Contents

Notice of the 42nd Annual General Meeting

NOTICE IS HEREBY GIVEN that the 42ND ANNUAL GENERAL MEETING OF THE KENYA COMMERCIAL BANK LIMITED will be held at the Tsavo Ballroom, Kenyatta International Conference Centre, Nairobi, on Friday, 10th May, 2013 at 11.00 a.m. when the following business will be transacted, namely:-

AGENDA

1. Constitution of the Meeting

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

2. Ordinary Business

a) Report of the Auditors

To read the Auditors' Report and the Consolidated Financial Statements for the year ended 31st December, 2012.

b) Report and Financial Statements for the Year ended 31st December, 2012

To receive and consider the Report of the Directors and Consolidated Financial Statements for the year ended 31st December, 2012 together with the auditors' report thereon.

c) Dividend

To declare a dividend and approve the closure of the Register of Members on 14th May, 2013.

d) Election of Directors

i) In accordance with Article 94 of the Company's Articles of Association, Mrs. Catherine Adongo Kola and Prof. Peter Kiko Kimuyu, retire by rotation from office as Directors of the Company, and being eligible, offer themselves for re-election respectively.

ii) In accordance with the Bank's Board Charter Joseph Isaac Adongo retired from the Board on 31st March 2013.

e) Remuneration of Directors

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

f) Appointment of Auditors

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

g) Remuneration of the Auditors

To authorize Directors to fi x the remuneration of the Auditors.

3. Special Business

To consider and, if approved, pass the following Special Resolution:-
''That the Articles of Association of the Company be amended by deleting the existing Article 121 in its entirety and substituting the following new Article 121 to read as follows;

a) Any dividend or other money payable in cash on or in respect of shares may be paid by electronic funds transfer or other automated system of bank transfer, electronic or mobile money transfer system, transmitted to such bank or electronic or mobile telephone address as shown in the share register of the Company or by cheque or warrant payable at such place of business as the Company shall specify in writing, sent through the post to the address of the member or person entitled to it as shown in the share register of the Company or if two or more persons are registered as joint holders of the shares, to the registered address of the joint holder who is first named in the share register of the Company or in the case of two or more persons being entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons at such address as the persons being entitled to receive payment may in writing direct.

b) Every such cheque or warrant or funds transfer shall be made payable to or to the order of the person to whom it is sent or to such person who may be entitled to the same (as described in Article 121 a) aforesaid). Payment of the cheque or warrant, if purporting to be endorsed or enfaced, by the addressee or as the case may be, confirmation of payment having been made by the transmitting entity to the addressee of a direct debit, bank transfer or other automated system of bank transfer or via a mobile transfer system, shall in each case be a good discharge to the Company. Every such payment whether by cheque or warrant or electronic funds transfer or mobile money payments system shall be sent at the risk of the person entitled to the money represented by it.''

4. Any Other Business

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

Dated at Nairobi this 28th Day of February, 2013

By Order of the Board

K.D. Malakwen
Secretary

Arifa ya Mkutano Mkuu wa 42 wa mwaka

ILANI IMETOLEWA KWAMBA MKUTANO MKUU WA MWAKA WA 42 WA BENKI YA KENYA COMMERCIAL utafanywa katika ukumbi wa Tsavo Ballroom, katika jumba la Kenyatta International Conference Centre, Nairobi, Ijumaa, tarehe 10, Mei, 2013 saa tano za asubuhi, ambapo mambo yafuatayo yatajadiliwa:-

AJENDA

1. Kujumuika kwa Mkutano

Kusoma taarifa ya kuitisha kuandaliwa kwa mkutano na kuamua iwapo kuna akidi.

2. Shughuli za Kawaida

a) Ripoti ya Wahasibu

Kusoma ripoti ya Wahasibu na taarifa kamili za kifedha kwa mwaka uliomalizika tarehe 31, Disemba, 2012.

b) Ripoti na taarifa za uhasibu kwa mwaka uliomalizika tarehe 31, Disemba, 2012

Kupokea na kutafakari ripoti ya Wakurugenzi na taarifa kamili za kifedha kwa mwaka uliomalizika tarehe 31, Disemba, 2012 pamoja na ripoti ya Wahasibu.

c) Mgao wa faida

Kutangaza mgao wa faida na kuidhinisha kufungwa kwa Sajili ya Wanachama tarehe 14, Mei, 2013

d) Uchaguzi wa Wakurugenzi

i) Kwa mujibu wa kifungu 94 cha sheria na marshati ya Kampuni, Bi. Catherine Adongo Kola na Prof. Peter Kiko Kimuyu, wanastaafu kwa zamu kama Wakurugenzi wa Kampuni na kwa kuwa wanahitimu, wanajitolea kuchaguliwa tena.

ii) Kwa mujibu wa Kanuni za Kampuni Bw. Joseph Isaac Adongo alistaafu kutoka Halmashauri ya Wakurugenzi tarehe 31 Machi 2013.

e) Marupurupu ya Wakurugenzi

Kuruhusu Halmashauri ya Wakurugenzi kuamua marupurupu ya Wakurugenzi.

f) Uteuzi wa Wahasibu

Kuteua tena kampuni ya KPMG Kenya, Wahasibu wa Umma Walioidhinishwa, kama Wahasibu wa Kampuni, hadi kukamilishwa kwa mkutano mkuu wa mwaka ujao.

g) Marupurupu ya Wahasibu

Kuidhinisha Wakurugenzi kuamua marupurupu ya Wahasibu.

3. Shughuli maalum

Kutafakari, na inapoonelewa inafaa, kupitisha azaimio lifuatalo kama azimio maalum:-
''Kwamba Vifungu vya Sheria vya Kampuni vibadilishwe kwa kufuta kabisa kifungu cha 121 kilichoko kwa sasa na kuweka kifungu kipya cha 121 kinachosema;

a) Mgao wowote wa faida au pesa zozote zinazolipwa taslimu kuhusiana na hisa zinaweza kulipwa kwa njia ya kielektroniki au mfumo wowote wa kielektroniki kupitia Benki, kwa njia ya simu kupitia Benki kama hiyo au anwani ya simu ya rununu kama ilivyoonyeshwa kwenye sajili ya hisa ya Kampuni au kupitia hundi au kibali kinachoweza kulipwa mahali ambapo Kampuni itaeleza kwa maandishi, kupitia Posta kwa anwani ya mwanachama anayestahili kulipwa kama iliyoodhoreshwa kwenye sajili ya Kampuni au katika hali ambapo watu wawili au zaidi wameorodheshwa kama washirika wa pamoja wa hisa, kwenye anwani iliyoorodheshwa ya washirika wawili, ambaye ameandikishwa wa kwanza kwenye sajili ya hisa ya Kampuni iwapo watu wawili au zaidi wanastahili kulipwa kufuatia kifo au kufilisika kwa mwenye hisa, kwa mtu yeyote kama huyu kwenye anwani hiyo kama watu wanaostahili kulipwa wanaweza kueleza kwa maandishi.

b) Kila hundi ya namna hii au kibali au mahamisho ya fedha yatalipwa kwa mtu aliyetoa agizo kwa yule atakayetumiwa ambaye anastahili kutumiwa(kama ilivyoelezwa kwenye kifungu kilichotajwa cha 121). Malipo ya hundi au kibali, iwapo yatasemekana kuidhinishwa na mwenye anwani au iwapo yatawekwa benki moja kwa moja, kuhamishwa kupitia Benki au kwa njia nyingine ya kielektroniki, itakuwa kwa hali yoyote ile wajibu bora wa Kampuni. Malipo ya aina hii, iwe kupitia hundi, kibali au kuhamishwa kwa njia ya kielektroniki au kwa njia ya simu yatawasilishwa na mwenye kutumiwa kuwajibikia athari zozote zilizoko katika mawasilisho ya fedha hizo.''

4. Shughuli nyingine yoyote

Kuendesha shughuli nyingine yoyote ambayo inaweza kutekelezwa katika mkutano mkuu wa mwaka.

Nairobi, tarehe 28, Februari, 2013

Kwa Amri ya Halmashauri ya Wakurugenzi

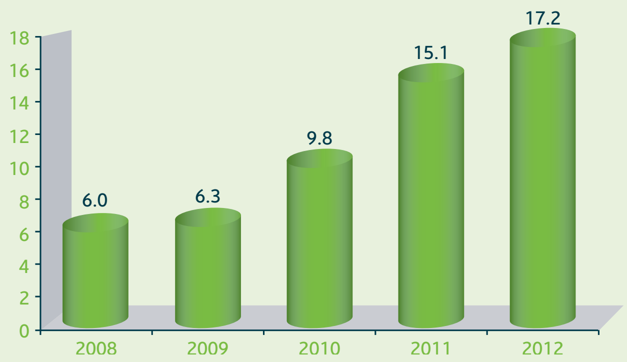
K.D. Malakwen
Katibu

Financial Highlights

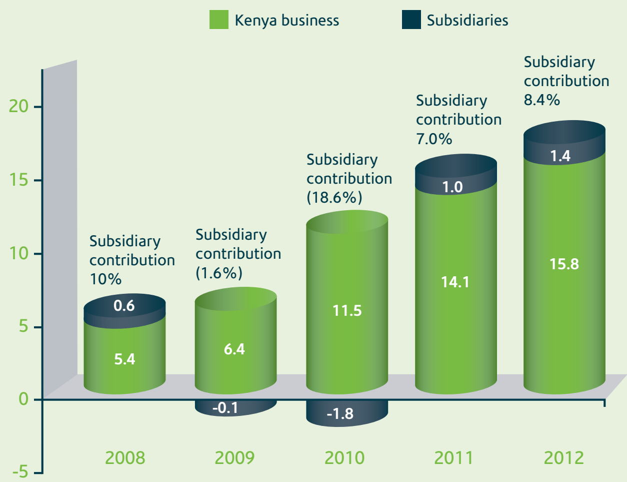
Profit before tax: KShs. 17.2b, up by 14% (2010: KShs. 15.1b)

- Net interest income grew by 28% to KShs. 30.6 billion from KShs. 23.9 billion in 2011 largely attributed to higher asset growth but offset by high interest costs on wholesale deposits
- Fees and commission up by 5% to KShs. 9.6 billion from 9.2 billion in 2011 following increased business volume
- Other operating expenses up by 13% from KShs. 21.8 billion in 2011 to KShs. 24.8 billion in 2012 as a result of investment in information technology, consolidation of regional expansion and a one-off staff cost
- Group Balance Sheet rose by 11% to KShs. 367.4 billion in 2012 from KShs. 330.7 billion
- Customer deposits and net loans grew by 11% and 7% respectively
- Proposed dividend KShs. 5.6 billion compared to KShs. 5.5 billion paid in 2011, a 8% increase
- Investment in Government securities grew by over 100% from KShs. 43.6 billion in 2011 to KShs. 86.9 billion

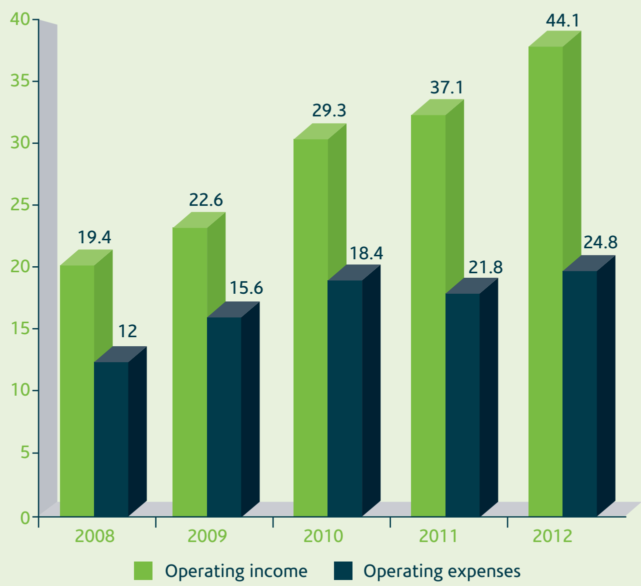
Profit Before Tax (KShs. B)



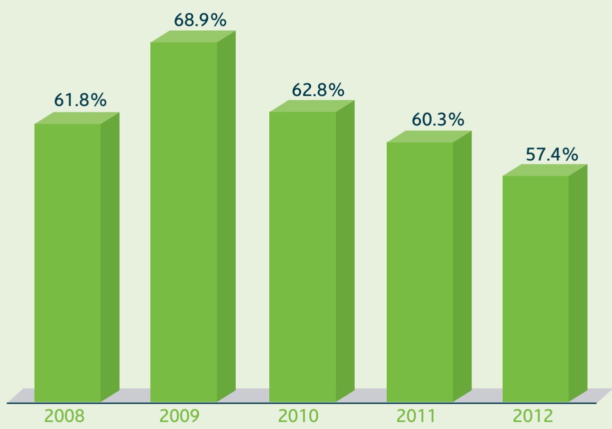
Contribution of PBT by subsidiaries (KShs. B)



Operating income and expenses (KShs. B)

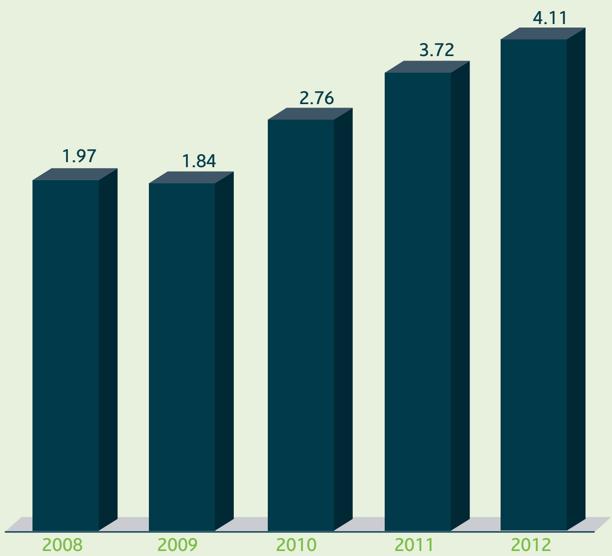


Cost to income ratio



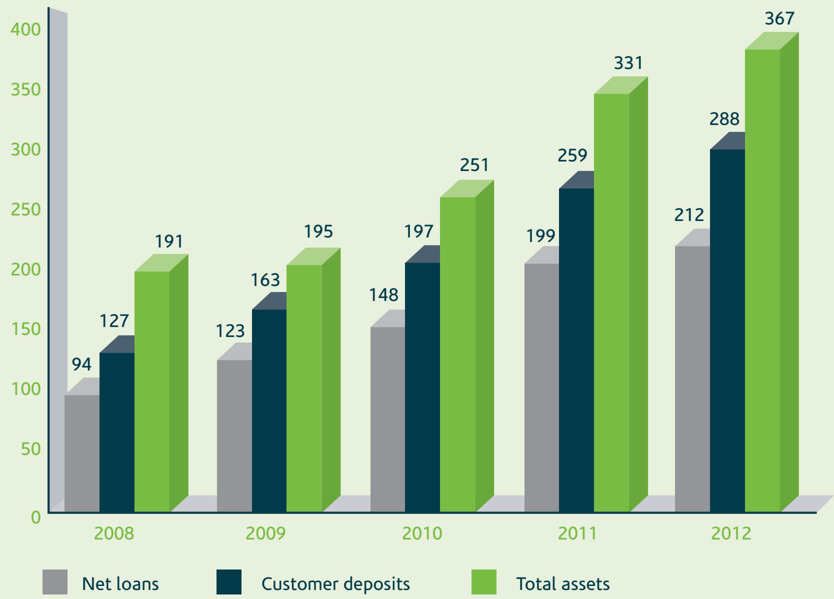
Financial Highlights (Cont'd)

Earnings per share (KShs.)



Dividend per share (KShs.)

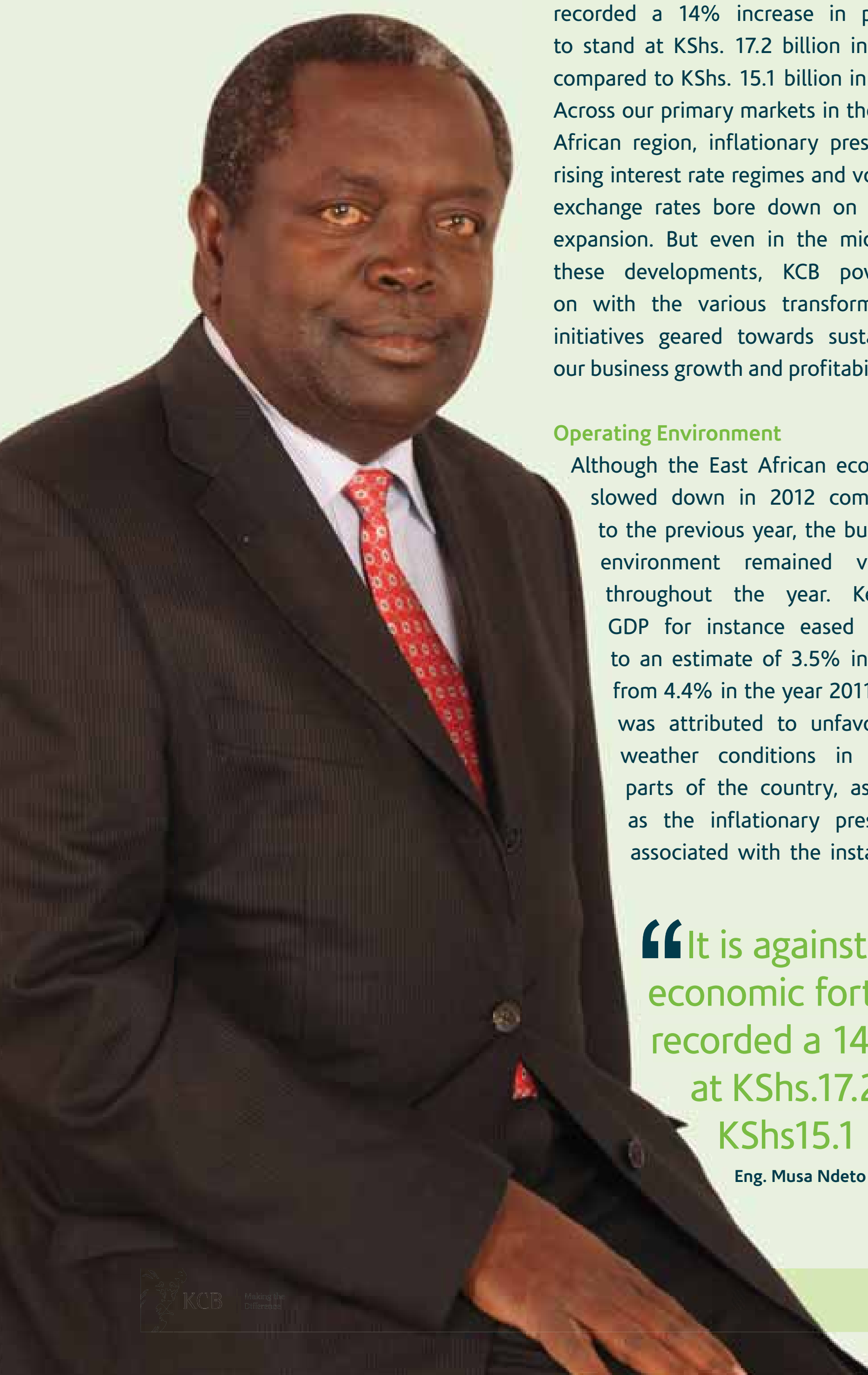
Strong balance sheet growth over the years (KShs. B)



Sustaining our KCB Growth Story

Shareholders,

Welcome to the KCB Group Annual Report and Financial Statements for the Year 2012. Although the 2012 financial year was characterized by challenging economic conditions that were compounded by a recession around the world, the East African region continued to be a beacon of economic growth in an increasingly gloomy global economy.



It is against this backdrop of mixed economic fortunes that the KCB Group recorded a 14% increase in profits to stand at KShs. 17.2 billion in 2012 compared to KShs. 15.1 billion in 2011. Across our primary markets in the East African region, inflationary pressures, rising interest rate regimes and volatile exchange rates bore down on credit expansion. But even in the midst of these developments, KCB powered on with the various transformation initiatives geared towards sustaining our business growth and profitability.

Operating Environment

Although the East African economy slowed down in 2012 compared to the previous year, the business environment remained vibrant throughout the year. Kenya's GDP for instance eased down to an estimate of 3.5% in 2012 from 4.4% in the year 2011. This was attributed to unfavorable weather conditions in some parts of the country, as well as the inflationary pressures associated with the instability in the foreign exchange markets experienced during the year.

Uganda's GDP grew by 3.4% compared to 5.0% in the year 2011. Just as was the case in Kenya, unfavorable weather conditions were blamed for the decline in Uganda's economic growth. It affected the agricultural sector as well as power generation. The rising cost of imported raw materials, mostly petroleum and its byproducts, was another factor for the decline.

Rwanda's economic growth also nudged downwards to 7.7% in 2012 from 8.6% in 2011. This was attributed to foreign aid cuts from major donors and poor climatic conditions during the year. In contrast, South Sudan, Burundi and Tanzania were the region's star performers in 2012. Tanzania GDP grew by 6.9% compared to 6.3% in 2011, driven by growth in agriculture, manufacturing, transport and communications sectors. Burundi's GDP was up to 4.8% compared to 3.9%. This growth was attributed to improving agriculture earnings and increased construction activity.

Central Bank Rates

To contain inflationary pressures and ward off financial stability risks,

> "It is against this backdrop of mixed economic fortunes that the KCB Group recorded a 14% increase in profits to stand at KShs.17.2 billion in 2012 compared to KShs15.1 billion in 2011"

Eng. Musa Ndeto

KCB Group Chairman, Eng. Musa Ndeto, announcing the KCB 2012 full year results during the investor briefing.

the Central Bank of Kenya (CBK) maintained a tight monetary policy position, raising the Central Bank Rate (CBR) to 18% in January 2012 from 16.5% in December 2011. The measure taken by the Central Bank of Kenya in the market to raise the CBR in response to an unprecedented weakening of the Kenya Shilling and spiral inflation resulted in an increase of interest rates across the banking sector. Since then, the CBK Monetary Policy Committee has continued to review the CBR rate downwards in line with its monetary policy objectives.

Our interest rate reviews have consistently tracked the CBR to ensure alignment with the CBK's Monetary Policy Committee rate revisions. In the region, Tanzania had a constant CBR of 12.0% while Uganda's CBR declined from 23.0% in January to 12.0% in December. Rwanda on the other hand closed the year at 7.5% compared to 7.0% recorded in January 2012.

Exchange Rates

The Kenya shilling fluctuated across a wide band in 2012 as anxiety in global markets coupled with the country's heavy import bill weighed down on the local currency. During the year, the Kenya Shilling traded between KShs. 83.2 and KShs. 86.1 to the US dollar.

The Uganda Shilling remained steady against the dollar in the first half of 2012 to trade at an average of UShs. 2,446.9 to the US dollar. The Ugandan Shilling started depreciating in the fourth quarter of 2012 following a pull out of offshore investors and the sudden aid cuts to Uganda. It depreciated to UShs. 2,690 against the dollar in December 2012, from UShs. 2,327 against the dollar in January 2012.

The Tanzania Shilling continued to appreciate in this period under review, from TShs. 1,591 per dollar in January 2012 to TShs. 1,580 per dollar in December 2012. The Rwandan Franc had a volatile performance due to suspension of donor aid. Rwandan Franc depreciated by 4.6% between January 2012 and December 2012; from RwF. 604 per dollar to RwF. 627 per dollar, reflecting the impact of aid suspension.

Financial Report

2012 was a very good year for KCB as we continued to build on the gains made in 2011. Despite the challenging macroeconomic environment, our business continued to perform well over the past 12 months. The Bank's steady performance was driven by three key pillars of growth targeting increased revenues, tight cost management and improved efficiencies enabling us to sustain our profitability.


Former KCB Group Chairman, Peter W. Muthoka (right), handing over the mantle to the Current KCB Group Chairman, Eng. Musa Ndeto (left). Looking on is Treasury Permanent Secretary, Joseph Kinyua (centre).

As a Group, KCB registered a 14% growth in profitability, moving from KShs. 15.1 billion in pretax profit in 2011 to KShs. 17.2 billion in the year 2012. Total assets grew from KShs. 330.7 billion to KShs. 367.4 billion, a 11% improvement over the past 12 months. During the year, shareholders' funds went up by 20% from KShs. 44.4 billion in 2011 to KShs. 53.3 billion in the year 2012.

In 2012, our International business (Tanzania, South Sudan, Uganda, Rwanda and Burundi) recorded a 39% growth in profits to stand at KShs. 1.4 billion compared to KShs. 1.0 billion in 2011. This growth was driven by an optimal mix between interest income and non-funded income across the respective regional markets.

The Board and Management continued to implement the transformation programmes that are ensuring sustained growth and profitability of the business in a highly competitive environment. These efforts are yielding positive gains as manifested in the Group's results.

The Chairman of KCB Bank Tanzania, Dr. Edmund Mndolwa, presenting his speech during the Diaspora Banking Launch in Dar es Salaam.

Burundi President, H. E. Pierre Nkurunziza, opening the KCB Bank Burundi Branch, at Bujumbura.

Shares

In the year under review, KCB share was one of the most active stocks at the Nairobi Securities Exchange (NSE). Our investor confidence is at an all-time high. KCB stock performance in 2011 opened with a share price of KShs. 21.75 and closed the year at KShs. 16.85. In the year 2012, the share price closed the year at KShs. 29.75. This capital gain is an affirmation of our robust business model and the investor confidence in our stock.

Dividend Payment

Over the past ten years the bank has performed very well and shareholders have invariably enjoyed increased returns in dividends and capital gains. As a result of the good performance in 2012, the Board of Directors recommends a dividend payout of KShs. 1.90 per ordinary share held in comparison to KShs. 1.85 per share paid out last year. This represents a marginal increase from the previous year's payout. This is because of the need to build up capital to finance future growth and expansion in accordance with the Bank's medium term strategy.

Subsidiary Business

In line with our vision to be the Preferred Financial Solutions Provider in Africa with a Global Reach, we must continue to invest in our regional markets and eventually venture out further into the continent.

Last year, KCB Group registered a major milestone in its regional expansion agenda with the entry into Burundi. The completion of the East African circuit allows our customers to enjoy fast and convenient Banking Services across the region. Through our One-Branch-Banking Network, we are now able to interface with our customers in the various markets while providing an impetus for KCB's aspiration to become a truly Pan-African bank.

In the medium to long term, our strategy is to see KCB become the prime financial platform for businesses and individuals across East Africa as we pursue our vision to be the preferred financial solutions provider in Africa.

Transformation

As a bank, we set out on an ambitious

Former KCB Group CEO, Dr. Martin Oduor – Otieno (right), handing over to the current KCB Group CEO, Joshua Oigara (left).

KCB Group Chairman, Eng. Musa Ndeto (third from left), handing over a dialysis machine to staff of the Coast Provincial General Hospital.

transformation programme in the year 2010. The objectives were two-fold. The first was to enable KCB fully exploit its great potential for the benefit of the shareholders and the second was to create a legacy of an all round business excellence and robust governance structures. Since its inception, the transformation agenda has been implemented seamlessly to result in accelerated profitability in Kenya, the optimization of our subsidiary businesses, and the creation of a performance-driven culture in all our businesses.

These key pillars are now embedded in our day-to-day operations and are an integral part of the KCB Group's performance DNA. The successful implementation of our transformation journey has enabled us to better serve our customers, provide value to our shareholders and become a relevant participant in the economic growth across our countries of operation.

It is gratifying to note that our team is determined to build a world class business. The road map to sustain this growing profitability trend is in place through an approved five-year strategic plan. This comes after a successful business reorganization exercise aimed at optimizing our human resource pool and rationalizing operating expenditure across the business.

Board Changes

Last year, there were three changes to the Board of Directors. The former Group Chairman Peter W. Muthoka, Sunil Narshi Shah and Susan Nkirote Omanga retired from the Board and were replaced by General (Rtd) Joseph Raymond Kibwana, Charity Muya-Ngaruiya and Adil Khawaja whom you elected in the last annual general meeting. In addition, upon the retirement of Peter W. Muthoka, the Board elected Eng. Musa Ndeto to take over the helm.

