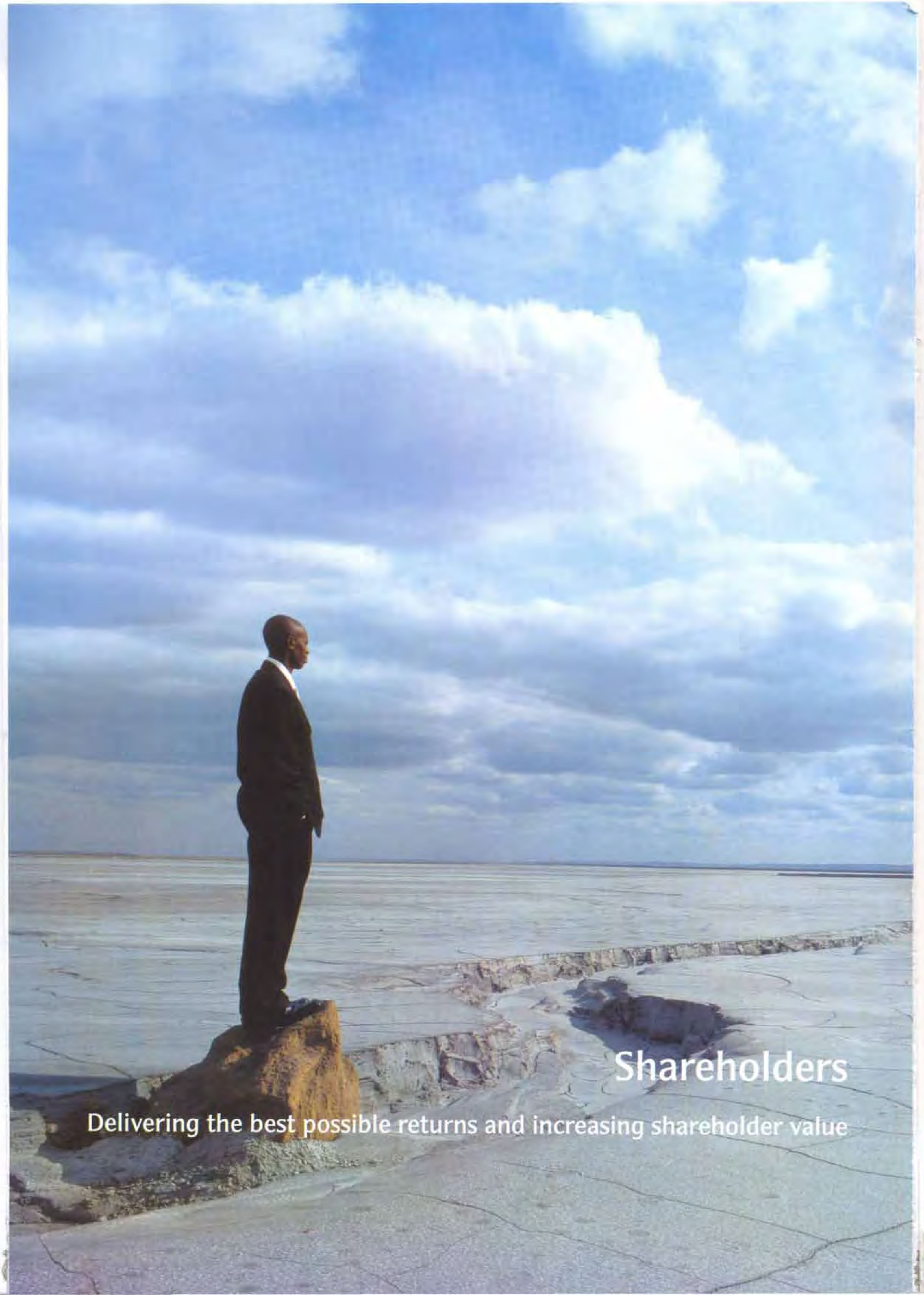
Annual Review and

Financial Statements 2001

The Value Story

BARCLAYS

Contents



Shareholders

Delivering the best possible returns and increasing shareholder value

The Barclays Group

Barclays PLC

Barclays is a UK-based financial services group engaged primarily in banking, investment banking and asset management. In terms of assets employed, Barclays is one of the largest financial services groups in the UK. The Group also operates in over 60 countries around the world and is a leading provider of co-ordinated global services to multinational corporations and financial institutions in the world's main financial centres. The results for Barclays for 2001 are reported separately for the following activities: Personal Financial Services; including personal customers in the UK and Europe and personal and corporate customers in parts of Africa, Barclaycard, Corporate Banking, Barclays Capital, Barclays Global Investors, other operations and Head office functions.

Our strategy is designed to transform Barclays into one of the top-performing banks in the world. Everything we do is geared to increasing the value of our organisation. We are transforming the bank into a ground-breaking company, known for its superior products and services, for the quality and diversity of its workforce, for the efficiency and effectiveness of its operations, and for the way it manages risks.

Competition

Competition in financial services has reached record levels in recent years, and the market is crowded with established banks and new entrants. Advances in technology are fuelling this, and it has become much easier and cheaper to provide financial services via telephone, computer or Internet service. At the same time, customers are becoming more financially sophisticated and more demanding. The Group believes it is well positioned to respond to these changes and continues to develop its strategy to enable it to meet competitive challenges. Barclays must beat the pace and speed of companies that focus on a single product, while continuing to offer our own customers a full range of services. At the same time, we have to compete against the world's largest financial institutions, who are gaining an increasingly strong foothold in our home market.

Barclays Africa

Barclays is the pre-eminent bank in English speaking, sub-Saharan Africa. Involved in Africa over the past 100 years, the bank manages the retail and corporate banking network in Sub-Saharan Africa, the Indian Ocean and Egypt. Barclays Africa operates 215 branches in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, Uganda, Zambia, Zimbabwe and Tanzania and a network of over 170 ATMs. It has more than 7,000 employees serving a customer base of 1.5 million accounts. Barclays Africa is the biggest bank in Sub-Saharan Africa, excluding South Africa, in terms of profits. Barclays Africa operates a diversified portfolio of banking operations across Africa supported by over 100 years of experience and representation. Our commitment is clear as we continue to invest in our people, our infrastructure and our communities and through each of these serve our customers and shareholders.

The Barclays Group

Barclays Bank of Kenya

Barclays has operated in Kenya for over 80 years. Financial strength, coupled with extensive local and international resources have positioned Barclays Bank of Kenya Limited as a foremost provider of banking services.

The main sectors of the Kenyan economy are agriculture, manufacturing, tourism and financial services. Tea and horticulture are the country's leading exports and the tourism sector continues to play a key role in contributing towards foreign exchange earnings of Kenya.

Barclays has established an extensive network of 55 branches with 64 ATMs and a strong customer base of about 434, 000 accounts spread across the country. The bank's strong financial performance over the years has built confidence among the 35,000 shareholders, with a reputation as the leading blue chip company on the Nairobi Stock Exchange.

Investing for the future: Our newly refurbished Queensway House Branch.

The Board of Directors

1. Sam Ambundo
Chairman (age 72)
Joined the Board on 28 May 1982 and was a former General Manager of the Bank. He is a Director of the Export Promotion Council and Kenya Power and Lighting Company Limited.

2. Isaac Takawira
Managing Director (age 58)
Joined the Board on 29 September 2000. Fellow of the Institute of Bankers and Member, Council of International Advisors to INSEAD Business School in France. Also a Member, Banking Group Advisory Board for the International Finance Corporation (IFC) and is an associate of the Institute of Chartered Secretaries & Administrators. Former Managing Director Barclays Bank, Zimbabwe.

3. Adan Mohamed
Executive Director (age 39)
Joined the Board on 1 December 1999. A member of the Institute of Chartered Accountants in England & Wales and a graduate of Harvard Business School in USA. Current Director, Finance and Planning.

4. Dominic Bruynseels
Overseas based non-executive Director (age 42)
He is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA degree. Current Chief Executive - Barclays Africa.

5. Paul Chemng'orem
Non-executive Director (age 52)
Joined the Board on 26 March 1998. Director, IDK Limited, Uchumi Supermarkets, Kenya Liquor, Taptok Limited and African Diatomite Limited. Current Managing Director of KWAL and Chairman of Kenya Utalii College.

6. Philip Howell
Overseas based non-executive director (age 46)
Joined the Board on 1 April 2000. A member of the Banking Council in South Africa. Current Managing Director Corporate and Merchant Banking, Barclays Africa.

7. Japheth Ilako
Non-executive Director (age 67)
Joined the Board on 27 March 1987. Director, Kipriko Investment Limited, Kitui Properties Limited and Sight by Wings. Retired Administrator.

8. David James
Executive Director (age 52)
Joined the Board on 25th April 2001. He has worked with Barclays Group since 1967. An Associate of the Chartered Institute of Bankers. Currently Director, Risk Mangement.

9. Dr. Eric Mngola
Non-executive Director (age 69)
Joined the Board on 27 May 1983. A director of Wesu Holdings Company Limited and Pwani Ranch Company Limited. He is a Medical Consultant.

10. Martin Okech
Non-executive Director (age 59)
Joined the Board on 26 March 1998. Director of Meliso Limited, former Managing Director, ICL and the current Chairman of ICL.

The Board of Directors (continued)

11. Shantilal Shah
Non-executive Director (age 62)
Joined the board on 29th August 2001. Chairman, Board of Governors - M.P Shah Hospital. He is the current Executive Chairman of General Accident Insurance Company.

12. James Turner
Executive Director (age 46)
Joined the Board on 25th April 2001. He is an associate of the Institute of Bankers and a Freeman of the City of London. Formerly Director, Risk Management Barclays Kenya. Currently Director, Corporate Banking .

13. Morris Wahome
Non-executive Director (age 62)
Joined the Board on 27 March 1993 and was a former General Manager of the Bank. Director, Plaza Trust, Transebel, Mosi Limited, Mureka Investment, Maliko, Waco Limited and the College of Banking & Finance of Kenya. He is a businessman.

Senior Management Team

Standing from left : Jeremy Best, *Regional head of Assurance* **Peter Roberts** , *Director, Service Delivery,* **Nick Mbuvi**, *Treasurer,* **Isaac Takawira**, *Managing Director,* **Charles Maranga**, *Head of Human Resources,* **David James**, *Director, Risk Management,* **Steve Cooper**, *Director, Business Banking,* **Adan Mohamed**, *Director, Finance and Planning.*
Sitting from left: Martin Oduor Otieno, *Regional Head Barclays Business Support,* **George Ooko**, *Director, Regional Retail Banking,* **Paul Kent**, *Director, Programme Office,* **Ruth Onyancha (Mrs)**, *Company Secretary,* **James Turner**, *Director, Corporate Banking.*

Notice of the Annual General Meeting

Notice is hereby given that the twenty third Annual General Meeting of the Shareholders of Barclays Bank of Kenya Limited will be held at the Amphitheatre, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Friday 10 May 2002 at 11.00 a.m. to transact the following business:

1. To confirm the Minutes of the Twenty second Annual General Meeting held on 18 May 2001.

2. To receive, consider and, if thought fit, adopt the Annual Report and Financial Statements for the year ended 31 December 2001 together with the Director's and Auditor's reports thereon.

3. To declare a dividend

4. To elect Directors:

(a) In accordance with Articles No. 94 and 96 of the Company's Articles of Association, the following directors are due for retirement by rotation and being eligible, individually offer themselves for re-election:-

(i) Mr A. Mohamed

(ii) Mr M. N. Wahome

(b) Dr. E. N. Mngola and Mr J. K. Ilako, Directors have advised the company of their intention to retire at the forthcoming Annual General Meeting. Consequently, they will not offer themselves for re-election under Article No. 96 of the Company's Articles of Association.

(c) In accordance with Article No. 101 of the Company's Articles of Association, the following directors are due for retirement this being the first Annual General Meeting to be held since their appointment and being eligible, individually offer themselves for re-election:-

(i) Mr. J. A. Turner

(ii) Mr. D. L. James

(iii) Mr. S. R. Shah

5. To fix the remuneration of the directors

6. To appoint Auditors:

7. To transact any other business of an Annual General Meeting.

8. **Special Business**

(a) Amendment of the Company's Articles of Association

As the Nairobi Stock Exchange moves into the implementation of the Central Depository System (CDS), listed companies will need to amend their Articles of Association to embrace electronic records as evidence of ownership in compliance with the Central Depository Act 2000. It is proposed that Article No. 116 of the Company's Articles of Association be amended by insertion of the following Article:

S.116 (a) " The provisions of the Central Depositories Act 2000 (CD Act) as amended or modified from time to time (CD Act) shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilized or dematerialized or are required by the regulations or rules issued under the CD Act to be immobilized or dematerialized in part or in whole, as the case may be. Any provisions of these Articles that are inconsistent with the CD Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association immobilization and dematerialization shall be construed in the CD Act".

S. 116 (b) " Where any securities of the Company are forfeited pursuant to the these Articles of Association after being immobilized date or dematerialized, the Company shall be entitled to transfer such securities to a securities account designated by the directors for this purpose".

(b) Mr Samuel Okwayo Joshwa Ambundo retires by rotation in accordance with Article No. 106 of the Company's Articles of Association. Special Notice has been received by the Company pursuant to Section 142 of the Companies Act (Cap.486) that the following resolution be proposed in accordance with Section 186(5) of the said Act for the consideration of the Shareholders:

"THAT Mr Samuel Okwayo Joshwa Ambundo (a Director retiring by rotation) who is over the age of 70 years, be and is hereby re-elected as a director of the Company"

By order of the Board

Ruth Onyancha (Mrs.)

Secretary

P O Box 30120 code 00100

Nairobi.

Tangazo la Mkutano Mkuu wa Kila Mwaka

Inaarifiwa kwamba kikao cha Ishirini na Tatu cha Mkutano Mkuu wa Kila Mwaka wa Wenyehisa wa Barclays Bank of Kenya Limited kitafanyika kwenye ukumbi wa Amphitheater, katika jengo la Kenyatta International Conference Centre, barabara ya Harambee Avenue siku ya Ijumaa tarehe 10 Mei mwaka 2002, saa Tano asubuhi kutekeleza shughuli zifuatazo:

1. Kuthibitisha Kumbukumbu za Kikao cha Ishirini na Mbili cha Mkutano Mkuu wa Kila Mwaka kilicho fanyika tarehe 18 Mei 2001

2. Kupokea, kutafakari na ikiwa ni sawa kuzikubali Taarifa za Mwaka na za Fedha kwa mwaka uliomalizikia tarehe 31 Desemba 2001 pamoja na Ripoti za Wakurugenzi na Wakaguzi Hesabu zilizoko hapo

3. Kutangaza mgawo

4. Kuwateua Wakurugenzi

(a) Kuambatana na Ibara Nambari 94 na 96 za Ibara za Kusajiliwa Kampuni, Wakurugenzi wafuatao wamefikia wakati wa kustaafu kwa mzunguko na kwa kuwa bado wanastahili, binafsi wanajitolea kuchaguliwa upya :-

(i) Bw. A. Mohamed

(ii) Bw. M. N. Wahome

(b) Dkt. E. N. Mngola na Bw. J. K. Ilako Wakurugenzi wameshauri kampuni nia yao ya kustaafu wakati wa kikao kijacho cha Mkutano Mkuu wa Mwaka. hivyo basi, hawatajitolea kuchaguliwa tena chini ya Ibara ya 96 ya Ibara za kuandikishwa kampuni.

(c) Kuambatana na Ibara Nambari 101 ya Ibara za Kusajiliwa Kampuni, Wakurugenzi wafuatao wamefikia muda wa kustaafu hiki kikiwa Kikao Kikuu cha kwanza tangu kuteuliwa kwao na kwa kuwa bado wanastahili, binafsi wanajitolea kuchaguliwa upya:-

(i) Bw. J. A. Turner

(ii) Bw. D. L. James

(iii) Bw. S. R. Shah

5. Kupanga marupurupu ya wakurugenzi

6. Kuchagua Wakaguzi Hesabu

7. Kutekeleza shughuli nyingine ile ya Kikao Kikuu cha Mkutano Mkuu wa Mwaka

8. Shughuli Muhimu

(a) Huku Soko la Hisa la Nairobi likikaribia utekelezwaji wa Mtindo wa Uwekaji wa Kati – Central Depository System (CDS), makampuni yaliyo sajiliwa ya tahitajika kurekebisha Ibara zao za Uandikiswaji ili kuafiki nyaraka za umeme kama ushahidi wa urithi kuambatana na Kanuni ya Uwekaji wa Kati ya mwaka 2000. Inapendekezwa kwamba Ibara ya 116 ya Ibara za Kuandikishwa Kampuni irekebishwe kwa kuongezea Ibara ifuatayo:

S.116(a) "Mahitaji ya Kanuni ya Uwekaji wa Kati ya mwaka 2000 (Ibara ya CD) kama ilivyo rekebishwa au kubadilishwa kutoka muda hadi muda (Ibara ya CD) itahusika kwenye kampuni kwa kiwango kwamba dhamana zozote za Kampuni ni baadhi au zinatumika kwa jumla au kama inavyo hitajika kwa masharti au kudhoofishwa au sheria zilizotolewa chini ya Kanuni ya CD ili ivunjwe au kudhoofishwa kwa kiasi au kwa jumla, jinsi inavyostahili. Mahitaji yote ya ibara hizi ambazo zimehitilafiana na Kanuni ya CD au masharti au sheria zilizotolewa au kuundwa kuambatana nazo zitachukuliwa kwamba zimebadilishwa kwa kiwango cha kuhitilafiana hivyo katika matumizi yake kwenye dhamana hizo. Kwa minaajili ya ibara hizi za uandikishaji uvunjwaji wake utaeleweka kwa namna hiyo hiyo inavyo eleweka kwenye Kanuni ya CD".

