited
P O Box 72833
00200 Nairobi, Kenya

FOLD 3
ALAFU KUNJA HAPA

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