Early this year, Dr. Martin Oduor-Otieno left the organization following the expiry of his contract as Chief Executive of KCB after six years of service. We do appreciate the contribution Martin made in spearheading the Bank's regional agenda and wish him well in his future endeavors. Joshua Nyamweya Oigara, formerly the Chief Finance Officer, was appointed to succeed Martin through a rigorous recruitment process. Joshua is a highly qualified and experienced finance executive who has been able to articulate the Bank's business strategy and gain an in-depth understanding of its operations over the period. The Board of Directors is satisfied with the management of the transition and is committed to ensuring that Joshua is accorded the full support he requires to take KCB Group forward.

We continue to embrace global best practice in the running of the Bank to make it stronger and more successful as we propel it to the next level of development and achievements.

Corporate Social Responsibility

Over the past five years, KCB Group has invested over KShs. 500 million towards community initiatives focusing on environment, education, enterprise development, health and humanitarian intervention. These sustainable community projects have been established in Kenya and the other markets in which we operate through partnerships in line with our KCB values of Caring for the Community. Through the KCB Foundation Board, we have consistently adhered to the policy of dedicating 1% of the Group profits to support the Foundation initiatives. Consequently, in the 2013 financial year we will invest KShs. 172 million towards various community initiatives.

As a Bank we are committed towards making KCB a Green Organization. So far we have released two reports that outline our agenda. Our long term viability of the business is in the context of the social, economic and environmental sustainability. We are making the necessary steps towards making the bank a sustainable venture in many years to come. Therefore, we shall soon be releasing an integrated report that is inclusive of our sustainability agenda and assure all stakeholders of its continuity.

KCB Bank Burundi staff participating in CSR at Bujumbura, as part of keeping the city clean.

Bee hives in active use in Mau Likia as part of the KCB Foundation Bee Hive Project.

International Advisor, Arbitrator and Mediator in Corporate Governance and Sustainability, Prof. Mervyn E. King, SC, addressing KCB Group Board Directors in a training session.

Going Forward

I would like to thank my fellow Directors for their selfless contribution to the business over the past year and for supporting me as Chairman. The Management and Staff put in a lot of effort to produce these impressive results and I would like to most sincerely thank all of them for this achievement. I would not forget our customers, for their unwavering support to our business across the region, as well as the communities that give us the license to operate in their midst. To our shareholders, we urge you to continue supporting this great Bank. Together we can make the KCB growth story a meaningful narrative to us and future generations.

Thank you.

Eng. Musa Ndeto

KCB ASSET FINANCE

- **90% Financing from KCB**
- **Flexible credit period upto 60 months**
- **Insurance premium finance available**

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Kudumisha jitihada zetu za kukuza KCB

Wanahisa,

Karibu kwa Ripoti ya Mwaka ya KCB na Taarifa za Kifedha kwa mwaka wa 2012. Ijapokuwa mwaka wa 2012 ulikabiliwa na changamoto za uchumi ambazo zilizidishwa na mfumuko wa uchumi huko Ulaya, Kanda ya Afrika Mashariki iliendelea kuwa kielelezo cha ukuaji wa uchumi katika uchumi wa dunia ulioendelea kutetereka.

Ni katika hali hii ya uchumi ambapo Benki ya KCB iliandikisha ongezeko la asili mia 14 ya faida na kufikia KShs. bilioni 17.2 mwaka wa 2012 ikilinganishwa na KShs. bilioni 15.1 mwaka wa 2011. Katika masoko yetu makuu ya kanda ya Afrika Mashariki, shinikizo la kupanda kwa viwango vya maisha, kupanda kwa viwango vya riba na viwango vya kubadilisha fedha za kigeni visivyotabirika vililemaza ongezeko la fedha. Licha ya changamoto hizi, KCB iliendelea na mikakati kadhaa ya mageuzi iliyolenga kuimarisha ukuaji wa biashara yetu na faida.

Mazingira ya biashara

Ijapokuwa kasi ya uchumi wa Afrika Mashariki ilipungua mwaka wa 2012 ikilinganishwa na mwaka uliotangulia, mazingira ya biashara yaliendelea kuwa bora kipindi chote cha mwaka. Pato la jumla la ndani (GDP) kwa mfano lilipungua hadi asili mia 3.5 mwaka wa 2012 ikilinganishwa na asili mia 4.4 mwaka wa 2011. Hii ilitokana na hali mbaya ya hewa katika baadhi ya maeneo ya nchi, pamoja na shinikizo za kupanda kwa viwango vya maisha na pia hali isiyotabirika ya soko la kubadilisha fedha za kigeni vilivyoshuhudiwa wakati wa kipindi cha mwaka.

Pato la jumla la ndani la Uganda lilikuwa kwa asili mia 3.4 ikilinganishwa na asili mia 5.0 mwaka wa 2011. Sawa na Kenya, hali mbaya ya hewa ilitambuliwa kuwa chanzo cha kupungua kwa uchumi wa Uganda. Hali hiyo iliathiri sekta ya kilimo pamoja na utoaji wa umeme. Kuongezeka kwa gharama ya mali ghafi kutoka nje, hasa mafuta na bidhaa zake ilikuwa sababu nyingine ya punguo hilo.

Ukuaji wa uchumi nchini Rwanda pia ulipungua kutoka asili mia 8.6 mwaka wa 2011 mpaka asili mia 7.7 mwaka wa 2012. Hii ilitokana na kupunguzwa kwa misaada ya kigeni na wafadhili wakuu na hali mbaya ya hewa wakati wa kipindi cha mwaka. Kinyume, Sudani Kusini, Burundi na Tanzania zilikuwa na ufanisi bora wa uchumi katika kanda mwaka wa 2012. Pato la jumla la ndani la Tanzania lilikua kwa asili mia 6.9 ikilinganishwa na asili mia 6.3 mwaka wa 2011, kutokana na sekta za kilimo, utengenezaji bidhaa, uchukuzi na mawasiliano. Pato la jumla la ndani la Burundi liliongezeka hadi asili mia 4.8 kulinganishwa na asili mia 3.9 mwaka uliotangulia. Ongezeko hili lilitokana na kilimo na shughuli za ujenzi.

> “Ni katika hali hii ya uchumi ambapo Benki ya KCB iliandikisha ongezeko la asili mia 14 ya faida na kufikia KShs. bilioni 17.2 mwaka wa 2012 ikilinganishwa na KShs. bilioni 15.1 mwaka wa 2011”
>
> **Mhandisi Musa Ndeto**

Viwango vya Benki Kuu

Ili kudhibiti shinikizo la kupanda kwa viwango vya maisha na kuondoa hatari ya kuyumba kwa fedha, Benki Kuu ya Kenya(CBK) ilidumisha sera thabiti ya fedha, huku ikipandisha viwango vya riba vya Benki Kuu(CBR) hadi asili mia 18 mwezi Januari mwaka wa 2012 kutoka asili mia 16.5 mwezi Disemba 2011. Hatua hiyo iliyochukuliwa na Benki Kuu ya Kenya katika soko kudhibiti viwango vya riba kutokana na kudorora kwa shilingi ya Kenya katika hali ambayo ilikuwa haijawahi kuonekana, kulisababisha ongezeko la viwango vya riba kote katika sekta ya benki. Tangu wakati huo Kamati ya Sera ya Fedha ya CBK imeendelea kupunguza viwango vya riba vya CBR kuendana na sera zake za fedha.

Uchunguzi wa viwango vyetu vya riba umeendelea kufuatilia mara kwa mara viwango vya CBR ili kuhakikisha uwiano na mabadiliko ya Kamati ya Sera ya Fedha ya CBK. Katika kanda, Tanzania ilidumisha kiwango cha CBR cha asili mia 12, huku kiwango cha CBR cha Uganda kikipungua kutoka asili mia 23.0 mwezi Januari hadi asili mia 12.0 mwezi Disemba. Kwa upande mwingine Rwanda ilifunga mwaka kwa asili mia 7.5 ikilinganishwa na asili mia 7.0 mwezi Januari 2012.

Viwango vya kubadilisha fedha za kigeni

Shilingi ya Kenya iliyumba kwa kiwango kikubwa mwaka wa 2012 huku wasiwasi wa masoko ya mataifa pamoja na gharama kubwa ya kuagiza mafuta ikilemaza sarafu ya Kenya. Wakati wa kipindi cha mwaka Shilingi ya Kenya ilibadilishwa kwa kati ya KShs. 83.2-KShs. 86.1 dhidi ya dola ya Marekani.

Shilingi ya Uganda ilibakia thabiti dhidi ya dola wakati wa nusu ya kipindi cha 2012 na kubadilishwa kwa wastani wa UShs. 2,446.9 dhidi ya Dola ya Marekani mwaka wa 2012. Shilingi ya Uganda ilianza kudorora katika robo ya nne ya 2012 kufutia kuondoka kwa wawekezaji waliokuwa wakitafuta mafuta na kukatwa kwa ghafla kwa msaada kwa nchi hiyo. Ilidorora hadi UShs. 2690 dhidi ya dola mwezi Disemba 2012, kutoka Ushs. 2327 dhidi ya dola mwezi Januari 2012.

Shilingi ya Tanzania iliendelea kuimarika wakati wa kipindi hiki, kutoka TShs. 1,591 kwa dola mwezi Januari 2012 hadi TShs. 1,580 kwa dola mwezi Disemba 2012. Faranga ya Rwanda iliyumba kwa kiasi kikubwa kutokana na kusimamishwa kwa misaada. Faranga ya Rwanda ilipungua thamani kwa asili mia 4.6 kati ya Januari 2012 na Disemba 2012; kutoka RwF. 604 kwa dola hadi RwF. 627 kwa dola, kuonyesha athari za kusimamishwa kwa misaada.

Ripoti ya fedha

Mwaka wa 2012 ulikuwa mwaka bora sana kwa KCB tulipoendelea kuimarisha ufanisi wa 2011. Licha ya changamoto katika mazingira ya biashara ndogo ndogo, biashara yetu iliendelea vyema katika kipindi cha miezi 12. Ufanisi maridhawa wa Benki na vigezo vitatu vya ukuaji vilivyolenga kuimarisha mapato, usimamizi thabiti wa matumizi ya fedha na kuimarika kwa usimamizi vilituwezesha kudumisha faida yetu.

KCB iliandikisha ukuaji wa faida wa asili mia 14, kutoka KShs. bilioni 15.1 faida kabla ya kodi mwaka wa 2011 hadi KShs. bilioni 17.2 mwaka wa 2012. Jumla ya mali zilikua kutoka KShs. bilioni 330.7 hadi KShs. bilioni 367.4, imariko la asili mia 11 katika kipindi cha

Jaji Mkuu wa Kenya, Willy Mutunga, akifungua rasmi tawi la KCB Milimani. Akiangalia ni aliyekuwa Mkurugenzi Mkuu wa KCB, Dkt. Martin Oduor-Otieno.

Mkurugenzi wa KCB Generali (Mstaafu) Joseph Kibwana (kulia) akitoa zawadi ya shukrani kwa Meneja Mtendaji wa Claytan Business PH Loh (katikati)) wakati wanachama wa klabu ya KCB S&L Developers walipotembelea makao hayo nchini Malaysia. Akiangalia ni Mkurugenzi wa Biashara ya Ujenzi wa Nyumba, Bw. Joram Kiarie.

miezi 12 iliyopita. Wakati wa kipindi hicho, fedha za wanahisa ziliongezeka kwa asili mia 20 kutoka KShs. bilioni 44.4 mwaka wa 2011 hadi KShs. bilioni 53.3 mwaka wa 2012.

Mwaka wa 2012 Biashara yetu ya Kimataifa (Tanzania, Sudani Kusini, Uganda, Rwanda na Burundi) ilirikodi ukuaji wa faida wa asili mia 39 na kufikia KShs. bilioni 1.4 ikilinganishwa na KShs. bilioni 1.0 mwaka wa 2011. Ukuaji huu ulichangiwa na viwango vya juu vya riba ya mapato na mapato yasiogharamiwa kutoka masoko yote ya kanda.

Aliyekuwa Mwenyekiti wa KCB, Bw. Peter W. Muthoka, na Mkurugenzi Mkuu wa KCB, Dkt. Martin Oduor-Otieno, wakifungua kielezo cha Makao Makuu ya KCB yaliyopendekezwa kujengwa Upper Hill.

Halmashauri ya Wakurugenzi na Usimamizi waliendelea kutekeleza mipango ya mageuzi ambayo inahakikisha kudumishwa kwa ukuaji na faida ya biashara katika mazingira ya ushindani mkubwa. Matokeo ya juhudi hizi ni kupatikana kwa matokeo bora kama yanavyoonekana katika matokeo ya Benki.

Aliyekuwa Mkurugenzi Mkuu wa KCB Dkt. Martin Oduor-Otieno (mbele kushoto) na maafisa wengine wakuu, wakati KCB iliposhinda tuzo la mwaka la Mwekezaji Bora Afrika mwaka wa 2012.

Hisa

Katika kipindi cha mwaka KCB ilikuwa mshirika imara wa hisa katika Soko la Hisa la Nairobi (NSE). Imani yetu ya uwekezaji imefikia kilele. Hisa za KCB katika soko la hisa mwaka wa 2011 zilianza kwa bei ya KShs. 21.75 kwa hisa na kufunga mwaka kwa bei ya KShs. 16.85. Mwaka wa 2012, hisa ilifunga mwaka kwa KShs. 29.75. Mapato haya ya mtaji ni thibitisho la kuimarika kwa biashara yetu na imani ya wawekezaji kwa hisa zetu.

Mgao wa faida

Katika kipindi cha miaka kumi Benki imekuwa na ufanisi bora na wanahisa wamekuwa wakifurahia ongezeko la mgao wa faida na faida ya mtaji. Kutokana na ufanisi huo mwaka wa 2012, Halmashauri ilitangaza mgao wa KShs. 1.90 kwa hisa ya kawaida ikilinganishwa na KShs. 1.85 iliyolipwa mwaka jana. Hii inawakilisha ongezeko kidogo kutoka malipo ya mwaka uliotangulia. Hii ni kwa sababu ya haja ya kuimarisha mtaji wa kulipia ukuaji na upanuzi wa siku zijazo kulingana na mikakati ya Benki.

Biashara ya ziada

Sambamba na lengo letu la kuwa Mtoaji wa suluhisho la kifedha linalopendwa zaidi Afrika na kufika kwingineko

Duniani, ni lazima tuendelea kuwekeza katika masoko yetu ya kanda na hatimaye kuingia masoko mengine ya bara hili. Mwaka jana KCB iliandikisha ufanisi mkubwa katika ajenda yake ya upanuzi wa kanda kwa kuingia Burundi. Kukamilika kwa mzunguko wa Afrika Mashariki kunawezesha wateja wetu kufurahia huduma za haraka za benki kote katika kanda. Kupitia mtandao wetu wa Benki wa matawi, sasa tunaweza kuwasiliana na wateja wetu katika masoko mbali mbali huku tukitoa himizo kwa KCB kuwa hasa benki inayohudumia Afrika.

Katika mtazamo wa kipindi cha kati na ule wa muda mrefu, mkakati wetu ni kuona KCB ikiwa kigezo kikuu cha biashara na watu binafsi kote katika Afrika Mashariki tunapoendelea kufuatilia lengo letu la kuwa Benki ambayo ni mtoaji wa suluhisho la kifedha linalopendwa zaidi Afrika.

Mabadiliko

Benki ilianzisha mpango mkubwa wa mageuzi mwaka wa 2010. Malengo yalikuwa na sababu mbili. La kwanza lilikuwa kuiwezesha KCB kutumia kikamilifu uwezo wake mkubwa kwa manufaa ya wanahisa na la pili lilikuwa kuweka urithi wa biashara thabiti na vigezo vya usimamizi. Tangu ilipoanzishwa, ajenda ya mageuzi imetekelezwa bila vikwazo ili kufikia upatikanaji wa faida wa haraka nchini Kenya, kutekeleza kikamilifu biashara yetu ya ziada, huu ukiwa ni ubunifu wa utamaduni wa utendaji.

Vigezo hivi muhimu sasa vimejikita katika shughuli zetu za kila siku na sasa ni sehemu ya utendaji wa kampuni ya KCB. Kutekelezwa kwa ufanisi kwa safari yetu ya mageuzi kumetuwezesha kuwahudumia vyema zaidi wateja wetu, kuwapa wanahisa wetu thamani na kuwa mshirika muhimu katika ukuaji wa uchumi kati nchi tunazohudumu.

Katibu wa Benki, Bw. David Malakwen (pili kutoka kushoto), anawakabidhi watoto and waaalimu wa shule ya msingi ya Esokota, huko Kajiado, vitabu vya kusoma and kuandikia.

Mfanyakazi wa KCB mwenye furaha akivuka utepe wa shindano la Staircase Challenge wakati wa Wiki ya Afya ya Wakfu wa KCB.

Inafurahisha kuona kwamba kundi letu limedhamiria kujenga biashara ya kiwango cha kimataifa. Mikakati ya kudumisha mwenendo huu wa ukuaji wa uchumi umewekwa kupitia mpango wa miaka mitano. Hii inafuatia shughuli iliyofaulu ya kupanga upya biashara kwa lengo la kutumia kikamilifu rasilimali yetu ya wafanyakazi na kuwianisha matumizi ya fedha sehemu zote za biashara.

Mabadiliko ya Halmashauri ya Wakurugenzi

Mwaka jana kulikuwa na mabadiliko matatu katika Halmashauri ya

Wafanyi kazi wa KCB wanapanda miti na wenyeji katika msitu wa Mau.

Aliyekuwa mwenyekiti wa Wakfu wa KCB, Susan Omanga, na mkurugenzi wa halmashauri, Joe Adongo wakikabidhi hundi kwa wafanyakazi wa hospitali ya Prince Regent Charles wakati wa kuanza kwa shughuli ya huduma kwa jamii ya KCB Bank, Burundi. Anayeshuhudia ni Balozi wa Kenya nchini Burundi, Benjamin Mweri.

Wakurugenzi. Mwenyekiti wa zamani wa Kampuni Peter W. Muthoka, Sunil Narshi Shah na Susan Nkirote Omanga walistaafu kutoka kwa Halmashauri na mahali pao pakachukuliwa na Jenerali (Mustaafu) Joseph Raymond Kibwana, Charity Muya-Ngaruiya na Adil Khawaja ambao mliwachagua katika mkutano mkuu wa mwaka jana. Pamoja na hayo, baada ya kustaafu kwa Peter W. Muthoka, Halmashauri ilimchagua Mhandisi Musa Ndeto kushika hatamu. Mapema mwaka huu, Dkt. Martin Oduor-Otieno aliondoka kwenye shirika baada ya kandarasi yake kukamilika akiwa Mkurugenzi Mkuu baada ya huduma iliyofana ya miaka sita. Tunatambua mchango mkubwa wa Martin katika kuongoza ajenda ya kanda ya Benki na tunamtakia heri katika shughuli zake za usoni. Joshua Nyamweya Oigara, aliyekuwa Afisa Mkuu wa Fedha, alichaguliwa kumrithi Martin kupitia shughuli ya uwazi ya uajiri. Joshua amefuzu na ni mjuzi wa maswala ya fedha ambaye ameweza kutekeleza mkakati wa kibiashara wa Benki na kuwa na uelewa mpana wa shughuli za Benki katika kipindi hicho. Tunaendelea kutumia mbinu bora za mataifa katika kuendesha Benki ili kuifanya imara zaidi na yenye ufanisi tunapoisukuma katika kiwango kingine cha maendeleo na ufanisi.

Wajibu wa Shirika kwa Jamii

Katika kipindi cha miaka mitano iliyopita, kampuni ya KCB imewekeza zaidi ya KShs. milioni 500 katika miradi ya jamii ambayo imelenga mazingira, elimu, maendeleo ya biashara, afya na usaidizi wa kibinadamu. Miradi hii endelevu ya jamii imeanzishwa nchini Kenya na katika masoko ambako tunahudumu kupitia kwa ushirika sambamba na maadili yetu ya KCB ya kujali jamii. Kupitia kwa Halmashauri ya Wakfu wa KCB, tumezingatia sera ya kutenga asili mia moja ya faida ya kampuni kusaidia miradi ya Wakfu wa KCB bila kubadilika. Hivyo, katika mwaka wa fedha wa 2013 tutawekeza KShs. milioni 172 katika miradi kadhaa ya kijamii.

Benki imedhamiria kuifanya KCB Shirika la Kijani. Kufikia sasa tumetoa ripoti mbili ambazo zinaeleza ajenda yetu. Malengo yetu marefu ya biashara ni katika mkutadha wa kijamii, kiuchumi na uendelevu wa mazingira. Tunachukua hatua zifaazo ili kuifanya benki kuwa biashara endelevu katika miaka mingi ijayo. Hivyo hivi karibuni tutatoa ripoti shirikishi katika miaka inayokuja ambayo inahusisha ajenda yetu endelevu na kuwahakikishia washika dau wote kuhusu kuendelea kwake.

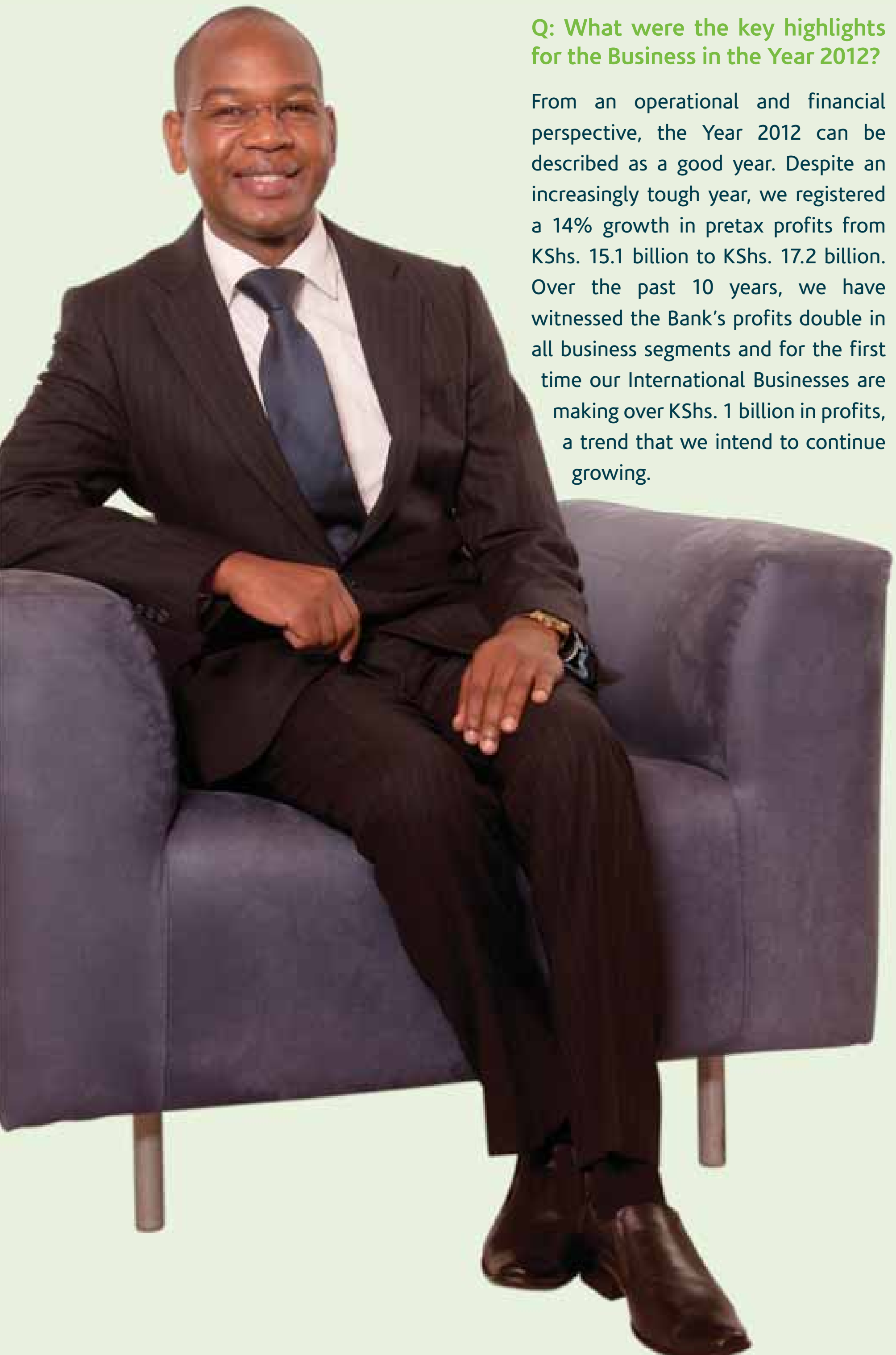
Siku za usoni

Ningependa kuwashukuru Wakurugenzi wenzangu kwa mchango wao mkubwa kwa biashara katika kipindi cha mwaka mmoja uliopita na kwa kuniunga mkono kama Mwenyekiti. Usimamizi na Wafanyakazi walifanya kazi kwa bidii ili kuwezesha matokeo haya ya kufana na ningependa kuwashukuru kwa dhati kwa mafanikio haya. Nawatambua pia wateja wetu, kwa kuunga mkono biashara yetu kote katika kanda bila kuyumba, pamoja na jamii zinazotupa idhini ya kufanya biashara miongoni mwao. Tunawahimiza wanahisa wetu kuendelea kuiunga mkono Benki. Kwa pamoja tunaweza kuyafanya masimulizi ya ukuaji wa KCB kuwa ya kusisimua kwetu na kwa vizazi vijavyo.

Asanteni.

Mhandisi Musa Ndeto

Adopting a Progressive Business Growth Agenda



Q: What were the key highlights for the Business in the Year 2012?

From an operational and financial perspective, the Year 2012 can be described as a good year. Despite an increasingly tough year, we registered a 14% growth in pretax profits from KShs. 15.1 billion to KShs. 17.2 billion. Over the past 10 years, we have witnessed the Bank's profits double in all business segments and for the first time our International Businesses are making over KShs. 1 billion in profits, a trend that we intend to continue growing.

Total operating income increased by 19% from KShs. 37.1 billion in 2011 to KShs. 44.1 billion in 2012, backed by strong growth in interest income. On the other hand, the total operating expenses grew 13% from KShs. 21.8 billion in 2011 to KShs. 24.8 billion in 2012. This demonstrates that even during the hard times, KCB continued to lend money to support our customers to make investments and grow their business.

The Bank's net interest income went up by 28% from KShs. 23.9 billion in 2011 to KShs. 30.6 billion in 2012 while foreign exchange income and fees and commissions contributed KShs. 3.7 billion (up 2% in 2012) and KShs. 9.6 billion (up 5% in 2012) respectively. This year our focus is to grow our loan book by double digit by taking opportunity of growth in oil, mortgage and the small and medium enterprises sectors.

The Bank's balance sheet grew by 11% from KShs. 330.7 billion in December, 2011 to KShs. 367.4 billion in 2012. We witnessed a modest growth in net loans and advances from KShs. 198.7 billion over the same period in 2011 to KShs. 211.7 billion in 2012. KCB continues to provide leadership in lending to the different sectors of the economy in the region among them agriculture, manufacturing, infrastructure, real estate and small and medium enterprises. Our strong balance sheet gives us the capability to participate in syndicate loan partnerships and also support development of large infrastructure projects in the region.

Customer deposits were higher during the year by 11% from KShs. 259.3 billion to KShs. 288.0 billion as we stepped up our marketing efforts to increase our customer footprint, agency and mobile banking platforms. Our branch presence in every County enables us to mobilize deposits from the devolved government, while doubling of our agency banking services enables us to drive the financial banking inclusion agenda to the unbanked and agressively growing our market share through the introduction of innovative products and services.

Can you spell out the KCB vision and strategic direction in the next 12 months?

Our short to medium term strategy is to dedicate funds to the mortgage and infrastructure development sectors to boost development in these areas in line with the regional development agenda and the aspirations of our people.

On a broader scope, we are looking at continuing to offer financial intermediation and product and service innovation targeting key market segments such as the youth, women entrepreneurs, SMEs as well as the micro-business sector which is a growing consumer group in the region today with a lot of potential for growth.