S.116 (b) "Ambapo dhamana zozote za kampuni zitapotea kufuatana na ibara hizi za uandikishaji baada ya tarehe ya kuvunjwa au kuondolewa muundo, Kampuni itastahili kupeleka dhamana hizo kwenye akaunti ya dhamana iliyoundwa na wakurugenzi kwa madhumuni haya".

(b) Bw. Samuel Okwayo Joshwa Ambundo anastaafu kwa mzunguko kuambatana na Ibara Nambari 106 ya Ibara za Kusajiliwa Kampuni. Arifa Spesheli imepokewa na Kampuni kufuatia Sehemu ya 142 ya Kanuni za Makampuni

(Fungu la 486) kwamba mswada ufuatao upendekezwe kuambatana na Sehemu ya 186(5) ya Kanuni iliyotajwa itafakariwe na Wenyehisa:

"KWAMBA Bw Samuel Okwayo Joshwa Ambundo (Mkurugenzi anaestaafu kwa mzunguko) ambaye amepitisha umri wa miaka 70, awe na hapa anateuliwa upya kama mkurugenzi wa Kampuni"

Kwa Amri ya Halmashauri
Ruth Onyancha (Bi)
Katibu
S L Posta 30120 code 00100
Nairobi.

Chairman's Statement

Sam Ambundo

Chairman

I am delighted to present to you our Annual Report and Financial Statements for the year ended 31st December 2001.

Review of the Kenya Economy

The economy recovered slightly in 2001 to grow by about 1% compared to a negative growth of 0.3% in 2000. The fragile recovery reflected mainly the result of favourable weather conditions on agricultural production since it did not extend to most other sectors in the economy. Some of the key sectors that were slow in catching up on the recovery process are manufacturing, building and construction, and domestic services. The power rationing which adversely affected production in 2000 ceased, but other factors that constrained growth such as dilapidated infrastructure and outdated telecommunication equipments remained unresolved.

Despite that rather somber view, substantial progress had been achieved on other fronts including stabilization of the economy. The Central Bank pursued a tight monetary policy, which in combination with tight controls on the fiscal side enabled average annual inflation to be brought down from 6.2% at end of 2000 to about 1.0% at the end 2001 - perhaps the lowest inflation level Kenya has experienced in recent memory. The efforts of monetary authorities were greatly assisted by the fall in food prices and reduction in power and fuel costs.

Domestic interest rates had been declining since February 2001 although there was a slight rise between May and July. The 91-day Treasury bill rate declined from 12.9% at the beginning of the year to 10.5% in May and then rose to about 13% in July. Since then the general trend of interest rates has been downward with the 91-day Treasury bill closing the year at just under 11.0%. The general decline in interest rates reflected mainly the results of the Government's fiscal operations during the year.

After withdrawal of budgetary support to Kenya by the major donors following the collapse of agreements with the Bretton Woods Institutions, the Government relied heavily on the banking system to close the budget deficit and also to restructure its domestic debt. The strategy entailed greater reliance on longer-term Treasury bonds as a means of financing in order to reduce domestic debt service burden. For most of the year, private sector demand for credit remained subdued due to the depressed economic conditions.

On the external front, the Shilling exchange rate remained relatively stable at between Shs 78 -79 to the US Dollar. The stability in the Shilling was driven by the strong foreign exchange position, maintained at around $1.4billion or 3 to 4 months of imports cover. For most of the year, demand for foreign exchange was generally subdued due to the depressed state of the economy.

Some of the problems encountered by banks in 2000 such as crime, unreliable communications and non-performing loans were carried over into 2001. Nevertheless the financial sector, as a whole, emerged from the year 2001 in a much stronger position than in 2000 despite the slow growth of the economy. In particular the banking sector made substantial progress in reducing exposure to bad debts by making prudent and timely provisions for non-performing loans. A few institutions merged in the year in order to strengthen their capital base.

Of major focus in the Banking Industry in 2001, was the Central Bank of Kenya (Amendment) Act 2000, which sought to regulate the maximum lending rates and minimum deposit rates. The year saw the Act being assented to by the President and challenged in court due to its retrospective nature. This brought about a lot of uncertainties that reduced the banking industry lending to the productive sector and the economy in general. However, a constitutional court ruling made on 24th January 2002, established that the Act is not binding on the banking industry due to its retrospective effect. Accordingly, the Bank Directors have taken a view that the Act has no effect on the year.

Financial Review

In the circumstances described above, I am pleased to report that your bank recorded good results during the year 2001.

Group profit before taxation increased by 39.5% from the 2000 level of Shs 3,035 million to Shs. 4,235 million. This is attributed to rigorous cost management and good management of our lending book.

The Bank made considerable effort during 2001 to clean up the lending book. In addition we became more selective in the quality of lending we took onto our books during the year. The efforts put in by our lending team have started to bear fruit and the pleasing result is that, despite the difficulties experienced by the economy and the uncertainties created by the Central Bank of Kenya (Amendment) Act 2000, the provision charge for the year was substantially down from Shs 1,641million in 2000 to Shs 1,037 million; an improvement of 36.8%. This provision was made up of Shs 1,252 million of specific provisions and a decrease in general provisions of Shs 215 million, both of which were calculated in line with the Barclays Group's rigorous provisioning policy.

Our ratio of non-performing book to total advances book was at 13.5% a deterioration over last year's position of 9.2%. This reflects the impact of the stagnant growth in the economy on our businesses. Still on this subject, I would like to state it remains our policy that interest on advances classified as non-performing is held in suspense and not credited to the profit and loss account.

Our rigorous cost management programme enabled us to realise savings of Shs 658 million compared with 2000, which is a reduction of 10%.

Total income was flat at Shs 11,262 million against Shs 11,324 million in 2000. Net interest income was down from Shs 7,071 million in 2000 to Shs 6,771 million, a reduction of 4.2%. This was due to a reduction in our average Base Rate on advances from 18.7% in 2000 to 15.5% in 2001. This reduction in our average Base Rate of 3.2% greatly benefited our borrowing customers and enabled us to increase our lending volumes by 8.1% and will help to strengthen our long-term relationships with our customers.

Non-interest income increased by 5.6% as a result of our deliberate policy of focusing more on increasing our market share of non-interest income from our existing and new customer base.

Corporation Tax payable to the Government increased to Shs 1,280 million in 2001 from Shs 967 million in 2000, due to the increase in the level of profits during the year. Out of the profit after tax attributable to shareholders of Shs 2,955 million (2000- Shs 2,068 million), the directors have recommended a total dividend for the year of Shs 14 per share. The total dividend payable is Shs 2,593 million, which is an increase of 40% in total distribution to shareholders compared to 2000. This will leave a retained profit of Shs 362 million for future business development and growth of the bank.

Total assets marginally grew by 4.6% over 2000, from Shs 70,377 million to Shs 73,647 million at the end of 2001. Lendings to our customers increased slightly by 8.1% during the year from Shs 42,241 million to close at Shs 45,654 million. The conservative increase in lendings was influenced by the uncertainty surrounding the implementation of the Central Bank of Kenya (Amendment) Act 2000 . Total capital expenditure for the year was Shs 361 million, the bulk of which was on computer equipment and refurbishment of branch premises.

Total customer deposits grew by 6.9%, from Shs 53,134 million to Shs 56,788 million in 2001. Most of this growth was in Current and Savings accounts an indication of the favorable degree of confidence that our customers have on our World Class Service.

Our liquidity ratio remained high, averaging in excess of 37% of eligible deposits throughout the year as compared with the Central Bank minimum guideline of 20%. This liquidity comprised balances held in the statutory cash reserve with the Central Bank, Treasury Bill holdings, placings of foreign currency balances and operating cash balances held at our branches. The management of liquidity in our bank is designed to ensure that we can meet both maturing deposits and satisfy customers' needs for additional borrowing, while also complying with statutory guidelines.

Our capital base remains strong due to our consistent retention of earnings, with shareholder funds now standing at Shs 9,316 million as compared to Shs 8,954 million in 2000, well in excess of the statutory minimum capital requirements. Our capital adequacy ratio average for the year was 15.1% compared to the Central Bank minimum guideline of 12%.

I am pleased to report that we achieved a respectable Earnings Per Share in 2001 of Shs 16, Return on Shareholders Funds was 25.9% while Return on Assets stood at 4%. These statistics reflect a satisfactory performance by your bank in a difficult year, and I would like to commend all those who have contributed to this success.

The Board

Changes to the Board during the year included the appointment of three directors – Mr. Shantilal Shah, Mr. David L. James and Mr. James Turner. They bring to the Board a wealth of experience and expertise. I wish to welcome them to the team.

Commitment to Social Responsibility

Your bank is committed to investing in the communities, in which it lives and works, for we appreciate that the success of any enterprise is inseparable from the well-being of the community in which it operates. During 2001, Barclays Africa distributed over £1 million to worthy causes across the 10 main operating countries. In Kenya, we spent Shs. 20 million in community activities during 2001.

The objective of our community programme this year has been to do far more than donating funds. We have aimed to build successful partnerships with our communities that have produced lasting and tangible results. Our main focus was on health, education and the disabled which saw us foster relationships with Voluntary Services Overseas, Kenya National Association of the Deaf and Junior Achievement Kenya.

Through the annual Barclays Charity Walk, our staff came together with the support of our customers, family and friends to walk and raise money for charities across the country. The walk raised Shs 7.5 million in 2001, and has raised a total of Shs 21.5 million since it was launched in 1999. The funds have been used to support over 100 charities countywide over the past three years. The charities were drawn from organisations that care for the disabled, children's homes, homes of the elderly, HIV/AIDS orphans among others.

I thank and encourage staff to continue maintaining their involvement in various fundraising activities as well as volunteering their time for various charities countrywide.

Progress through Values

A major contribution to our progress stems from the values we share as colleagues. These values govern the way in which we work together and the way we work with our customers. We judge ourselves by the quality of service we provide to our customers and the value we add to them, as well as shareholders, and we believe this is the key to our future.

In addition, Barclays will be adopting a new set of behaviors that will move us forward, unite us all and endure. Our business strategy is supported by our people strategy, and in turn, these will be supported by the new behaviors. These new Barclays behaviors include: to drive performance, build pride and passion, delight customers, grow talent and capability, execute at speed and to protect and enhance our reputation.

Looking into the future

Overall, the year 2001 was not an easy one as the economy experienced severe stress resulting from the longest sustained decline in growth and the uncertainties relating to the interpretation of Central Bank of Kenya (Amendment) Act, 2000. The stress was aggravated by the decline in level of investment associated with political uncertainty. To kick-start the process of growth and development, it is imperative that investment be resumed. In this regard, monetary authorities have the important task of ensuring and promoting stability in the financial sector in order to create an enabling environment for investment. On their part financial institutions will need to be sensitive to the changing needs of the economy.

The recent judgement of the Constitutional Court on the Central Bank of Kenya (Amendment) Act, 2000, provides an opportunity for the Banking Industry, Parliament and the Government to reflect on the objectives of the Act; to dialogue and come up with a middle course, which will enable all stakeholders to work out a sustainable interest rate policy aligned to the overall macroeconomic aims of the country. We hope that all stakeholders will rise to the challenge, look beyond personal interests and think of the long-term interests of all Kenyans.

The economic prospects for 2002 will obviously be greatly influenced by the fact that it is an election year. The various economic challenges notwithstanding, the Bank will always position itself to protect shareholder value, minimize risks and make the best of any opportunities presented.

Finally, I would like to take this opportunity to thank all staff for their commitment during the year and my fellow board members for the support they have accorded me throughout the year.

Sam Ambundo
CHAIRMAN.

Taarifa Ya Mwenyekiti

Sam Ambundo

Chairman

Nina furaha kukuwasilishia Taarifa zetu za Mwaka na za Fedha kwa mwaka ulomalizikia tarehe 31 Decemba 2001.

Tafakari ya Uchumi wa Kenya.

Uchumi uliamka kiasi mwaka 2001 na kukua kwa kiasi cha asilimia 1% ukifananishwa na ukuaji kinyume wa asilimia 0.3% mwaka 2000. Huu mwamko dhaifu ulidhihirisha zaidi matokeo mema ya hali ya hewa kwenye mazao ya kilimo kwa kuwa haukuhusisha sekta nyingine nyingi za uchumi. Baadhi ya sekta nyingine nyingi za kiuchumi. Baadhi ya sekta muhimu zilizokua taratibu katika mtindo wa mwamko ni za usalishaji, ujenzi na uundaji, na huduma za nchini. Ugawaji umeme ambao uliathiri sana uzalishaji mwaka 2000 ulimalizika, lakini hali nyingine zilizobana ukuaji kama vile amara zilizochakaa na vifaa duni vya mawasiliano bado havijatatuliwa.

Licha ya hali hiyo nzito, maendeleo makubwa yalipatikana kwenye medani zingine ikiwa ni pamoja na udhibiti wa uchumi. Benki Kuu iliendeleza sera ngumu za fedha, ambazo pamoja na udhibiti mkali upande wa hazina ya serikali uliwezesha kuteremka kwa wastani mfumko wa gharama za maisha kutoka asilimia 6.2% mwishoni mwa 2000 hadi takriban asilimia 1% mwishoni mwa 2001. Yamkini kiwango cha chini kabisa cha mfumko wa gharama kilicho shuhudiwa nchini Kenya katika miaka ya hivi karibuni. Juhudi za mamlaka za fedha zilisaidiwa sana na ushukaji wa bei za vyakula na upungufu wa gharama za umeme na mafuta.

Vima vya riba vya humu nchini vimekuwa vikishuka tangu Februari 2001 japokuwa kulikuwa na upandaji kidogo kati ya Mei na Julai. Kima cha Hati za Serikali za siku 91 kilipungua kutoka asilimia 12% mwishoni wa mwaka hadi asilimia 10.5% mwezi Mei na kisha kupanda tena kufika kiasi cha asilimia 13 mwezi Julai. Kutokea hapo mtindo wa kawaida wa vima vya riba umekuwa ukiteremka huku Hati za Serikali za siku 91 zikimalizia mwaka zikiwa kidogo tu chini ya asilimia 11%. Upungufu wa kawaida wa vima vya riba ukionyesha zaidi matokeo ya shughuli za hazina ya serikali hapo mwakani.

Baada ya wafadhili muhimu kusimamisha misaada ya kuunga mkono bajeti nchini Kenya kufuatia kuvunjika kwa mapatano na Taasisi za Benki ya Dunia, serikali imetegemea sana mtindo wa mabenki kufunga upungufu wa bajeti na pia kuunda upya deni lake la humu nchini. Mbinu yenyewe ilishirikisha mategemeo makubwa ya Hati za Serikali za muda mrefu kama namna ya kuchangia pesa ili kupunguza mzigo wa deni la nchini. Kwa kiasi kikubwa cha mwaka hapakuwa na mahitaji ya mkopo katika sekta binafsi kwa ajili ya hali ngumu za kiuchumi.

Kwenye medani za nje, kima cha ubadilishanaji Shilingi kilibakia imara kati ya Shilingi 78 – 79 kwa dola ya Kimarekani. Uthabiti wa shilingi uliimarishwa na hali nzuri ya fedha za kigeni iliyobakia kwenye wastani wa dola bilioni 1.4 au kiasi cha kutosheleza uagiziaji wa vitu kutoka nchi za nje kwa miezi 3 hadi 4. Kwa kiasi kikubwa cha mwaka, mahitaji ya fedha za kigeni hayakuwa makubwa kutokana na uzorotaji wa uchumi.

Mmuliko muhimu kwenye Tasnia ya Mabenki mwaka 2001, ulikuwa kwenye Kanuni ya Benki Kuu ya Kenya (marekebisho) ya mwaka 2000 inayofahamika kwa umashuhurikama "Kanuni wa Donde" ambayo ilidhamiria kubainisha vima vya chini zaidi vya riba na vima vya chini zaidi vya akiba. Ni katika mwaka huo ambapo hiyo Kanuni ya Donde iliidhinishwa na Raisi na ikakabiliwa kortini kwa ajili ya hali ya muda wake. Hii ilisababisha wingi wa hali ya kutokuwa na uhakika ambayo ilipunguza ukopeshaji kwa sekta za uzalishaji utolewao na tasnia ya mabenki na kwenye uchumi kwa jumla.

Hata hivyo, maamuzi ya korti ya kikatiba yaliyofanywa tarehe 24 Januari 2002, yalibaini kwamba Kanuni yenyewe haiambatanishi kwenye tasnia ya mabenki kwa ajili ya muda wake. Kwa hivyo, Wakurugenzi wa Benki wamechukulia kwamba Kanuni hiyo haina matokeo yoyote kwenye mwaka huo.

Tafakari ya Kifedha

Katika hali zilizoelezwa mapema, nina furaha kuarifu kwamba benki yako ilikuwa na matokeo mema mnamo mwaka 2001.

Faida ya Kundi kabla ushuru iliongezeka kwa asilimia 39.5 kutoka viwango vya mwaka 2000 vya Shilingi milioni 3,035 kufikia Shilingi milioni 4,235. Hii inatokana na usimamizi kabambe wa gharama na vitabu vya ukopeshaji.

Benki ilijitahidi sana mwaka 2001 kuimarisha vitavu vya ukopeshaji. Isitosehe, tulikuwa waangalifu sana kwa wale tuliowapa mikopo hapo mwakani. Juhudi zilizowekwa na timu zetu za ukopeshanaji zimeanza kupata mazao na matokeo ya kufurahisha ni kwamba, licha ya hali ngumu zilizo kabiliwa na uchumi na shaka zilizo sababishwa na Kanuni ya Benki Kuu ya Kneya (Marekebisho) ya mwaka 2000, gharama ya masurufu kwa mwaka ilipunguwa kwa kiasi kikubwa kutoka Shilingi milioni1,641 mwaka 2000 hadi Shilingi milioni 1,037 – imariko la asilimia 36.8. Haya masurufu yalitokana na masurufu maalum ya Shilingi milioni 1,252 na ushukaji wa masurufu ya kawaida wa Shilingi milioni 215, yote hayo yakihesabiwa ki-sera ya Kundi la Barclays inayohusu masurufu.

Uwiano wetu wa madeni tashwishi kwa jumla ya madeni ulikuwa kwenye asilimia 13.5 ukipungua kwenye hali ya mwaka jana kwa asilimia 9.2. Hii ikionyesha matokeo ya kutokuweko na ukuaji wa uchumi kwenye biashara yetu. Tukiwa kwenye swala hili, ningependa kusema kwamba bado ni sera yetu kwamba riba kwenye mikopo yenye tashwishi inakua inaning'inia na sio kuwekwa kwenye akaunti ya faida na hasara.

Mpango wetu kabambe wa usimamizi wa gharama ulituwezesha kuokoa Shilingi milioni 658 ikifananishwa na mwaka 2000, ambapo ni ushukaji wa asilimia 10.

Jumla ya mapato ilikuwa ni sawa kwenye Shilingi milioni 11,262 dhidi ya Shilingi milioni 11,324 mwaka 2000. Jumla ya pato la riba lilipunguwa toka Shilingi milioni 7,071 mwaka 2000 hadi Shilingi milioni 6,771, punguko la asilimia 4.2. Hii ilikuwa ni kwa ajili ya upungufu wa wastani wa Kiwango cha Msingi wetu kwenye mikopo kutoka asilimia 18.7 mwaka 2000 hadi asilimia 15.5 mwaka 2001. Ushukaji huu kwenye wastani wa Kiwango cha Msingi wa asilimia 3.2 uliwafaidi sana wateja wetu wanaokopa na ukatuwezesha kuongezea vima vya ukopeshanaji wetu kwa asilimia 8.1 na utatuwezesha kuimarisha uhusiano wetu wa muda mrefu na wateja wetu.

Pato lisilo tokana na riba liliongezeka kwa asilimia 5.6 ikiwa ni matokeo ya sera yetu ya kumulikia zaidi kwenye kuongezea sehemu yetu ya soko ya pato lisilo tokana na riba kutoka kwenye msingi wa wateja wetu wa sasa na wapya.

Ushuru wa Mashirika unaolipwa Serikali uliongezeka kufikia Shilingi milioni 1,280 mwaka 2001 kutoka Shilingi milioni 967 mwaka 2000, kutokana na ongezeko kwenye kiwango cha faida hapo mwakani. Kutoka kwenye faida baada ya ushuru inayohusishwa kwa wenyehisa ya Shilingi milioni 2,955 (mwaka 2000 – Shilingi milioni 2,068), wakurugenzi wamependekeza jumla ya mgawo kwa mwaka wa Shilingi 14 kwa hisa. Jumla ya mgawo utakaotolewa ni Shilingi milioni 2,593, ambao ni ongezeko la asilimia 40 kwenye jumla ya usambazaji kwa wenyehisa ukifananishwa na mwaka 2000. Hii itabakiza faida iliyohifadhiwa ya Shilingi milioni 362 kwa uendelezaji wa biashara siku zijazo na ukuaji wa benki.

Jumla ya mali (mitaji) kwa wastani iliongezeka kwa asilimia 4.6 kwenye ile ya mwaka 2000, kutoka Shilingi milioni 70,377 hadi Shilingi milioni 73,647 mwishoni mwa mwaka 2001. Mikopo kwa wateja wetu iliongezeka kwa asilimia 8.1 hapo mwakani kutoka Shilingi milioni 42,241 na kufungia mwaka ikiwa Shilingi milioni 45,654. Ongezeko hili la kadri katika ukopeshaji ulishawishiwa na hali ya kutokuwa na uhakika kuhusu utekelezwaji wa Kanuni ya Benki Kuu ya Kenya (Marekebisho) ya mwaka 2000. Jumla ya matumizi Rasilimali kwa mwaka huo ilikuwa ni Shilingi milioni 361, kiasi kikubwa chake ikiwa ni kwenye vifaa vya kompyuta na ukarabati wa matawi.

Jumla ya akiba za wateja ziliongezeka kwa asilimia 6.9, kufikia Shilingi milioni 53,134 mwaka 2001. Idadi kubwa ya ongezeko hili ilikuwa ni kwenye akaunti za Cheki na za Akiba ikiwa ni thibitisho la kiwango cha kizuri cha uhakika walio nao wateja wetu kwenye Huduma zetu za Kiwango cha Kimataifa.

Uwiano wa Uthibiti wa kifedha wetu bado uko juu, ukiwa takriban zaidi ya asilimia 37 ya akiba zinazostahili katika kipindi chote cha mwaka ikifananishwa na mwangozo wa chini kabisa wa Benki Kuu wa asilimia 20. Uthibiti huu ni mchanganyiko wa akiba zilizoko hifadhi za fedha taslimu zilizoko Benki Kuu kama inavyohitajika ki-sheria, Hundi za Serikali tulizonazo, akiba za fedha za kigeni na fedha taslimu tunazofanyia kazi katika matawi yetu. Usimamizi wa uthibiti katika benki yetu umeundwa kuhakikisha kwamba tunaweza kukidhi mahitaji ya akiba zinazokomaa na mahitaji ya wateja wetu kwa mikopo zaidi, huku pia tukiambatana na miongozo ya serikali.

Msingi wetu wa rasilimali bado ni imara kutokana na uhifadhi wetu wa mapato mara kwa mara, ikiwa hazina ya wenyehisa sasa iko kwenye kiwango cha Shilingi milioni 9,316 ikifananishwa na na Shilingi milioni 8,954 mwaka 2000, ikiwa ni zaidi kabisa ya mahitaji ya serikali ya kiwango cha chini kabisa kinacho hitajika. Uwiano wetu wa wastani wa utoshelezaji wa rasilimali kwa mwaka huo ilikuwa ni asilimia 15.1 ukifananishwa na mwongozo wa chini kabisa wa Benki Kuu wa asilimia 12.

Nina furaha kuarifu kwamba tulifikia kiwango cha hadhi cha Pato kwa Hisa mwaka 2001 cha Shilingi 16. Mapato kwenye Hazina ya Wenyehisa yalikuwa asilimia 25.9 ambapo Mapato kwenye Rasilimali yalikuwa ni asilimia 4. Tarakimu hizi zinadhihirisha utekelezaji mzuri wa benki yako katika mwaka uliokuwa mgumu, na ningependa kuwapongeza wale wote waliochangia kwenye mafanikio haya.

Halmashauri

Mabadiliko kwenye Halmashauri hapo mwakani ni pamoja na kuteuliwa kwa wakurugenzi watatu – Bw. Shantilal Shah, Bw. David L. James na Bw. James Turner. Wanatuletea kwenye Halmashauri maarifa mengi na ujuzi.

Kujitolea Katika Kuwajibikia Umma

Benki yako imejitolea kusaidia umma kwenye maeneo tulioko na tunapofanyia kazi, kwa kuwa tunakubali kwamba mafanikio ya biashara yoyote ile hayatenganishwi na mustakabali wa umma wanapoishi. Mnamo mwaka 2001 Barclays Africa iligawa zaidi ya Paundi za Kingereza milioni moja kwenye miradi inayostahili katika nchi 10 muhimu inapofanyia shughuli zake. Nchini Kenya tulitumia Shilingi milioni 20 katika shughuli za umma mnamo mwaka 2001. Lengo la mpango wetu wa umma mwaka huu imekuwa ni zaidi ya kutoa misaada tu. Tumejitolea kujenga ushirikiano mwema na jumuiya zetu ulioleta matokeo dhahiri na ya kudumu. Mmuliko wetu mkubwa umekuwa ni kwenye afya, elimu na walemavu jambo lililotufanya tuimarishe uhusiano na mashirika ya Voluntary Services Overseas, Muungano wa Viziwi wa Kenya National Association of the Deaf na shirika la vijana la Junior Achievement Kenya.

Kwa matembezi ya kila mwaka ya Barclay Charity walk, wafanyi kazi wetu waliunganika kwa msaada wa wateja wetu, jamii na marafiki kutembea na kukusanya pesa kwa vyama vya wasiojiweza kote nchini. Matembezi hayo yalikusanya Shilingi milioni 7.5 mwaka 2001, na yamekusanya jumla ya Shilingi milioni 21.5 tangu yaanzishwe mwaka 1999. Fedha hizo zimetumikwa kusaidia zaidi ya vyama 100 vya wasiojiweza kote nchini kwa zaidi ya miaka 3 iliyopita. Vyama hivyo vilitoka kwenye mashirika yanayotunza wasiojiweza, makao ya mayatima, makao ya wazee, mayatima wa HIV/UKIMWI baadhi yao.

Nawashukuru na kuwamotisha wafanyikazi wetu waendelee katika shughuli mbali mbali za kukusanya pesa pamoja na kujitolea muda wao katika kusaidia vyama mbali mbali kote nchini.

Communitiy Service: Barclays team at work at the Dagoretti Childrens Home for physically disabled.
Huduma kwa Jamii: Timu ya Barclays ilipotembelea Makao ya watoto walemavu ya Dagoretti Childrens Home.

Maendeleo kupitia Hadhi

Kichangio kikubwa cha maendeleo yetu kinatokana na hadhi tunazopeana kama washiriki. Hadhi hizi zinatawala jinsi tunavyofanya kazi pamoja na vile tunavyoshirikiana na wateja wetu. Tunajihukumu kwa ubora wa huduma tunazowapa wateja wetu na hadhi tunayowaongezea, pamoja na wenyehisa, na tunaamini huu ndio ufunguo wa mustakabali wetu.

Isitoshe, Barclays itaanzisha taratibu mpya zitakazotupeleka mbele-zituunganishe sote – na zidumu. Mbinu zetu za biashara zinaungwa mkono na mbinu yetu ya watu, wakati huo-huo, hizi zitaungwa mkono na taratibu mpya. Taratibu hizi mpya za Barclays ni pamoja na, kuendeleza utekelezaji, kujenga fahari na utu, kuwafurahisha wateja, kukuza vipawa na uwezo, utendaji wa haraka na kulinda na kuimarisha sifa yetu.

Mustakabala

Kwa jumla, mwaka 2001 haukuwa mwepesi kwa jinsi uchumi ulivyopata shinikizo kubwa kutoka kwenye kipindi kirefu zaidi kilichoendelea cha ushukaji wa kukua na wasiwasi kuhusiana na ufafanuzi wa Kanuni (Marekebisho) ya Benki Kuu ya Kenya, ya mwaka 2000. Mojawapo ya sababu muhimu za uzorotaji wa uchumi imekuwa ni vima vya uwekaji rasilimali uanzishwe tena. Kwa hali hii, mamlaka za fedha zina wajibu mkuu wa kuhakikisha na kuhimiza udhibiti wa sekta ya fedha ili kubuni mazingira yanayafaa kwa uwekaji rasilimali. Kwa upande wao, mashirika ya fedha yatahitaji kufahamu mahitaji yanayobadilika ya kiuchumi.

Maamuzi ya hivi karibuni ya Mahakama ya Kikatiba kuhusu Kanuni ya Benki Kuu ya Kenya (Marekebisho) ya mwaka 2000, yanatoa fursa kwa Tasnia ya Mabenki, Bunge na Serikali kutafakari malengo ya Kanuni yenyewe; kujadiliana na kupata njia ya kati, itakayowawezesha wanao husika kuafikiana mwongozo unaofaa wa kiwango cha riba kinachofaa malengo ya kiuchumi ya nchi. Ni matumaini yetu kwamba wote wanaohusika watakabili changamoto, waangalie zaidi ya masilahi ya kibinafsi na wafikirie masilahi ya kudumu ya Wakenya wote.

Mustakabali wa kiuchumi kwa mwaka 2000 bila shaka utachochewa zaidi na ukweli kwamba ni mwaka wa uchaguzi. Mbali ya makabiliano kadhaa ya kiuchumi, kila mara benki itajiweka katika hali ya kulinda maslahi ya Wenyehisa, kupunguza athari na kufaidi fursa zozote tunazoletewa.

Matokeo ya kiuchumi kwa mwaka 2002 yatachangiwa sana na matokeo ya swala nyeti la Kanuni (Marekebisho) ya Benki kuu ya Kenya ya mwaka 2000, na shaka zinazogubika ratiba ya Uchaguzi Mkuu. Licha ya makabiliano haya, benki hii itakuwa tayari wakati wote kulinda thamani za wenyehisa, kupunguza madhara na kufuatilia nafasi zozote zitakazo jitokeza.

Hatimaye, ningependa kuchukuwa nafasi hii kuwashukuru wakurugenzi wenzangu kwa jinsi walivyo niunga mkono kwa mwaka mzima.

Sam Ambundo

Mwenyekiti

Managing Director's Statement

Isaac Takawira

Managing Director

Our mission is to deliver the best possible returns to Barclays shareholders, by creating a bank that provides the best products and services for customers, through highly capable and motivated employees, while helping the communities in which we live and work. Through our drive to achieve this mission in 2001, we were named the 'Best Bank in Africa' by the "The Banker" Magazine and we aim to continue to be the leading Bank in Africa.

Customer Primacy

Our commitment is to remain the market leader in the eyes of our customers in our chosen segments. We continuously aim to achieve this by delivering excellent service and products to all our customers – offering them what they want, when, where and how they want it at the right price.

During the past year, we enhanced our image by the rollout of corporate wear and continuous refurbishment of our premises through our programme of Brand and Brighten.

The bank continues to diversify along product lines, customer segments and markets throughout Kenya and Africa as a whole, enabling us to leverage the benefits of Barclays capabilities to the advantage of our customers. Significant progress has been made in the expansion of the Prestige Banking Service with the opening of a further 5 Prestige centres during the year. We will continue to develop value propositions to meet our customer needs and provide world class service.

Treasury Services

Treasury re-organisation, which began in 2000, was completed in July 2001 with the split of Treasury into 3 complementing functions enhancing customer focus in delivery of Treasury Services. Creation of a dedicated Treasury sales team saw improved support to Corporate, Business Banking and Retail Banking in provision of Treasury Solutions to our customers.

The new Liquidity Management team within Treasury saw improvement in balance sheet management leading to an overall reduction in liquidity and interest rate risks, whilst the Market Making Team ensured better management of foreign exchange and money market positions, provision of product pricing to the Sales Team and improved visibility in the market place through increased participation in both the local and international markets.

Treasury contribution towards the bank's overall performance remained substantial through Foreign Exchange and improved balance sheet management. Increased competition in the foreign exchange business coupled with slack economic activity during the year resulted in reduced margins, but with increased turnover amid very tough economic conditions, earnings from Treasury are considered to be very satisfactory for the year.

Business Banking

Business Banking was established towards the beginning of the year with the objective of providing a world class service to medium sized domestic and regional corporate clients. I am delighted at the progress made, the contribution this has made to the bank's performance and in particular the improving levels of customer satisfaction which continues to be a priority for us.

The provision of more focused and knowledgeable, dedicated relationship teams in Business Banking has helped clients to benefit from proactive advice, innovative solutions and quicker response times. Our greater understanding of customer needs has enabled us to develop our relationships further, resulting in improved non-interest income. At the same time, we have managed to improve our risk profile whilst also increasing our exposure to the market.

The sophistication and demands of the Kenyan Business sector continue to increase and we are meeting this in 2002 with the development of new innovative products, expansion of the business through training and recruitment of industry specialists, development of sector tailored propositions and the continued relentless focus on improving our service delivery.

Corporate Banking

Corporate Banking has seen an excellent year with the benefits of the reorganisation that had started in 1999 and completed during the year coming through both for our Corporate Banking customers and the bank. Importantly, the customer benefits will continue to grow during this year with the introduction of more new products and services.

Our Corporate Banking team has been widely involved in many sectors of the economy: telecommunications, soft commodities, power, petrochemicals, tourism, horticulture, manufacturing and the airline sector. Our customer focus, which is at the centre of everything we do, has enabled the corporate team to get involved with project finance, structured debt and investment opportunities, debt capital markets, asset finance, trade and commodity finance and cross border services. These specialist services, whilst important, are provided to supplement the more traditional banking requirements, which are the backbone of the relationship we have with our Corporate Banking Clients. Hence our continual effort for improvements in the quality of these important services.

Looking forward to 2002 our Corporate customers can expect to see further creative solutions to assist them with asset and liability management, reducing their financing costs, enhancing their returns, maximising cash flow benefits and creating value for their shareholders.

Retail Banking

Our Retail Banking sector is growing in significance. We have seized new opportunities to meet the increasing needs of our customers.

Our Prestige Banking service, which offers exclusive, secure premises, as well as first class personal service with no queuing is now well established as our flagship offering in the Retail segment. 5 new Prestige Centres were opened during 2001 in Harambee Avenue, Karen, Eldoret, Nkrumah Road-Mombasa and Malindi. These have brought the total number of centres in Kenya to 12. Prestige Banking has proved a major attraction to our customers. The exclusive centres are open for longer hours, manned by highly trained dedicated staff. Prestige customers also have access to all other centres in Kenya and in 7 other African countries. Further expansion is planned.