> "The Bank's balance sheet grew by 11% from KShs. 330.7 billion in December, 2011 to KShs. 367.4 billion in 2012"

We are also committed to remaining the low-cost provider of banking and financial services so that our customers can continue to get value for their money. Our charges have been among the most affordable and competitive in the market over the last five years with our base lending rate being one of the lowest in the market for several years now. Consequently, our customers have been able to enjoy credit on a much more friendly terms while savers have also benefited from our high yielding KCB Simba Savings Account.

KCB Group CEO, Joshua Oigara (left), handing over the winning trophy to Carl 'Flash' Tundo (right), during the KCB Guru Nanak Rally.

Hon. Dr. Sally Kosgei, former Minister for Agriculture (second from left) with KCB Director, Mortgages, Joram Kiarie (left), at a stand during the Naivasha Horticulture Fair.

This year we shall also consolidate our business through leveraging on technology, growing our customer numbers and innovation. These are emerging opportunities for growth in mobile banking, agency banking and internet banking to create more efficiency and make banking delightful. In addition, we have automated our income collection and implemented our cost management initiatives to enable us bring down our cost to income ratio to 50% and we see tremendous growth in these areas.

What is the relevance of KCB's presence in the East African Region?

Today KCB is represented in six countries in the East African Region. Our presence and network is in Kenya, Tanzania, South Sudan, Uganda, Rwanda and Burundi. Our path to growth over the last 116 years has seen what was a small banking outfit established in the early 19th Century become the epitome of modern banking and ultimately a leader in spearheading growth and development

KCB donates a Suction machine to Nyeri Provincial General Hospital.

in the region. Today, we are very proud to be the fore-runners of many Kenyan businesses that have followed in our footsteps and reached out to the East African markets.

We also see a lot of potential and opportunities in these regional markets and plan to continue in significantly contributing in creation of wealth and employment in the Region in accordance with our vision of being the preferred financial solutions provider in Africa with a global reach. We are optimistic that with the full implementation of the East African Common Market Protocol, KCB will benefit from the free movement of capital, labour and services while also contributing to the development of a vibrant and strong regional financial sector.

What else is exciting in KCB that we can look forward to?

KCB today is recognized as a strong regional brand. Our agenda for growth also looks at our youth who form the larger population in the Region. Over the years, KCB has nurtured, developed and supported sports sponsorships which in turn has been a source of employment for our youth and enabled them to use this talent for their growth. Our Mortgage, Corporate and Small and Medium Enterprises (SME) customers in East Africa have been supported through the Mortgages and Biashara Clubs. Last year, the bank organized local and overseas trips as part of their exposure to see what is happening in the developed world. Our Diaspora Banking proposition is another development, in which we have seen a lot of growth in the short term. It is an integrated one-stop shop solution that enables our regional citizens looking to invest back home access competitive banking products and services to suit their lifestyle.

We are also at the forefront of empowering communities through a deliberate financial inclusion agenda. This has ensured that banking services are easily accessible to households and enterprises across the country using agents dubbed KCB Mtaani. It is a cost-effective way for the Bank to expand its reach without the necessity to invest in brick and mortar and we have leveraged on mobile technology to provide this service across the region.

KCB Bank Tanzania Board Chairman, Dr. Edmund N. Mndolwa (right) and KCB Tanzania MD, Moezz Mir (left), handing over desks during a CSR at Mugabe Primary School in Dar es Salaam.

Branch Manager of KCB Bank Tanzania, Uhuru Branch, Clement Mwanzalima, handing over a food donation to Hisan Orphanage Centre representative during Eid donation during the month of Ramadhan.

Under the umbrella of the KCB Foundation, we shall continue to embrace best practices in the implementation of our community support programmes focusing on partnerships with other stakeholders to take advantage of competencies that are not available within the bank and sustainable support for needy communities.

What is the way forward as you adopt a progressive growth agenda?

Our focus is on putting the customer first. We believe that our review of customer service is a step in the right direction towards enhancing their experience with us so that KCB can earn their recognition as the bank of choice. We shall continue to introduce targeted product solutions to meet customer needs and open up their world to new possibilities. Therefore our customer demands will continue to drive our long term strategy and on our part, we shall remain attuned to understanding and responding to their needs.

Munana Jean Marie Vianney, customer at KCB Bank Rwanda (centre), the proud winner of the Haval H5 Jeep, celebrating with the KCB Bank Rwanda MD, Maurice K. Toroitich (left).

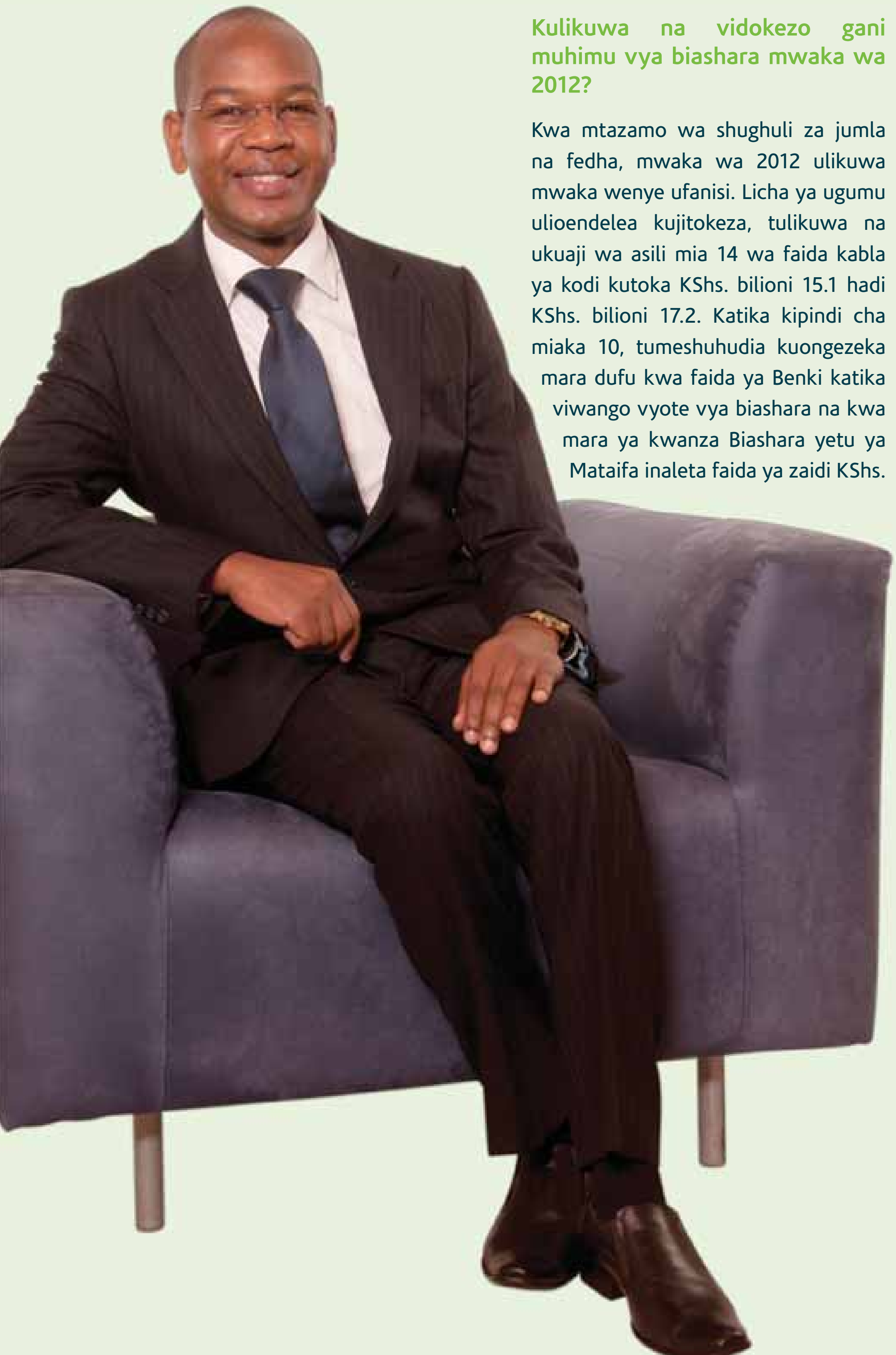
The KCB Team has been behind the success of this Bank's growth story over the years. In the past 12 months, our over 5,000 staff have undergone a performance culture training programme embedded on our five KCB values of putting the customer first, working together as a team, being professional in everything that we do, being willing to change and caring for the community. The team has the passion, drive, energy and talent to make KCB a world class Bank.

Finally on our strategic approach and looking ahead five years from now, KCB is looking at creating a one-stop-shop financial solutions for the customers, accelerating innovation, improve efficiency in running the Bank business, collaboration and partnership engagements with the telecommunication sector and exploiting the regional footprint in Central and Southern Africa.

Thank you.

Joshua Oigara
Group CEO

Ajenda ya Kuendelea Kukuza Biashara



Kulikuwa na vidokezo gani muhimu vya biashara mwaka wa 2012?

Kwa mtazamo wa shughuli za jumla na fedha, mwaka wa 2012 ulikuwa mwaka wenye ufanisi. Licha ya ugumu ulioendelea kujitokeza, tulikuwa na ukuaji wa asili mia 14 wa faida kabla ya kodi kutoka KShs. bilioni 15.1 hadi KShs. bilioni 17.2. Katika kipindi cha miaka 10, tumeshuhudia kuongezeka mara dufu kwa faida ya Benki katika viwango vyote vya biashara na kwa mara ya kwanza Biashara yetu ya Mataifa inaleta faida ya zaidi KShs. bilioni moja, hali ambayo tunakusudia kuiendeleza.

Kiwango cha jumla cha mapato ya kazi kiliongezeka kwa asili mia 19 kutoka KShs. bilioni 37.1 mwaka wa 2011 hadi KShs. 44.1 mwaka wa 2012, kutokana na ukuaji thabiti wa riba ya mapato. Kwa upande mwingine, gharama ya jumla ya kazi iliongezeka kwa asili mia 13 kutoka KShs. bilioni 21.8 mwaka wa 2011 hadi KShs. bilioni 24.8 mwaka wa 2012. Hii inadhihirisha kwamba hata wakati wa kipindi kigumu, KCB iliendelea kukopesha fedha kusaidia wateja wetu kuwekeza na kukuza biashara zao.

Mapato ya faida ya jumla ya Benki yaliongezeka kwa asili mia 28 kutoka KShs. bilioni 23.9 mwaka wa 2011 hadi KShs. bilioni 30.6 mwaka wa 2012 huku mapato ya kubadilisha fedha za kigeni na ada vikichangia KShs. bilioni 3.7 (kutoka asili mia 2 mwaka wa 2012) na KShs. bilioni 9.6 (kutoka asili mia 5 mwaka wa 2012) mtawalio. Mwaka huu lengo letu ni kuimarisha kiwango cha ukopeshaji kwa kutumia fursa ya kukua kwa sekta za mafuta, ujenzi wa nyumba za kuuza na biashara katika sekta ndogo na zile za kadri.

Mapato ya Benki yaliongezeka kwa asili mia 11 kutoka KShs. bilioni 330.7 mwezi Disemba, 2011 hadi KShs. bilioni 367.4 mwaka wa 2012. Tulishuhudia pia ukuaji wa kadri katika mikopo ya jumla kutoka KShs. bilioni 198.7 katika kipindi hicho mwaka wa 2011 hadi KShs. bilioni 211.7 mwaka wa 2012. KCB inaendelea kuongoza katika utoaji

Aliyekuwa Rais wa Kenya, Mwai Kibaki, akikabidhi kikombe kwa afisa wa KCB ya Kanda ya Pwani Bi. Hanifa Mohammed wakati wa maonyesho ya Kimataifa ya Mombasa.

wa mikopo kwa sekta mbali mbali za uchumi katika kanda miongoni mwao kilimo, utengenezaji bidhaa, miundo msingi, ujenzi wa nyumba na biashara ndogo na zile za kadri. Kiwango chetu thabiti cha fedha kinatupa uwezo wa kushiriki katika utoaji wa mikopo na pia kusaidia maendeleo ya miradi mikubwa ya miundo msingi katika kanda.

Akiba ya wateja iliongezeka kwa asili mia 11 kutoka KShs. bilioni 259.3 hadi KShs. bilioni 288.0 kufuatia juhudi zetu za mauzo katika kuongeza idadi ya wateja, wakala na maeneo ya huduma za benki. Matawi yetu katika kila Kaunti hutuwezesha kukusanya mapato kutoka serikali za kaunti na kuongeza mara dufu huduma za wakala wa benki. Aidha hutuwezesha kuimarisha ajenda ya fedha ya kuwashirikisha wasio na huduma za benki na kuendelea kukuza kwa dhati mgao wetu wa soko kupitia bidhaa mpya na huduma.

Unaweza kueleza malengo ya KCB na mwelekeo katika kipindi cha miezi 12 ijayo?

Mipango yetu ya muda mfupi na muda wa kadri ni kutenga fedha kwa sekta za ujenzi wa nyumba za kuuza na miundo msingi ili kuimarisha maendeleo katika maeneo haya sambamba na ajenda ya maendeleo ya kanda na matamanio ya watu wetu.

Kwa mtazamo mkubwa zaidi, tunapanga kuendelea kutoa usaidizi wa fedha, bidhaa na huduma zinazolenga makundi muhimu ya soko kama vile vijana, wanawake wafanyabiashara, biashara ndogo ndogo na zile za kadri ambalo ni kundi la wateja linalokua katika kanda hivi leo, likiwa na nafasi kubwa ya kuimarika hata zaidi.

Pia tumejitolea kuendelea kutoa huduma za benki na zile za kifedha kwa gharama ya chini ili wateja waendelee kupata thamani ya fedha zao. Gharama zetu zimekuwa miongoni mwa zile zenye viwango nafuu katika soko katika kipindi cha miaka mitano iliyopita, huku viwango vyetu vya riba vikiwa miongoni mwa vile vya chini zaidi katika soko kwa miaka kadhaa sasa. Hivyo wateja wetu wameweza kufurahia mikopo kwa masharti bora zaidi, huku wenye kuweka akiba

Wanachama wa mradi wa ndizi huko Gitugi, Murang'a wakisherehekea mazao bora wakati wa kuanzishwa kwa mradi huo.

wakifurahia viwango vya juu vya faida katika akaunti ya KCB Simba Savings.

Mwaka huu pia tutaimarisha biashara yetu kupitia matumizi ya teknolojia, kukuza idadi ya wateja wetu na ubunifu. Hizi ni nafasi za ukuaji zinazojitokeza katika huduma za benki kupitia simu za mkononi, wakala wa benki na huduma za benki kupitia mtandao ili kuimarisha utendaji na kufanya huduma za benki ziwe za kufurahia zaidi. Pamoja na hayo tunatumia njia za teknolojia kukusanya mapato yetu mbali na kutekeleza mipango yetu ya kupunguza gharama zetu kwa kima cha asili mia 50, ikiimarika na kuwa kitovu cha utoaji wa huduma za kisasa za benki na hatimaye kiongozi katika ukuaji na maendeleo katika kanda. Tunajivunia kuwa mstari wa mbele wa biashara nyingi za Kenya ambazo zimefuata nyayo zetu na kusambaa katika masoko ya Afrika Mashariki.

Pia tunaona uwezo mkubwa na fursa katika masoko haya ya kanda na tunapanga kuendelea kuchangia katika kubuni utajiri na ajira katika kanda kulingana na malengo yetu na shabaha ya kuwa benki pendwa katika kutoa suluhisho la kifedha ni sehemu kubwa ya idadi ya watu katika kanda. Katika miaka iliyopita KCB imekuza na kuendeleza uthamini wa michezo ambayo imekuwa kiini cha ajira kwa vijana wetu na kuwawezesha kutumia kipawa hiki kujikuza.

Wateja wetu wa kujenga nyumba za kuuza, Mashirika na wale wa biashara ndogo ndogo na zile za kadri katika Afrika Mashariki wamekuwa wakisaidiwa kupitia mpango wa Ujenzi wa nyumba za kukodisha na Biashara. Mwaka jana, Benki ilipanga ziara za humu nchini na zile za ng'ambo kama sehemu ya kuwafahamisha

Mkurugenzi Mkuu wa KCB, Joshua Oigara, akiwahutubia wafanyakazi wakati wa kuanzishwa kwa wiki ya KCB ya Kuwajibika kwa Wateja.

Meneja wa Wakfu wa KCB, Bi. Rachel Gathoni (kushoto) na wanafunzi wakizindua mradi wa maji katika shule ya Msingi ya Kabondo huko Sondu.

ambapo tunaona ukuaji mkubwa katika nyanja hizi.

Kuna umuhimu gani wa kusambaza huduma za KCB katika kanda ya Afrika Mashariki?

Kwa wakati huu KCB inatoa huduma zake katika nchi sita za Afrika Mashariki. Uwepo wetu na mtandao vipo nchini Kenya, Tanzania, Sudani Kusini, Uganda, Rwanda na Burundi. Mwelekeo wetu wa ukuaji katika kipindi cha miaka 116 umeshuhudia ukuaji wa Benki ndogo iliyoanzishwa mapema karne ya 19, Afrika na kwingineko duniani. Tuna imani kuwa baada ya kutekelezwa kikamilifu mkataba wa Soko la pamoja la Afrika Mashariki, KCB itanufaika na usambazaji huria wa mtaji, nguvu kazi na huduma huku pia ikichangia maendeleo thabiti ya sekta ya fedha katika kanda.

Ni kitu gani cha kusisimua tunachotarajia kutoka KCB?

KCB inatambuliwa hivi leo kama nembo thabiti katika kanda. Ajenda yetu ya ukuaji pia inatilia maanani vijana ambao kile kinachoendelea katika mataifa yaliyoendelea. Mpango wetu wa kuwa na huduma za Benki kwa wale wanaoishi nchi za nje, ni maendeleo mengine ambayo yatakuwa na ukuaji mkubwa katika kipindi kijacho. Ni mpango ulioshirikishwa ambao utawawezesha wananchi wetu katika kanda ambao wanataka kuwekeza nyumbani, kupata huduma za benki na bidhaa zinazoendana na mahitaji yao.
Pia tuko katika mstari wa mbele katika kuzipa uwezo jamii kupitia ajenda ya fedha iliyopangwa kuwashirikisha.

Hii imehakikisha kuwa huduma za benki zinapatikana kwa urahisi kwa wakazi na biashara kote nchini kwa kutumia wakala wanaojulikana kama KCB Mtaani. Ni njia isiyo na gharama kwa Benki kupanua huduma zake bila ya kuhitajika kujenga matawi. Tumetumia huduma ya teknolojia ya simu za mkononi kutoa huduma hii kote katika kanda.

Chini ya Wakfu wa KCB, tutaendelea kutumia uadilifu kutekeleza mipango yetu ya kusaidia jamii tukilenga ushirikiano na washika dau wengine ili kutumia ujuzi ambao haupatikani katika Benki na usaidizi endelevu wa jamii zenye mahitaji.

Wafanyakazi wa KCB wakimhoji mwanafunzi kwa mpango wa kugharamia masomo wa Wakfu wa KCB 2013.

Aliyekuwa Rais Mwai Kibaki, akitoa zawadi kwa Afisa Mkuu Mwandamizi, Bw. Paul Tikani (kulia), kwa KCB kuwa miongoni mwa walipa ushuru bora zaidi mwaka wa 2012.

Kuna mpango gani kwenda mbele unapoanzisha ajenda ya kuendeleza ukuaji?

Lengo letu ni wateja. Tunaamini kuwa kuchunguzwa upya kwa huduma zetu kwa wateja ni hatua inayofaa katika kuimarisha uhusiano wao na sisi ili waweze kutambua kwamba KCB ni Benki bora. Tutaendelea kuanzisha huduma zilizolengwa kuafiki mahitaji ya wateja kuwapa changamoto mpya zaidi. Hivyo mahitaji ya wateja wetu yataendelea kuamua mipango yetu ya muda mrefu na kwa upande wetu, tutajitahidi kuendelea kuelewa mahitaji yao.

Wafanyakazi wa KCB wamekuwa sehemu ya maendeleo na ukuaji wa Benki hii katika miaka iliyopita. Katika kipindi cha miezi 12 iliyopita, wafanyakazi wetu zaidi ya 5,000 wamepewa mafunzo yaliyojikita kwenye kiini cha maadili matano ya KCB ya kuweka wateja kwanza, kufanya kazi pamoja kama kundi, kuwa wajuzi kwa chochote tunachofanya, kuwa tayari kubadilika na kujali jamii. Wafanyakazi hao wana azma, nguvu na talanta ya kuifanya KCB kuwa Benki yenye hadhi ya mataifa.

Hatimaye kuhusu mpango wetu wa kuendelea mbele miaka mitano kuanzia sasa, KCB inalenga kuharakisha ubunifu, kuimarisha utendaji katika kuendesha biashara ya Benki, ushirikiano na sekta ya mawasiliano na kutumia fursa za kibiashara zinazojitokeza katika kanda ya Afrika ya Kati na Kusini mwa Afrika.

Asanteni,

Joshua Oigara
Mkurugenzi Mkuu, KCB.

KCB 2012 Partnerships

KCB and Crown Berger

KCB Foundation and International Labour Organisation

KCB and Jamii Bora Bank

KCB and Multichoice

KCB and Agricultural Development Corporation

KCB Foundation and Africa Sand Dam Foundation

KCB and USAID

Board of Directors

1 **Eng. Musa Ndeto**
Chairman

2 **Mr. Adil A. Khawaja**
Director

3 **Gen. (Rtd.) J. R. E. Kibwana**
Director

4 **Mr. Joshua N. Oigara**
Chief Executive

5 **Mr. Joseph Kinyua**
Director & P.S. Treasury

6 **Mr. Ngeny Biwott**
Director

7 **Prof. Peter Kimuyu**
Director

8 **Mrs. Catherine Kola**
Director

9 **Mr. David Malakwen**
Company Secretary

10 **Mrs. Charity Muya-Ngaruiya**
Director

11 **Mr. Joseph I. Adongo**
Director

1. Eng. MUSA NDETO
GROUP CHAIRMAN

He joined the Board in June 2003 but interrupted the service in 2006 and in 2007; and he became the Group Chairman of the Board in 2012. He holds a Bachelor of Science (Hons) in Electrical Engineering, Masters in Business Administration (MBA, Finance) and Masters in Business Administration (MBA, Strategic Management). He is a member of IEE (UK) and practices as a Consulting Electrical Engineer. He is also a Board Director of Kenya Electricity Generating Company (KenGen)

2. ADIL A. KHAWAJA
DIRECTOR

He joined the Board in June 2012 and holds an LLB (Hons) degree from the University of Sheffield England. A Diploma in Law from the Kenya School of Law and is a Certified Public Secretary (CPS). He is also a member of the London Court of International Arbitration (LCIA). He is a partner of the law firm Hamilton Harrison and Mathews. He is the Chairman of the Bank's Group Risk Committee and a Director of the KCB Bank Tanzania. He sits in the Procurement, Transformation, Information Technology and Strategy Committees. He also serves as a Trustee of Kenya Wildlife Services (KWS).

3. GENERAL (Rtd.) JOSEPH RAYMOND KIBWANA, EGH, CBS
DIRECTOR

He joined the Board in June 2012, and he is the Chairman of the Strategy Committee and a member of the Procurement Committee. An Alumni of the Britannia Royal Naval College, the US Naval Staff College and the US Naval War College, he retired from the Kenya Armed Forces in 2005 having served as the Chief of the General Staff (2000-2005), the Commandant of the National Defense College (1998-2000) and the Commander of the Kenya Navy (1988-1998). Upon his retirement from active duty, he was appointed Chairman of the Board of Directors of the Kenya Ports Authority (2005-2008). He is currently the Chairman of the Board of Directors of Kenya Trade Network Agency.

4. JOSHUA OIGARA
GROUP CEO

He was appointed as the KCB Group CEO in January, 2013. He previously served as the Chief Finance Officer of the Bank prior to his appointment. He holds a Masters in Business Administration, with a distinction, in International Business Management from Edith Cowan University, Australia (2011), Bachelor of Commerce Degree, Accounting Option, from the University of Nairobi, Kenya (1997), Advanced Management Program Graduate from INSEAD, Fontainebleau, France (2010). He is also a graduate of the Program for Management Development (JuMP), Fuqua School of Business, Duke University, North Carolina, USA (2006) as well as a Certified Public Accountant of Kenya, CPA (K), School of Accountancy, Strathmore University, Kenya (1997). He is a Board member in KCB Bank Tanzania Board and sits in the Risk, Credit, Human Resources, Procurement, Transformation, Strategy and Information Technology committees.

5. JOSEPH K KINYUA, CBS
DIRECTOR AND PERMANENT SECRETARY TREASURY

He holds a Bachelor of Arts Degree and a Masters of Arts Degree in Economics from the University of Nairobi. He is a career economist having served in various capacities in the Treasury and the Central Bank of Kenya; and he has also worked as an economist with the International Monetary Fund between 1985 and 1990. He has served as a Board member in various State Corporations and as a member of the Programme Committee of the African Economic Research Consortium (AERC) and currently is a member of the Board of AERC and an Alternate Governor, World Bank Board of Governors.

6. NGENY BIWOTT
DIRECTOR

He was appointed to the Board of KCB in June 2011. He holds a Masters of Science Degree in Civil Emergency, Risk and Crisis Management from University of Hertfordshire. He holds a specialized Certification Risk and Strategy, from Cranfield University, University of Southern California and Larkley and NASA Research Centre College. He has over 37 years work experience in the aviation industry in risk, safety, systems audit and strategic management in manufacturing and construction industries. He is the Chairman of the Human Resource Committee, Director of KCB Bank Tanzania and sits in the Audit, Risk, Procurement, Transformation, Information Technology and Strategy Committees.

7. Prof. PETER KIMUYU, MBS
DIRECTOR

He joined the Board in 2006. He holds a PhD in Economics from the University of Nairobi. He is a member of the New York Academy of Sciences, a Professor of Economics and Founder Director of School of Economics, University of Nairobi. He is the current Chairman of the Privatization Commission of Kenya. In addition to this, he serves as the Chairman of KCB Bank Rwanda, Chairman of the Procurement Committee and also sits in the Risk, Strategy and Audit Committees.

8. CATHERINE KOLA
DIRECTOR

She joined the Board in May 2009. She has over 30 years experience covering Legal Practice, Development Banking, company secretarial and administration in the Financial and Energy Sectors. She has also served as the Chief Executive Officer of the Constituency & Boundaries Commission. She is an advocate of the High Court of Kenya, Certified Public Secretary of Kenya (CPSK) and an associate member of the Chartered Institutes of Arbitrators. She holds a Bachelor of Laws (LL.B) Honors Degree from the University of Nairobi and is the Chairman of the Staff Retirement Benefits (Defined Contribution) Scheme (2006). She also serves as the Chairman of the KCB Foundation Board and Credit Committee and sits in the Board of KCB Bank Burundi. She is a member of the Risk and Strategy Committees.

9. DAVID MALKWEN
COMPANY SECRETARY

He joined the Bank in July 1994 as the Company Secretary. He is a holder of the Degrees of Bachelor of Laws (LL.B Hons) and Master of Laws (LL.M) from the University of Nairobi. He is an advocate of the High Court of Kenya and a Member of the East African Law Society and Commonwealth Bar Association. He is also a fellow of the Institute of Certified Public Secretaries of Kenya (FICPSK). He is a Board Director of KCB Bank South Sudan and a Trustee of the KCB Staff Pension Fund.

10. CHARITY MUYA-NGARUIYA
DIRECTOR

She joined the Board in June 2012. She holds a Bachelor of Commerce Degree and a Masters in Business Administration from the University of Nairobi. She is a Fellow of Certified Accountants (FCCA), Certified Public Secretary (CPS) Chartered Institute of Arbitrators. She holds a Certificate of Advanced course in Investment Banking. She is a trainer in Governance, Member of Institute of Directors, Honorary member of the Institute of Financial Analyst. She is a Management and Financial Restructuring expert having over thirty five years experience in financial management, information management system, financial internal control system, financial accounting and reporting, corporate restructuring, project management and privatization. She has served as a council member of Institute of Certified Public Accountants, a member of the Registration of Accountants Board, member of the Examination Committee of Kenya Accountants and Secretaries National Examination Board. She is the Chairman of the Audit Committee and sits in the Board of KCB Bank South Sudan. She also serves in the Risk, Information Technology and Human Resources Committees.