The major branch refurbishment under the Brand and Brighten programme continued through 2001, with a number of our branches set to be fully refurbished with the aim of establishing a world class banking environment for customer convenience. 17 branches were refurbished in 2001 including Queensway House and Westlands branches in Nairobi. The introduction of professional and modern-look corporate wear for all branch staff has further enhanced our image.

The Retail Division was restructured to meet the needs of our chosen customer segments at optimal cost. The branch network has been reconfigured into four clusters: West & Rift Areas, West Nairobi, East Nairobi & Mt Kenya and Coast Area. A Head of Retail Performance heads each cluster's performance and all the branches now have a Retail Manager responsible for them. The new Organisational Design for Retail was successfully implemented between May and September 2001.

Consumer lending has been a major growth area for Retail. We have established dominant leadership in the market with Barclayloan, our main personal lending product.

We have also added high value products to widen our range of personal products. High Value Current Account, High Rate Saving Accounts and High interest Bonus Savings Accounts are three products launched in 2001 to meet changing customer needs and ensure we remain competitive.

Risk Management.

During the year we have considered it prudent to raise substantial provisions for a number of customers who continue to face difficult trading conditions as a result of the continuing depressed economy. However our Relationship Managers have also been able to obtain more accurate and timely management information from our larger business customers and have focused their business development activities on the better quality credits. As a result, there has been a considerable improvement in the overall quality of the credit portfolio. Using a Portfolio Grading Model developed by Barclays for use throughout the world, we have seen a substantial reduction in Risk Tendency and have been able to release a small portion of our General Provision and still maintain Shs 929m as a reserve against future bad debts.

We have embedded the Corporate Relationship Support Team which was first set up at the end of 2000. We now have a team of dedicated Credit Specialists assisting Relationship Managers with the structuring of the more complex and innovative deals for Corporate and Business Banking customers.

Barclays Business Support has been further strengthened with the appointment of senior and experienced staff to assist with the early identification of problems affecting our business and corporate customers, with the primary objective of facilitating solutions leading to a turnaround.

The development of the Retail Risk Unit, handling all personal sector risk issues centrally in Nairobi, has allowed branch based staff to spend more time directly with customers attending to their needs. Our Barclayloan product, which is primarily credit scored has proved immensely popular and the low arrears patterns are extremely encouraging, demonstrating a welcomed sense of responsibility among our personal customers. During 2002 we shall be using credit references as a further enhancement to our process of quality selection. We shall extend many of the centralised systems used for personal accounts into the Retail Small Business Sector in a bid to further enhance our offering to this important sector of the community.

Our Debt Recovery Unit has recently installed a new software package and workflow management systems that will help them effectively manage their workload and productivity through reduced paper flow. At the same time the structure of the Unit has been changed from a regional and geographic distribution to a split on market segment lines allowing the Unit to develop industry expertise in this important area of debt collection.

Service Delivery

We began the year by changing the name of our Operations and Technology function to Service Delivery bringing Barclays Kenya in line with the rest of the Barclays Group and communicating the key purpose of the function to all those who work within it.

During 2001 we continued to invest in improving the services we offer to our customers with a number of notable successes. The availability of our ATM network greatly improved during the year giving our customers 24-hour access to their money. Investments in our IT network and operating systems have significantly improved their reliability and therefore the service our customers receive.

The processing of all back office work for the entire network is now centralized at our Operations Processing Centre in Nairobi. As a result, front office staff at our branches are dedicated only to providing an efficient and prompt service to our customers. These changes will also provide the platform for the bank to maintain tight control over its costs to ensure we continue to create maximum returns for shareholders.

We have developed and implemented the Service Delivery Management Information System during 2001, which supports the business to manage performance on a daily basis with a strong focus on the management of operational risk, costs and service.

Our Staff

Staff are an important asset and we are committed to investing in our people and to gain a reputation as the 'employer of choice' for the best and brightest in our industry.

During the year all employees were equipped with skills and attributes through our programme 'Achieving Market Leadership', which has enabled them to deliver excellent customer service. We have also invested heavily on the training of our staff by the establishment and opening of a Learning and Development Centre in Nairobi. The Centre's objective is to provide opportunity for development linked to business output and personal performance needs, a key indicator for a world class organisation.
The Equal Opportunity framework has taken shape and all recruitment, both internal and external, is now monitored to ensure our commitment to Equality and Diversity is maintained.

The area of HIV and AIDS is one that we have paid special attention to. HIV/AIDS education and awareness programmes have been carried out among our staff. Our intention now is to demonstrate and identify ourselves with measures aimed at minimising the spread of the disease and playing a key role to support both those affected and infected by the virus. So far, we have made contributions to orphanages and homes of infected children.

In 2001 Barclays Bank PLC entered into a three year Pan African community partnership with Voluntary Services Overseas for purposes of working together to combat HIV/AIDS issues in Africa. This initiative will bring relief to many people suffering from HIV/AIDS as well as providing support to them.

I thank all staff who have supported the bank in attaining what we have achieved and encourage them to continue to support the bank for their own benefit, the benefit of the bank and of the economy of the country.

Conclusion

In conclusion, I want to thank the Central Bank of Kenya and the Ministry of Finance for their guidance and support. I would also like to express my gratitude to all our staff for their continuing commitment to serve our customers, my colleagues in the management team and the Board for welcoming me to Kenya and for their wise counsel. I would also like to thank our customers for their support without which these results could not have been achieved.

Isaac G Takawira
Managing Director

Taarifa ya Mkurugenzi Mkuu

Isaac Takawira

Mkurugenzi Mkuu

Muhimu kwetu ni kuwapatia wenyehisa wa Barclays pato bora zaidi, kwa kuunda benki inayotoa bidhaa na huduma bora kwa wateja, kupitia kwa wafanyakazi wenye uwezo wa hali ya juu zaidi na wenye kuangaliwa vizuri, huku tukisaidia jumuiya tunazoishi na kufanya kazi nao. Kwa wajibu huu tumeweza kutambulika kama "Benki bora barani Afrika" na jarida la "The Banker" na tuna nia ya kuendelea kuwa Benki inayoongoza barani Afrika.

Kuza Mteja

Msimamo wetu ni kuendelea kuwa waongozaji katika biashara machoni mwa wateja wetu katika kundi tulilochagua. Tuna lengo la kuendelea kufanikiwa kwa kutoa huduma na bidhaa bora zaidi kwa wateja wetu wote – tukiwapa kile wanacho kihitaji kwa bei nzuri.

Hapo mwaka uliopita tuliimarisha hadhi yetu kwa kutoa mavazi mapya ya benki na kendeleza ukarabati wa matawi yetu kupitia mpango wetu wa "Nembo na Kuangaza".

Benki inaendelea kupanuka kwa misingi ya bidhaa, makundi ya wateja na masoko kote nchini Kenya na Afrika kwa jumla, ikituwezesha kuonyesha wenzo wa uwezo wa Barclays kwa manufaa ya wateja wetu. Maendeleo muhimu yamefanywa katika upanuzi wa Huduma za Benki ya Fahari yaani Prestige Banking Service, kwa kufunguliwa kwa vituo 5 zaidi vya Prestige hapo mwakani. Tutaendelea kuimarisha mapendekezo yenye thamani kukidhi mahitaji ya wateja wetu na kutoa huduma zenye hadhi ya kimataifa.

Huduma za Idara ya Fedha

Mpangilio mpya wa idara ya fedha, ulioanza mwaka 2000, ulikamilishwa mwezi Julai, 2001 kwa kugawanya idara katika shughuli 3 zinazohusiana ili kuimarisha mmuliko wa wateja katika utoaji wa huduma za kifedha. Kuanzishwa kwa tume kabambe ya mauzo katika hazina kulishuhudia muimariko na usaidizi kwenye mabenki na mashirika, biashara za Reja reja katika utoaji wa jawabu kwa wateja wa hazina. Timu mpya ya Usimamizi wa Uoevu katika Idara ya Hazina ilionyesha muimariko kwenye usimamizi wa mizania ya hesabu ikisababisha upungufu wa jumla wa uoevu na dhara za viwango vya riba, huku Timu ya Kuunda Masoko ikihakikisha usimamizi mzuri wa fedha za kigeni na hali za soko la fedha, utoaji wa bei za bidhaa kwa Timu za Mauzo na muimariko wa maono sokoni kupitia ongezeko la ushiriki kwenye masoko ya humu nchini na ya kimataifa.

Mchango wa idara ya Fedha katika utekelezaji jumla wa shuhuli za Benki bado ulikuwa mkubwa kupitia Fedha za Kigeni na usimamizi ulioimarika wa mizania ya hesabu. Ongezeko la ushindani mkubwa kwenye biashara ya fedha za kigeni pamoja na shughuli duni za kiuchumi hapo mwakani kulisababisha upungufu wa mapato, lakini kwa ongezeko la pato idara ya Fedha ni wa kuridhisha kwa mwaka huo.

Benki kwa Wafanya Biashara

Huduma hii ya Benki kwa Wafanyi Biashara ilianzishwa mwanzoni mwa mwaka kama shehemu inayoendelea ya kuunda upya sekta ya mashirika ikiwa na lengo la kutoa huduma zenye hadhi ya kimataifa kwa wateja wetu wa humu nchini na wa eneo hili wenye makampuni ya wastani. Nimeridhishwa na mafanikio yalopatikana, mchango uliotokana na huduma hii kwenye utekelezaji wa Benki na haswa vima vya muimariko wa ridhaa ya wateja ambayo inaendelea kuwa na umuhimu kwetu.

Kuweko kwa timu za maafisa wa uhusiano walio na mmuliko zaidi na fahamu, ambao wamejitolea imesaidia wateja kufaidika kutokana na ushauri mzuri, suluhisho za kisasa na majibu ya haraka zaidi. Ufahamu wetu mkubwa wa mahitaji ya wateja wetu imetuwezesha kuimarisha uhusiano wetu zaidi, matoeo yake yakiwa nimuimariko wa pato lisilo la riba. Wakati huo huo, tumeweza kuimarisha muhtasari wetu wa athari huku tukiongezea jinsi tunavyo julikana katika soko.

Ustaarabu na mahitaji ya sekta ya Biashara nchini Kenya unaendelea kuongezeka na tunakidhi haya mwaka 2002 kwa kuendelezwa kwa bidha mpya, kupanuliwa kwa biashara kupitia mafunzo na uajiri wa wataalamu kwenye tasnia hii, kuanizishwa kwa mapendekezo maalum kwa sekta na kuendeleza mmuliko imara katika uimarishaji wa huduma zetu.

Benki kwa Mashirika

Huduma za Benki kwa mashirika imeshuhudia mwaka mzuri sana huku manufaa ya mpangilio mpya ambao ulikuwa umeansishwa 1999 na kukamilika hapo mwakani ukidhirika kwa Wateja wetu wa Mashirika na benki yenyewe. Muhimu zaidi, manufaa ya wateja yataendelea kukua mwaka huu kwa kuanzishwa kwa bidhaa na huduma nyingine nyingi mpya.

Timu yetu ya wafanyikazi wa Benki kwa Mashirika imehusishwa sana katika sekta nyingi za kiuchumi. Mawasiliano, bidhaa nyepesi, umeme, mafuta, utalii, ukuzaji mboga, utengenezaji na sekta ya safari za angani. Mmuliko wa mteja ambao ndio kiini cha kila kitu tunachofanya, umewawezesha timu yetu ya mashirika, kuhusika kwenye ugharamiaji miradi, nafasi za upangaji madeni na uwekaji rasilimali, masoko ya madeni ya rasilimali, kugharamia ununuzi wa mali, kugharamia biashara na vitu na huduma za nchi kwa nchi. Huduma hizi za kitaalamu, ambapo ni muhimu, kuongezea juu ya mahitaji ya kawaida ya kibenki, ambazo ni kiini cha uhusiano tulio nao na Wateja wetu wa Benki ya Mashirika. Hivyo juhudi zetu zinazoendelea za muimarisho kwenye ubora wa huduma hizi muhimu.

Tukiangalia mbele mwaka 2002 Wateja wetu wa Mashirika wanaweza kutarajia jawabu zaidi za kitaalam kuwasaidia katika usimamizi wa rasilimali na majukumu, kuwapunguzia gharama zao za kifedha, kuimarisha pato lao, kutumia vyema manufaa ya pesa taslimu na kuongezea thamani za wenye- hisa kwa makampuni yao.

Sekta ya Bemki ya Reja reja

Sekta yetu ya Benki ya Reja reja inaendelea kukua vizuri. Tuna fursa mpya za kukabiliana na mahitaji yanayo ongezeka ya wateja wetu.

Huduma yetu Benki ya Fahari, Prestige Banking Service, iliyo na matawi faragha, salama, pia huduma za kibinafsi za Hadhi ya Kwanza bila ya milolongo sasa imetambulika kabisa kama toleo letu linalo ongoza kwenye kundi la Reja-reja. Vituo 5 vipya vya Prestige Centre vilifunguliwa mwaka 2001 vikiwa barabara ya Harambee Avenue, Karen, Eldoret, barabara ya Nkurumah Road Mombasa na Malindi. Hivi vimefanya jumla ya vituo nchini Kenya kuwa 12. Huduma ya Prestige Banking imeibuka kupendwa sana na wateja wetu. Vituo hivi vya wateja spesheli hufunguliwa kwa masaa mengi zaidi, vinasimamiwa na wafanyikazi wenye ujuzi na ustadi mkuu. Wateja wa Prestige wanaweza kuhudumiwa kwenye vituo vyote nchini Kenya na katika nchi nyingine 7 barani Afrika. Upanuzi zaidi uko njiani.

Ukarabati mkuu wa matawi chini ya mpango wa Nembo na Kuangaza uliendelea mwaka 2001. Huku matawi yetu yote yakipangiwa ukarabati kamili ili kuwa na mazingira ya kibenki ya hadhi ya kimataifa kwa starehe ya wateja. Matawi 17 yalikarabatiwa mwaka 2001. Uanzishwaji wa mavazi ya kitaalam na ya kisasa kwa wafanyi kazi wetu wote wa kwenye matawi umeimarisha zaidi hadhi yetu.

Idara ya Reja-reja iliundwa upya ili kukidhi mahitaji ya kundi la wateja waliochaguliwa kwa gharama kiasi. Mtandao wa matawi yetu umeundwa kwa makundi manne: Maeneo ya Magharibi na Bonde la Ufa, Nairobi Magharibi, Nairobi Mashariki na Mlima Kenya na Eneo la Pwani. Kiongozi wa Utekelezaji wa Reja-reja huongoza kila Kundi na matawi yote sasa yako na Meneja wa Reja-reja anae yashughulikia. Mfumo mpya wa Shirika kwa Reja-reja ulianzishwa kwa mafanikio kati ya Mei na Septemba 2001.

Ukopeshaji wateja umekuwa ni sehemu muhimu ya ukuaji wa idara ya Reja reja. Tumeimarisha uongozi wa kudumu katika soko na bidhaa ya Barclayloan, kwa wakopaji binafsi.

Aidha tumeongezea bidhaa nyingine zenye thamani zaidi ili kupanua mkusanyiko wetu wa bidhaa za kibinafsi. Akaunti ya Thamani Kuu ya Cheki, Akaunti za Mapato ya Juu za Akiba na Akaunti za Akiba za Riba ya Juu ni bidhaa tatu zilizoanzishwa mwaka 2001 ili kukidhi mahitaji yanayobadilika ya wateja na kuhakikisha tunabakia kwenye ushindani.

Usimamizi Wa Madhara

Hapo mwakani tumeonelea ni busara kuongezea masurufu ya kutosha kwa idadi ya wateja wanaoendelea kukabiliwa na hali ngumu za biashara kutokana na kuendelea kuzorota kwa uchumi. Hata hivyo Mameneja wetu wa Uhusiano wameweza kupata maelezo zaidi yaliyo sahihi na ya wakati kutoka kwa wateja wetu wakubwa na wameweza kumulikia shughuli za maendeleo ya biashara zao kwenye ubora wa karadha zao. Matokeo yake, kumekuwa na muimariko mkubwa kwenye ubora wa mazingawa kwa kutumia mtindo wa kuchambua mazingawa ulioundwa na Barclays kwa kutumiwa ulimwenguni kote. Tumeshuhudia mpunguko mkubwa katika mfumo wa dhara na tumeweza kuachia idadi kidogo ya masurufu yetu ya kawaida na bado tunahifadhi KES milioni 929 kama malimbikizo dhidi ya madeni tashwishi hapo baadae.

Tumeongezea Timu ya Kusaidia Uhusiano wa Shirika ambayo mwanzo ilianzishwa mwishoni mwa mwaka 2000. Sasa tuna timu ya Wataalam waliojitolea wa mambo ya Madeni wakisaidia Mameneja wa Uhusiano katika upangaji wa mapatano yalio magumu zaidi na ya kisasa kwa wateja wetu wa Mashirika na Biashara.

Idara ya Kusaidia wateja Wafanyi Biashara ya Barclays Business Support imeimarishwa zaidi kwa kuteuliwa Maafisa wakuu wenye ujuzi kusaidia katika ufichuaji mapema wa matatizo yanayokabili wateja wetu wa biashara na wa mashirika wakiwa na lengo la kurahisisha kupata jawabu zitakazo geuza mambo.

Uendelezwaji wa Kitengo cha Dhara za Reja-reja, kinachohusika na dhara zote katika sekta ya binafsi kutoka eneo moja la kati mjini Nairobi, kimeruhusu maafisa walioko kwenye matawi kutumia muda mwingi na moja kwa moja na wateja wakihudumia mahitaji yao. Bidhaa yetu ya Barclayloan, ambayo kimsingi ni ya kukupesha imethibitisha kuwa mashuhuri sana na mtindo wa mabaki ya chini ya ulipaji yanatia moyo sana, ikidhihirisha hali ya uwajibikaji baina ya wateja wetu wa kibinafsi.

Kitengo chetu cha Kufuatilizia Madeni hivi karibuni kimeweka mtambo mpya utakaowasaidia sana kusimamia kazi zao na uzalishaji kwa kupunguza matumizi mengi ya karatasi. Wakati huo huo muundo wa kitengo chenyewe umebadilishwa toka kuwa wa mikoa na mgawanyiko ya kijiografia hadi mafungu ya soko ikiachia kitengo chenyewe kuendeleza ujuzi wa tasnia yenyewe katika eneo hili muhimu la kufuatilizia madeni.

Utoaji Huduma

Tulianza mwaka tukibadilisha jina la shughuli yetu ya Utekelezaji na Teknolojia kuwa Utoaji Huduma ili kuiweka Barclays Kenya sambamba na Kundi lingine la Barclays ili kuwasilisha maana muhimu ya shughuli yenyewe kwa wale wote wanaofanya kazi hapo.

Mnamo mwaka 2001 tuliendelea kuweka rasilimali katika kuimarisha huduma tunazotoa kwa wateja wetu huku tukipata idadi ya mafanikio. Kuweko kwa mitambo yetu ya mtandao wa ATM kuliimarika sana hapo mwakani kwa kuwapa wateja wetu namna ya kupata pesa zao kwa masaa 24. Uwekaji rasilmali katika mtandao wetu wa Teknolojia ya Taaluma (IT) na mitindo ya kazi kumeimarisha sana utekelezaji wao na kwa hali hiyo huduma wapatazo wateja wetu.

Utekelezaji wa kazi zote za afisi za ndani kwa mtandao mzima ziko pamoja katika kituo chetu cha Operations Processing Centre, mjini Nairobi. Kama matokeo yake, wahudumiaji wetu wote kwenye kumbi katika matawi hujitolea kutoa huduma bora na za haraka wa wateja wetu. Pia mabadiliko haya yatatoa jukwaa kwa benki kuhifadhi udhibiti mkali kwenye gharama zake ili kuhakikisha tunaendelea kutoa pato zuri kwa wenyehisa wetu.

Tumeunda na kutekeleza mtindo wa Usimamizi wa Utoaji Huduma hapo mwaka 2001, ambao huunga mkono biashara ili kusimamia utekelezaji biashara ili kusimamia utekelezaji kwa misingi ya kila siku tukiwa na mmuliko mzuri wa madhara ya usimamizi shughuli, gharama na huduma.

Wafanyikazi Wetu

Wafanyikazi ni rasilimali kubwa nasi tumejitolea muhanga kuweka rasilimali katika watu wetu na tupate sifa ya kuwa "Muajiri wa kuchaguliwa" kwa wale walio bora na wenye akili katika tasnia yetu. Mnamo mwaka 2001, wafanyikazi wote walipata maarifa na nyenzo kupitia mpango wetu "Kupata Uongozi wa Soko" ambao umewawezesha kutoa huduma bora kabisa. Pia tumeweka rasilimali kubwa kwenye mafunzo ya wafanyikazi wetu kwa kubuni na kufungua kituo

cha mafunzo na maendeleo mjini Nairobi. Wajibu wa kituo hicho ni kutoa fursa katika maendeleo yanayohusishwa na utendaji kazi na mahitaji ya utekelezaji wa kibinafsi. Kiashirio muhimu cha Shirika lenye Hadhi ya Kimataifa.

Mfumo wa nafasi sawa umeimarika na uajiri wote, ndani na nje, sasa hufuatiliwa ili kuhakikisha kujitolea kwetu kwenye usawa na ufanisi umezingatiwa.

Swala la HIV/UKIMWI ndilo tulilolipa kipa umbele. Mipango ya mafunzo na ufahamu wa HIV/UKIMWI imetekelezwa baina wafanyi kazi wetu. Nia yetu sasa ni kuonyesha na kujitambulisha na hatua za kupunguza usambaaji wa ugonjwa wenyewe na kutekeleza wajibu muhimu kuwasaidia wale walioathiriwa na kushikwa na virusi. Mpaka sasa, tumechangia makao ya mayatima na watoto walioathiriwa.

Mnamo mwaka 2001, Kampuni ya Barclays Bank PLC iliafikiana kwenye mkataba wa miaka mitatu na chama cha Voluntary Services Overseas kwa minaajili ya kushirikiana kukabili mambo ya HIV/UKIMWI barani Afrika. Juhudi hii italeta itawafaidi watu wengi wanaoathiriwa na HIV/UKIMWI pamoja na kuwasidia.

Nawashukuru wafanyikazi wote waliounga mkono benki katika kufikia yote tuliyoyapata na nina-washawishi waendelee kusaidia Benki na uchumi wa nchi.

Kumalizia

Kwa kumalizia, ningependa kushukuru Benki Kuu ya Kenya na Wizara ya Fedha kwa muelekeo wao na usaidizi. Aidha ningependa kutoa shukrani zangu kwa wafanyikazi wetu wote kwa kujitolea kwao kuendelea kuwahudumia wateja wetu, wenzangu kataka timu ya usimamizi na Halmashauri kwa kunikaribisha nchini Kenya na kwa ushauri wao wa busara. Pia ningependa kuwashukuru wateja wetu kwa kutuunga mkono ambapo bila ya hivyo matokeo haya hayangepatikana.

Isaac G. Takawira
Mkurugenzi Mkuu

Chris Lendrum, CEO Barclays Group, Corporate Banking, Isaac Takawira, MD Barclays Kenya and staff giving a helping hand at New Life Home. The home currently caters for 32 abandoned & orphaned children who have AIDS.

Chris Lendrum, Mkurugenzi Mkuu wa Benki ya Mashirika, Isaac Takawira, Mkurugenzi Mkuu Barclays Kenya, na wafanyi kazi katika makao ya New Life Home. Kwa sasa makao yenyewe yanawahudumia watoto 32 wenye Ukimwi na waliofiwa na wazazi wao.

Report of the Directors for the Year Ended 31 December 2001

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2001.

Principal activities

The Bank provides in its own name and through subsidiary companies an extensive range of banking, financial and related services, and is licensed under the Banking Act.

Results

The results for the year are set out on page 32.

Dividends

An interim dividend of Shs. 2.75 per share was paid on 12 October 2001. Subject to the approval of the shareholders, the Directors recommend a final dividend for the year of Shs. 11.25 per share. This will be paid on or about 10 May 2002 to shareholders registered at close of business on 18 March 2002. This distribution would leave a balance of retained group profit for the year of Shs. 362 million which is carried to group revenue reserves.

Financial statements

At the date of this report, the directors were not aware of any circumstance which would have rendered the values attributed to the assets in the financial statements of the group misleading.

Directors

The members of the Board of Directors who served during the year and to the date of this report are shown below.

Mr. A. Mohamed and Mr. M. N. Wahome retire from the board by rotation under Article No.94 and 96 of the Company's Articles of Association at the forthcoming Annual General Meeting and being eligible offer themselves for re-election.

Dr. E. N. Mngola and Mr J. K. Ilako, Directors have advised the company of their intention to retire at the forthcoming Annual General Meeting. Consequently, they will not offer themselves for re-election under Article No. 96 of the Company's Articles of Association.

In addition, Mr. J. A. Turner, Mr. D. L. James and Mr. S. R. Shah retire from the board at the Annual General Meeting under Article No. 101 of the Company's Articles of Association and being eligible offer themselves for re-election.

Mr. S.O.J. Ambundo, having attained the mandatory retirement age of 70 years retires from the board. A special notice has been received proposing his re-election as a Director of the Company and shall be tabled at the said Annual General Meeting.

Directors benefits

Since the last Annual General Meeting of the Company to the date of this report, no director has received or become entitled to receive any benefit other than directors' fees and amounts received under employment contracts for executive directors.

The aggregate amount of emoluments for directors' services rendered in the financial year is disclosed on page 59.

Neither at the end of the financial year nor at any time during the year did there exist any arrangement to which the institution is a party whereby Directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

Auditors

The auditors, Price WaterhouseCoopers, have indicated their willingness to continue in office in accordance with the provisions of Section 159(2) of the Companies Act (Cap 486) and Section 24(1) of the Banking Act (Cap 488).

By Order of the Board

R Onyancha (Mrs)

Secretary

Nairobi

Directors

S.O.J. Ambundo	Chairman
I. G. Takawira	Managing Director
A. Mohamed	
M.N. Wahome	
Dr E.N. Mngola	
J.K. Ilako	
P.K. Chemng'orem	
M.J. Okech	
D. Bruynseels *	(Alternate Charles Simmonds * appointed on 25 April 2001)
Philip Howell *	(Alternate Colin Plowman *)
J. A. Turner *	(Appointed on 25 April 2001)
D. L. James *	(Appointed on 25 April 2001)
S. R. Shah	(Appointed on 29 August 2001)

*British

Secretary
R. Onyancha (Mrs)

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Nairobi

Registered Office
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P O Box 30120 code 00100
Nairobi

Registrars and Transfer Office
Barclays Advisory & Registrar Services Ltd
Bank House, Moi Avenue,1st Floor,
P.O.Box 30120 code 00100
Nairobi.

Taarifa ya Wakurugenzi kwa Mwaka uliomalizikia tarehe 31 Desemba 2001

Wakurugenzi wanafuraha ya kuwasilisha taarifa yao pamoja na Taarifa ilio kaguliwa ya Fedha kwa mwaka uliomalizikia tarehe 31 Desemba 2001.

Shughuli Muhimu

Kwa kutumia jina lake yenyewe Benki na kampuni zake tanzu Benki hutoa mkusanyiko wa huduma za kibenki, kifedha na nyingine zinazohusiana, na imepewa kibali chini ya Kanuni za Mabenki.

Matokeo

Matokeo kwa mwaka wenyewe yamechapishwa kwenye kurasa ya 32.

Migawo

Mgawo wa muda wa Shillingi 2.75 kwa kila hisa ulilipwa tarehe 12 Oktoba 2001. Kwa idhini ya wenyehisa, Wakurugenzi wanapendekeza mgawo wa mwisho kwa mwaka wa Shillingi 11.25 kwa kila hisa. Huu utalipwa tarehe au kufikia tarehe 10 Mei 2002 kwa wenyehisa waliosajiliwa kufikia mwisho wa siku ya kazi mnamo tarehe 18 Machi 2002. Mgawo huu utabakiza masazo ya faida zilizo hifadhiwa kwa mwaka wenyewe za Shillingi Milioni 362 ambazo zitawekwa kwenye masazo ya pato la kundi.

Taarifa za Fedha

Kwa tarehe ya taarifa hii, wakurugenzi hawakuwa na fahamu ya hali yoyote ile ambayo ingefanya thamani zilizohusishwa na mali kwenye Taarifa za Fedha za kundi kuwa zinapotosha.

Wakurugenzi

Wanachama wa Halmashauri ya Wakurugenzi waliohudumia hapo mwakani hadi kufikia tarehe ya Taarifa hii hapo chini.

Bw. A.Mohammed na Bw. M. N. Wahome wanastaafu toka kwenye Halmashauri kwa mzunguko kuambatana na Ibara Nambari 94 na 96 za Ibara za Kusajiliwa Kampuni wakati wa kikao kijacho cha Mkutano Mkuu wa Mwaka na kwa kuwa wanastahili wanajitolea binafsi kuchaguliwa upya.

Dkt. E. N. Mngola na Bw. J. K. Ilako wameshauri kampuni nia yao ya kustaafu wakati wa kikao kijacho cha mkutano mkuu wa mwaka. Hawatajitolea kuchaguliwa tena chini ya Ibara ya 96 ya Ibara ya kuandikishwa kampuni.

Isitoshe, Bw. J. A. Turner, Bw. D. L. James na Bw. S. R. Shah wanastaafu kutoka kwenye Halmashauri wakati wa Mkutano Mkuu wa Mwaka chini

ya Ibara Nambari 101 ya Ibara za Kusajiliwa Kampuni na kwa kuwa wanastahili wanajitolea binafsi kuchaguliwa tena.

Bw. S. O. J. Ambundo, akiwa ametimiza umri wa kustaafu kwa sheria wa miaka 70 anastaafu kutoka kwenye Halmashauri. Taarifa spesheli imepokewa ikishauri uteuzi wake tena kama Mkurugenzi wa Kampuni na itawasilishwa katika kikao hicho cha Mkutano Mkuu wa Mwaka.

Manufaa ya Wakurugenzi

Tangu kikao cha mwisho cha Mkutano Mkuu wa Kampuni hadi kufikia tarehe ya taarifa hii, hakuna mkurugenzi aliyepata au kustahili kupokea manufaa yoyote mbali na karo za wakurugenzi na mishahara iliyopokewa chini ya mikataba ya uajiri kwa wakurugenzi watendaji.

Wastani wa kiasi cha mapato kwa huduma zilizotolewa na wakurugenzi katika mwaka huo wa fedha umefichuliwa kwenye kurasa 59.

Si mwishoni mwa mwaka wa fedha au si kwa wakati mwingine wowote ule hapo mwakani kulikuwa na mapatano yoyote ambayo taasisi ilihusika nayo ambapo Wakurugenzi wangepata manufaa kwa namna ya kujipatia hisa kwenye stakabadhi za mikopo ya Benki au shirika lingine lolote.

Wakaguzi Hesabu

Wakaguzi, PriceWaterhouseCoopers, wameonyesha nia yao ya kuendelea na wadhifa wao kuambatana na masurufu ya Sehemu ya 159(2) ya Kanuni za Makampuni (Fungu la 486) na Sehemu ya 24(1) ya Kanuni za Mabenki (Fungu 488).

Kwa Amri ya Halmashauri

R Onyancha (Bi)

Katibu

Nairobi.

Wakurugenzi

S.O.J. Ambundo	Mwenyekiti
I. G. Takawira	Mkurugenzi Mkuu
A. Mohamed	
M.N. Wahome	
Dr E.N. Mngola	
J.K. Ilako	
P.K. Chemng'orem	
M.J. Okech	
D. Bruynseels *	(Mpokezi Charles Simmonds* aliteuliwa 25 Aprili 2001)
Philip Howell *	(Mpokezi Colin Plowman)*
J. A. Turner *	(Aliteuliwa 25 Aprili 2001)
D. L. James *	(Aliteuliwa 25 Aprili 2001)
S. R. Shah	(Aliteuliwa 29 Augusti 2001)

* British

Katibu

R. Onyancha

Wakaguzi Hesabu
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Nairobi

Afisi Iliyoandikishwa
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Barabara ya Loita Street
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Bank House, Moi Avenue,1st Floor,
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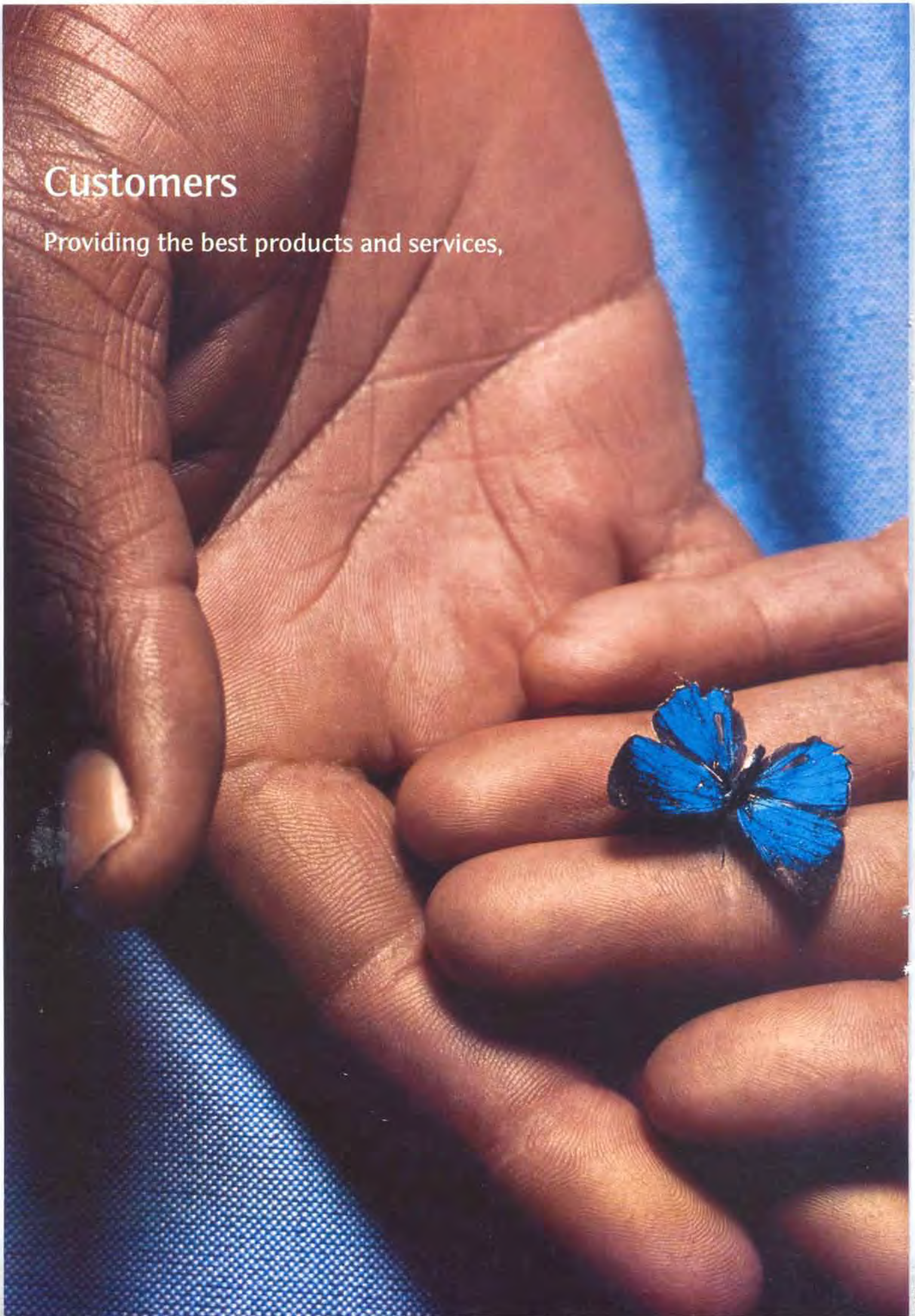