11. JOSEPH I. ADONGO
DIRECTOR

He joined the Board in June 2005. He holds a Bachelor of Arts and Masters of Arts in Economics. He is a Fellow of the Economic Institute of the World Bank. He has held various positions in different companies including; Managing Director Nation Newspapers, Marketing Director, Strategic Planning Manager, Area Manager UK Budgets Officer all in Kenya Airways. He is the Chairman of KCB Bank Burundi, KCB Staff Pension Fund and KCB Transformation Committee. He also serves in the Human Resources and Credit committees. He is also the past President of Lions Club.

KCB Foundation Board

1 Catherine Kola
KCB Foundation Chairman

2 Protus Sigei
Director

3 Grace Akumu
Director

4 Hon. Catherine Kimura
Director

5 Joshua Oigara
Director

6 Angela Mwirigi
Director

7 Irene Metto
Company Secretary

Subsidiary Directors KCB Bank Tanzania Limited Board

1. DR. EDMUND B. MNDOLWA
Chairman

He joined the Board in April, 2010. He holds an MBA from Mzumbe University in Banking and Finance and PhD in Finance. He is also a graduate of the Commonwealth Association of Corporate Governance. He is a professional accountant who qualified as an ACCA in the United Kingdom in December, 1972, then working for the East African Community until 1976. He joined Deloitte in 1977 where he worked for four years up to 1980 serving the last two years as a Partner. He joined PWC as a Partner in January 1981 where served as a Senior Partner until his retirement in June 2009 after 29 years of service. Over the years he has served as a Non Executive Director of NBC and as Chairman of the Board of Tanzania Postal Bank.

2. CATHERINE N. KIMURA
Director

She joined the Board in June 2003 at that time representing the Permanent Secretary Treasury. She has also served in the KCB Group Board for eight years. She holds a Bachelor of Arts Degree (Hon) from University of East Africa (Nairobi), a Diploma in Tourism and International Relations, a Certificate in Public Finance (University of Connecticut) and a Certificate in Budgeting (Havard). She has served in senior positions in Government rising to the position of Investment Secretary, Ministry of Finance. She also serves in the KCB Foundation Board as a member.

3. NGENY BIWOTT
Director

4. MR. ADIL KHAWAJA
Director

5. MR. NIKUBUKA P. SHIMWELA
Director

He joined the KCB Tanzania Board in March 2010. He holds a Master's Degree in Public Policy and Administration from the University of Wisconsin at Madison, WI USA (1977) and a Bachelor's degree, with honours, in Economics, Management and Administration from the University of Dar es Salaam (1973). He is currently the Chairman of the Fair Competition Commission, member of the Tax Revenue Appeals Tribunal and CEO and Lead Consultant at Kasuto Company Limited. He has also served as the External Director of many companies including the former state-owned National Bank of Commerce.

6. NEHEMIA K. MCHECHU
Director

Nehemia Kyando Mchechu joined the Board in July 2011. He holds Bachelor Degree in Commerce and Management from the University of Dar es Salaam. He further qualified for ACI-Financial Market Association. He is currently the Director General of National Housing Corporation. Before joining National Housing, he worked as the Managing Director and CEO of Commercial Bank of Africa Tanzania Limited. He has also worked with Barclays Tanzania and Standard Chartered rising to the senior management roles. He is the Director and founding member of CEO roundtable of Tanzania. He is also a Director of the Presidential Trust Fund and Chairman of Rightways Schools. He is a fellow member of the ASPEN Fellowship of USA as well as African Leadership Initiatives; East African Chapter. He also serves as the Chairman of Audit Committee.

7. ZUHURA S. MURO
Director

Mrs Zuhura Sinare Muro was appointed to the KCBT Board in July 2011. She holds a Bachelor of Arts & Social Sciences Degrees from the University of Dar es Salaam, Tanzania and a Postgraduate Diplomas in Management and Entrepreneurship Development. She is currently the Managing Director of Kazi Services Limited which provides Human Resources solutions, management consultancy, and executive selection services in Tanzania. She has rich experience in Organizational Development, Human Resources management, training and motivational speaking. Before establishing her own business, she was the Head of Human Resources at Celtel Tanzania Limited (now trading as Airtel) for six years. Mrs. Muro is one of the founding trustees of Africa Leadership Initiative East Africa Foundation and is currently serving as its Executive Secretary. The Foundation is engaged in developing value-based leadership in East Africa. She is a fellow of Aspen Global Leadership Network. She serves as the Board Chairperson of Mwananchi Communication Limited in Tanzania, member of Nation Media Group in Kenya, and Board Secretary of Arusha Modern Schools Limited.

8. **JOSHUA OIGARA**
   Director

9. **MOEZZ MIR**
   Managing Director

He joined the Bank in April 2007 and holds a Bachelors Degree in Economics from Kingston University in England. He was appointed to the Board in July 2011, and previously held the position of Director of Corporate Banking for Tanzania. He has over 10 years' experience in Corporate Finance and Banking. He previously worked for Imperial Bank Limited as the Head of Corporate Banking in Kenya.

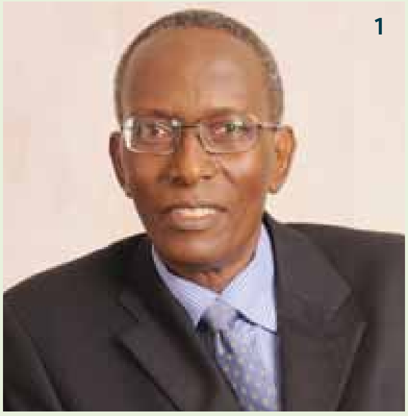
10. **EDWARD LYIMO**
    Company Secretary

He joined the bank in January 2011 as the Company Secretary and Head of Legal. He holds a Bachelor of Laws Degree (LLB Hons) from the University of Dar es Salaam in Tanzania. He has attended various courses and workshops in legal management, International Law, dispute settlement and leadership. He is also an advocate of the High Court of Tanzania. He previously worked with Barclays Bank Tanzania Limited, Institute of Finance Management, and Allen and Overy LLP. He is also a member of Tanganyika Law Society and East Africa Law Society.

PS Ministry of Sports and Youth Affairs, James Waweru (centre) flags off a car at KICC, during the 60th KCB Safari Rally. Looking on is Machakos Governor Hon. Alfred Mutua (right), former KCB Group CEO Dr. Martin Oduor-Otieno (second left) and KCB Foundation Trustee Grace Akumu (left)

Former President of Kenya, H.E. Mwai Kibaki, awards KCB Group Company Secretary (left) a trophy for winning the best stand with the most striking display during the Nairobi International Trade Fair.

Subsidiary Directors KCB Bank Uganda Limited Board



1. **SAMWIRI H. K. NJUKI**
   Chairman

He joined KCB Bank Uganda Board in November, 2007. He holds a Bachelor of Arts (Honors) Degree from the University of Nairobi and an Advanced Diploma in Economics of Banking. Before he joined KCB Bank Uganda, he had worked as the Managing Director of Orient Bank Uganda Limited from where he retired in July 2007. He was the Chairman of Uganda Bankers Association and Uganda Securities Exchange. He has been in banking for over 35 years.

2. **FLORENCE KATA**
   Director

She joined the KCB Bank Uganda Board in July 2009. She has over 28 years of experience in both the public and private sector, specializing in marketing of services and products, to international markets. She has a Bachelor of Arts (Honors) Degree in Economics/Rural Economics from Makerere University, Post Graduate Diploma in Business Management and a Masters in Management. She is an Executive Director, Uganda Export Promotion Board.

3. **DAVID M. NYENDE**
   Director

He joined KCB Bank Uganda Board in August 2008. He holds a Bachelor of Commerce Degree and is a Fellow of Association of Chartered Certified Accountants (FCCA) and a member of the Uganda Institute of Certified Public Accountants (CPA). He is currently a Partner with Pim and Co, Certified Public Accountants in Kampala. He has diverse international experience in Finance and related disciplines obtained in several countries including Nigeria, the U.K., Germany, Kenya, Tanzania, Uganda and South Sudan.

4. **MARTIN OWINY**
   Director

He joined the Board in May 2011. He holds a Bachelor of Arts (BA) Degree in Social Sciences specializing in Economics from Makerere University as well as a Master's in Business Administration (MBA) in financial Management from the University of Hull (UK). He is the founding General Manager of Stanbic Investments in Uganda where he served for nine years before joining KCB Bank Uganda Limited. He has also worked in various Corporate and trade Services roles at Standard Chartered Bank Uganda between 1998 and 2002. He has been awarded various investor awards under the Uganda Kikoyongo Capital Markets Awards for his exemplary contribution towards the growth of the Uganda capital.

5. **PAUL TIKANI**
   Director

He was appointed to the Board of KCB Bank Uganda in the year 2012. He holds a MBA from ESSAMI/ Maastricht and has international experience gained in France, the U.S and South Africa including International Banking, and International Trade Operations. He is an Alumnus of INSEAD Business school Management Acceleration Program. He has been a part of KCB Group since 1986, having worked in KCB Tanzania, and has held various senior positions including Head of Group Services and Head of Operations before his current appointment as the Chief Operating Officer, KCB Group.

6. **DR. JEFF SEBUYIRA MUKASA**
   Director

He was appointed to the Board of KCB Bank Uganda in the year 2011. He holds a Doctorate in Business Leadership, an MBA and a Bachelor of Commerce Degree. He is also a Fellow of Chartered Institute of Certified Accountants of UK (FCCA). He has held several senior roles in multinational organizations, and this has exposed him to a range of strategic leadership dynamics.

7. **ALBERT ODHIAMBO ODONGO**
   Managing Director

He was appointed to the Board of KCB Bank Uganda in the year 2010. He holds an MBA from ESAMI/ Maastricht and a Bachelor of Arts Degree from the University of Nairobi. He is an Alumnus of Oxford University Advanced Management & Leadership Program. He joined the Bank in 1985 as a Graduate Management trainee and has served in various management roles in the KCB Group. He has previously served as the Acting Managing Director for KCB Bank Tanzania Ltd, Head of Group Logistics and Head of International Business Support.

8. **DAVID K. MALAKWEN**
   Company Secretary

Subsidiary Directors KCB Bank South Sudan Limited Board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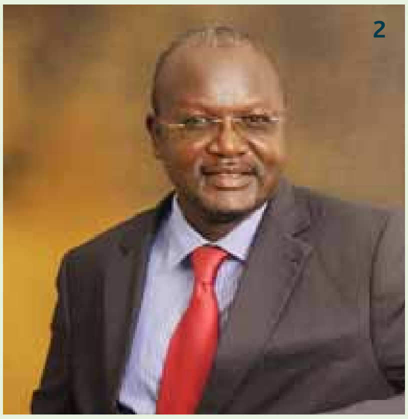
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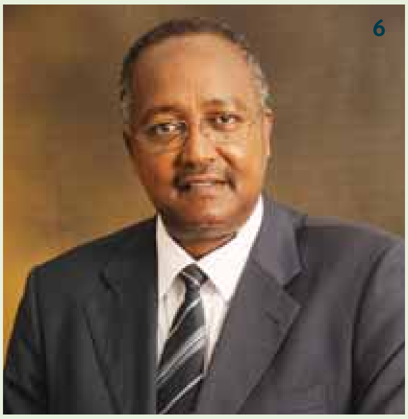
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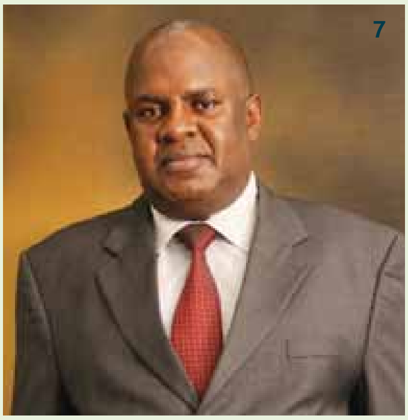
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1. JASHINTO PAKON GENYE
Chairman

He joined KCB Bank South Sudan in July 2009. Jashinto holds an Msc. in National Development and Project Planning from Bradford University, UK. Pg/D (Economic Development) Glasgow University, UK and B.sc (Business Administration) Khartoum University, Sudan. He previously worked as a Regional Facilitator, Relief and Development Coordinator and an Executive Director for SCC, Western Sudan region. He is currently the Chairman and Executive Director of the Consultancy: Centre for Alternative Development (CEFAD), a position that engages him heavily in strategy drafting and analysis for public and private companies. He is the Chairman of the Audit Committee at the KCB Bank South Sudan Ltd. He is a member of the Provisional Executive Committee of South Sudan Economic Association (SSEA) and a member of Board of Directors in a number of Private companies.

2. MOU AMBROSE THIIK
Director

He joined KCB Bank South Sudan in July 2009. He holds a Bachelor of Science degree in Economics from Christian Albrechts, Germany and a Bachelor of Arts degree in Comparative Literature (Arabic and English) at Ain Shams University in Cairo, Egypt. He served as the Honorary Consul General for the Republic of Turkey and currently he is the programme Manager for Friedrich- Ebert- Foundation. He is also an Independent Business Development Consultant with affiliation to the IFC – World Bank Business Edge project and owns a training facility at the Nyakuron cultural centre.

3. YAR MANOA MAJOK
Director

She joined KCB Bank South Sudan in September 2008. She holds a Bachelors Degree in Business Administration from Cairo University. She is currently the Managing Director of Sudan Business Link Limited. She has previously worked as a Money Management Trainer, fundraiser, Interpreter/Translator-Arabic/English/Dinka.

4. FESTUS ABDULEZIZ JAMES
Director

He joined the Board in September 2011. He has over 15 years' experience in International Academic Health Planning, Health System Research, Management and Policy as well as Business Administration with various International agencies in different countries at different levels. He shares his time between teaching, consulting, researching, writing and strategy. He is currently the Assistant Professor of Epidemiology in the faculty of medicine at University of Juba, South Sudan and also an Advisor to Juba City Municipality on development issues.

5. CHARITY MUYA- NGARUIYA
Director

6. DAVID K. MALAKWEN
Director

7. JOHN KIMANTHI
Managing Director

John Kimanthi was appointed the Managing Director of KCB Bank South Sudan in September 2010. He has served in various management roles in KCB since joining the Bank as a Trainee Manager more than 25 years ago. Prior to his appointment, he served as the Director Business Development, KCB Sudan limited. He holds a Bachelor of Science Degree in Mathematics from the University from Nairobi and a Master of Business Administration from ESAMI.

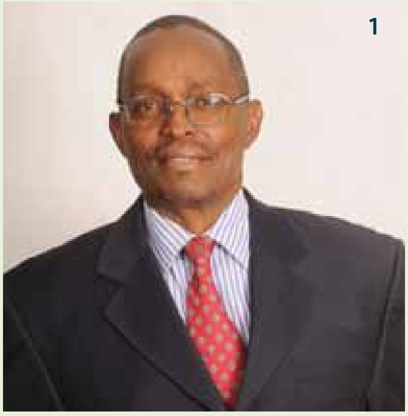
8. REBECCA LIKAMI
Deputy Managing Director

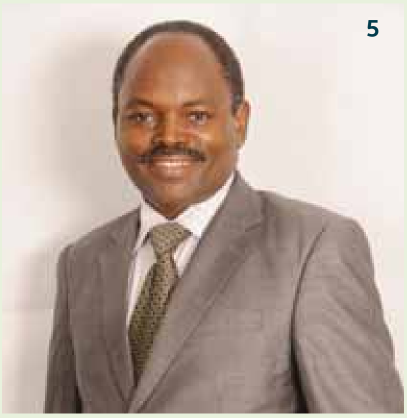
She was appointed Deputy Managing Director of KCB Bank South Sudan in October 2011. She has served in various management positions in KCB since joining the Bank as a Management Trainee more than 23 years ago. Prior to her appointment, she worked in Corporate Banking, Head Office, as Head Institutional Banking, Cash Management and Corporate Services. She holds a Bachelor of Arts Degree from the University of Nairobi and a Masters of Business Administration from ESAMI and Maastricht School of Management.

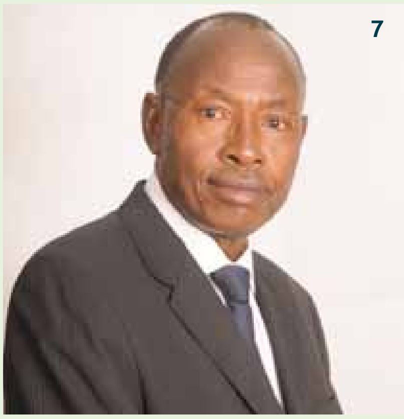
9. MARY OGANGA
Company Secretary

She joined the Bank in 1993 and is currently working in the Legal Department as a Legal Manager. She holds a Bachelor of Laws (LLB) Degree and Masters in Law in Public International Law (LLM), all from University of Nairobi. She was appointed as the Secretary to the KCB Sudan Board in 2012. She is an Advocate of the High Court of Kenya, Commissioner for Oaths and a Notary Public. She is a member of the Law Society of Kenya and East African Law Society and an Alumni of International Law Development Organization (IDLO).

Subsidiary Directors KCB Bank Rwanda Limited Board







1. **PROF. PETER KIMUYU**
   Chairman

2. **ANNE WANGARI KIRIMA**
   Director

She joined the KCB Rwanda Board in October 2009. She holds a Bachelor of Arts (Hons) Degree in Politics and Economics from the University of London and a Masters in Business Administration from Brunel University, London as well as a Master of Science Degree in Commercial Property Management from Liverpool John Moores University. She is an Associate of the Royal Institution of Chartered Surveyors. In addition, she qualified at graduate level in International Development Studies and in Political Economy of Developing Countries with special emphasis on East Africa. She has over 10 years experience in Property Consultancy in East Africa and in the UK.

3. **FAUSTIN KANANURA MBUNDU**
   Director

He joined the Board in October 2009. He holds a Bachelor of Commerce Degree (Honors) from Makerere University. He has a lot of entrepreneurial experience having started and ran several companies in East Africa. Currently, he runs and holds equity in a number of companies involved in different businesses ranging from Information Technology, Tourism, Agri-business and Education.

4. **SARAH MUKANDUTIYE**
   Director

She joined the Board in November 2009. She is a holder of a Master of Arts (Econ) Degree in Development Administration and Management from the University of Manchester, UK and a Bachelors of Arts Degree in Social Administration from Makerere University. She has over 10 Years of practical experience in financial management, operations and administration. She is the Managing Director of SEROMA Ltd, a private limited liability company that deals with building materials.

5. **DANIEL ZITUNGA**
   Director

He joined the Board in December 2011. He holds a Master of Business Administration (MBA) with distinction awarded by University of Leicester, UK, a Bachelor of Commerce Degree (B.Com) (Honours) from Makerere University, Uganda, and qualified as a Certified Public Accountant (CPAK) in 1991 in Kenya. He is member of the Institutes of Certified Public Accountants in Uganda and Rwanda. He is the Lead Partner of ZiMpartners; a firm of Certified Public Accountants & Management Consultants established in Kigali, and brings on board 26 years professional experience spanning a broad spectrum of business sectors including commercial banks, telecommunications, international hotels, manufacturing, agriculture, hydroelectric power generation, civil engineering, general trading and donor-funded public sector projects. He was the Chief Financial Officer at MTN Rwanda for four years to 2004, and previously was audit manager at PriceWaterhouseCoopers and KPMG respectively. He lectures (visiting tutor) Corporate Governance course to students preparing for Masters of Science in Accounting at the National University of Rwanda.

6. **SPÉCIOSE AYINKAMIYE**
   Director

She joined the Board in May 2012. She holds a Bachelor of Economic Sciences Degree from the National University of Rwanda and a Post-graduate Diploma in Banking Technology from the Institut Technique de Banque in Paris, France. She has 9 years working experience in senior banking positions as well as extensive training in the field. She served as a Senator in the Rwandan Parliament, Senate Chamber and as a Board Member of many esteemed organizations. She is currently consulting with Restrad Consultancy Ltd.

7. **JOSHUA MUIRU**
   Director

He Joined the Board in October 2012 having previously served at different times in the Boards of KCB Tanzania Ltd and Savings & Loan Ltd since 2006. He holds a Bachelor's degree in Economics from the University of Nairobi and a Master of Arts in Economics from the same University. He has a long standing experience at Central Bank of Kenya (CBK) having worked for over 23 years. He is a Consultant with Peter Githae & Associates and is currently an examiner at the Kenya Institute of Bankers.

8. **MAURICE K TOROITICH**
   Managing Director

He joined the Board in October 2008. He holds a Bachelor's Degree in Commerce (Accounting Option) from the University of Nairobi and an Masters in Business Administration from Strathmore Business School. He is a Certified Public Account of Kenya (CPAK) and an Associate of the Chartered Institute of Bankers (ACIB), London. He is a career banker with long standing experience in Retail and Corporate Banking. He previously worked for CfC Stanbic Bank.

9. **GLADYS BIAMAH**
   Company Secretary

She is the Company Secretary of KCB Bank Rwanda Ltd. She has over 25 years working experience in KCB. She joined the Bank in January 1986 and has served in various capacities. She is currently the Senior Legal Manager, KCB Group. She holds a Bachelor of Laws (LL.B) Degree (Hons) from the University of Nairobi. She is also an advocate of the High Court and a Certified Public Secretary.

Subsidiary Directors KCB Bank Burundi Limited Board

1. **JOSEPH I. ADONGO**
   Chairman

2. **CATHERINE KOLA**
   Director

3. **CONSOLATA NDAYISHIMIYE**
   Director

She joined the Board in October 2012. She is a member of several boards among them the Burundi Peace Building Steering Committee, The Burundi Doing Business Steering Committee, and The Burundi Investment Promotion Agency. She is a champion for women development and has been feted in Burundi for her support to small and medium scale women entrepreneurs and for the formation of the Association of Women Entrepreneurs in Burundi (AFAB). Currently she is the Chairperson of the East African Business Council as well as the Chair of the Burundi Federal Chamber of Commerce and Industry. She also serves as the Chairman of the Credit Committee and sits in the Human Resources Committee for KCB Bank Burundi.

4. **ADRIEN SIBOMANA**
   Director

He joined the Board in November 2012. He is a Graduate in Mathematics-Physics from the University of Burundi, Masters in Business Administration (MBA) from Light University and a Diploma certificate holder in Management of SMEs from Galilee International Management Institute (IMCI). Adrien was the Prime Minister and Vice President of the National Assembly of Burundi between the years 1988 and 1993, where he worked towards restoration of national unity. Prior to his appointment he was the Provincial Governor of Muravya Province. He currently serves as the Economic operator and President of Burundi Coffee Inter-professional (INTERCAFE-Burundi), Chairman of the IDEC (Economic Development Institute of Burundi) and President of BOAM (Burundi Organic Agricultural Movement). He sits in the Credit, Audit and Risk Committees at KCB Bank Burundi.

5. **JAMES AGIN**
   Director

He joined the bank in January 2008 and has over 19 years of banking experience. He holds a Bachelor of Science Degree from University of Nairobi, an MBA from IESE Business School, Spain and is an alumni of the Havard Business School's Advanced Management Program. He is also an associate of the Chartered Institute of Bankers, UK. His earlier banking career was with Barclays Bank where he was last the Corporate Director in Uganda. In KCB, he previously held the position of the Managing Director in Uganda.

6. **GLORIA NYAMBOK**
   Managing Director

She joined the Bank as a Trainee Manager and has held various positions within Savings & Loan, Nairobi Regional Office, KCB Bank Tanzania and KCB Bank Rwanda. Prior to her appointment, Gloria was the Head of Retail in KCB Bank Rwanda. She holds a Bachelor of Arts Degree in Economics & Sociology and a Masters in Business Administration from the University of Nairobi. In addition, she is fluent in spoken and written French, which is the official language in Burundi.

7. **VICTORIA C. SABULA**
   Company Secretary

She joined the Bank in February 2005 as a Legal Manager, Savings and Loan then a subsidiary of the Bank. She is currently the Senior Manager, Securities and Documentation Centre. She holds a Bachelor of Laws (LL.B) Degree from Moi University and a Diploma in Law from Kenya School of Law. She is an Advocate of the High Court of Kenya and an Associate Member of the Chartered Institute of Arbitrators. She is presently pursuing a Masters in Business Administration (Strategic Management) from Nazarene University.

KCB is committed to the standards of world class corporate governance as set from time to time by the Capital Markets Authority, Central Bank of Kenya and by itself in accordance with international best practise. The Board of Directors is responsible for the long-term strategic direction for profitable growth of the Company whilst being accountable to the shareholders for legal compliance and maintenance of the highest corporate governance standards and business ethics.

THE BOARD OF DIRECTORS

The Board is made up of eleven directors out of whom nine are independent non-executive directors, including the Chairman. The other two are Senior Bank Executives. The Directors are provided with full, appropriate and timely information so that they can maintain full and effective control over the strategic, financial, operational and compliance issues.

The day-to-day running of the business of the Company is delegated to the CEO but the Board is responsible for establishing and maintaining the Company's system of internal controls so that the objectives of profitable and sustainable growth and shareholder value are realized. The Board also makes recommendations to the shareholders on Board succession planning, dividend payout, annual financial statements, appointment of external auditors and any other shareholder reserved matters.

BOARD MEETINGS

The Board of Directors meet bi-monthly or as required in order to monitor the implementation of the Company's planned strategy, review its performance and approve issues of strategic nature. Specific reviews are also undertaken on operational issues and future planning. At the end of each financial year, the Board reviews itself, Board Committees, Senior Management and CEO against targets agreed to at the beginning of the year. In 2012 the Board Committees and Directors' self evaluation was conducted with the benefit of external consultancy.

The Board held 17 meetings during the year under review. The Board Membership is disclosed on Page 57 of the Financial Statements.

BOARD COMMITTEES

The Board has created the following principal committees which meet regularly under well defined and materially delegated terms of reference set by the Board. The delegation of various authorities to the Committees does not in any way constitute an abdication of Board responsibility for the affairs of the Company.

(a) Risk Management Committee

This Committee was set up to oversee the Group's mitigation and appreciation of all risks in the business. It meets quarterly to advise the business on all matters pertaining to credit, market, operations, legal, environmental, compliance and other risks. Business continuity issues are also discussed by this committee.

The Committee had 6 meetings during the year. The members of this Committee during the year under review were: -

- Mr. Adil Khawaja (Chairman)
- Prof. Peter Kimuyu
- Mr. Ngeny Biwott
- Mrs. Charity Muya-Ngaruiya
- Dr. Martin Oduor-Otieno

(b) Audit Committee

The Audit Committee meets quarterly, or as required. In accordance with regulatory requirement, the Committee comprises only non-executive members of the Board who are independent of the day-to-day management of the Company's operations.

The Committee deals with all matters relating to the financial statements and internal control systems of the Company including interacting with independent auditors and Central Bank of Kenya inspectors. All the audits conducted by this committee are risk based.

The Committee held 11 meetings during the year under review. The members of this Committee in the year under review were:-

- Mrs. Charity Muya-Ngaruiya (Chairman)
- Prof. Peter Kimuyu
- Mr. Ngeny Biwott

(c) Credit Committee

This Committee meets twice a month to review and decide on applications for credit facilities. The frequency of the meetings has ensured that the needs of the Company's customers are given timely attention. The committee also reviews the Company's risk appetite and sectoral concentration.

The Committee held 21 meetings during the year under review. The members of this Committee in the year under review were:-

- Mr. Joseph Adongo (Chairman)
- Mrs. Catherine Kola
- Mr. Protus Sigei (Representative of Joseph Kinyua)
- Dr. Martin Oduor-Otieno

(d) Human Resources Committee

This Committee meets quarterly to review human resource policies and make suitable recommendations to the Board on Senior Management appointments. This committee also oversees the nomination functions and senior management performance reviews. During the year, the Committee reviewed Group Human Resources Policies to ensure compliance with changing international Human Resources practices according to business needs.

The Committee held 13 meetings during the year under review. The members of this Committee in the year under review were:-

- Mr. Ngeny Biwott (Chairman)
- Mr. Joseph Adongo
- Mr. Protus Sigei (Representative of Joseph Kinyua)
- Mrs. Charity Muya-Ngaruiya
- Dr. Martin Oduor-Otieno

(e) Procurement

The Committee meets bi-monthly to make decisions on matters of procurement deemed necessary to meet the Bank's business objectives.