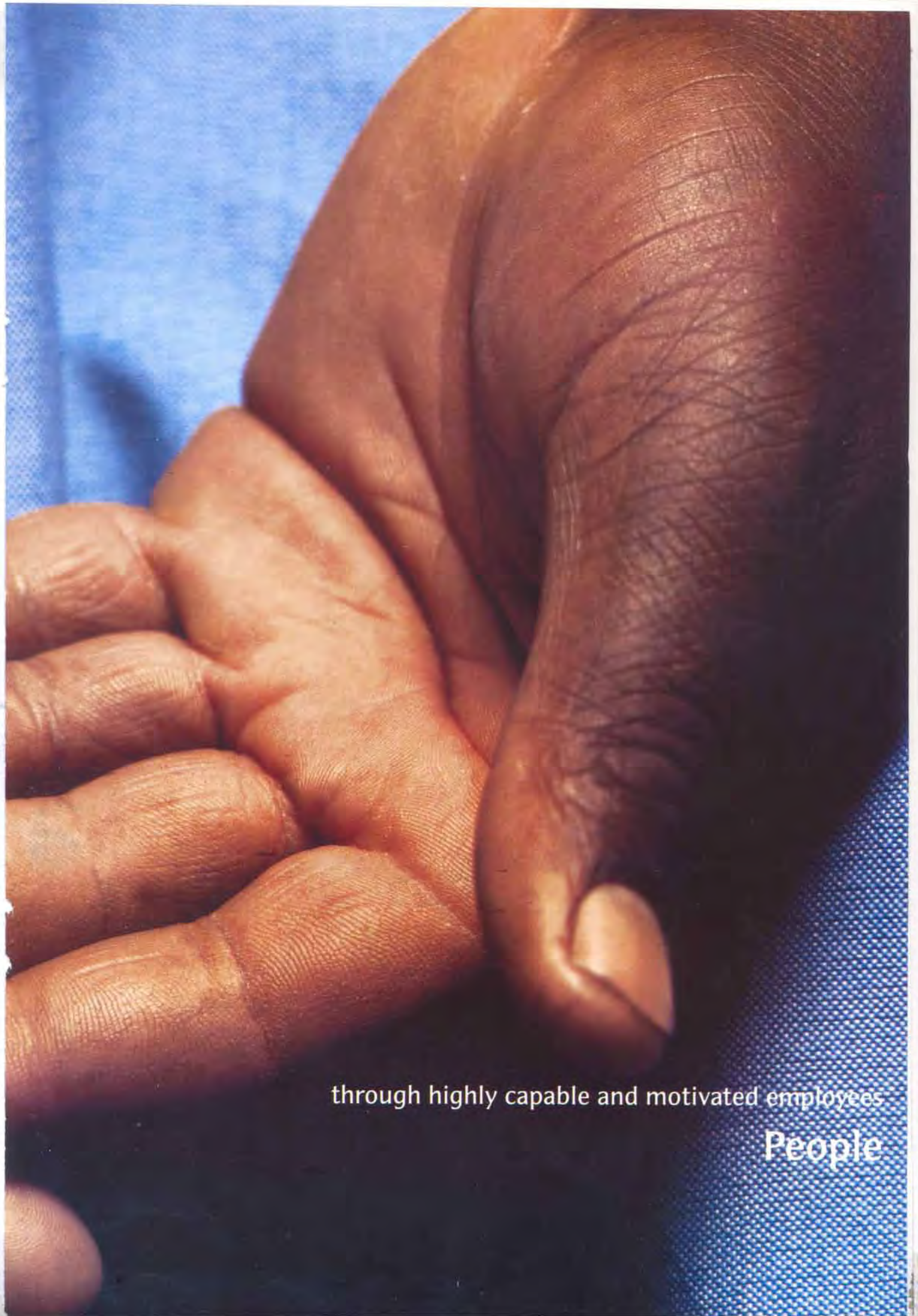
through highly capable and motivated employees
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Report of the Auditors to the members of Barclays Bank of Kenya limited

We have audited the financial statements set out on pages 32 to 59. We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit. The company's balance sheet is in agreement with the books of account.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group. Our responsibility is to express an independent opinion on the 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 our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

Opinion

In our opinion proper books of account have been kept and the financial statements give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2001 and of the profit and cash flows of the group for the year then ended and comply with International Accounting Standards and the Kenyan Companies Act.

PRICEWATERHOUSECOOPERS

Certified Public Accountants
Nairobi

28 February 2002

Ripoti ya wakaguzi kwa wanachama wa Barclays Bank of Kenya limited

Tumekagua taarifa za fedha zilizoko kurasa za 32 hadi 59. Tumepewa habari na maelezo yote ambayo kwa kadiri ya imani na ufahamu wetu yalihitajika kwa minaajili ya ukaguzi wetu. Taarifa za fedha za benki zinakubaliana na vitabu vya hesabu.

WAJIBU WA WAKURUGENZI NA WAKAGUZI

Wakurugenzi wanawajibika na matayarisho ya taarifa za fedha zinazotoa mandhari halisi ya hali ya shughuli za kundi na za benki na matokeo ya utendaji wa kundi. Wajibu wetu ni kutoa maoni huru juu ya taarifa za fedha kutokana na ukaguzi wetu.

MSINGI WA MAONI

Tulifanya ukaguzi wetu kuambatana na Viwango vya Ukaguzi vya Kimataifa. Viwango hivyo vinahitaji kwamba tupange na kutekeleza ukaguzi wetu na tupate thibitisho linalofaa kwamba taarifa za fedha hazina upotofu. Ukaguzi huwa ni pamoja na uchunguzi kwa namna ya majaribio ya ushahidi unaounga mkono idadi iliyo elezwa kwenye arifa za fedha. Pia huwa na makadirio ya sera za uhasibu zinazotumika na makisio muhimu yaliyofanywa na Wakurugenzi, pamoja na tathmini ya uwasilishaji kwa jumla wa taarifa za fedha.

MAONI

Kwa maoni yetu vitabu vya hesabu vimetunzwa vyema na taarifa za fedha zinaonyesha kikamilifu hali ya mambo ya kifedha ya kundi na benki kufikia Desemba 31, 2001 na ya faida na ya mapato halisi ya kundi kwa mwaka ulioishia hapo na zinakubaliana na Viwango vya Kimataifa vya Uhasibu na Sheria za Kenya za Makampuni.

PRICEWATERHOUSECOOPERS

Wahasibu wa Umma Walioidhiriishwa
Nairobi.

28 Februari 2002

Maandishi yalio juu ni tafsiri ya Kiswahili ya "Ripoti ya Wakaguzi kwa wanachama wa Barclays Bank of Kenya Limited," inayoonekana katika ukurasa wa 30. Iwapo patatokea ubishi wowote katika ufafanuzi wa Taarifa ya Wakaguzi, tafsiri ya Kiingereza ndiyo itakayo tambulika kama inayofaa.

The text set out above is a Kiswahili translation of the "Report of the Auditors to the members of Barclays Bank of Kenya Limited" which appears on page 30. In the event of any dispute over the interpretation of the Report of the Auditors, the English version shall be the authoritative version.

Consolidated profit and loss account

For the Year Ended 31 December 2001

	Notes	2001 Shs million	2000 Shs million
Interest income	1	8,129	8,749
Interest expense	2	(1,358)	(1,678)
Net interest income		6,771	7,071
Net fees and commission income		3,641	3,428
Foreign exchange income		754	799
Other operating income		96	26
Operating income		11,262	11,324
Operating expenses	3	(5,990)	(6,648)
Bad and doubtful debts expense	13	(1,037)	(1,641)
Profit before tax		4,235	3,035
Tax	5	(1,280)	(967)
Net profit		2,955	2,068
Earnings per share (Shs per share)			
- Basic	6	16	11
- Diluted	6	16	11
Dividends: (Shs million)			
Interim dividends – paid in the year	7	509	463
Proposed final dividend for the year	7	2,084	1,389
		2,593	1,852

Consolidated Balance Sheet

For the Year Ended 31 December 2001

	Notes	2001 Shs million	2000 Shs million
ASSETS			
Cash and balances with Central Bank of Kenya	8	6,799	7,903
Government securities	9	10,289	10,363
Deposits and balances due from banking institutions	10	3,317	2,354
Amounts due from group companies	11	3,607	4,113
Interest receivable and other assets	12	1,229	943
Loans and advances to customers	13	45,654	42,241
Tax recoverable		54	23
Goodwill	15	153	-
Deferred tax asset	16	192	353
Property and equipment	17	1,749	1,893
Retirement benefit asset	22	604	191
Total assets		**73,647**	**70,377**
LIABILITIES			
Customer deposits	18	56,788	53,134
Deposits and balances due to banking institutions	19	13	29
Borrowed funds	20	816	2,047
Interest payable and other liabilities	21	3,432	3,332
Amounts due to group companies	11	1,198	1,492
Total liabilities		**62,247**	**60,034**
SHAREHOLDERS' EQUITY			
Share capital	23	1,852	1,852
Retained earnings		7,464	7,102
Proposed dividend	7	2,084	1,389
Total shareholders' equity		**11,400**	**10,343**
Total equity and liabilities		**73,647**	**70,377**

Company balance sheet

For the Year Ended 31 December 2001

	Notes	2001 Shs million	2000 Shs million
ASSETS			
Cash and balances with Central Bank of Kenya	8	6,799	7,903
Government securities	9	10,189	10,271
Deposits and balances due from banking institutions	10	3,317	2,354
Amounts due from group companies	11	3,607	4,113
Interest receivable and other assets	12	1,220	931
Loans and advances to customers	13	45,654	42,241
Tax recoverable		44	18
Investments in subsidiary companies	14	392	381
Goodwill	15	153	-
Deferred tax asset	16	192	353
Property and equipment	17	1,749	1,893
Retirement benefit asset	22	604	191
Total assets		**73,920**	**70,649**
LIABILITIES			
Customer deposits	18	56,788	53,134
Deposits and balances due to banking institutions	19	13	29
Borrowed funds	20	816	2,047
Interest payable and other liabilities	21	3,430	3,331
Amounts due to group companies	11	1,473	1,765
Total liabilities		**62,520**	**60,306**
SHAREHOLDERS' EQUITY			
Share capital	23	1,852	1,852
Revaluation reserve		211	197
Retained earnings		7,253	6,905
Proposed dividend	7	2,084	1,389
Total shareholders' equity		**11,400**	**10,343**
Total equity and liabilities		**73,920**	**70,649**

The financial statements on pages 32 to 59 were approved for issue by the board of directors on 14 February 2002 and signed on its behalf by :-

S.O.J. Ambundo A. Mohamed

I.G. Takawira R. Onyancha (Mrs)

Consolidated statement of changes in equity

For the Year Ended 31 December 2001

	Notes	Share capital	Share premium	Revaluation reserves	Retained earnings	Proposed dividend	Total
		Shs million	Shs million	Shs million	Shs million	Shs million	Shs million
Year ended 31 December 2000							
At start of year		1,543	125	-	7,070	1,157	9,895
Bonus issue of shares		309	(125)	-	(184)	-	-
Net profit		-	-	-	2,068	-	2,068
Dividends:							
- final for 1999		-	-	-	-	(1,157)	(1,157)
- interim for 2000		-	-	-	(463)	-	(463)
- proposed final for 2000	7	-	-	-	(1,389)	1,389	-
At end of year		**1,852**	**-**	**-**	**7,102**	**1,389**	**10,343**
Year ended 31 December 2001							
At start of year		1,852	-	-	7,102	1,389	10,343
Net profit		-	-	-	2,955	-	2,955
Dividends:							
- final for 2000		-	-	-	-	(1,389)	(1,389)
- interim for 2001		-	-	-	(509)	-	(509)
- proposed final for 2001	7	-	-	-	(2,084)	2,084	-
At end of year		**1,852**	**-**	**-**	**7,464**	**2,084**	**11,400**

Company statement of changes in equity

For the Year Ended 31 December 2001

	Notes	Share capital	Share premium	Revaluation reserves	Retained earnings	Proposed dividend	Total
		Shs million	Shs million	Shs million	Shs million	Shs million	Shs million
Year ended 31 December 2000							
At start of year		1,543	125	161	6,909	1,157	9,895
Surplus on revaluation of investment in subsidiary		-	-	36	-	-	36
Net gains not recognised in income statement				36			36
Bonus issue of shares		309	(125)	-	(184)	-	-
Net profit		-	-	-	2,032	-	2,032
Dividends:							
- final for 1999		-	-	-	-	(1,157)	(1,157)
- interim for 2000		-	-	-	(463)	-	(463)
- proposed final for 2000	7	-	-	-	(1,389)	1,389	-
At end of year		**1,852**	**-**	**197**	**6,905**	**1,389**	**10,343**
Year ended 31 December 2001							
At start of year		1,852	-	197	6,905	1,389	10,343
Surplus on revaluation of investment in subsidiary		-	-	14	-	-	14
Net gains not recognised in income statement		-	-	14	-	-	14
Net profit		-	-	-	2,941	-	2,941
Dividends:							
- final for 2000		-	-	-	-	(1,389)	(1,389)
- interim for 2001		-	-	-	(509)	-	(509)
- proposed final for 2001	7	-	-	-	(2,084)	2,084	-
At end of year		**1,852**	**-**	**211**	**7,253**	**2,084**	**11,400**

Consolidated cash flow statement

For the Year Ended 31 December 2001

	Notes	2001 Shs million	2000 Shs million
Cash flows from operating activities			
Interest receipts		8,133	8,579
Interest payments		(1,632)	(1,793)
Net fee and commission receipts		3,641	3,428
Other income received		758	799
Recoveries from loans previously written off	13	98	78
Payments to employees and suppliers		(5,754)	(6,234)
Tax paid		(1,311)	(1,109)
Cash flows from operating activities before changes in operating assets and liabilities		3,933	3,748
Changes in operating assets and liabilities:			
- loans and advances		(4,548)	(6,745)
- other assets		(290)	669
- CBK cash ratio		(417)	1,036
- treasury bills maturing after 90 days		(2,276)	(500)
- administered loans		119	(114)
- customer deposits		3,654	167
- other liabilities		374	(318)
- amounts due to group companies		(327)	(222)
- amounts due from group companies		(64)	-
Net cash from operating activities		158	(2,279)
Cash flows from investing activities			
Purchase of custody business	15	(155)	-
Purchase of property and equipment	17	(361)	(255)
Proceeds from sale of property and equipment		146	99
Net cash used in investing activities		(370)	(156)
Cash flows from financing activities			
Dividends paid		(1,898)	(1,620)
Net cash from financing activities		(1,898)	(1,620)
Net decrease in cash and cash equivalents		(2,110)	(4,055)
Cash and cash equivalents at beginning of year		18,168	22,223
Cash and cash equivalents at end of year	27	**16,058**	**18,168**

Accounting Policies

For the Year Ended 31 December 2001

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

The consolidated financial statements are prepared in accordance with and comply with International Accounting Standards. The consolidated financial statements are presented in Kenya Shillings (Shs) and are prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

(b) Consolidation

The consolidated financial statements comprise the financial statements of Barclays Bank of Kenya Limited and its subsidiary companies made up to 31 December. Subsidiary undertakings have been fully consolidated. All intercompany transactions, balances and unrealised surpluses and deficits on transactions between group companies have been eliminated. The accounting policies for the subsidiaries are consistent with the policies adopted by the bank. A listing of the bank's subsidiaries is set out in Note 14.

(c) Income recognition

Income is recognised in the period in which it is earned except for dividends, which are recognised when declared. Interest income on loans that are considered doubtful is suspended and excluded from income until it is received. Interest income includes coupons earned on fixed income investment securities and accrued discounts on Treasury bills.

(d) Translation of foreign currencies

Transactions in foreign currencies during the year are converted into Kenya Shillings at rates ruling at the transaction dates. Assets and liabilities at the balance sheet date which are expressed in foreign currencies are translated into Kenya Shillings at rates ruling at that date. The resulting differences from conversion and translation are dealt with in the profit and loss account in the year in which they arise.

(e) Investment in subsidiaries

Investments in subsidiary companies are stated at directors' valuation based on the net asset value of each subsidary company at the balance sheet date. The corresponding revaluation surplus is credited to the revaluation reserve of the Bank.

(f) Property and equipment

Property and equipment is stated at historical cost less depreciation.

Depreciation is calculated on the straight line basis to write down the cost of each asset, to its residual value over its estimated useful life as follows:

Furniture, fittings and equipment

5 years

Motor vehicles

5 years

Improvements on rented premises

7 years

Freehold land is not depreciated as it is deemed to have an indefinite life.