The Committee held 8 meetings during the year under review. The membership of this Committee in the year under review were:-

- Prof. Peter Kimuyu (Chairman)
- Mr. Ngeny Biwott
- Mr. Adil Khawaja
- Gen. (Rtd.) Joseph Kibwana
- Mr. Joshua Oigara

(f) KCB Foundation

In recognition of the importance of Corporate Social Responsibility (CSR), the Board constituted this Foundation which meets at least twice a year to set guidelines for the Company's CSR involvement. The Foundation is registered as a Company limited by guarantee and managed by its own Board of Directors. The Company is committed to the principle of responsible corporate citizenship and makes CSR an integral part of its annual business plans. Under its CSR programmes, the Company conducts community support activities every year during KCB Community Day and KCB Community Week, with the involvement of all staff across the business. The Company sponsors local, regional and national activities and regularly donates towards needy and charitable causes of all kinds. Foundation activities are clustered under the thematic areas of Health, Education, Environment, Enterprise Development and Humanitarian Intervention.

The Foundation held 2 meetings during the year. The members of this Committee in the year under review were:-

- Mrs. Catherine Kola (Chairman)
- Mrs. Grace Akumu
- Mrs. Catherine Kimura
- Mr. Protus Sigei
- Dr. Martin Oduor-Otieno
- Mrs. Angela Mwirigi

(g) Strategy Committee

This Committee was constituted by the Board during the second half of the year under review to oversee and provide direction, on the Board's behalf, on five areas: Strategy Direction including its implementation and monitoring process; New Markets expansion; significant investment and divestment decisions; Annual Business and Financial Plans and Budgets and; Sustainability. The 2013 Strategic Plan and Budget for the Group was prepared with substantial input from this Committee.

The Committee held 2 meetings during the year. The membership of this Committee in the year under review were:-

- Gen. (Rtd.) Joseph Kibwana (Chairman)
- Mrs. Catherine Kola
- Mr. Protus Sigei (Representative of Joseph Kinyua)
- Mr. Ngeny Biwott
- Mr. Adil Khawaja
- Prof. Peter Kimuyu
- Dr. Martin Oduor-Otieno
- Mr. Joshua Oigara

(h) Transformation Committee

This Committee was constituted to oversee implementation of all Transformation Initiatives agreed to in the previous year aimed at achieving efficiency and growth of the Bank from "Good to Great".

The Committee held 6 meetings during the year. The members of this Committee in the year under review were:-

- Mr. Joseph Adongo
- Mr. Protus Sigei (Representative of Joseph Kinyua)
- Mr. Ngeny Biwott
- Mr. Adil Khawaja
- Dr. Martin Oduor-Otieno
- Mr. Joshua Oigara

BOARD INDUCTION

During the year, the KCB Group Board underwent two Corporate Governance inductions one of which was conducted by Prof. Mervyn King a world renowned governance guru of the King Committee on Governance from South Africa. The induction covered, inter alia, applications of governance involving fairness, accountability, responsibility and transparency on a foundation of intellectual honesty.

COMMUNICATION WITH SHAREHOLDERS

The Company is committed to ensuring that shareholders and the financial markets are provided with full and timely information about its performance. This is usually done through the release of notices in the media of its quarterly, half-yearly and full year results electronically. The Bank has a shareholder communication system and Investor Relations Srategy.

The Company is in compliance with its obligations under the Nairobi Securities Exchange Listing Rules, Capital Markets Authority Act, the Banking Act and Central Bank of Kenya Act together with Guidelines issued thereunder.

DIRECTORS' EMOLUMENTS AND LOANS

The aggregate amount of emoluments paid to Directors for services rendered during the Year 2012 is disclosed in note 14 to the Financial Statements.

Neither at the end of the financial year, nor at any time during the year, did there exist any arrangement to which the Company is a party, under which Directors acquired benefits by means of acquisition of the Company's shares.

Aggregate amount of Loans advanced to Directors is summarized in note 33 to the Financial Statements.

Board/Board Committees Attendance

The following table gives the record of attendance of the KCB Board and its Committees' meetings for the year ended 31st December, 2012:-

NO. OF MEETINGS HELD	MAIN BOARD	AUDIT	CREDIT	RISK MANAGEMENT	HUMAN RESOURCES	PROCUREMENT	STRATEGY	TRANSFORMATION	KCB FOUNDATION
	17	**11**	**21**	**6**	**13**	**8**	**2**	**6**	**2**
MEETINGS ATTENDED									
Eng. Musa Ndeto	17	2				3		5	
Mrs. Catherine A. Kola	16		20	3	8		2		1
Mrs. Charity Muya-Ngaruiya	12	9		3	5				
Mr. Joseph I. Adongo	16		21	3	13			6	
Mr. Joseph K. Kinyua **(Represented by Protus Sigei)**	17		21		10		2	1	
Mr. Ngeny Biwott	17	11		6	13	5	2	5	
Mr. Adil Khawaja	8	1		3		5	2	1	
Gen (Rtd.) Joseph R. Kibwana	12					4	2		
Prof. Peter K. Kimuyu	14	10		5		6	1		
Dr. Martin Oduor-Otieno	16	2	11	4	8		2		2
Mr. Joshua Oigara	13	6	8			7	2	1	

Directors interest in the shares of the Company, the distribution of the Company's shareholding and analysis of the ten largest shareholders as at 31st December, 2012 were as follows: -

Directors Interests as at 31st December, 2012

Name of Director	Number of Shares	% Shareholding
Permanent Secretary to the Treasury of Kenya	523,600,000	17.63
Eng. Jeremiah Musa Ndeto	45,985	-
Mr. Joshua Nyamweya Oigara	-	-
Mrs. Catherine Adongo Kola	25,540	-
Mr. Joseph Isaac Adongo	21,210	-
Gen (Rtd.) Joseph Raymond Kibwana	87,764	-
Mr. Ngeny Biwott	1,500	-
Prof. Peter K Kimuyu	-	-
Mr. Adil A. Khawaja	-	-
Mrs. Charity Muya-Ngaruiya	-	-

Shareholders' Profile as at 31st December, 2012

	Number of Shares Held	Number of Shares Held	% of Issued Share Capital
Kenyan Individual Investors	154,952	801,575,828	26.99
Kenyan Institutional Investors	5,431	1,506,674,928	50.72
East African Individual Investors	215	1,628,837	0.05
East African Institutional Investors	30	6,135,090	0.21
Foreign Individual Investors	442	8,252,780	0.28
Foreign Institutional Investors	129	646,072,893	21.75
	161,199	**2,970,340,356**	**100.00**

Major Shareholders

	Number of Shares Held	% Shareholding
Permanent Secretary to the Treasury of Kenya	523,600,000	17.63
National Social Security Fund	228,196,743	7.68
Standard Chartered Nominees Non Resident A/C 9057	69,990,229	2.36
Standard Chartered Nominees Non Resident A/C 9318	69,692,874	2.35
Standard Chartered Nominees A/C 9688	58,440,723	1.97
CFC Stanbic Nominees Ltd A/C R48701	53,775,626	1.81
Standard Chartered Nominees Non Resident A/C 9867	49,673,400	1.67
Standard Chartered Nominees A/CKE13180	45,932,400	1.55
Standard Chartered Nominees Non Resident A/C 9054	44,199,522	1.49
Standard Chartered Nominees A/C 9687	42,570,686	1.43
	1,186,072,203	**39.94**

Summary of Totals

Shares Range	Shareholders	Number of Shares
1 to 5,000	129,937	220,491,071
5,001 to 50,000	29,368	307,255,086
50,001 to 100,000	833	57,164,051
100,001 to 1,000,000	818	242,060,886
1,000,001 to 10,000,000	205	644,292,214
10,000,001 & above	38	1,499,077,048
	161,199	**2,970,340,356**

Executive Committee

1 Rose Kinuthia
Chief Risk Officer

2 Joshua Oigara
Then CFO till 2012 currently Group CEO

3 Dr. Martin Oduor-Otieno
Group CEO in 2012

4 James Agin
Chief Business Officer-International

5 Peter Kimondo
Chief Business Officer - Kenya

6 Paul Tikani
Chief Operating Officer

7 Kiprop Malakwen
Company Secretary

KCB | Foundation

INVESTING IN OUR COMMUNITIES.

Education

900

schools that have received classrooms, books and furniture

Health

100,000

people treated and 50 hospitals equipped with medical equipment including dialysis machines

Humanitarian Aid

50,000

reached with relief food and supplies

Enterprise Development

3,000

women and youth trained in entrepreneurship, set up of livelihood support projects including banana and bee keeping projects

Environment

1,500,000

trees planted, reforesting of 530 hectares in Mau-Likia and construction of sand dams in Makueni for increased water and food security

CONTACT US ON:

0732 187000 / 0711 087000 / 020 228 7000 | contactcentre@kcb.co.ke | kcbbankgroup | @kcbgroup

KCB Foundation | Making the Difference

www.kcbbankgroup.com

A Year of Continued Community Support

KCB Foundation Chairman, Catherine Kola

In 2012, The KCB Group Board allocated KShs 151Million to the KCB Foundation to invest in community initiatives in the five thematic areas of Education, Enterprise Development, Health, Environment and Humanitarian aid. In Kenya all the 47 counties benefitted from our community investments and we decentralized Subsidiary budgets for each of the six countries in which we operate. This has led to faster and more strategic decision making ensuring that the projects supported in the subsidiaries were relevant and impactful.

In 2012 the Foundation Board that provides leadership and guidance on policy and direction honorably bade farewell to its now former Chairman of the Foundation Mrs. Susan Omanga and Mr. Sunil Shah, both of whom completed the 8 year term in various Board committees of the KCB Group. We also bid farewell to Dr. Martin Oduor-Otieno the former Group CEO who was also a member of our board. We would like to recognize their leadership, passion and commitment that grew the Foundation from the early years, five years ago, to a fully operational organization. We also welcomed on Board new Directors Mr. Protus Sigei, Ms. Angela Mwirigi and Mr. Joshua Oigara and we look forward to driving the Foundation to the next level of excellence with this new team.

Staff engagement continued to be a key focus for the Foundation team. Last year over 3000 staff were engaged in our community programmes. The staff gave their skills, time and contributed their money in espousing of the KCB value of Caring for the Community. We thank and laud all the staff who participated in the various community initiatives.

Various activities were undertaken across the region and in this issue we shall capture the highlights from the various countries

Kenya Highlights:

- 109 secondary school scholarships for needy children across the country
- Computer laboratories for 21 secondary schools identified from 21 counties
- Donation of books and desks for 170 schools
- Partnership with Acumen Fund on the training of 20 social entrepreneurs drawn from the East Africa Region
- Business and crop husbandry training for 200 coconut farmers in Kilifi and Kwale in partnership with the Kenya Coconut Development Authority and purchase of an oil press for Amua Self help group.
- Training on Business skills and Financial Literacy for 500 women and youth in partnership with the International Labour Organization
- Construction of a camel and goat milk market in Wajir town
- Tree planting of 420,000 trees across the country with staff and local communities and set up of bee keeping projects in Mau Likia for groups partnering with the Foundation on the Mau reforestation
- 2 Sand Dams constructed in Makueni county and 200 farmers in the area trained on improved agriculture practices and provided with farm inputs and seeds
- Donation of a dialysis machine for Coast General Hospital
- Heart surgeries for 15 children through the Rheumatic Heart Disease partnership with Mater Hospital
- Donation of 2 suction machines for the ICU in Nyeri Provincial General Hospital
- Connection to the Electricity grid for Kauthulini Dispensary in Matuu to enable the hospital utilize modern healthcare equipment that was idle in the hospital due to lack of electricity
- Support for medical camps through provision of pharmaceuticals for the Friends Lugulu Mission Hospital in Webuye, Karen Community Church Bulbul Camp, Chumvini Medical Camp, Kiriaini Mission Hospital Camp and Mpeketoni medical camps.
- Medical equipment for Diani Health Centre and a microscope to Matuga Dispensary

- Food and learning materials for 50 Children's homes and orphanages
- Relief supplies for the Tana Delta clash victims through the Kenya Red Cross
- Support for renovation for the burnt down dormitory at Maranda High School
- Sponsorship of the Ghetto Classics Programme of the Art of Music Foundation

Uganda Highlights

- RAISE Programme that offered financial literacy and career guidance for students
- Cleft lip and palate repair in partnership with AMREF
- Solar lamps for rural households and education on dangers of kerosene lamp fumes
- Northern Uganda marathon to support child and maternal health in the area
- Medical equipment for regional hospitals

Tanzania Highlights

- Desks donation to Ujirani and Makumbusho Primary Schools
- Construction and renovation of classrooms at Olmedeye Primary School and Young Women Christian Association (YWCA) in Moshi, Kilimanjaro
- School Books for Kibamba Primary School in Dar es Salaam
- Donation of hospital equipment for Mwembeladu Hospital, Amana Hospital, KCMC Hospital and Buzuruga Hospital
- Incubators and baby warmers for Morogoro Hospital, Mount Meru Hospital , Buguruni Hospital, Mwananyamala Hospital, Temeke Hospital and Sinza Health Center.
- Food and learning materials for 11 orphanages across Tanzania during Eid festivals
- Small and Medium Enterprises (SME) Capacity Building

Rwanda Highlights:

- Donation of cows to needy families through the Girinka project for families in Eastern Province
- 30 scholarships for diploma teachers through the Ministry of Education
- Entrepreneurship training for women in the informal business sector
- Medical camps in partnership with Ruli District Hospital
- Medical equipment for Association des Diabetiques de Rusizi
- Pig farming project for families in Nkotsi
- Food supplies and books donation for Gisimba Memorial orphanage and Rise Children Centre
- Tree Planting in the Iwacu Forest
- School books for Burega Secondary School

South Sudan Highlights:

- Renovation of the Juba Military Hospital
- Books and desks donation for 16 schools
- Scholarships for students in Jonglei State
- Construction of a school kitchen in Bishop Mazzoldi school
- Food supplies for a children's home
- Computer and generator to El Bandar Boys Basic School in Malakal

Burundi Highlights

- Renovation of Prince Regent Charles Hospital
- Financial Management training for 20 young entrepreneurs selected through the Business plan competition in partnership with Burundi Business incubator
- Desks and Books donation and construction of pit latrines for Gasenyi III primary school
- Rehabilitation of Patrice Lumumba Boulevard In partnership with Bujumbura city council
- 120 sacks of cement donated to the Government of Burundi for the construction of new schools, and hospitals

Thank you

Catherine Kola

KCB Foundation Chairman

Financial Statements Contents

Directors and Statutory Information

For the year ended 31 December 2012

DIRECTORS

Eng. J.M. Ndeto	- Chairman, (with effect from 29th June 2012)
Mr. P.W. Muthoka	- Retired on 18th May 2012
Mr. J. N. Oigara	- Chief Executive Officer, (with effect from 1st January 2013)
Dr. M.L. Oduor-Otieno	- Chief Executive Officer, (retired on 31st December 2012)
Mr. J. I. Adongo	
Mr. J.K. Kinyua	
Mrs. S.N. Omanga	- Retired on 18th May 2012
Mr. S.N. Shah	- Retired on 18th May 2012
Prof. P.K. Kimuyu	
Mrs. C. Kola	
Mr. Ngeny Biwott	
Mrs. C.M. Muya-Ngaruiya	- Appointed on 14th June 2012
Mr. A .A. Khawaja	- Appointed on 14th June 2012
Gen. (Rtd) J .R.E.Kibwana	- Appointed on 25th June 2012

SECRETARY

Mr. K.D. Malakwen
PO Box 48400 - 00100
Nairobi, Kenya

AUDITORS

KPMG Kenya - Certified Public Accountants
16th Floor, Lonrho House
Standard Street
PO Box 40612- 00100
Nairobi, Kenya

REGISTERED OFFICES AND PRINCIPAL PLACES OF BUSINESS

Kenya Commercial Bank Limited
Kencom House
Moi Avenue
PO Box 48400- 00100
Nairobi, Kenya

KCB Bank Tanzania Limited
Harambee Plaza
Ali Hassan Mwinyi Road/Kaunda
Road Junction
PO Box 804
Dar es Salaam, Tanzania

KCB Bank South Sudan Limited
KCB Plaza
Ministry Road
PO Box 47
Juba, Southern Sudan

KCB Bank Uganda Limited
Commercial Plaza
7 Kampala Road
PO Box 7399
Kampala, Uganda

KCB Bank Rwanda Limited
Avenue de la Paix
PO Box 5620
Kigali, Rwanda

KCB Bank Burundi Limited
Boulevard Patrice Lumumba
P.O Box 6119
Bujumbura, Burundi

SOLICITORS

Various. A list is available at the Bank

Report of the Directors

For the year ended 31 December 2012

The directors submit their report together with the audited financial statements for the year ended 31 December 2012, in accordance with Section 22 of the Banking Act and Section 157 of the Kenyan Companies Act which disclose the state of affairs of Kenya Commercial Bank Limited (the "Bank") and its subsidiaries (collectively referred to as the "Group").

1. Principal activities

The Bank continues to offer corporate and retail banking services. The activities of the subsidiary companies are those set out in note 27 to the financial statements.

2. Results

The results of the Group and the Bank are set out on pages 62 and 64, respectively.

3. Dividend

The directors recommend the payment of a dividend of KShs. 5,643,646,676 which represents KShs. 1.90 per share in respect of the year ended 31 December 2012 (2011: KShs 5,492,180,389 representing KShs. 1.85 per share).

4. Directors

The directors who served during the year and up to the date of this report are set out on page 57.
All directors are non-executive other than the Chief Executive Officer.

5. Reserves

The reserves of the Group and Bank are set out on page 68 and page 69 respectively and note 36 on page 121.

6. Auditors

The auditors, KPMG Kenya, continue in office in accordance with Section 159(2) of the Kenyan Companies Act and subject to Section 24(1) of the Banking Act.

BY ORDER OF THE BOARD

Mr. K.D. Malakwen
SECRETARY
Date: 28th February 2013

Statement of Directors' Responsibilities

For the year ended 31 December 2012

The directors are responsible for the preparation and presentation of the financial statements of Kenya Commercial Bank Limited and its subsidiaries set out on pages 62 to 126 which comprise the statements of financial position of the Group and the Bank at 31 December 2012, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Directors' responsibilities include: determining that the basis of accounting described in note 2 is an acceptable basis for preparing and presenting the financial statements in the circumstances, preparation and presentation of financial statements in accordance with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Under the Kenyan Companies Act the Directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Bank as at the end of the financial year and of the operating results of the Group for that year. It also requires the directors to ensure the Group keeps proper accounting records which disclose with reasonable accuracy the financial position of the Group and the Bank.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Kenyan Companies Act. The Directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Group and the Bank and of the Group operating results.

The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

The Directors have made an assessment of the Group and the Bank's ability to continue as a going concern and have no reason to believe the Group and the Bank will not be a going concern for at least the next twelve months from the date of this statement.

Approval of the financial statements

The financial statements, as indicated above, were approved by the Board of Directors on 28th February 2013 and were signed on its behalf by:

Chairman	Chief Executive
Director	Secretary

Report of the Independent Auditors

To the members of Kenya Commercial Bank Limited

KPMG Kenya
Certified Pubic Accountants
16th Floor, Lonrho House
Standard Street
PO Box 40612 00100 GPO
Nairobi, Kenya

Telephone +254 20 2806000
Fax +254 20 2215695
Email info@kpmg.co.ke
Internet www.kpmg.com/eastafrica

Report on the financial statements

We have audited the financial statements of Kenya Commercial Bank Limited and its subsidiaries set out on pages 62 to 126 which comprise the statement of financial position of the Group and Bank at 31 December 2012, and statement of comprehensive income, statement of changes in equity and statements of cash flows of the Group and Bank for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

As stated on page 59, the Bank's Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of Kenya, and for such internal control as the Directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Bank at 31 December 2012, and the Group and the Bank's financial performance and the Group and the Bank's cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

To the members of Kenya Commercial Bank Limited

KPMG Kenya
Certified Pubic Accountants
16th Floor, Lonrho House
Standard Street
PO Box 40612 00100 GPO
Nairobi, Kenya

Telephone +254 20 2806000
Fax +254 20 2215695
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Internet www.kpmg.com/eastafrica

Report on other legal requirements

The Kenyan Companies Act requires us to expressly report to you, based on our audit, that:

(i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit;

(ii) In our opinion, proper books of account have been kept by the Bank, so far as appears from our examination of those books; and

(iii) The Bank's statement of financial position, income statement and statement of comprehensive income are in agreement with the books of account.

KPMG Kenya

Date: 28th February 2013

Consolidated Income Statement
For the year ended 31 December 2012

	Note	2012 KShS'000	(Restated) 2011 KShS'000
Interest income	8	43,082,218	28,501,387
Interest expense	8	(12,445,986)	(4,616,241)
Net interest income		**30,636,232**	**23,885,146**
Net fees and commission income	9	9,073,812	8,729,447
Foreign exchange income	10	3,688,137	3,607,836
Dividend income	11	13,709	26,157
Other operating income	12	647,448	854,794
Operating income		**44,059,338**	**37,103,380**
Net impairment on financial assets	13	(2,098,035)	(145,778)
Other operating expenses	14	(24,753,160)	(21,828,228)
Profit before tax		**17,208,143**	**15,129,374**
Income tax expense	15(a)	(5,004,612)	(4,148,328)
Profit for the year		**12,203,531**	**10,981,046**
Attributable to:			
Owners of the parent		**12,203,531**	**10,981,046**
Non-controlling interest		-	-
		12,203,531	**10,981,046**
Basic and diluted earnings per share	16	**4.11**	**3.72**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2012

	Note	2012 KShS'000	2011 KShS'000
Profit for the year		**12,203,531**	**10,981,046**
Other comprehensive income			
Exchange differences on translation of foreign operations (page 76)		97,273	(193,666)
Available for sale financial assets:			
- Unrealized gain/(loss) arising from measurement at fair value (page 76)		1,898,331	(2,208,502)
Other comprehensive income for the year, net of taxes		**1,995,604**	**(2,402,168)**
Total comprehensive income for the year		**14,199,135**	**8,578,878**
Attributable to:			
Owners of parent		14,199,135	8,578,878
Non-controlling interest		-	-
		14,199,135	**8,578,878**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Income Statement of The Bank
For the year ended 31 December 2012

	Note	2012 KShS'000	(Restated) 2011 KShS'000
Interest income	8	38,898,300	25,631,566
Interest expense	8	(11,104,140)	(3,904,546)
Net interest income		**27,794,160**	**21,727,020**
Net fees and commission income	9	6,280,033	6,537,177
Foreign exchange income	10	1,681,984	1,940,587
Dividend income	11	13,709	26,157
Other operating income	12	637,658	803,636
Operating income		**36,407,544**	**31,034,577**
Net impairment on financial assets	13	(1,610,710)	426,371
Other operating expenses	14	(19,040,943)	(17,379,082)
Profit before tax		**15,755,891**	**14,081,866**
Income tax expense	15(a)	(4,666,052)	(4,243,529)
Profit for the year		**11,089,839**	**9,838,337**
Attributable to:			
Owners of the parent		**11,089,839**	**9,838,337**
Non-controlling interest		-	-
		11,089,839	**9,838,337**
Basic diluted earnings per share	16	**3.74**	**3.33**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of Comprehensive Income of the Bank
For the year ended 31 December 2012

	2012 KShS'000	2011 KShS'000
Profit for the year	**11,089,839**	**9,838,337**
Other comprehensive income		
Available for sale financial assets:		
- Unrealized gain/(loss) arising from measurement at fair value (page 77)	1,898,331	(2,208,502)
Other comprehensive income for the year, net of taxes	**1,898,331**	**(2,208,502)**
Total comprehensive income for the year	**12,988,170**	**7,629,835**
Attributable to:		
Owners of parent	12,988,170	7,629,835
Non-controlling interest	-	-
	12,988,170	**7,629,835**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
ASSETS			
Cash and balances with Central Banks	17	36,419,912	42,708,016
Due from banks	18	10,421,565	25,812,084
Held for trading investments	19	2,923,263	367,938
Available-for-sale investments	20	15,916,877	9,204,501
Other assets	21	7,025,103	6,708,391
Loans and advances to customers	22	211,664,226	198,724,919
Held to maturity investments	23	70,451,164	36,432,197
Tax recoverable	15(b)	10,598	20,557
Property and equipment	24(a)	8,895,573	8,017,595
Intangible assets	25	1,173,945	1,516,684
Prepaid operating lease rentals	26	146,941	147,801
Deferred tax asset	28	2,330,118	1,055,476
		367,379,285	**330,716,159**
LIABILITIES			
Due to banks	29	9,333,589	14,105,149
Customer deposits	30	288,037,367	259,308,849
Other liabilities	31	3,431,649	3,888,790
Provision for expenses	32	2,500,723	403,972
Tax payable	15(b)	1,813,086	119,372
Long term debt	34	8,923,312	8,525,000
TOTAL LIABILITIES		**314,039,726**	**286,351,132**
EQUITY			
Share capital	35	2,970,340	2,968,746
Reserves	36	44,725,573	35,904,101
Proposed dividend	37	5,643,646	5,492,180
		53,339,559	**44,365,027**
		367,379,285	**330,716,159**

The financial statements set out on pages 62 to 126 were approved by the Board of Directors on 28th February 2013 and were signed on its behalf by:

Chairman	Chief Executive	Director	Secretary

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of Financial Position of the Bank
As at 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
ASSETS			
Cash and balances with Central Banks	17	18,908,695	20,138,633
Due from banks	18	4,491,511	17,648,880
Held for trading investments	19	2,923,263	367,938
Available-for-sale investments	20	15,916,877	9,204,501
Other assets	21	5,434,454	4,781,799
Loans and advances to customers	22	187,022,664	179,843,987
Held to maturity investments	23	51,095,443	34,023,362
Tax recoverable	15(b)	-	9,418
Property and equipment	24(b)	5,617,823	5,624,766
Intangible assets	25	1,140,932	1,476,594
Prepaid operating lease rentals	26	141,993	142,818
Investment in subsidiaries and associated companies	27	9,484,629	8,624,529
Deferred tax asset	28	1,934,023	606,328
		304,112,307	**282,493,553**
LIABILITIES			
Due to banks	29	8,261,878	11,502,571
Customer deposits	30	223,493,278	210,173,514
Other liabilities	31	1,700,885	1,389,023
Provision for expenses	32	1,716,509	221,180
Tax payable	15(b)	1,713,284	-
Balances due to group companies	33	5,685,248	5,519,607
Long term debt	34	8,615,000	8,525,000
TOTAL LIABILITIES		**251,186,082**	**237,330,895**
EQUITY			
Share capital	35	2,970,340	2,968,746
Reserves	36	44,312,239	36,701,732
Proposed dividend	37	5,643,646	5,492,180
		52,926,225	**45,162,658**
		304,112,307	**282,493,553**

The financial statements set out on pages 62 to 126 were approved by the Board of Directors on 28th February 2013 and were signed on its behalf by:

Chairman	Chief Executive	Director	Secretary

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity
For the Year Ended 31 December 2012

	Note	Share capital KShs'000	Share premium KShs'000	Statutory credit risk reserve KShs'000	Translation reserve KShs'000	Available-for sale reserve KShs'000	Proposed dividend KShs'000	Retained earnings KShs'000	Total KShs'000
At 1 January 2011		2,950,260	18,565,504	145,629	(397,981)	225,356	3,687,825	13,953,178	39,129,771
Profit for the year		-	-	-	-	-	-	10,981,046	10,981,046
Other comprehensive income		-	-	-	(193,666)	(2,208,502)	-	-	(2,402,168)
Transfer to statutory credit risk reserve		-	-	1,720,464	-	-	-	(1,720,464)	-
		2,950,260	18,565,504	1,866,093	(591,647)	(1,983,146)	3,687,825	23,213,760	47,708,649
Transactions with owners recorded directly in equity									
Dividend paid - 2010		-	-	-	-	-	(3,687,825)	-	(3,687,825)
Proposed dividend - 2011	37	-	-	-	-	-	5,492,180	(5,492,180)	-
Employee share options exercised	35	18,486	325,717	-	-	-	-	-	344,203
		18,486	325,717	-	-	-	1,804,355	(5,492,180)	(3,343,622)
At 31 December 2011	36	2,968,746	18,891,221	1,866,093	(591,647)	(1,983,146)	5,492,180	17,721,580	44,365,027
At 1 January 2012		2,968,746	18,891,221	1,866,093	(591,647)	(1,983,146)	5,492,180	17,721,580	44,365,027
Profit for the year		-	-	-	-	-	-	12,203,531	12,203,531
Other comprehensive income		-	-	-	97,273	1,898,331	-	-	1,995,604
Transfer to statutory credit risk reserve		-	-	1,285,435	-	-	-	(1,285,435)	-
		2,968,746	18,891,221	3,151,528	(494,374)	(84,815)	5,492,180	28,639,676	58,564,162
Transactions with owners recorded directly in equity									
Dividend paid - 2011		-	-	-	-	-	(5,492,180)	-	(5,492,180)
Proposed dividend - 2012	37	-	-	-	-	-	5,643,646	(5,643,646)	-
Share based payment transactions	35	-	-	-	-	-	-	235,636	235,636
Employee share options exercised	35	1,594	30,347	-	-	-	-	-	31,941
		1,594	30,347	-	-	-	151,466	(5,408,010)	(5,224,603)
At 31 December 2012	36	2,970,340	18,921,568	3,151,528	(494,374)	(84,815)	5,643,646	23,231,666	53,339,559

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of Changes in Equity of the Bank
For the year ended 31 December 2012

	Note	Share capital KShs'000	Share premium KShs'000	Statutory credit risk reserve KShs'000	Available-for sale reserve KShs'000	Proposed dividend KShs'000	Retained earnings KShs'000	Total KShs'000
At 1 January 2011		2,950,260	18,565,504	59,428	225,356	3,687,825	15,388,072	40,876,445
Profit for the year		-	-	-	-	-	9,838,337	9,838,337
Other comprehensive income		-	-	-	(2,208,502)	-	-	(2,208,502)
Transfer to statutory credit risk reserve		-	-	1,457,708	-	-	(1,457,708)	-
		2,950,260	18,565,504	1,517,136	(1,983,146)	3,687,825	23,768,701	48,506,280
Transactions with owners recorded directly in equity								
Dividend paid - 2010		-	-	-	-	(3,687,825)	-	(3,687,825)
Proposed dividend - 2011	37	-	-	-	-	5,492,180	(5,492,180)	-
Employee shares option exercised	35	18,486	325,717	-	-	-	-	344,203
		18,486	325,717	-	-	1,804,355	(5,492,180)	(3,343,622)
At 31 December 2011	36	2,968,746	18,891,221	1,517,136	(1,983,146)	5,492,180	18,276,521	45,162,658
At 1 January 2012		2,968,746	18,891,221	1,517,136	(1,983,146)	5,492,180	18,276,521	45,162,658
Profit for the year		-	-	-	-	-	11,089,839	11,089,839
Other comprehensive income		-	-	-	1,898,331	-	-	1,898,331
Transfer to statutory credit risk reserve		-	-	1,282,748	-	-	(1,282,748)	-
		2,968,746	18,891,221	2,799,884	(84,815)	5,492,180	28,083,612	58,150,828
Transactions with owners recorded directly in equity								
Dividend paid - 2011		-	-	-	-	(5,492,180)	-	(5,492,180)
Proposed dividend - 2012	37	-	-	-	-	5,643,646	(5,643,646)	-
Share based payment transactions	35	-	-	-	-	-	235,636	235,636
Employee share options exercised	35	1,594	30,347	-	-	-	-	31,941
		1,594	30,347	-	-	151,466	(5,408,010)	(5,224,603)
At 31 December 2012	36	2,970,340	18,921,568	2,799,884	(84,815)	5,643,646	22,675,602	52,926,225

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Consolidated Statement of Cash Flows
For the year ended 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
Net cash flows generated from operating activities	38(a)	**6,009,336**	**13,653,776**
Investing activities			
Proceeds from disposal of property and equipment		82,794	359,151
Purchase of intangible assets	25	(196,187)	(581,782)
Purchase of operating lease rentals	26	-	(2,769)
Purchase of property and equipment	24	(2,665,360)	(1,732,186)
Net cash flows used in investing activities		**(2,778,753)**	**(1,957,586)**
Financing activities			
Proceeds from additional shares floated		31,941	344,203
Borrowings raised	34	-	8,525,000
Dividends paid	37	(5,492,180)	(3,687,825)
Net cash flows (used)/from financing activities		**(5,460,239)**	**5,181,378**
(Decrease)/increase in cash and cash equivalents		(2,229,656)	16,877,568
Effects of exchange rate changes on translation of foreign operation		119,156	(76,894)
Cash and cash equivalents at the beginning of the year		41,931,416	25,130,742
Cash and cash equivalents at the end of the year	38(b)	**39,820,916**	**41,931,416**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

Statement of Cash Flows of the Bank
For the year ended 31 December 2012

	Note	2012 KShs'000	2011 KShs'000
Net cash flows generated from operating activities	38(a)	**11,920,252**	**6,328,220**
Investing activities			
Proceeds from disposal of property and equipment		78,249	343,790
Purchase of intangible assets	25	(191,018)	(581,123)
Purchase of property and equipment	24	(1,271,120)	(1,075,049)
Investment in subsidiaries	27	(860,100)	(1,854,906)
Net cash flows used in investing activities		**(2,243,989)**	**(3,167,288)**
Financing activities			
Proceeds from additional shares floated		31,941	344,203
Borrowings raised	34	-	8,525,000
Dividends paid	37	(5,492,180)	(3,687,825)
Net cash flows (used)/from financing activities		**(5,460,239)**	**5,181,378**
Increase in cash and cash equivalents		4,216,024	8,342,310
Cash and cash equivalents at the beginning of the year		15,097,040	6,754,730
Cash and cash equivalents at the end of the year	**38(b)**	**19,313,064**	**15,097,040**

The notes set out on pages 72 to 126 form an integral part of these financial statements.

1. REPORTING ENTITY

Kenya Commercial Bank Limited, a financial institution licensed under the Kenyan Banking Act (Chapter 488), provides corporate and retail banking services in various parts of the country.

The Bank is incorporated in Kenya under the Kenyan Companies Act and has subsidiaries in Kenya, South Sudan, Tanzania, Uganda, Rwanda and Burundi. The consolidated financial statements of the Bank as at and for the year ended 31 December 2012 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as the "Bank") and the Group interest in associates. The address of its registered office is as follows:

Kencom House
Moi Avenue
PO Box 48400 - 00100
Nairobi, Kenya

The Bank has a 100% ownership in Kenya Commercial Finance Company Ltd, Savings & Loan Kenya Ltd, Kenya Commercial Bank Nominees Ltd, Kencom House Ltd, KCB Bank Tanzania Ltd, KCB Bank South Sudan Ltd, KCB Bank Rwanda Ltd, KCB Bank Uganda Ltd, KCB Bank Burundi Ltd, KCB Insurance Agency Ltd and a 45% ownership in United Finance Ltd.

The shares of the Bank are listed on the Nairobi Securities Exchange, Uganda Securities Exchange, Dar-es-Salaam Stock Exchange, and Rwanda Stock Exchange.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements of the Bank and its subsidiaries as well as the separate financial statements of the Bank, together referred to as "the financial statements", have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and the Kenyan Companies Act.

The financial statements for the year ended 31 December 2012 were authorized for issue by the directors on 28th February 2013.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- Financial instruments at fair value through profit or loss are measured at fair value;
- Available-for-sale financial assets are measured at fair value;
- Liabilities for cash-settled share-based payment arrangements are measured at fair value;
- The liability for defined benefit obligations is recognized as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognized actuarial gains less unrecognized past service cost and unrecognized actuarial losses.

(c) Going concern

The Group's and Bank's management has made an assessment of the Group and Bank's ability to continue as a going concern and is satisfied that the Group and Bank has the resources to continue in business for the foreseeable future. Furthermore, the management is not aware of any material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. Therefore, the financial statements have been prepared on the going concern basis.

2. BASIS OF PREPARATION (Continued)

(d) Use of estimates and judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the Directors' best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements have been applied consistently across the Group entities and to all periods presented in these financial statements.

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries and associates for the year ended 31 December 2012. The subsidiaries and associates are shown in note 27.

(i) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(ii) Associate

Associates are entities in which the Group has significant influence, but not control, over the financial and operational policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. The Group's investment in its associate is accounted for using the equity method and is recognized initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the equity accounted investee, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) Transactions eliminated on consolidation

Intra-group balances and income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currencies

(i) Foreign currency transactions

The financial statements are presented in Kenya Shillings (Kshs), which is the Bank's functional and presentation currency. Except as otherwise indicated, financial information presentation in Kenya Shillings has been rounded to the nearest thousand (Kshs '000). Transactions in foreign currencies during the year are converted into the respective functional currencies at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rates ruling at the reporting date. The resulting differences from conversion are recognised in the profit or loss in the year in which they arise.

Non-monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the transaction date.

(ii) Foreign operations

As at the reporting date, the assets and liabilities of foreign subsidiaries are translated into Kenya Shillings at the rate of exchange ruling at the reporting date, and their income statements are translated at the weighted average exchange rates for the period. Exchange differences arising on translation are recognized in other comprehensive income and accumulated in equity in the translation reserve. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is reclassified from equity to profit or loss when the gain or loss on disposal is recognized.

(c) Recognition of income and expense

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific criteria must be met before revenue is recognized:

(i) Interest income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial instruments, interest income or expense is recognized at the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recognized as interest income or expense.

(ii) Dividend income

Dividend income is recognized when the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Fees and commission income

Fees and commission income and expense are recognized on an accrual basis when the service has been provided. Commission and fees arising from negotiation of transactions with third parties, or participating in the negotiation of a transaction for a third party is recognized on completion of the underlying transaction. Fees and commission that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income including account servicing fees, investment management fees, sales commission, placement fees and syndication fees, are recognized as the related services are performed. Other fees and commission expense relate mainly to transaction and services fee, which are expensed as the services are received.

(iv) Rental income

Rental income in respect of operating leases is accounted for on a straight-line basis over the lease terms on ongoing leases.

(v) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realized and unrealized fair value changes, interest and foreign exchange differences.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realized simultaneously.

(e) Financial assets and financial liabilities

(i) Recognition

The Group initially recognizes loans and advances, deposits and debt securities on the date at which they are originated. All other financial assets and liabilities (including assets designated at fair value through profit and loss) are initially recognized on the trade date at which the Group becomes a party to the contractual provision of the instrument.

A financial asset or liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue. Subsequent to initial recognition, financial liabilities (deposits and debt securities) are measured at their amortized cost using the effective interest method except where the group designates liabilities at fair value through profit and loss.

(ii) Classification

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

i) Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Investments held for trading are those which were either acquired for generating a profit from short-term fluctuations in price or dealer's margin, or are securities included in a portfolio in which a pattern of short-term profit-taking exists. Investments held for trading are subsequently re-measured at fair value based on quoted bid prices or dealer price quotations, without any deduction for transaction costs. All related realized and unrealized gains and losses are included in profit or loss. Interest earned whilst holding held for trading investments is reported as interest income.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial assets and financial liabilities (Continued)

(ii) Classification (Continued)

i) Financial assets at fair value through profit or loss (Continued)

Foreign exchange forward and spot contracts are classified as held for trading. They are marked to market and are carried at their fair value. Fair values are obtained from discounted cash flow models which are used in the determination of the foreign exchange forward and spot contract rates. Gains and losses on foreign exchange forward and spot contracts are included in foreign exchange income as they arise.

ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money directly to a debtor with no intention of trading the receivable. Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortized cost using the effective interest method.

iii) Held to maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. A sale or reclassification of more than an insignificant amount of held to maturity investments would result in the reclassification of the entire category as available for sale. Held to maturity investments includes treasury bills and bonds. They are subsequently measured at amortized cost.

iv) Available for sale

Available for sale financial investments are those non derivative financial assets that are designated as available for sale or are not classified as any other category of financial assets. Available for sale financial assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognized in other comprehensive income and presented in the available for sale fair value reserve in equity. When an investment is derecognized, the gain or loss accumulated in equity is re-classified to profit or loss.

(iii) Identification and measurement of impairment of financial assets

At each reporting date the Group assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. Significant assets found not to be specifically impaired are then collectively assessed for any impairment that may have been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (carried at amortized cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would otherwise not consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. Default rate, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Financial assets and financial liabilities (Continued)

(iii) Identification and measurement of impairment of financial assets (Continued)

Impairment losses on significant assets carried at amortized cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognized through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through the income statement.

(iv) De-recognition

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group enters into transactions whereby it transfers assets recognized on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognized from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include repurchase transactions.

(v) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(vi) Fair value of financial assets and financial liabilities

Fair value of financial assets and financial liabilities is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction on the measurement date.

(vii) Amortized cost measurement

The amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment.

(f) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, unrestricted balances deposited with the Central Bank of Kenya and highly liquid assets, subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are measured at amortized cost using effective interest method in the statement of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses. Costs include expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Property and equipment is de-recognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Gains and losses arising on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of the item and are recognized net within 'other operating income' in profit or loss.

(ii) Depreciation

Depreciation is recognized in profit or loss on a straight line basis over the estimated useful lives of each part of property and equipment. The annual depreciation rates in use are:

Freehold land	Nil
Leasehold improvements	Rates based on the shorter of the lease term or estimated useful lives
Motor vehicles	25%
Furniture and fittings	10%
Office equipment	20%
Computers	20%

The residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each reporting date. Changes in the expected useful life are accounted for by changing the depreciation method, and treated as changes in accounting estimates.

(iii) Subsequent costs

Subsequent expenditure is capitalized only when it is probable that future economic benefits of the expenditure will flow to the Group. Recurrence repairs and maintenance are expensed as incurred .

(h) Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognized in profit or loss in the year in which the expenditure is incurred.

Intangible assets with finite lives are amortized on a straight-line basis in profit or loss over their estimated useful economic lives, from the date that they are available for use.

The amortization method, useful life and the residual value are reviewed at each financial year-end and adjusted if appropriate. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

The useful lives of intangible assets are assessed to be either finite or indefinite. Costs associated with maintaining computer software programmes are recognised as an expense as incurred. However, expenditure that enhances or extends the benefits of computer software programmes beyond their original specifications and lives is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortised using the straight-line method over a period of five years.

There are no intangible assets with indefinite useful lives.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Leases

Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Leases where substantially all the risks and rewards of ownership of an asset are transferred to the lessee are classified as finance leases. Upon recognition the leased asset is measured at an amount equal to or lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset as follows:

(i) Operating lease

The total payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(ii) Finance lease

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

(j) Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in profit or loss in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

(k) Investment in subsidiaries

Investments in subsidiary companies are carried at cost which is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The carrying amount is reduced to recognise any impairment in the value of individual investments. The impairment loss is taken to profit or loss.

(l) Provisions

A provision is recognized, if as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

(i) Restructuring

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Provisions (Continued)

(ii) Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured as the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is made the Group recognizes any impairment loss on the assets associated with that contract (See note 3(j)).

(m) Employee benefit cost

The Group operates both a defined contribution plan and defined benefit plan.

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the reporting period in which the employees render the service are discounted to their present value at the reporting date.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any unrecognised past service costs and the fair value of any plan assets are deducted. The discount rate is the yield at the reporting date on Government bonds that have maturity dates approximating the terms of the Group's obligations. The calculation is performed by a qualified actuary using the projected unit credit method.

To determine the net amount in the statement of financial position, any actuarial gains and losses that have not been recognised because of application of the 'corridor' approach described below are added or deducted as appropriate and unrecognised past service costs are deducted.

The Group recognises a portion of actuarial gains and losses that arise in calculating the Group's obligation in respect of a plan in profit or loss over the expected average remaining working lives of the employees participating in the plan. The portion is determined as the extent to which any cumulative unrecognized actuarial gain or loss at the end of the previous reporting period exceeds 10 percent of the greater of the present value of the defined benefit obligation and the fair value of plan assets (the corridor). Otherwise, the actuarial gains and losses are not recognized.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized in profit or loss on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognized immediately in profit or loss.

When the calculations above result in a benefit to the Group, the recognized asset is limited to the net total of any cumulative unrecognized actuarial losses and past service costs and the present value of any economic benefits available in the form of any refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group.

An economic benefit is available to the Group if it is realizable during the life of the plan or on settlement of the plan liabilities.

(iii) Short-term benefits

Short-term benefits consist of salaries, bonuses and any non-monetary benefits such as medical aid contributions and free services. They exclude equity based benefits and termination benefits. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Employee benefit cost (Continued)

(iv) Termination benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

(v) Share-based payment transactions

The grant date fair value of equity-settled share-based payment awards (i.e. stock options) granted to employees is recognized as an employee expense, with a corresponding increase in equity, over the period in which the employees unconditionally become entitled to the awards. The amount recognized as an expense is adjusted to reflect the number of share awards that do meet the related service and non-market performance conditions at the vesting date.

The fair value of the amount payable to employees in respect of share appreciation rights that are settled in cash is recognized as an expense with a corresponding increase in liabilities over the period in which the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognized as personnel expense in profit or loss.

(n) Fiduciary assets

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

(o) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the directors.

(p) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, if any.

(q) Dividends

Dividends are recognized as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

(r) Sale and repurchase agreements

Securities sold under sale and repurchase agreements (Repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions.

Securities purchased from the Central Bank of Kenya under agreement to resell (reverse Repos), are disclosed as treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

(s) Related parties

In the normal course of business, the Bank has entered into transactions with related parties. The related party transactions are at arm's length.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(u) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2012, and have not been applied in preparing these consolidated financial statements. Except IFRS 9 and IAS 19, adoption of these standards is not expected to have a significant impact on the consolidated financial statements of the Group:

- IAS 19 *'Employee Benefits' (*effective 1 January 2013). The amended IAS 19 requires that actuarial gains and losses are recognized immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation.
- IFRS 10 *'Consolidated Financial Statements'* (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investee.
- IFRS 11 – *'Joint arrangements'* (effective 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.
- IFRS 12 – *'Disclosure of interests in other entities'* (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.
- IFRS 13 – *'Fair value measurement' (*effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.
- IFRS 9 *'Financial Instruments'* (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortized cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard. The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income. The standard will be applied retrospectively (subject to the standard's transitional provisions).

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks, including credit risk, liquidity risk, market risks, operational risks and interest rates risks. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

4. FINANCIAL RISK MANAGEMENT (Continued)

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors of the Group has established the Credit, Audit, Risk, Human Resources and Procurement and Information Technology committees, which are responsible for developing and monitoring the Group risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Risk Committee is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Committee is assisted in these functions by a Risk and Compliance department which undertake reviews of risk management controls and procedures, the results of which are reported to the Risk Committee.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's loans and advances to customers, placement and balances with other counterparties and investment securities. It arises from lending and other activities undertaken by the Group. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure.

(i) Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to its Credit Committee. A separate credit department, reporting to the Credit Committee, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorization limits are allocated to business unit credit managers. Larger facilities require approval by the Board of Directors;
- Reviewing and assessing credit risk. The credit department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned. Renewals and reviews of facilities are subject to the same review process;
- Limiting concentrations of exposure to counterparties, geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities);
- Developing and maintaining the Group's risk grading in order to categorize exposures according to the degree of risk of financial loss faced and to focus management attention on the risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of five grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries and product types. Regular reports are provided to the Credit Committee on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk;
- Each business unit is required to implement the Group's credit policies and procedures. Each business unit has a credit manager who reports on all credit related matters to local management and the Credit Committee. Each business unit is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to central approval; and
- Regular audits of business units and the Group's credit processes are undertaken by Internal Audit Department.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(ii) Credit risk measurement

The Group assesses the probability of default of customer or counterparty using internal rating scale tailored to the various categories of counter party. The rating scale has been developed internally and combines data analysis with credit officer judgment and is validated, where appropriate, by comparison with externally available information. Customers of the Group are segmented into five rating classes.

The Group's rating scale, which is shown below, reflects the range of default probabilities defined for each rating class. This means that, in principle, exposures migrate between classes as the assessment of their probability of default changes. The rating scale is kept under review and upgraded as necessary. The Group regularly validates the performance of the rating and their predictive power with regard to default events.

The Group's internal ratings scale is as follows:
Grade 1 - Normal risk
Grade 2 - Watch risk
Grade 3 - Sub-standard risk
Grade 4 - Doubtful risk
Grade 5 - Loss

(iii) Impairment and allowance policies

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loans and advances portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures. The second component is in respect of losses that have been incurred but have not been identified in relation to the loans and advances portfolio that is not specifically impaired.

The impairment allowance recognized in the statement of financial position at year-end is derived from each of the five internal rating grades. However, the impairment allowance is composed largely of the bottom two grades.

The Group's policy requires the review of individual financial assets regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the impairment at reporting date on a case-by-case basis, and are applied to all individually significant accounts. The assessment normally encompasses collateral held (including re-confirmation of its enforceability) and the anticipated receipts for that individual account.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iii) Impairment and allowance policies (Continued)

The Group exposure to credit risk is analyzed as follows:

	GROUP		BANK	
Individually impaired	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
Grade 3	4,177,049	2,897,970	3,082,060	2,442,667
Grade 4	4,046,213	5,057,418	3,346,932	4,453,564
Grade 5	6,527,073	4,272,876	5,590,212	3,518,717
Gross amount	14,750,335	12,228,264	12,019,204	10,414,948
Allowance for impairment	(6,835,904)	(6,466,159)	(5,816,635)	(5,724,058)
Carrying amount	7,914,431	5,762,105	6,202,569	4,690,890
Collectively impaired				
Grade 1	191,534,552	181,797,780	171,590,472	165,376,432
Grade 2	14,264,682	12,690,583	11,056,955	11,042,282
Gross amount	205,799,234	194,488,363	182,647,427	176,418,714
Allowance for impairment	(2,049,439)	(1,525,549)	(1,827,332)	(1,265,617)
	203,749,795	192,962,814	180,820,095	175,153,097
Total Carrying amount	211,664,226	198,724,919	187,022,664	179,843,987

Loans and advances graded 3, 4 and 5 in the Group's internal credit risk grading system include items that are individually impaired. These are advances for which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreements.

Loans and advances graded 1 and 2 are not individually impaired. Allowances for impairment losses for these loans and advances are assessed collectively.

The Group also complies with Central Banks' prudential guidelines on general and specific provisioning. Excess provisions for loan losses required to comply with the requirements of Central Banks' prudential guidelines are transferred to statutory credit risk reserve.

The internal rating scale assists management to determine whether objective evidence of impairment exists, based on the following criteria set out by the Group:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of Group bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Past due but not impaired loans and advances

Past due but not impaired loans and advances are those for which contractual interest or principal payments are past due, but the Group believes that impairment is not appropriate on the basis of stage of collection of amounts owed to the Group. As at 31st December, the ageing analysis of past due but not impaired loans and advances was as follows:

	GROUP		BANK	
	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
Less than 60 days	12,979,160	11,697,074	10,725,247	10,711,013
Between 60 and 120 days	2,219,746	1,372,589	1,346,269	1,047,623
Greater than 120 days	5,095,863	922,798	-	-
	20,294,769	13,992,461	12,071,516	11,758,636

(v) Credit related commitment risk

The Group makes available to its customers guarantees which may require the Group to make payments on their behalf and enters into commitments to extend lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit the Group to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose the Group to similar risks to loans and are mitigated by the same control processes and policies.

(vi) Write-off policy

The Group writes off a loan balance as and when the Credit Committee determines that the loans are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure.

(vii) Collateral on loans and advances

The Group holds collateral against loans and advances to customers in the form of mortgage interests over property and other registered securities over assets and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing and generally are not updated except when a loan is individually assessed as impaired.

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(viii) Concentration of credit risk

The Group's financial instruments do not represent a concentration of credit risk because the Group deals with a variety of customers and its loans and advances are structured and spread among a number of customers. The Group monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

	GROUP		BANK	
	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
Construction	38,248,572	33,722,489	31,460,090	31,618,634
Micro credit	58,019,312	60,271,341	56,342,584	55,327,106
Agriculture	9,650,482	10,677,484	8,434,560	9,584,416
Small and medium enterprises	27,908,973	22,505,749	20,534,484	21,361,975
Corporate	86,722,230	79,539,564	77,894,913	68,941,531
	220,549,569	206,716,627	194,666,631	186,833,662

(ix) Fair value of collateral held

The Group holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

The Group also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2012 and 2011. An estimate of fair values of collaterals held against loans and advances to customers at the end of the year was as follows:

	GROUP		BANK	
	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
Impaired loans	8,605,275	5,762,000	6,687,624	4,691,000
Performing loans	178,748,273	152,000,000	140,362,006	135,000,000
	187,353,548	157,762,000	147,049,630	139,691,000

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group's treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market conditions.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

Details of the reported Group's ratio of net liquid assets to deposits from customers at the reporting date and during the reporting year were as follows:

	2012	2011
At close of the year	35.5%	31.3%
Average for the year	34.5%	28.2%
Maximum for the year	37.9%	35.0%
Minimum for the year	29.5%	20.7%

4. FINANCIAL RISK MANAGEMENT (Continued)

(a) Liquidity risk (Continued)

The table below summarizes the Group's liquidity risk as at 31 December 2012 and 31 December 2011 categorized into relevant maturity grouping based on earlier of the remaining contractual maturities or re-pricing dates.

As at 31 December 2012	Up to 1 month KShs'000	1-3 months KShs'000	3– 12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Cash and balances with Central Banks	32,762,444	812,771	1,896,465	948,232	-	36,419,912
Due from banks	10,421,565	-	-	-	-	10,421,565
Held for trading investments	2,923,263	-	-	-	-	2,923,263
Available for sale investments	-	-	-	15,467,550	449,327	15,916,877
Held to maturity investments	3,931,693	10,780,899	29,237,893	10,927,879	15,572,800	70,451,164
Loans and advances to customers	51,891,487	4,680,340	12,173,727	60,513,758	82,404,914	211,664,226
Other assets (Un-cleared effect)	-	-	1,107,088	-	-	1,107,088
Total financial assets	**101,930,452**	**16,274,010**	**44,415,173**	**87,857,419**	**98,427,041**	**348,904,095**
Due to banks	5,952,182	2,593,307	788,100	-	-	9,333,589
Other customer deposits	210,335,980	19,747,325	39,704,683	18,249,379	-	288,037,367
Other liabilities-Bills payable	-	-	888,337	-	-	888,337
Long term debt	-	-	1,605,822	6,534,307	783,183	8,923,312
Total financial liabilities	**216,288,162**	**22,340,632**	**42,986,942**	**24,783,686**	**783,183**	**307,182,605**
	(114,357,710)	**(6,066,622)**	**1,428,231**	**63,073,733**	**97,643,858**	**41,721,490**

4. FINANCIAL RISK MANAGEMENT (Continued)

(b) Liquidity risk (Continued)

As at 31 December 2011	Up to 1 month KShs'000	1-3 months KShs'000	3– 12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Total KShs'000
Cash and balances with Central Banks	39,073,197	1,680,362	1,580,849	373,608	-	42,708,016
Due from banks	25,812,084	-	-	-	-	25,812,084
Held for trading investments	367,938	-	-	-	-	367,938
Available for sale investments	-	-	-	8,529,031	675,470	9,204,501
Held to maturity investments	60,038	323,328	4,170,474	15,460,537	16,417,820	36,432,197
Loans and advances to customers	20,859,253	10,149,645	16,513,547	70,841,071	80,361,403	198,724,919
Other assets (Un-cleared effect)	-	-	1,434,999	-	-	1,434,999
Total financial assets	**86,172,510**	**12,153,335**	**23,699,869**	**95,204,247**	**97,454,693**	**314,684,654**
Due to banks	14,105,149	-	-	-	-	14,105,149
Other customer deposits	188,092,210	32,923,178	30,973,414	7,320,047	-	259,308,849
Other liabilities-Bills payable	-	-	731,796	-	-	731,796
Long term debt	-	-	-	6,200,000	2,325,000	8,525,000
Total financial liabilities	**202,197,359**	**32,923,178**	**31,705,210**	**13,520,047**	**2,325,000**	**282,670,794**
	(116,024,849)	**(20,769,843)**	**(8,005,341)**	**81,684,200**	**95,129,693**	**32,013,860**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market Risk

(i) Currency risk

The Group takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily and hedging strategies used to ensure that positions are maintained within the established limits.