Leasehold properties with less than 50 years of the lease outstanding and leasehold land are depreciated on a straight line basis over the remaining period of the lease. Buildings on freehold and long leasehold land are depreciated on a straight line basis over 50 years.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

Accounting Policies (continued)

For the Year Ended 31 December 2001

(g) **Offsetting**

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(h) **Government securities**

Government securities comprise Treasury bills and bonds, which are debt securities issued by the Government of Kenya. Treasury bills are stated at face value less unearned discounts. Treasury bonds are stated at amortised cost. Interest and discounts on Government securities are reported as interest Income.

(i) **Loans and provisions for loan impairment**

Loans and advances are recognised when cash is advanced to borrowers, and are subsequently carried at amortised cost, less provisions for impairment losses.

A specific credit risk provision for loan impairment is established to provide for management's estimate of credit losses as soon as the recovery of an exposure is identified as doubtful.

A general provision for loan impairment is established to cover losses that are adjudged to be present in the lending portfolio at the balance sheet date but which have not been specifically identified as such. The provision is based on the directors' assessment of the latent risk of default known to be present in the portfolio of the bank's advances.

When a loan is deemed uncollectable, it is written off against the related provision for impairment. Subsequent recoveries are credited to the income statement if previously written off.

(j) **Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired business or associated undertaking at the date of acquisition. Goodwill is reported in the balance sheet as an intangible asset and is amortised using the straight line method over its estimated useful life of 20 years. There is no amortisation during the year of acquisition.

The carrying amount of goodwill is reviewed when circumstances or events indicate that there may be uncertainty over the carrying amount and written down for impairment where the net present value of the forecast future cash flows of the business are insufficient to support the carrying value.

(k) **Repurchase agreement transactions**

Securities purchased under agreements to resell ("reverse repos") are disclosed as amounts due from the Central Bank of Kenya under repurchase agreements. The difference between sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

Accounting Policies

For the Year Ended 31 December 2001

(l) Retirement benefit obligations

The company operates both a defined benefit plan and defined contribution plan. The assets of this scheme are held in a separate trustee administered fund that is funded by contributions from the company and the employees . Certain of the employees are members of the parent company's defined benefit scheme.

For the defined benefit scheme the pension costs are assessed using the projected unit credit method. Under this method the cost of providing pensions is charged to the income statement so as to spread the regular cost over the service lives of employees in accordance with the advice of actuaries who carry out a full valuation of the plan every three years. The pension obligation is measured as the present value of the estimated future cash outflows. Actuarial gains and losses are recognised over the average remaining service lives of employees.

The group's contributions to the defined contribution scheme is charged to the profit and loss account in the year to which they relate.

For the employees who are members of the Parent company's defined benefit scheme, since it is impractical for the group's proportionate share of the parent company's retirement benefit obligation/asset and plan assets, this arrangement is accounted for as if it were a defined contribution scheme. Therefore the group's contributions to the scheme are charged to the profit and loss account in the year to which they relate.

(m) Employee entitlements

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

(n) Deferred tax

Deferred tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Tax rates enacted or substantively enacted at the balance sheet date are used to determine deferred tax.

(o) Dividends payable

Dividends on ordinary shares are charged to equity in the period in which they are declared. Proposed dividends are shown as a separate component of equity until declared.

(p) Foreign exchange forward contracts

Foreign exchange forward contracts are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models.

Gains and losses on foreign exchange forward contracts are included in net trading income as they arise.

(q) Acceptances and letters of credit

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

(r) Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the group acts in a fiduciary capacity such as nominee, trustee or agent.

(s) Comparatives

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

Notes to the Financial Statements

For the Year Ended 31 December 2001

1. Interest income	2001 Shs million	2000 Shs million
Loans and advances	6,375	6,544
Government securities	1,215	1,800
Cash and short term funds	298	380
Other	241	25
	8,129	**8,749**

2. Interest expense

Customer deposits	1,321	1,643
Deposits by banks	9	2
Other	28	33
	1,358	**1,678**

3. Operating expenses

Staff costs (note 4)	2,699	3,234
Other administrative expenses	3,291	3,414
	5,990	**6,648**

Other administrative expenses include:		
Depreciation (Note 17)	404	450
Operating lease rentals	211	192
Auditors' remuneration	7	7

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

4. Staff costs	2001 Shs million	2000 Shs million
The following items are included within staff costs:		
Voluntary early retirement costs	496	815
Less: Curtailment gain relating to early retirement (Note 22)	-	(200)
Net termination benefit	496	615
Retirement benefit costs - group's retirement benefit scheme (Note 22)	229	164
- parent company's scheme	1	6
Conversion gain in retirement benefit scheme (Note 22)	(513)	-

	2001 Number	2000 Number
The number of persons employed by the group as at year end was:	1,981	2,143

5. Tax	2001 Shs million	2000 Shs million
Current tax	1,119	1,106
Deferred tax (Note 16)	161	(139)
	1,280	967

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

	2001 Shs million	2000 Shs million
Profit before tax	4,235	3,035
Tax calculated at a tax rate of 30% (2000: 30%)	1,271	910
Tax effect of:		
Income not subject to tax	(29)	(8)
Expenses not deductible for tax purposes	38	65
Tax charge	1,280	967

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 2,955 million (2000: Shs 2,068 million) and on the weighted average number of ordinary shares outstanding during the period adjusted for the effect of the bonus share issue in 2000.

	2001 Shs million	2000 Shs million
Net profit attributable to shareholders (Shs million)	2,955	2,068
Adjusted weighted average number of ordinary shares in issue (million)	185.2	185.2
Basic earnings per share (Shs)	16	11

There were no potentially dilutive shares outstanding at 31 December 2001 or 2000.

7. Dividends per share

Proposed dividends are accounted for as a separate component of equity until they have been ratified at the Annual General Meeting. At the forthcoming Annual General Meeting to be held on 10 May 2002, a final dividend in respect of the year ended 31 December 2001 of Shs 11.25 per share amounting to a total of Shs 2,084 million is to be proposed. During the year an interim dividend of Shs 2.75 per share, amounting to a total of Shs 509 million was paid. The total dividend for the year is therefore Shs 14 per share (2000: Shs 10), amounting to a total of Shs 2,593 million (2000: Shs 1,852 million).

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

8. Cash and balances with Central Bank of Kenya

	Group		Company	
	2001 Shs million	2000 Shs million	2001 Shs million	2000 Shs million
Cash in hand	1,895	2,244	1,895	2,244
Balances with Central Bank of Kenya:				
Cash ratio requirement	4,901	4,484	4,901	4,484
Other	3	1,175	3	1,175
	6,799	7,903	6,799	7,903

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya. The amount is determined as 10% of the average outstanding customer deposits over a cash ratio cycle period of one month.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

9. Government securities	Group		Company	
	2001	2000	2001	2000
	Shs million	Shs million	Shs million	Shs million
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	7,313	9,663	7,213	9,571
Maturing after 90 days of the date of acquisition	2,976	700	2,976	700
	10,289	10,363	10,189	10,271

The weighted average effective interest rate on Government securities as at 31 December was 13.1% (2000: 11.7%).

10. Deposits and balances due from banking institutions	Group		Company	
	2001	2000	2001	2000
	Shs million	Shs million	Shs million	Shs million
Items in course of collection from other banks	1,476	1,754	1,476	1,754
Placements with other banks	349	600	349	600
Due from Central Bank of Kenya under repurchase agreements	1,492	-	1,492	-
	3,317	2,354	3,317	2,354

11. Balances with group companies	Group		Company	
	2001	2000	2001	2000
	Shs million	Shs million	Shs million	Shs million
Amounts due from:				
Barclays Bank PLC				
Nostro balances	3,543	4,113	3,543	4,113
For services rendered	64	-	64	-
	3,607	4,113	3,607	4,113
Amounts due to:				
Barclays Bank PLC				
For services rendered	154	343	154	343
Others	792	894	792	893
Other group companies	252	255	527	529
	1,198	1,492	1,473	1,765

The weighted average effective interest rates at 31 December 2001 on amounts due from group companies was 4.2% (2000: 5.9%) and on amounts due to group companies was 2.2% (2000: 0.02%).

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

12. Interest receivable and other assets

	Group		Company	
	2001	2000	2001	2000
	Shs million	Shs million	Shs million	Shs million
Uncleared effects	-	3	-	3
Accrued interest	263	267	263	267
Stationery stocks	79	80	79	80
Other assets	887	593	878	581
	1,229	943	1,220	931

13 Loans and advances to customers

Overdrafts	12,015	13,000	12,015	13,000
Commercial loans	33,447	29,190	33,447	29,190
Bills discounted	322	488	322	488
Bills negotiated	209	101	209	101
Other	2,193	1,740	2,193	1,740
Advances to customers (gross)	48,186	44,519	48,186	44,519
Less:				
Interest suspended	(571)	(442)	(571)	(442)
Provisions for bad debts				
-specific	(1,032)	(692)	(1,032)	(692)
-general	(929)	(1,144)	(929)	(1,144)
Loans and Advances to customers net of provisions	45,654	42,241	45,654	42,241

Non-performing loans on which interest was not being accrued are included in the balance sheet net of provisions and suspended interest at Shs 4,918 million (2000: Shs 2,981 million). All such loans have been written down to their recoverable amount.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

13. Loans and advances to customers (continued)

Movement in provisions for bad and doubtful debts are as follows:

	Group and the company		
	Specific provisions Shs million	General provision Shs million	Total Shs million
At January 2000	170	722	892
New provisions	1,307	422	1,729
Increased provisions	58	-	58
Recoveries and provisions no longer required	(68)	-	(68)
Net increase in provisions against revenue	1,297	422	1,719
Amounts written off during the current period	(775)	-	(775)
Closing Provisions 31 December 2000	692	1,144	1,836
Net increase in provisions above	1,297	422	1,719
Amount recovered previously written off	(78)	-	(78)
Net charge to profit and loss account	1,219	422	1,641
At 1 January 2001	692	1,144	1,836
New provisions	1,016	-	1,016
Increased provisions	522	(215)	307
Recoveries and provisions no longer required	(188)	-	(188)
Net increase in provisions against revenue	1,350	(215)	1,135
Amounts written off during the current period	(1,010)	-	(1,010)
Closing provisions 31 December 2001	1,032	929	1,961
Net increase in provisions above	1,350	(215)	1,135
Amounts recovered previously written off	(98)	-	(98)
Net charge to profit and loss account	1,252	(215)	1,037

The weighted average effective interest rate on loans and advances at 31 December 2001 was 13.7% (2000 : 16.2%)

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

13 Loans and advances to customers (continued)

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

	Group and the Company 2001 %	2000 %
Manufacturing	22	6
Wholesale and retail trade	10	31
Transport and communications	4	11
Business services	3	3
Agricultural	6	3
Private individuals	12	6
Other	43	40
	100 %	100 %

14. Investments in subsidiary companies

	Percentage Shareholding	2001 Shs million	2000 Shs million
Barclays Mortgages Limited	100%	275	275
Barclays Advisory and Registrar Services Limited	100%	117	106
Barclays (Kenya) Nominees Limited	100%	-	-
Spread Eagle Services	100%	-	-
		392	381

All the subsidiaries are incorporated in Kenya.

15. Goodwill

	2001 Shs million	2000 Shs million
Net book amount		
At start of the year	-	-
Purchased goodwill arising during the year	153	-
At end of the year	153	-
Cost	153	-
Accumulated amortisation	-	-
	153	-

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

15. Goodwill (continued)

On 1 October 2001 Barclays Bank of Kenya acquired the custody business of Barclaytrust Investment Services Limited for a consideration of Shs 155 million. The acquired business contributed Shs 28 million to the group's operating income for the period from 1 October 2001 to 31 December 2001. The details of the assets acquired and goodwill arising are as follows:-

	2001 Shs million	2000 Shs million
Furniture fittings and equipment	2	-
Goodwill	153	-
Total purchase consideration paid (discharged by cash)	155	-

There is no amortisation of goodwill in the year of acquisition. No liabilities were acquired by the bank

16. Deferred tax

Deferred tax is calculated, in full, on all temporary differences under the liability method using a principal tax rate of 30% (2000: 30%). The movement on the deferred tax account is as follows:

	2001 Shs million	2000 Shs million
At start of year	353	214
Income statement (credit) / charge	(161)	139
At end of year	192	353

The net deferred tax asset is attributable to the following

	2001	2000
General provision for bad and doubtful debts	279	343
Excess of accounting depreciation over tax depreciation	94	67
Retirement benefit asset	(181)	(57)
	192	353

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

17. Property and equipment

The Group and Company	Freehold land and buildings Shs million	Leasehold land & buildings Shs million	Fixtures fittings & equipment Shs million	Motor vehicles Shs million	Total Shs million
Cost or valuation					
At 1 January 2001	102	1,490	2,746	248	4,586
Additions	-	166	127	68	361
Disposals	(16)	(85)	(24)	(52)	(177)
At 31 December 2001	86	1,571	2,849	264	4,770
Depreciation					
At 1 January 2001	27	460	2,044	162	2,693
Charge for the year	1	60	306	37	404
Eliminated on disposals	(1)	(16)	(20)	(39)	(76)
At 31 December 2001	27	504	2,330	160	3,021
Net book amount					
At 31 December 2001	59	1,067	519	104	1,749
At 31 December 2000	75	1,030	702	86	1,893

In the opinion of the directors there has been no impairment of property and equipment.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

18. Customer deposits

	Group		Company	
	2001 Shs million	**2000 Shs million**	**2001 Shs million**	**2000 Shs million**
Current and demand deposits	20,228	22,641	20,228	22,641
Savings accounts	27,144	24,667	27,144	24,667
Fixed deposit accounts	9,416	5,826	9,416	5,826
	56,788	53,134	56,788	53,134

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2001 was 2.3% (2000: 2.5%).

19. Deposits and balances due to banking institutions

	Group and Company	
	2001 Shs million	**2000 Shs million**
Items in the course of collection	13	29

20. Borrowed funds

	Group		Company	
	2001 Shs million	**2000 Shs million**	**2001 Shs million**	**2000 Shs million**
Overnight borrowing from Central Bank of Kenya	-	1,350	-	1,350
Administered loans	816	697	816	697
	816	2,047	816	2,047

The weighted average effective interest rate on the administered loans at 31 December 2001 was 3.4% (2000: 4.4%).

21. Interest payable and other liabilities	Group		Company	
	2001 Shs million	**2000 Shs million**	**2001 Shs million**	**2000 Shs million**
Accrued interest	532	806	532	806
Items in transit	-	103	-	103
Bills payable	852	951	852	951
Other	2,048	1,472	2,046	1,471
	3,432	3,332	3,430	3,331

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

22. Retirement benefit asset

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

	Group and Company	
	2001	2000
	Shs million	Shs million
Present value of funded obligations	(5,525)	(5,632)
Fair value of scheme assets	4,358	4,885
Present value of unfunded obligations	(1,167)	(747)
Unrecognised actuarial losses	1,771	938
Asset in the balance sheet	604	191

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

Current service cost	209	208
Interest cost	564	615
Expected return on plan assets	(579)	(659)
Amortisation of unrecognised losses	35	-
Net charge before curtailment gain	229	164
Conversion /curtailment gain	(513)	(200)
Net credit for the year included in staff costs	(284)	(36)
Contributions paid	(129)	-
Movement in the asset recognised in the balance sheet	(413)	(36)

Until March 2001, the group operated a defined benefit scheme. Effective 1 April 2001 a substantial number of the defined benefit scheme members opted to transfer to a newly established defined contribution scheme. The transfer was done in line with the Retirements Benefit Authority.

Upon transfer from defined benefit to defined contribution, a conversion gain of Shs 513 million was realised and booked in the bank's profit and loss account . The gain essentially represents the excess of the present value of present fully funded obligations over the crystallised obligations that arise from the defined contribution plan.

The actual return on scheme assets was 1.8% (2000: 4.9%)

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

22. Retirement benefit assets (continued)

The principal actuarial assumptions used were as follows:

- discount rate	12.5%	12.5%
- expected rate of return on scheme assets	15.0%	13.5%
- future salary increases	8.5%	9.5%
- future pension increases	3.0%	6.0%

23 Share capital

	Number of shares (million)	Ordinary shares Shs million
Balance at 1 January 2001	185	1,852
Balance at 31 December 2001	185	1,852

The total authorised number of ordinary shares is Shs 190 million with a par value of Shs 10 per share. All issued shares are fully paid.

24. Off balance sheet financial instruments, contingent liabilities and commitments

In common with other banks, the group conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties. In addition, there are other off-balance sheet financial instruments including forward contracts for the purchase and sale of foreign currencies, the nominal amounts for which are not reflected in the consolidated balance sheet.

	Group and Company	
	2001 Shs million	2000 Shs million
Contingent liabilities		
Acceptances and letters of credit	4,303	4,651
Guarantee and performance bonds	5,887	6,297
	10,190	10,948

Nature of the contingent liabilities

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The group expects most acceptances to be presented and reimbursement by the customer is normally immediate. Letters of credit commit the bank to make payments to third parties on production of documents. The documents are subsequently reimbursed by customers.

Guarantees and assets pledged as security are generally written by a bank to support the performance of a customer to third parties. The Group will only be required to meet these obligations in the event of the customers default.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

24. Off balance sheet financial instruments, contingent liabilities and commitments(continued)

Commitments	Group and company	
	2001	2000
	Shs million	Shs million
Undrawn formal stand-by facilities, credit lines and other commitments to lend	9,198	6,331
Foreign exchange forward rate agreements at contract value	228	848
	9,426	7,179

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

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.