Transactions in foreign currency are recorded at the rate in effect at the date of the transaction. The Group translates monetary assets and liabilities denominated in foreign currencies at the rate of exchange in effect at the reporting date. The Group records all gains or losses on changes in currency exchange rates in profit or loss.

The table below summarizes the foreign currency exposure as at 31 December 2012 and 31 December 2011:

	GROUP		BANK	
	2012 KShs '000	2011 KShs '000	2012 KShs '000	2011 KShs '000
Assets in foreign currencies	165,842,541	160,310,219	144,226,640	138,975,983
Liabilities in foreign currencies	(166,047,997)	(160,243,499)	(144,095,570)	(140,111,426)
Net foreign currency exposure at the end of the year	(205,456)	66,720	131,070	(1,135,443)

The following table demonstrates the sensitivity to a reasonably possible change in the below mentioned exchange rates, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of monetary assets and liabilities).

Increase/decrease in exchange rate		Effect on profit before tax	
		2012 KShs' 000	2011 KShs' 000
USD	10%	23,572	78,624
GBP	10%	9,788	11,634
EUR	10%	8,552	6,378

(ii) Interest rate risk

Interest rate is the risk that the future cash flows of financial instruments will fluctuate because of changes in the market interest rates. Interest margin may increase as a result of such changes but may reduce losses in the event that unexpected movement arises. The Group closely monitors interest rate movements and seeks to limit its exposure by managing the interest rate and maturity structure of assets and liabilities carried on the statement of financial position. Assets and Liabilities Committee is the monitoring body for compliance with the set interest rate gaps.

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

The table below shows interest rate sensitivity position of the Group at 31 December based on the earlier of maturity or re-pricing dates. Items not recognized on the statement of financial position do not pose any significant interest rate risk to the Group.

As at 31 December 2012	Weighted interest rates	Up to 1 month KShs'000	1-3 months KShs'000	3– 12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Cash and balances with Central Banks	-	-	-	-`	-	-	36,419,912	36,419,912
Due from banks	11.3%	10,421,565	-	-	-	-	-	10,421,565
Held for trading investments	12.5%	2,923,263	-	-	-	-	-	2,923,263
Available for sale investments	12.5%	-	-	-	15,467,550	-	449,327	15,916,877
Loans and advances to customers	18.5%	51,891,487	4,680,340	12,173,727	60,513,758	82,404,914	-	211,664,226
Other assets (Un-cleared effects)	-	-	-	-	-	-	1,107,088	1,107,088
Held to maturity investments	12.5%	3,931,693	10,780,899	29,237,893	10,927,879	15,572,800	-	70,451,164
Total assets		**69,168,008**	**15,461,239**	**41,411,620**	**86,909,187**	**97,977,714**	**37,976,327**	**348,904,095**
Due to banks	11.3%	5,952,182	2,593,307	788,100	-	-	-	9,333,589
Other customer deposits	8.3%	210,335,980	19,747,325	39,704,683	18,249,379	-	-	288,037,367
Other liabilities (Bills payable)	-	-	-	-	-	-	888,337	888,337
Long term debt	2.3%	-	-	1,605,822	6,534,307	783,183	-	8,923,312
Total liabilities and equity		**216,288,162**	**22,340,632**	**42,098,605**	**24,783,686**	**783,183**	**888,337**	**307,182,605**
Interest rate sensitivity gap		**(147,120,154)**	**(6,879,393)**	**(686,985)**	**62,125,501**	**97,194,531**	**37,087,990**	**41,721,490**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

As at 31 December 2011	Weighted interest rates	Up to 1 month KShs'000	1-3 months KShs'000	3– 12 months KShs'000	1-5 years KShs'000	Over 5 years KShs'000	Non-interest bearing KShs'000	Total KShs'000
Cash and balances with Central Banks	-	-	-	-`	-	-	42,708,016	42,708,016
Due from banks	27%	25,812,084	-	-	-	-	-	25,812,084
Held for trading investments	7.8%	367,938	-	-	-	-	-	367,938
Available for sale investments	8.7%	-	-	-	8,529,031	200,962	474,508	9,204,501
Loans and advances to customers	12.7%	20,859,253	10,149,645	16,513,547	70,841,071	80,361,403	-	198,724,919
Other assets (Un-cleared effects)	-	-	-	-	-	-	1,434,999	1,434,999
Held to maturity investments	7.8%	60,038	323,328	4,170,474	15,460,537	16,417,820	-	36,432,197
Total assets		**47,099,313**	**10,472,973**	**20,684,021**	**94,830,639**	**96,980,185**	**44,617,523**	**314,684,654**
Due to banks	1.0%	14,105,149	-	-	-	-	-	14,105,149
Other customer deposits	1.6%	188,092,210	32,923,178	30,973,414	7,320,047	-	-	259,308,849
Other liabilities (Bills payable)	-	-	-	-	-	-	731,796	731,796
Long term debt	2.3%	-	-	-	6,200,000	2,325,000	-	8,525,000
Total liabilities and equity		**202,197,359**	**32,923,178**	**30,973,414**	**13,520,047**	**2,325,000**	**731,796**	**282,670,794**
Interest rate sensitivity gap		**(155,098,046)**	**(22,450,205)**	**(10,289,393)**	**81,310,592**	**94,655,185**	**43,885,727**	**32,013,860**

4. FINANCIAL RISK MANAGEMENT (Continued)

(c) Market risk (Continued)

(ii) Interest rate risk (Continued)

An analysis of the Group's sensitivity to an increase or decrease in market interest rates assuming no asymmetrical movement in yield curves and a constant financial position is as follows:

	1% change in 2012		1% change in 2011	
	Full Year KShs'000	From June KShs'000	Full Year KShs'000	From June KShs'000
As at 31st December	789,762	766,595	560,316	621,926
Average for the period	675,039	694,260	540,717	614,866

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Group's operations and are faced by all business units.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

Compliance with Group's standards is supported by a program of regular reviews undertaken by both the Internal Audit and Compliance departments. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Audit Committee and senior management of the Group.

(e) Capital management

The primary objective of the Bank's capital management is to ensure that the Bank complies with capital requirements and maintains healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the rules and ratios established by the Central Bank of Kenya. The Central Bank of Kenya sets and monitors capital requirements for the banking industry as a whole.

In implementing current capital requirements, the Central Bank of Kenya requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets.

4. FINANCIAL RISK MANAGEMENT (Continued)

(e) Capital management (Continued)

The Bank's regulatory capital is analyzed into two tiers:

- Core Capital (Tier 1), which includes ordinary share capital, share premium, retained earnings after deductions for investments in financial institutions and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes; and
- Supplementary Capital (Tier 2) which includes the regulatory credit risk reserve.

Various limits are applied to elements of the capital base.

The Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognized and the Bank recognizes the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The capital management policies of the group remain consistent with prior years.

The Bank's regulatory capital position at 31 December was as follows:

	2012 KShS'000	2011 KShS'000
Core Capital (Tier 1):		
Ordinary share capital	2,970,340	2,968,746
Retained earnings	28,319,248	23,768,701
Share premium	18,921,568	18,891,221
Less: Investments in financial institutions	(8,085,759)	(7,225,759)
Total Core Capital	**42,125,397**	**38,402,909**
Supplementary Capital (Tier 2):		
Regulatory reserve	2,799,884	1,517,136
Total regulatory capital	**44,925,281**	**39,920,045**
Risk weighted assets	**197,733,995**	**192,939,432**
Capital ratios:		
Total regulatory capital expressed as a percentage of total risk-weighted assets	22.7%	20.7%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	21.3%	19.9%
The minimum capital ratios, as per the Central Bank of Kenya regulations, are as follows:		
Total core capital expressed as a percentage of total risk-weighted assets	12.0%	12.0%
Total tier 1 capital expressed as a percentage of total risk-weighted assets	8.0%	8.0%

As at end of the year, the minimum core capital requirement by Central Bank of Kenya was KShs. 1 billion (2011: KShs. 700 million). The Bank was in compliance with all statutory capital requirements as at end of the year.

5. USE OF ESTIMATES AND JUDGMENTS

In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. The following are estimates that are considered to be complex and involve significant amounts of management judgment, often in areas that are inherently uncertain.

(a) Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer, realizable value of securities, the Group's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgments may also change with time as new information becomes available.

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgment by the directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Group also makes a collective impairment measurement for exposures which, although not specifically identified as non-performing, have an inherent risk of default. The portfolio constitutes a large number of loan and advances accounts cutting across various industries. Assets with similar risk characteristics are grouped together for the purpose of determining the collective impairment within the group.

(b) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data. The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters.

(c) Pensions

The cost of the defined benefit pension plan is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty and a change in any of the assumptions will alter the obligation.

(d) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy 3(g) (ii).

5. USE OF ESTIMATES AND JUDGMENTS (Continued)

(e) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

(f) Share based payments

Equity based payments are recognized as an expense based on the fair value of the options rights as at the reporting date. The fair value of the options is estimated through the use of option valuation models which require inputs such as risk free interest rate, expected dividends, expected volatility and the expected option life and is expensed over the vesting period. These inputs to the model are driven by external market forces and are judgmental in nature and use of different input estimates or models could produce different option values, which would result in the recognition of higher or lower expense.

6. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

(a) Accounting classification and fair values

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values.

2012-Group	Held for trading KShs '000	Held to maturity KShs '000	Loans and receivables KShs '000	Available for sale KShs '000	Other amortized cost KShs '000	Total carrying amount KShs '000	Fair value KShs '000
Assets							
Cash and balances with Central Banks	-	-	36,419,912	-	-	36,419,912	36,419,912
Due from other banks	-	-	10,421,565	-	-	10,421,565	10,421,565
Government securities	2,923,263	70,451,164	-	13,618,250	-	86,992,677	86,992,677
Investment in other securities	-	-	-	2,298,627	-	2,298,627	2,298,627
Loans and advances to customers	-	-	211,664,226	-	-	211,664,226	212,005,900
Other assets – uncleared effects	-	-	1,107,088	-	-	1,107,088	1,107,088
Total financial assets	**2,923,263**	**70,451,164**	**259,612,791**	**15,916,877**	**-**	**348,904,095**	**349,245,769**
Liabilities							
Due to other banks	-	-	-	-	9,333,589	9,333,589	9,333,589
Deposits from customers	-	-	-	-	288,037,367	288,037,367	288,037,367
Other liabilities – bills payable	-	-	-	-	888,337	888,337	888,337
Long term debt	-	-	-	-	8,923,312	8,923,312	8,923,312
	-	**-**	**-**	**-**	**307,182,605**	**307,182,605**	**307,182,605**
2011-Group							
Assets							
Cash and balances with Central Banks	-	-	42,708,016	-	-	42,708,016	42,708,016
Due from other banks	-	-	25,812,084	-	-	25,812,084	25,812,084
Government securities	367,938	36,432,197	-	6,790,693	-	43,590,828	43,590,828
Investment in other securities	-	-	-	2,413,808	-	2,413,808	2,413,808
Loans and advances to customers	-	-	198,724,919	-	-	198,724,919	198,215,098
Other assets – uncleared effects	-	-	1,434,999	-	-	1,434,999	1,434,999
Total financial assets	**367,938**	**36,432,197**	**268,680,018**	**9,204,501**	**-**	**314,684,654**	**314,174,833**
Liabilities							
Due to other banks	-	-	-	-	14,105,149	14,105,149	14,105,149
Deposits from customers	-	-	-	-	259,308,849	259,308,849	259,308,849
Other liabilities – bills payable	-	-	-	-	731,796	731,796	731,796
Long term debt	-	-	-	-	8,525,000	8,525,000	8,525,000
	-	**-**	**-**	**-**	**282,670,794**	**282,670,794**	**282,670,794**

6. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(a) Accounting classification and fair values (Continued)

The following sets out the Group's basis of establishing fair values of financial instruments:

Investment securities with observable market prices including equity securities are fair valued using that information. Investment securities that do not have observable market data are fair valued either using discounted cash flow method or quoted market prices for securities with similar yield characteristics. The table above includes Kshs.1,849.3 million (2011: Kshs.1,939.3 million) of securities in both carrying amount and fair value columns that were measured at cost and for which disclosure at fair value was not provided because their fair value was not considered to be reliably measurable.

Loans and advances to customers are net of allowance for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

The estimated fair value of deposits with no stated maturity is the amount repayable on demand. Estimated fair value of fixed interest bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar maturities and interest rates. A substantial proportion of deposits mature within 12 months and hence the fair value approximates their carrying amounts.

Cash and balances with Central Banks are measured at amortized cost and their fair value approximates their carrying amount.

(b) Valuation hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

a) Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

b) Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

c) Level 3: Techniques which use inputs which have significant effect on the recorded fair value that are not based on observable market data.

The table below shows the classification of financial assets and liabilities at their fair values based on the hierarchy described above.

	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
2012 Group and Bank				
Financial assets:				
Held for trading investments	-	2,923,263	-	2,923,263
Available for sale investments	444,562	15,472,315	-	15,916,877
Total financial assets measured at fair value	**444,562**	**18,395,578**	**-**	**18,840,140**
2011 Group and Bank				
Financial assets:				
Held for trading investments	-	367,938	-	367,938
Available for sale investments	469,743	8,734,758	-	9,204,501
Total financial assets fair value	**469,743**	**9,102,696**	**-**	**9,572,439**

7. SEGMENT REPORTING

Reportable segments
The Group's main business comprises of the following reportable segments:

Retail banking – incorporating banking services such as customer current accounts, savings and fixed deposits to individuals. Retail lending are mainly consumer loans and mortgages based lending.

Corporate banking – incorporating banking services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies.

Mortgages – incorporating the provision of mortgage finance.

Treasury – operates the Group's funds management activities

Other Group's operations comprise of trade finance and forex business. The Group also participates in investments in Treasury Bills and Bonds from the Central Banks.

The table below analyses the breakdown of segmental assets, liabilities, income and expenses;

Income statement

For the year ended 31 December 2012	Corporate banking KShs'000	Retail banking KShs'000	Treasury KShs'000	Mortgages KShs'000	Other KShs'000	Total KShs'000
Net interest income	8,589,357	9,763,960	7,239,957	5,042,958	-	30,636,232
Net fees and commission income	2,408,767	6,599,035	-	40,928	25,082	9,073,812
Other income	602	89,632	3,688,137	466	570,457	4,349,294
Operating expenses	(1,374,208)	(11,848,669)	(496,917)	(213,251)	(12,918,150)	(26,851,195)
Profit before tax	9,624,518	4,603,958	10,431,177	4,871,101	(12,322,611)	17,208,143
For the year ended 31 December 2011 (Restated)						
Net interest income	8,338,626	9,162,907	3,361,616	3,021,997	-	23,885,146
Net fees and commission income	2,537,184	5,928,360	126,297	137,606	-	8,729,447
Other income	2,369	689,447	3,335,200	48,686	413,085	4,488,787
Operating expenses	(1,731,591)	(9,350,295)	(367,537)	(125,168)	(10,399,415)	(21,974,006)
Profit before tax	9,146,588	6,430,419	6,455,576	3,083,121	(9,986,330)	15,129,374

7. SEGMENT REPORTING (Continued)

Financial position As at 31 December 2012	Corporate banking KShs'000	Retail banking KShs'000	Treasury KShs'000	Mortgages KShs'000	Other KShs'000	Total KShs'000
Short term funds	-	14,576,889	121,555,892	-	-	136,132,781
Loans	111,021,191	67,657,544	-	32,985,491	-	211,664,226
Other assets	106,230	3,186,472	146,143	72,714	16,070,719	19,582,278
Total assets	**111,127,421**	**85,420,905**	**121,702,035**	**33,058,205**	**16,070,719**	**367,379,285**
Customer deposits	136,421,309	149,875,259	-	1,740,799		288,037,367
Borrowed funds	-	-	18,256,901	-	-	18,256,901
Other liabilities	58,013	561,488	66,315	9,922	7,049,720	7,745,458
Shareholders' funds	-	-	-	-	53,339,559	53,339,559
Total liabilities and shareholders' funds	**136,479,322**	**150,436,747**	**18,323,216**	**1,750,721**	**60,389,279**	**367,379,285**
As at 31 December 2011						
Short term funds	-	26,771,888	87,752,848	-	-	114,524,736
Loans	109,717,326	61,638,535	-	27,369,058	-	198,724,919
Other assets	644,383	3,373,881	60,767	75,032	13,312,441	17,466,504
Total assets	**110,361,709**	**91,784,304**	**87,813,615**	**27,444,090**	**13,312,441**	**330,716,159**
Customer deposits	129,239,841	115,382,566	5,287,389	9,399,053	-	259,308,849
Borrowed funds	-	-	22,630,149	-	-	22,630,149
Other liabilities	65,828	341,959	80,397	29,838	3,894,112	4,412,134
Shareholders' funds	-	-	-	-	44,365,027	44,365,027
Total liabilities and shareholders' funds	**129,305,669**	**115,724,525**	**27,997,935**	**9,428,891**	**48,259,139**	**330,716,159**

Regional segments

Five of the Group companies, KCB Bank Tanzania Limited, KCB Sudan Limited, KCB Bank Uganda Limited, KCB Bank Rwanda Limited and KCB Bank Burundi Limited operate outside the domestic financial market. The following table analyses the regional segments (per country) in which the Group operates.

7. SEGMENT REPORTING (Continued)

Regional segments (Continued)

Income Statement

	Kenya KShs 000	Tanzania KShs 000	South Sudan KShs 000	Uganda KShs 000	Rwanda KShs 000	Burundi KShs 000	Total KShs 000
For the year ended 31 December 2012							
Net interest income	27,794,164	678,037	813,984	597,676	707,144	45,227	30,636,232
Net fees and commission income	6,305,111	438,560	1,614,558	393,741	302,786	19,056	9,073,812
Other income	2,381,888	14,178	1,559,372	220,848	121,001	52,007	4,349,294
Operating expenses	(20,709,051)	(991,769)	(2,635,917)	(1,157,819)	(1,181,179)	(175,460)	(26,851,195)
Profit before tax	**15,772,112**	**139,006**	**1,351,997**	**54,446**	**(50,248)**	**(59,170)**	**17,208,143**
For the year ended 31 December 2011							
Net interest income	21,875,497	660,581	348,096	462,067	538,905	-	23,885,146
Net fees and commission income	6,537,178	373,171	1,275,840	272,201	271,057	-	8,729,447
Other income	2,775,068	126,226	1,161,205	259,286	167,002	-	4,488,787
Operating expenses	(17,113,459)	(1,113,398)	(1,921,127)	(966,832)	(859,190)	-	(21,974,006)
Profit before tax	**14,074,284**	**46,580**	**864,014**	**26,722**	**117,774**	**-**	**15,129,374**

7. SEGMENT REPORTING (Continued)

Regional segments (Continued)

Statement of financial position

31 December 2012	Kenya KShs 000	Tanzania KShs 000	South Sudan KShs 000	Uganda KShs 000	Rwanda KShs 000	Burundi KShs 000	Group Elimination KShs 000	Total KShs 000
Cash and short term funds	93,547,933	5,430,948	36,095,431	3,993,194	2,583,743	1,210,178	(6,728,646)	136,132,781
Loans and advances	187,022,664	7,803,394	5,575,041	5,203,690	5,791,492	267,945	-	211,664,226
Other assets	23,801,488	497,593	2,324,979	945,541	1,273,020	224,278	(9,484,621)	19,582,278
Total assets	**304,372,085**	**13,731,935**	**43,995,451**	**10,142,425**	**9,648,255**	**1,702,401**	**(16,213,267)**	**367,379,285**
Customer deposits	223,493,278	9,801,854	38,583,455	8,040,729	7,850,333	579,894	(312,176)	288,037,367
Borrowed funds	16,876,878	1,986,532	134,594	128,620	308,313	242,991	(1,421,027)	18,256,901
Other liabilities	9,752,956	281,417	1,925,027	263,284	210,358	307,854	(4,995,438)	7,745,458
Shareholders' funds	54,248,973	1,662,132	3,352,375	1,709,792	1,279,251	571,662	(9,484,626)	53,339,559
Total liabilities and shareholders' funds	**304,372,085**	**13,731,935**	**43,995,451**	**10,142,425**	**9,648,255**	**1,702,401**	**(16,213,267)**	**367,379,285**
31 December 2011								
Cash and short term funds	81,554,566	3,029,883	27,697,923	4,122,787	2,704,969		(4,585,392)	114,524,736
Loans and advances	179,843,987	6,701,698	2,850,223	4,302,090	5,026,921			198,724,919
Other assets	22,442,787	1,271,483	1,269,990	1,615,597	1,294,288		(10,427,641)	17,466,504
Total assets	**283,841,340**	**11,003,064**	**31,818,136**	**10,040,474**	**9,026,178**		**(15,013,033)**	**330,716,159**
Customer deposits	210,173,514	8,427,290	27,433,766	7,385,488	6,712,855		(824,064)	259,308,849
Borrowed funds	20,027,571	1,087,911	181,826	637,168	695,673		-	22,630,149
Other liabilities	7,131,080	184,514	2,137,714	245,490	162,822		(5,449,486)	4,412,134
Shareholders' funds	46,509,175	1,303,349	2,064,830	1,772,328	1,454,828		(8,739,483)	44,365,027
Total liabilities and shareholders' funds	**283,841,340**	**11,003,064**	**31,818,136**	**10,040,474**	**9,026,178**		**(15,013,033)**	**330,716,159**

	GROUP		BANK	
8. INTEREST INCOME AND EXPENSE	2012 KShs'000	2011 KShs'000 (Restated)	2012 KShs'000	2011 KShs'000 (Restated)
INTEREST INCOME				
Interest on loans and advances	33,973,437	23,612,698	30,763,441	21,293,264
Interest on investment in Government securities	7,648,656	3,742,965	7,109,907	3,516,523
Interest on impaired loans and advances	652,157	598,735	471,695	450,258
Interest on placements and bank balances	807,968	546,989	553,257	371,521
	43,082,218	**28,501,387**	**38,898,300**	**25,631,566**
INTEREST EXPENSE				
Interest on deposits	11,229,319	3,821,853	10,107,639	3,308,614
Interest on borrowed funds	1,216,667	794,388	996,501	595,932
	12,445,986	**4,616,241**	**11,104,140**	**3,904,546**
NET INTEREST INCOME	**30,636,232**	**23,885,146**	**27,794,160**	**21,727,020**

9. FEES AND COMMISSIONS INCOME	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Fee income	3,718,064	4,203,617	2,883,552	3,739,588
Commission income	5,894,921	4,981,222	3,920,941	3,236,032
Commission expense	(539,173)	(455,392)	(524,460)	(438,443)
	9,073,812	**8,729,447**	**6,280,033**	**6,537,177**
10. FOREIGN EXCHANGE GAINS				
Foreign currency dealings	3,447,824	3,283,453	1,431,368	1,678,296
Translation gains	240,313	324,383	250,616	262,291
	3,688,137	**3,607,836**	**1,681,984**	**1,940,587**
11. DIVIDEND INCOME				
Available for sale investments	13,709	26,157	13,709	26,157
	13,709	**26,157**	**13,709**	**26,157**
12. OTHER OPERATING INCOME				
Rent income	153,205	95,245	148,186	90,564
Profit on disposal of property and equipment	50,685	238,748	50,138	235,772
Miscellaneous income	443,558	520,801	439,334	477,300
	647,448	**854,794**	**637,658**	**803,636**

13. NET IMPAIRMENT	2012 KShs'000	2011 KShs'000 (Restated)	2012 KShs'000	2011 KShs'000 (Restated)
LOSSES ON FINANCIAL ASSETS				
Additional specific allowance (Note 22(b))	3,232,752	3,034,097	2,558,470	2,559,845
Additional collective allowance (Note 22(c))	523,890	(539,280)	561,715	(637,719)
Bad debts recovered during the year (Note (22)b)	(1,658,607)	(2,349,039)	(1,509,475)	(2,348,497)
	2,098,035	**145,778**	**1,610,710**	**(426,371)**

14. OTHER OPERATING EXPENSES

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Administrative expenses	10,398,096	8,608,561	7,340,776	6,383,417
Personnel costs	11,861,196	10,883,679	9,781,045	9,222,469
Directors' emoluments - As directors	84,822	74,900	41,176	35,532
- As executives	86,737	70,692	86,737	70,692
Depreciation of property and equipment	1,755,273	1,672,850	1,249,952	1,166,348
Amortization of intangible assets	538,926	497,685	526,680	488,098
Amortization of prepaid operating lease rentals	860	861	825	826
Auditors' remuneration	27,250	19,000	13,752	11,700
	24,753,160	**21,828,228**	**19,040,943**	**17,379,082**
Personnel costs:				
Salaries and wages	8,285,401	7,527,919	6,789,877	6,239,924
Medical expenses	495,322	376,014	433,036	318,129
Pension costs-Defined benefit scheme	78,552	386,745	76,065	348,655
Pension costs -Defined contribution scheme	585,168	472,689	439,891	426,204
Share based payments expense	235,636	-	235,636	-
Restructuring costs	472	1,217,707	472	1,217,707
Staff bonus costs	1,865,051	667,709	1,608,624	645,298
Other	315,594	234,896	197,444	26,552
	11,861,196	**10,883,679**	**9,781,045**	**9,222,469**

The number of employees of the Group as at 31 December 2012 was 5,162 (31 December 2011 – 5,571).

15. INCOME TAX

(a) Income statement

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Current tax	6,296,080	3,998,076	5,993,747	3,908,839
Deferred tax (credit)/charge (note 28)	(1,268,179)	64,349	(1,304,406)	248,787
(Over)/under provision in the previous years	(23,289)	85,903	(23,289)	85,903
	5,004,612	**4,148,328**	**4,666,052**	**4,243,529**
Accounting profit before tax	**17,208,143**	**15,129,374**	**15,755,891**	**14,081,866**
Tax calculated using applicable tax rates based on respective Income Tax Laws	5,041,385	4,538,812	4,726,767	4,224,560
Effects of non-allowable expenses	283,205	101,735	209,846	100,900
(Over)/under provisions in previous years	(23,289)	85,903	(23,289)	85,903
Effects of non-taxable income	(296,689)	(578,122)	(247,272)	(167,834)
	5,004,612	**4,148,328**	**4,666,052**	**4,243,529**

15. INCOME TAX (Continued)

(b) Statement of financial position

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
At 1 January	**(98,815)**	**(1,826,713)**	**9,418**	**(1,750,345)**
Tax paid during the year	4,597,464	5,793,529	4,271,045	5,754,505
Tax charge for the year	(6,296,080)	(3,998,076)	(5,993,747)	(3,908,839)
Translation difference	(5,057)	18,348	-	-
Under provision in the previous years	-	(85,903)	-	(85,903)
At 31 December	**(1,802,488)**	**(98,815)**	**(1,713,284)**	**9,418**
Comprising:				
Tax recoverable	10,598	20,557	-	9,418
Tax payable	(1,813,086)	(119,372)	(1,713,284)	-
	(1,802,488)	**(98,815)**	**(1,713,284)**	**9,418**

The Group neither has a potential tax liability out of payment of dividends nor material tax cases pending resolution with Taxation Authorities.

16. EARNINGS PER SHARE

Basic and diluted earnings per share is calculated on the profit attributable to ordinary shareholders of KShs 12,204 million (2011: KShs 10,981 million) and on the weighted average number of ordinary shares during the year of 2,969 million (2011: 2,952 million shares).

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Basic and diluted earnings per share	4.11	3.72	3.74	3.33

17. CASH AND BALANCES WITH CENTRAL BANKS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Cash on hand	14,941,781	15,697,286	7,486,203	8,582,793
Balances with Central Banks:				
Cash reserve ratio	13,546,178	13,234,839	11,422,492	11,555,840
Other current accounts	7,931,953	13,775,891	-	-
	36,419,912	**42,708,016**	**18,908,695**	**20,138,633**

Cash held with Central Banks represent cash ratio and other non-interest earning current accounts and is based on the value of deposits as adjusted for Central Banks' requirements. Mandatory cash reserve ratio is not available for use in the Group's day-to-day operations.