25. Fiduciary activities

The group holds asset security documents on behalf of customers with a value of Shs 45,497 million (2000 : Shs 7,159 million). Most of these securities are held by the custody services department recently acquired from Barclaytrust Investment Services (Note 15).
The assets held comprise of deposits with financial institutions, government securities, debentures, quoted and unquoted shares.

26. Business segments

The major part of the business, which is all within Kenya, falls under the category of Banking, with other income comprising less than 2% of the total income of the group. No segment information is therefore reported.

27. Analysis of the balances of cash and cash equivalents as shown in the consolidated cash flow statement

	2001	2000
	Shs million	Shs million
Cash and balances with Central Bank of Kenya	1,898	3,419
Treasury Bills maturing within ninety days	7,313	9,663
Balances due from group companies	3,543	4,113
Deposit and balances due from banking institutions	3,317	2,354
Balances due to group companies (Vostro accounts)	-	(2)
Deposits and balances due to banking institutions	(13)	(29)
Overnight borrowing from Central Bank of Kenya	-	(1,350)
	16,058	18,168

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

28. Interest rate risk

The bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The responsibility of managing risk lies with the Managing Director. On a day to day basis, risks are managed through a number of management committees. Through this process the Bank monitors compliance within the overall risk policy framework and ensures that the framework is kept up to date. Risk management information is provided on a regular basis to the executive committee and the Board.

The table below summarises the exposure to interest rate risks. Included in the table are the bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The bank does not bear an interest rate risk on off balance sheet items. All figures are in millions of Shillings.

	Upto 1 month	1-3 months	3-12 months	Over 1 year	Non-interest Bearing	Total
ASSETS						
Cash and balances with Central Bank of Kenya	-	-	-	-	6,799	6,799
Government securities	5,483	1,830	-	2,976	-	10,289
Deposits and balances due from banking institutions	349	1,492	-	-	1,476	3,317
Amounts due from group companies	3,607	-	-	-	-	3,607
Interest receivable and other assets	-	-	-	-	1,229	1,229
Loans and advances to customers	40,736	-	-	-	4,918	45,654
Tax recoverable	-	-	-	-	54	54
Property and equipment	-	-	-	-	1,749	1,749
Goodwill	-	-	-	-	153	153
Retirement benefit asset	-	-	-	-	604	604
Deferred tax asset	-	-	-	-	192	192
Total assets	50,175	3,322	-	2,976	17,174	73,647

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

28. Interest rate risk (continued)

	Upto 1 month	1-3 months	3-12 months	Over 1 year	Non-interest Bearing	Total
LIABILITIES & EQUITY						
Customer deposits	36,851	4,472	176	2	15,287	56,788
Deposits and balances due to banking institutions	13	-	-	-	-	13
Borrowed funds	-	-	-	816	-	816
Interest payable and other liabilities	-	-	-	-	3,432	3,432
Amounts due to group companies	1,198	-	-	-	-	1,198
Shareholders' equity	-	-	-	-	11,400	11,400
Total liabilities & equity	38,062	4,472	176	818	30,119	73,647
Interest sensitivity gap	12,113	(1,150)	(176)	2,158	(12,945)	-
As at 31 December 2000						
Total assets	39,860	13,776	700	-	16,041	70,377
Total liabilities and equity	37,624	3,364	635	699	28,055	70,377
Interest sensitivity gap	2,236	10,412	65	(699)	(12,014)	-

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

29. Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2001 to the contractual maturity date. All figures are in millions of shillings.

	Upto 1 month	1-3 Months	3-12 Months	1-3 years	3-5 years	Over 5 years	Total
ASSETS							
Cash and balances with Central Bank of Kenya	6,799	-	-	-	-	-	6,799
Government securities	5,483	1,830	-	2,976	-	-	10,289
Deposits and balances due from banking institutions	1,825	-	1,492	-	-	-	3,317
Amounts due from group companies	3,607	-	-	-	-	-	3,607
Interest receivable and other assets	1,229	-	-	-	-	-	1,229
Advances to customers	20,282	5,163	5,961	7,276	4,414	2,558	45,654
Tax recoverable	-	54	-	-	-	-	54
Property and equipment	-	-	-	-	-	1,749	1,749
Goodwill	-	-	-	-	-	153	153
Retirement benefit asset	-	-	-	604	-	-	604
Deferred tax asset	-	-	-	-	192	-	192
Total Assets	39,225	7,047	7,453	10,856	4,606	4,460	73,647
LIABILITIES & EQUITY							
Customer deposits	52,138	4,472	176	2	-	-	56,788
Deposits and balances due to banking institutions	13	-	-	-	-	-	13
Borrowed funds	-	-	816	-	-	-	816
Interest payable and other liabilities	3,432	-	-	-	-	-	3,432
Amounts due to group companies	1,198	-	-	-	-	-	1,198
Shareholders' equity	-	-	-	-	-	11,400	11,400
Total liabilities & equity	56,781	4,472	992	2	-	11,400	73, 647
Net liquidity gap	(17,556)	2,575	6,461	10,854	4,606	(6,940)	-
As at 31 December 2000							
Total assets	22,535	25,647	9,051	5,006	2,393	5,745	70,377
Total liabilities and equity	54,755	3,364	635	2	-	11,621	70,377
Net liquidity gap	(32,220)	22,283	8,416	5,004	2,393	(5,876)	-

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

29. Liquidity risk (continued)

The group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits and calls on cash settled contingencies. The group does not maintain cash resources to meet all these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. The board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

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

30. Currency risk

The group operates wholly within Kenya and its assets and liabilities are carried in the local currency. The group maintains trade with the majority shareholder and other correspondent banks.

The various foreign currencies to which the bank is exposed at 31 December 2001 are summarised in the table below (all amounts expressed in millions of Kenya Shillings):

As at 31 December 2001	USD	GBP	Euro	Other	Total
Assets					
Deposits and balances due from banking institutions	61	98	152	161	472
Amounts due from group companies	2,509	393	188	-	3,090
Loans and advances to customers	4,066	30	767	45	4,908
Other assets	93	6	15	0	114
Total assets	6,729	527	1,122	206	8,584
Liabilities					
Customer deposits	6,972	417	771	13	8,173
Deposits and balances due to banking institutions	267	-	-	-	267
Amounts due to group companies	353	-	-	45	398
Administered loans	-	-	-	-	-
Other liabilities	65	8	5	2	80
Total liabilities	7,657	425	776	60	8,918
Net balance sheet position	(928)	102	346	146	(334)
Off balance sheet net notional position	1,013	(101)	(346)	(126)	440
Overall net position	85	1	-	20	106

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

30. Currency risk (continued)

As at 31 December 2000					
Total Assets	8,742	975	742	701	11,160
Total Liabilities	8,067	823	92	673	9.655
Net balance sheet position	675	152	650	28	1,505
Off balance sheet net notional position	(163)	(31)	(580)	95	(679)
Overall net position	512	121	70	123	826

31. Credit risk

The Group takes on exposure to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when due. The Group structures the levels of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or groups of borrowers. Such risks are monitored on a revolving basis and subject to annual or more frequent review.

The exposure to any one borrower including banks is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items such as forward exchange contracts. Actual exposures against limits are monitored daily .

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and, corporate and personal guarantees. Credit risk is spread over a diversity of personal and commercial customers as set out in Note 13. The credit risk exposure relating to contingencies and commitments is further outlined in Note 24.

32. The Central Bank of Kenya (Amendment) Act 2000

During the second half of the year the Central Bank of Kenya (Amendment) Act 2000 was passed by parliament with a retrospective effective date of 1 January 2001. The banking industry sought a constitutional court clarification on the retrospective aspect of the Act and judgement was given on 24 January 2002. The constitutional court ruled that the Act is retrospective and therefore, inconsistent with the constitution of Kenya and not binding on members of the Banking industry.

The Directors have taken legal opinion which confirms that the Act is unoperational for 2001 and therefore has no impact on the results of the year.

33. Related party transactions

The ultimate parent of the Group is Barclays PLC incorporated in the United Kingdom. There are other companies which are related to Barclays Bank of Kenya Limited through common shareholdings or common directorships.

In the normal course of business, placings of foreign currencies are made with the parent company and other companies at interest rates in line with the market. The relevant balances are shown in note 11 above. The parent company also provides consultancy services from time to time for which it charges at market rates.

Notes to the Financial Statements (continued)

For the Year Ended 31 December 2001

Related party transactions (continued)

	2001 Shs million	2000 Shs million
Directors' emoluments		
- fees	2	2
- others	39	37

Loans to directors	**2001 Shs million**	**2000 Shs million**
Balance at the start of the year	72	81
Loans advanced during the year	-	14
Loan repayments received	(9)	(23)
Balance at the end of year	63	72

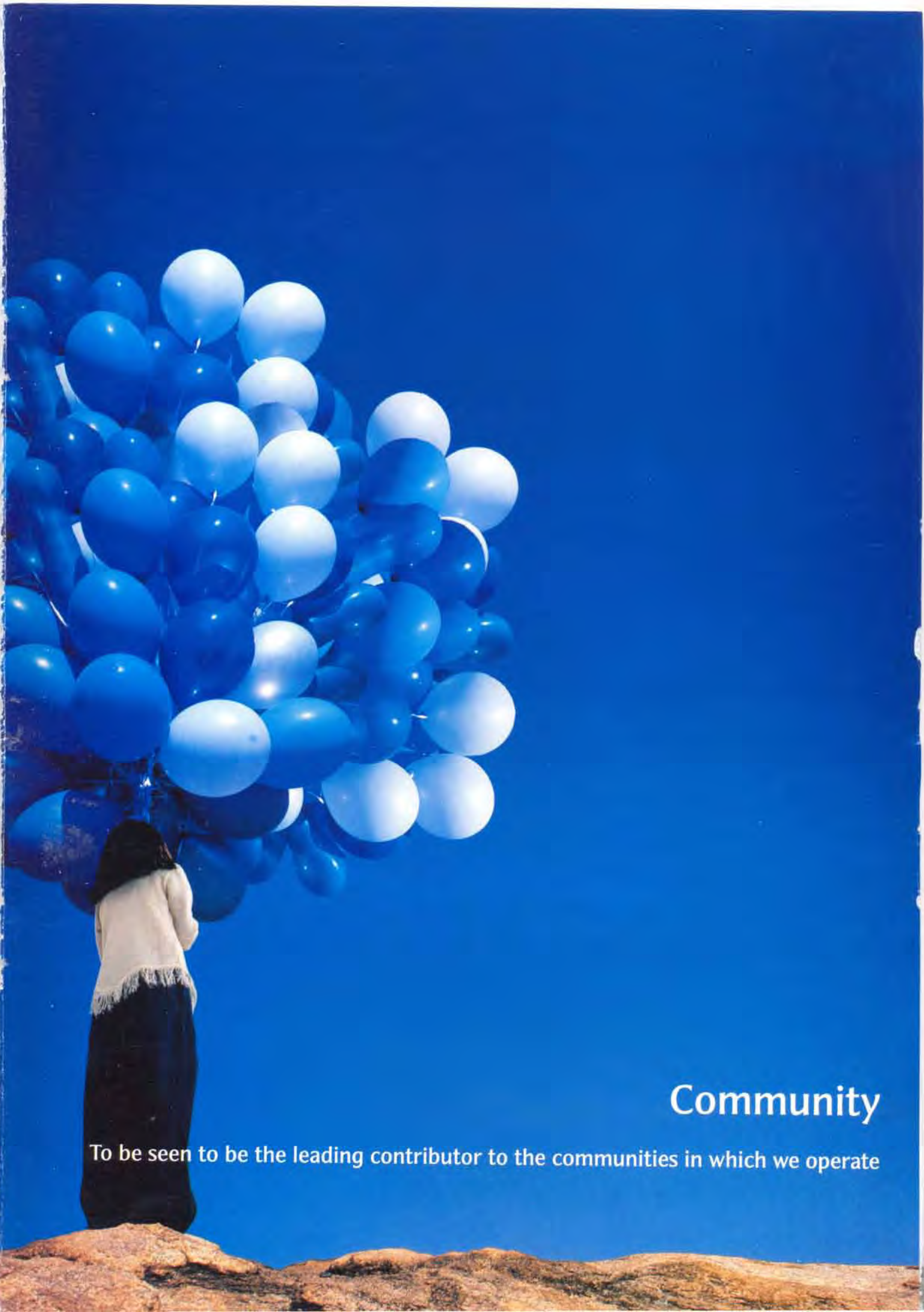
At 31 December 2001 advances to companies controlled by directors or their families amounted to Shs 63 million (2000: Shs 72 million).

At 31 December 2001 advances to employees amounted to Shs 2,203 million (2000: Shs 1,675 million).

All the above loans were given on commercial terms and conditions.

Branch Network

BRANCH NAME	TELEPHONE	BOX NUMBER	CODE	TOWN
RIFT & WESTERN KENYA GROUP				
BUNGOMA	(0337) 30904/30912/20	91	50200	BUNGOMA
ELDORET	(0321) 32881/9	22	30100	ELDORET
HOMABAY	(0385) 22404-6, 22183	368	40300	HOMABAY
KAKAMEGA	(0331) 20831/618, 30028	1815	50100	KAKAMEGA
KERICHO	(0361) 20274/5, 30607	79	20200	KERICHO
KISII	(0381) 20021/3	99	40200	KISII
KISUMU	(035) 41210/11/29/45	831	40100	KISUMU
KITALE	(0325) 20842/3, 30410	62	30200	KITALE
MOLO	(0363) 21132/3	72	20106	MOLO
NAIVASHA	(0311) 20202/203/399	654	20117	NAIVASHA
NAKURU EAST	(037) 211825/9, 42438/40	66	20100	NAKURU
NAKURU WEST	(037) 211825/9, 42438/40	111	20100	NAKURU
NYAHURURU	(0365) 32345-8	15	20300	NYAHURURU
SOTIK	(0360) 32091/32048/32620	767	20200	KERICHO
WEBUYE	(0337) 41027, 41623, 41373	1020	50205	WEBUYE
EAST NAIROBI & MT. KENYA GROUP				
EMBU	(0161) 20066-8	88	60100	EMBU
KARATINA	(0171) 72010/1	320	10101	KARATINA
KERUGOYA	(0163) 21063/64	181	10300	KERUGOYA
KIAMBU	(0154) 22546/22812/22873	80	00900	KIAMBU
LIMURU	(0154) 71621/71200/2	252	00217	LIMURU
MERU	(0164) 20785/6, 20120	92	60200	MERU
MOI AVENUE NRB	(02) 252244/210557	30116	00100	NAIROBI
MURANG'A	(0156) 22750/1/2/3	159	10200	MURANG'A
MUTHAIGA	(02) 740624/741501	39990	00623	NAIROBI
NANYUKI	(0176) 22211/2/3	214	10400	NANYUKI
NYERI	(0171) 30792/5	239	10100	NYERI
RUARAKA	(02) 802973/861760/1	65090	00618	NAIROBI
THIKA	(0151) 21201/3	219	01000	THIKA
WESTLANDS	(02) 448911/2	14403	00800	NAIROBI
WEST NAIROBI GROUP				
ENTERPRISE RD	(02) 530700/1	18060	00500	NAIROBI
HAILE SELASSIE	(02) 221806/336324	20415	00200	NAIROBI
HURLINGHAM	(02) 710114/722148/710166	34974	00100	NAIROBI
KAREN	(02) 882932/882162	24180	00502	NAIROBI
LAVINGTON	(02) 562455	34974	00100	NAIROBI
MARKET	(02) 229434/6	30018	00100	NAIROBI
QUEENSWAY HOUSE	(02) 223161/223176	30011	00100	NAIROBI
NIC HOUSE	(02) 714200	72058	00200	NAIROBI
NBI J.K.I.A	(02) 822395	19011	00501	NAIROBI
MACHAKOS	(0145) 20144/5	652	90100	MACHAKOS
COAST GROUP				
KILIFI	(0125) 22024/22051/22580	90	80108	KILIFI
DIGO	(011) 316045/6	90184	80100	MOMBASA
NKRUMAH ROAD	(011) 311660/4	90182	80100	MOMBASA
DIANI	(0127) 2448/9	685	80400	UKUNDA
MALINDI	(0123) 20036/20656	100	80200	MALINDI
CHANGAMWE	(011) 432094/2	93603	80102	MOMBASA
BAMBURI	(011) 485434/487168	90182	80100	MOMBASA
PRESTIGE CENTRES				
PLAZA BUSINESS CENTRE	(02) 241270	30120	00100	NAIROBI
PLAZA PRESTIGE CENTRE	(02) 241270	30120	00100	NAIROBI
PLAZA PREMIER CENTRE	(02) 241270	30120	00100	NAIROBI
ABC	(02) 446641/2	14403	00800	NAIROBI
YAYA CENTER	(02) 578328	34974	00100	NAIROBI
SARIT CENTER	(02) 449859/747133	14403	00800	NAIROBI
RAHIMTULLA TRUST TOWERS	(02) 719173/4	72058	00200	NAIROBI
NBI WARWICK CENTRE	(02) 521123	39990	00623	NAIROBI
MOMBASA NYERERE AVE.	(011) 311422/61	90182	80100	MOMBASA
MOMBASA NKRUMAH RD.	(011) 311660/4	90182	80100	MOMBASA
MALINDI	(0123) 20036/20656	100	80200	MALINDI
HARAMBEE AVE.	(02) 333132/3	72700	00200	NAIROBI
KAREN	(02) 882932/882162	24180	00502	NAIROBI
ELDORET	(0321) 32881/9	22	30100	ELDORET



Community

To be seen to be the leading contributor to the communities in which we operate

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