18. DUE FROM BANKS

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Balances in nostro accounts	6,287,076	11,022,721	4,491,511	9,774,005
Placements with other banks	4,134,489	14,789,363	-	7,874,875
	10,421,565	25,812,084	4,491,511	17,648,880

The Group participates in the inter-bank market for the generation of revenue. Regularly, the counterparties are assessed for creditworthiness in line with the Group credit policies. The weighted average effective interest rate on balances due from other banks at 31 December 2012 was 11.3% (2011- 27 %).

19. HELD FOR TRADING INVESTMENTS

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Treasury bonds	**2,923,263**	**367,938**	**2,923,263**	**367,938**

Treasury bonds are debt securities issued by the Government of the Republic of Kenya and acquired by the bank for the generation of revenue from short term fluctuations in interest rates. The weighted average effective interest rates on treasury bonds as at 31 December 2012 was 12.5% (31 December 2011 – 7.8 %).

20. AVAILABLE FOR SALE INVESTMENTS

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Quoted investments	444,562	469,743	444,562	469,743
Unquoted equity investments	4,765	4,765	4,765	4,765
Corporate bonds	1,849,300	1,939,300	1,849,300	1,939,300
Treasury bonds	13,618,250	6,790,693	13,618,250	6,790,693
	15,916,877	**9,204,501**	**15,916,877**	**9,204,501**

21. OTHER ASSETS

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Other receivables	2,694,747	4,089,622	1,937,074	3,012,309
Clearing house	1,107,088	1,434,999	914,910	866,224
Prepayments	3,223,268	1,183,770	2,582,470	903,266
	7,025,103	**6,708,391**	**5,434,454**	**4,781,799**

Other receivables are current and non-interest bearing and are generally between 30 to 90 days terms.

22. LOANS AND ADVANCES TO CUSTOMERS

		GROUP		BANK	
		2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
(a)	**Loans and advances to customers**				
	Gross loans and advances to customers	220,549,569	206,716,627	194,666,631	186,833,662
	Specific provisions for impairment (Note 22(b))	(6,835,904)	(6,466,159)	(5,816,635)	(5,724,058)
	Collective impairment for impairment (Note 22(c))	(2,049,439)	(1,525,549)	(1,827,332)	(1,265,617)
		211,664,226	**198,724,919**	**187,022,664**	**179,843,987**
(b)	**Specific allowance for impairment loss**				
	At 1 January	6,466,159	8,587,097	5,724,058	8,178,514
	Provisions made during the year (Note 13)	3,232,752	3,034,097	2,558,470	2,559,845
	Provisions recovered/un-required during the year (Note 13)	(1,658,607)	(2,349,039)	(1,509,475)	(2,348,497)
	Write downs/write offs during the year	(1,204,400)	(2,805,996)	(956,418)	(2,665,804)
	At 31 December	**6,835,904**	**6,466,159**	**5,816,635**	**5,724,058**
(c)	**Collective allowance for impairment loss**				
	At 1 January	1,525,549	2,064,829	1,265,617	1,903,336
	Provisions made during the year (Note 13)	523,890	(539,280)	561,715	(637,719)
	At 31 December	**2,049,439**	**1,525,549**	**1,827,332**	**1,265,617**
(d)	**Maturity analysis of gross loans and advances to customers**				
	Maturing within 1 month	53,771,370	24,315,451	49,054,220	21,127,485
	Maturing after 1 month, but before 3 months	4,849,896	10,742,513	3,469,730	10,275,864
	Maturing after 3 months, but within 1 year	12,706,910	17,160,163	9,566,384	14,707,637
	Maturing after 1 year, but within 5 years	63,164,130	73,617,715	48,792,599	64,055,939
	Maturing after 5 years	86,057,263	80,880,785	83,783,698	76,666,737
		220,549,569	**206,716,627**	**194,666,631**	**186,833,662**
(e)	**Sectorial analysis of gross loans and advances to customers**				
	Private sector and individuals	210,923,050	200,792,505	186,816,701	180,901,865
	Government and parastatals	9,626,519	5,924,122	7,849,930	5,931,797
		220,549,569	**206,716,627**	**194,666,631**	**186,833,662**

The weighted average effective interest rates on loans and advances as at 31 December 2012 was 18.5% (2011: 12.7%).

22. LOANS AND ADVANCES TO CUSTOMERS (Continued)

As at 31 December, the aging analysis of past due but not impaired loans and advances is as follows:

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Less than 60 days	12,979,160	11,697,074	10,725,247	10,711,013
Between 60 – 120 days	2,219,746	1,372,589	1,346,269	1,047,623
Greater than 120 days	5,095,863	922,798	-	-
	20,294,769	**13,992,461**	**12,071,516**	**11,758,636**

23. HELD TO MATURITY INVESTMENTS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
(a) Treasury bills				
Maturing within 1 month	1,189,882	60,038	684,232	-
Maturing between 1-3 months	4,312,260	323,328	3,750,000	-
Maturing between 3-6 months	9,647,653	-	8,500,000	-
Maturing between 6-12 months	15,823,122	979,550	-	-
	30,972,917	**1,362,916**	**12,934,232**	**-**
(b) Treasury bonds				
Maturing within 1 month	2,741,811	-	2,741,811	-
Maturing between 1 and 3 months	6,468,640	-	6,370,000	-
Maturing between 3 and 6 months	1,768,833	-	1,550,000	-
Maturing between 6 and 12 months	1,998,284	3,190,924	1,536,600	3,180,722
Maturing between 1and 5 years	10,927,879	15,460,537	10,390,000	14,808,217
Maturing after 5 years	15,572,800	16,417,820	15,572,800	16,034,423
	39,478,247	**35,069,281**	**38,161,211**	**34,023,362**
TOTAL INVESTMENT IN GOVERNMENT SECURITIES	**70,451,164**	**36,432,197**	**51,095,443**	**34,023,362**
Maturing as follows:-				
Maturing within 1 month	3,931,693	60,038	3,426,043	-
Maturing between 1-3 months	10,780,900	323,328	10,120,000	-
Maturing between 3-12 months	29,237,892	4,170,474	11,586,600	3,180,722
Maturing between 1-5 years	10,927,879	15,460,537	10,390,000	14,808,217
Maturing after 5 years	15,572,800	16,417,820	15,572,800	16,034,423
	70,451,164	**36,432,197**	**51,095,443**	**34,023,362**

Treasury bills and bonds are debt securities issued by the Government of the Republic of Kenya, Government of Uganda, Government of the Republic of Rwanda, United Republic of Tanzania, Government of the Republic of Burundi and the Republic of South Sudan. The bills and bonds are categorized as amounts held to maturity and carried at amortized cost.

The weighted average effective interest rates on Government securities as at 31 December 2012, was 12.5% (31 December 2011–8 %).

24. PROPERTY AND EQUIPMENT

	Freehold and leasehold premises KShs'000	Leasehold improvements KShs'000	Motor vehicles, furniture and equipment KShs'000	Total KShs'000
(a) GROUP				
As at 31 December 2012:				
COST:				
At 1 January 2012	2,059,073	1,485,209	11,992,823	15,537,105
Additions	238,400	832,602	1,594,358	2,665,360
Reclassification	928	-	(928)	-
Disposals	(885)	(24)	(236,620)	(237,529)
At 31 December 2012	2,297,516	2,317,787	13,349,633	17,964,936
DEPRECIATION				
At 1 January 2012	325,171	523,998	6,670,341	7,519,510
Charge for the year	16,821	236,984	1,501,468	1,755,273
Reclassification	85	-	(85)	-
Disposals	(259)	(1)	(205,160)	(205,420)
At 31 December 2012	341,818	760,981	7,966,564	9,069,363
NET BOOK VALUE				
At 31 December 2012	**1,955,698**	**1,556,806**	**5,383,069**	**8,895,573**
As at 31 December 2011:				
COST:				
At 1 January 2011	2,139,907	1,053,727	11,101,657	14,295,291
Additions	15,666	500,512	1,216,008	1,732,186
Reclassification	34,721	-	(101,555)	(66,834)
Disposals	(119,200)	(4,151)	(164,063)	(287,414)
At 31 December 2011	2,071,094	1,550,088	12,052,047	15,673,229
DEPRECIATION				
At 1 January 2011	313,874	236,645	5,473,125	6,023,644
Charge for the year	39,313	292,644	1,340,893	1,672,850
Reclassification	6,041	-	(8,673)	(2,632)
Disposals	(32,550)	(399)	(134,062)	(167,011)
At 31 December 2011	326,678	528,890	6,671,283	7,526,851
Translation differences	(10,514)	(59,987)	(58,282)	(128,783)
NET BOOK VALUE				
At 31 December 2011	**1,733,902**	**961,211**	**5,322,482**	**8,017,595**

24. PROPERTY AND EQUIPMENT (Continued)

	Freehold and leasehold premises KShs'000	Leasehold improvements KShs'000	Motor vehicles, furniture and equipment KShs'000	Total KShs'000
(b) BANK				
As at 31 December 2012:				
COST:				
At 1 January 2012	1,543,979	77,308	10,422,700	12,043,987
Additions	238,400	-	1,032,720	1,271,120
Reclassification	928	-	(928)	-
Disposals	(850)	-	(228,710)	(229,560)
At 31 December 2012	1,782,457	77,308	11,225,782	13,085,547
DEPRECIATION				
At 1 January 2012	260,135	75,821	6,083,266	6,419,222
Charge for the year	16,026	-	1,233,926	1,249,952
Reclassification	85	-	(85)	-
Disposals	(259)	-	(201,191)	(201,450)
At 31 December 2012	275,987	75,821	7,115,916	7,467,724
NET BOOK VALUE				
At 31 December 2012	**1,506,470**	**1,487**	**4,109,866**	**5,617,823**
As at 31 December 2011:				
COST:				
At 1 January 2011	1,626,457	77,308	9,591,997	11,295,762
Additions	2,000	-	1,073,049	1,075,049
Reclassification	34,721	-	(101,555)	(66,834)
Disposals	(119,200)	-	(140,788)	(259,988)
At 31 December 2011	1,543,978	77,308	10,422,703	12,043,989
DEPRECIATION				
At 1 January 2011	271,554	73,491	5,062,432	5,407,477
Charge for the year	15,090	2,330	1,148,928	1,166,348
Reclassification	6,041	-	(8,673)	(2,632)
Disposals	(32,551)	-	(119,419)	(151,970)
At 31 December 2011	260,134	75,821	6,083,268	6,419,223
NET BOOK VALUE				
At 31 December 2011	**1,283,844**	**1,487**	**4,339,435**	**5,624,766**

25. INTANGIBLE ASSETS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
COST				
At 1 January	3,127,978	2,479,362	3,074,065	2,426,108
Reclassifications	-	66,834	-	66,834
Additions	196,187	581,782	191,018	581,123
At 31 December	3,324,165	3,127,978	3,265,083	3,074,065
AMORTISATION				
At 1 January	1,611,294	1,110,977	1,597,471	1,106,741
Reclassifications	-	2,632	-	2,632
Amortization for the year	538,926	497,685	526,680	488,098
At 31 December	2,150,220	1,611,294	2,124,151	1,597,471
CARRYING AMOUNT				
At 31 December	**1,173,945**	**1,516,684**	**1,140,932**	**1,476,594**

The intangible assets are in respect of computer software purchase costs.

26. PREPAID OPERATING LEASE RENTALS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
COST				
At 1 January	225,800	223,031	219,574	219,574
Additions	-	2,769	-	-
At 31 December	225,800	225,800	219,574	219,574
AMORTISATION				
At 1 January	77,999	77,138	76,756	75,930
Charge for the year	860	861	825	826
At 31 December	78,859	77,999	77,581	76,756
NET BOOK VALUE				
At 31 December	**146,941**	**147,801**	**141,993**	**142,818**

27. INVESTMENT IN SUBSIDIARIES AND ASSOCIATED COMPANIES

		Beneficial ownership %	2012 KShs'000	2011 KShs'000
Investments in subsidiaries:				
Incorporated in Kenya:				
Company	**Activity**			
Kenya Commercial Finance Co. Ltd	Dormant	100	150,000	150,000
Savings & Loan Kenya Ltd	Dormant	100	500,000	500,000
KCB Foundation	Corporate Social Responsibility	-	-	-
Kenya Commercial Bank Nominees Ltd	Nominee Shareholders	100	-	-
Kencom House Ltd	Property Ownership & Management	100	748,645	748,645
KCB Insurance Agency Ltd	Insurance Brokerage	100	100	-
Investment in associates:				
United Finance Ltd	Dormant	45	125	125
Incorporated outside Kenya:				
KCB Bank Tanzania Limited	Commercial Banking	100	1,985,446	1,795,446
KCB Bank South Sudan Limited	Conventional Banking	100	1,025,648	1,025,648
KCB Bank Rwanda Limited	Commercial Banking	100	1,720,681	1,720,681
KCB Bank Burundi Limited	Commercial Banking	100	670,000	-
KCB Bank Uganda Limited	Commercial banking	100	2,683,984	2,683,984
			9,484,629	**8,624,529**

Movement in investment in subsidiaries	2012 KShs'000	2011 KShs'000
Balance at 1 January 2012	8,624,529	6,769,623
Additional investment in KCB Bank Tanzania Limited	190,000	1,854,906
Initial investment in KCB Bank Burundi Limited	670,000	-
Initial investment in KCB Insurance Agency Limited	100	-
Total additional investment in subsidiaries in 2012	860,100	1,854,906
Balance at 31 December 2012	**9,484,629**	**8,624,529**

28. DEFERRED TAX

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
At 1 January	1,055,476	1,126,163	606,328	855,115
Credit/(charge) for the year	1,268,179	(64,349)	1,304,406	(248,787)
Over provision previous year	23,289	-	23,289	-
Translation difference	(16,826)	(6,338)	-	-
At 31 December	**2,330,118**	**1,055,476**	**1,934,023**	**606,328**
The net deferred tax asset is attributable to the following items:				
Depreciation over tax allowances	(116,765)	(246,875)	54	(102,311)
Provisions	1,972,672	762,436	1,933,969	708,639
Tax losses carried forward	474,211	539,915	-	-
	2,330,118	**1,055,476**	**1,934,023**	**606,328**
Comprising:				
Deferred tax asset	**2,330,118**	**1,055,476**	**1,934,023**	**606,328**

29. DUE TO BANKS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Deposits and balances from other banks	9,333,589	14,105,149	8,261,878	11,502,571
Payable within 1 month	5,952,182	14,105,149	6,321,384	11,502,571
Payable after 1 month, but within 3 months	2,593,307	-	1,725,119	-
Payable after 3 months, but within 1 year	788,100	-	215,375	-
	9,333,589	14,105,149	8,261,878	11,502,571

30. CUSTOMER DEPOSITS

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
(a) From government and parastatals:				
Payable within 1 month	41,020,836	43,117,241	40,460,706	42,733,273
Payable after 1 month, but within 3 months	8,402,550	12,139,631	8,402,550	12,139,329
Payable after 3 months, but within 1 year	14,538,852	9,552,594	14,538,852	9,552,594
Payable after 1 year, but within 5 years	2,707,045	1,217,376	2,707,045	962,192
	66,669,283	66,026,842	66,109,153	65,387,388
(b) From private sector and individuals:				
Payable within 1 month	169,315,144	144,974,969	115,298,570	103,571,209
Payable after 1 month, but within 3 months	11,344,775	20,783,547	7,180,635	17,507,259
Payable after 3 months, but within 1 year	25,165,831	21,420,820	19,566,137	18,102,455
Payable after 1 year, but within 5 years	15,542,334	6,102,671	15,338,783	5,605,203
	221,368,084	193,282,007	157,384,125	144,786,126
TOTAL OTHER CUSTOMER DEPOSITS	288,037,367	259,308,849	223,493,278	210,173,514
Maturing as follows:				
Payable within 1 month	210,335,980	188,092,210	155,759,276	146,304,482
Payable after 1 month but within 3 months	19,747,325	32,923,178	15,583,185	29,646,588
Payable after 3 months but within 1 year	39,704,683	30,973,414	34,104,989	27,655,049
Payable after 1 year but within 5 years	18,249,379	7,320,047	18,045,828	6,567,395
	288,037,367	259,308,849	223,493,278	210,173,514

The weighted average effective interest rates on interest bearing customer deposits as at 31 December 2012 was 8.3% (31 December 2011 – 1.6%).

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
31. OTHER LIABILITIES				
Bills payable	888,337	731,796	842,277	671,829
Defined pension benefit obligation	316,000	266,000	316,000	266,000
Other payables	2,227,312	2,890,994	542,608	451,194
	3,431,649	3,888,790	1,700,885	1,389,023
32. PROVISION FOR EXPENSES				
Opening balance	403,972	499,237	221,180	153,942
Provisions released in 2012	(255,800)	(346,799)	(94,514)	(131,125)
New provisions made in 2012	2,352,551	251,534	1,589,843	198,363
Closing balance	**2,500,723**	**403,972**	**1,716,509**	**221,180**

The provision constitutes accrual for staff costs (including bonus cost for 2012 and provision for outstanding annual paid leave days), provision for other operating losses and opertating expenses incurred in 2012 but not settled by year end.

33. RELATED PARTY TRANSACTIONS

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the end of the year and the related expenses and income for the year are as follows:

	2012 KShs'000	2011 KShs'000
a) Balances due from group companies		
KCB Foundation	793	(77,920)
KCB Bank Tanzania Limited	776,217	408,730
KCB Bank Burundi Limited	141,003	-
KCB Insurance Agency Limited	15,619	-
	933,632	330,810
b) Balances due to group companies		
Savings and Loan Kenya Limited	499,900	499,900
Kencom House Limited	473,790	472,696
Kenya Commercial Finance Company Limited	115,207	112,160
KCB Bank Uganda Limited	223,118	120,190
KCB Bank Rwanda Limited	78,832	611,036
KCB Sudan Limited	5,228,033	4,034,435
	6,618,880	**5,850,417**
Net balances due to group companies	**5,685,248**	**5,519,607**

33. RELATED PARTY TRANSACTIONS (Continued)

Balances due from and due to group companies are non -interest bearing, are current and are generally on 30-90 day term. The balances relate to transactions entered into with the subsidiary companies at arm's length in the ordinary course of business.

(c) Shareholders, directors and key management personnel

		GROUP		BANK	
		2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
i)	***Loans***				
	Government of Kenya	379,259	824,151	379,259	824,151
	Directors	159,981	3,736,431	24,737	3,719,141
	Senior management	214,858	859,511	170,846	737,738
	Other employees	7,557,388	5,730,895	6,898,483	5,155,987
		8,311,486	**11,150,988**	**7,473,325**	**10,437,017**
	Movement in loans to directors and senior management				
	At 1 January	4,595,942	4,217,049	4,456,879	4,201,417
	Loans issued during the year	258,662	1,249,091	96,576	896,871
	Loans repayments during the year	(1,422,702)	(870,198)	(1,300,809)	(641,409)
	Reclassification	(3,057,063)	-	(3,057,063)	-
	At 31 December	**374,839**	**4,595,942**	**195,583**	**4,456,879**
	Interest income earned	**463,437**	**676,923**	**427,182**	**640,003**
ii)	***Deposits***				
	Government of Kenya	38,916,979	36,850,507	38,916,979	36,314,209
	Directors	246,902	1,607,262	224,139	1,601,587
	Senior management	208,069	449,362	205,040	440,743
	Other employees	910,754	253,154	696,211	110,186
	At 31 December	**40,282,704**	**39,160,285**	**40,042,369**	**38,466,725**
	Movement in deposits by directors and senior management				
	At 1 January	2,056,624	1,725,758	2,042,330	1,707,427
	Deposits received during the year	612,781	1,872,858	436,037	1,704,173
	Deposits withdrawn during the year	(431,330)	(1,541,992)	(266,084)	(1,369,270)
	Reclassification	(1,783,104)	-	(1,783,104)	-
	At 31 December	**454,971**	**2,056,624**	**429,179**	**2,042,330**
	Interest expense	**11,083**	**145,644**	**10,325**	**143,961**

The reclassification relates to loans and deposits due from/to directors who retired from the Board during the year.

33. RELATED PARTY TRANSACTIONS (Continued)

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
iii) ***Senior management personnel compensation (Included under personnel costs - Note 14)***				
Short term employee benefits	498,095	516,744	216,243	374,147
Share based payments	8,310	-	8,310	-
Termination benefits	-	78,546	-	78,546
Post-employment benefits	21,473	28,795	5,776	19,530
	527,878	**624,085**	**230,329**	**472,223**

34. LONG TERM DEBT

	GROUP 2012 KShs'000	GROUP 2011 KShs'000	BANK 2012 KShs'000	BANK 2011 KShs'000
Maturing within one year	1,605,822	-	1,566,363	-
Maturing after one year, but within five years	6,534,307	6,200,000	6,265,454	6,200,000
Maturing after five years	783,183	2,325,000	783,183	2,325,000
	8,923,312	8,525,000	8,615,000	8,525,000

The long term debt includes

a. A 7 year loan obtained from International Finance Corporation in 2011 (IFC) of USD 100 million at an effective interest rate of 2.25 %.

b. A reclassification of KShs. 308,312,000 from balances due to other Banks in 2012. This relates to the following loans obtained by KCB Bank Rwanda from National Bank of Rwanda.

Date	Term	Maturity date	Interest rate	Amount RWF '000	Amount KShs'000
8 Dec 2009	5 years	2 Dec 2014	9%	1,280,000	179,895
4 March 2011	5 years	26 Feb 2016	9%	295,549	39,460
10 May 2011	5 years	2 May 2016	8.5%	733,708	88,957
				2,309,257	**308,312**

35. SHARE CAPITAL

(a) Share Capital

	2012 KShs'000	2011 KShs'000
Authorised:-		
3,500,000,000 (2011: 3,500,000,000) ordinary shares of KShs.1 each	**3,500,000**	**3,500,000**
Issued and fully paid:-		
2,970,340,356 (2011: 2,968,746,156) ordinary shares of KShs.1 each	**2,970,340**	**2,968,746**

The movement in share capital during the year was as follows:

	2012 KShs'000	2011 KShs'000
At 1 January	2,968,746	2,950,260
Employee share option exercised	1,594	18,486
At 31 December	**2,970,340**	**2,968,746**

(b) Employee Share Option Plan

The bank offers shares to the employees under an Employee Share Option (ESOP) at a price lower than the market. The following is a movement of options outstanding at the end of the year.

	Weighted average exercise price 2012	Number of options 2012	Weighted average exercise price 2011	Number of options 2011
Outstanding at 1st January	20.88	64,983,058	19.21	62,713,474
Granted during the period	-	-	21.46	38,567,480
Forfeited during the period	20.04	(24,821,378)	18.61	(17,811,558)
Exercised during the period	20.04	(1,594,200)	18.61	(18,486,338)
Expired during the year		-		-
Outstanding at 31st December	21.46	38,567,480	20.88	64,983,058
Exercisable as at 31 December		-		-

The value of services received in return for the share options granted was based on the fair value of the share options, measured using the Black-Scholes model, with the following inputs/assumptions.

Fair value at the measurement date	KShs 4.68
Market share price	KShs 21.6
Expected volatility based on historic market share price standard deviation	3.5%
Weighted average option life	13 months
Expected dividends growth	5.8%
Risk free interest rates based on Government securities	13.1%

Options exercised during the period were measured at the share market price as of the date of exercise.

35. SHARE CAPITAL (Continued)

(b) Employee Share Option Plan (Continued)

The fair value of the option is recognized as employee expenses in the income statement of the Group. To determine the expense for each particular period options are outstanding, the Group assumes that the employee will uniformly earn the option rights over the vesting period. The table below details the employee expenses for the share-based transactions recognized in the income statement during the year.

Share Capital	2012 KShs'000
Share options granted in 2009	87,502
Share options granted in 2010	7,717
Share options granted in 2011	140,417
Total expense recognized as employee expenses	235,636

(c) Shareholding

The top ten largest shareholders of the Bank as at 31 December 2012 were:

Shareholder	No. of Shares	%
Permanent Secretary to the Treasury of Kenya	523,600,000	17.63
National Social Security Fund	228,196,743	7.68
Standard Chartered Nominees Non Resident A/C 9057	69,990,229	2.36
Standard Chartered Nominees Non Resident A/C 9318	69,692,874	2.35
Standard Chartered Nominees A/C 9688	58,440,723	1.97
CFC Stanbic Nominees LTD A/C R48701	53,775,626	1.81
Standard Chartered Nominees Non Resident A/C 9867	49,673,400	1.67
Standard Chartered Nominees A/C KE13180	45,932,400	1.55
Standard Chartered Nominees Non Resident A/C 9054	44,199,522	1.49
Standard Chartered Nominees A/C 9687	42,570,686	1.43
Total shares	**1,186,072,203**	**39.94**

The distribution of shareholders as at 31 December 2012 was as follows:

Share range	No. of shareholders	Shares held	%
1 to 5000	129,937	220,491,071	7.42
5,001-50,000	29,368	307,255,086	10.34
50,001-100,000	833	57,164,051	1.92
100,001-1,000,000	818	242,060,886	8.15
1,000,001-10,000,000	205	644,292,214	21.70
10,000,001 and above	38	1,499,077,048	50.47
	161,199	**2,970,340,356**	**100.00**

36. RESERVES

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Retained earnings	23,231,666	17,721,580	22,675,602	18,276,521
Share premium	18,921,568	18,891,221	18,921,568	18,891,221
Available-for-sale reserve	(84,815)	(1,983,146)	(84,815)	(1,983,146)
Statutory credit risk reserve	3,151,528	1,866,093	2,799,884	1,517,136
Translation reserve	(494,374)	(591,647)	-	-
	44,725,573	35,904,101	44,312,239	36,701,732

Share premium arises from issue of shares at a price higher than the par value of the shares. These are being applied in business expansion by the Group.

The *available-for-sale reserve* arises from marking to market of investment securities classified under available-for-sale category. The reserves are recognized in income statement once the underlying asset has been derecognized.

Statutory credit risk reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of Central Banks Prudential guidelines. This amount is not available for distribution.

The *translation reserve* arises from translation of the net investment in foreign subsidiaries to Kenya Shillings.

37. DIVIDEND PER SHARE

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting. At the Annual General Meeting to be held on 10th May 2013, a final dividend in respect of the year ended 31 December 2012 of KSh. 5,643,646,676 (2011 – KSh. 5,492,180,389) is to be proposed. Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

	GROUP AND BANK	
	2012 KShs	2011 KShs
Dividends per share (KShs.)	1.90	1.85

38. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Cash flows from operating activities

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
This has been derived as follows:-				
Profit before tax	17,208,143	15,129,374	15,755,891	14,081,866
Adjustments for:				
Depreciation of property and equipment	1,755,273	1,672,850	1,249,952	1,166,348
Amortization of prepaid operating lease rentals	860	861	825	826
Amortization of intangible assets	538,926	497,685	526,680	488,098
Share based payment	235,636	-	235,636	-
Profit/loss on disposal of property and equipment	(50,685)	(238,748)	(50,138)	(235,772)
Operating profit before movements in operating assets and liabilities	**19,688,153**	**17,062,022**	**17,718,846**	**15,501,366**
Cash reserve ratio	(311,339)	(4,638,090)	133,348	(4,279,224)
Available for sale investments	(4,814,045)	(5,550,515)	(4,814,045)	(5,550,515)
Held to maturity investments	(21,466,390)	621,553	(4,398,116)	1,793,676
Effects of foreign exchange rates on long term debt	90,000	-	90,000	-
Reclassification (Note 34)	308,312	-	-	-
Loans and advances	(12,939,307)	(50,611,555)	(7,178,677)	(42,499,419)
Balances due from group companies	-	-	165,641	881,555
Other assets	(316,712)	(1,706,102)	(652,655)	(596,018)
Other customer deposits	28,728,518	62,334,198	13,319,764	46,984,833
Other liabilities and provision for expenses	1,639,610	1,935,794	1,807,191	(153,529)
Cash flow from operating activities	**10,606,800**	**19,447,305**	**16,191,297**	**12,082,725**
Income taxes paid	(4,597,464)	(5,793,529)	(4,271,045)	(5,754,505)
Net cash flows from operating activities	**6,009,336**	**13,653,776**	**11,920,252**	**6,328,220**

38. NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash and cash equivalents

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Balances with Central Banks	7,931,953	13,775,891	-	-
Cash on hand	14,941,781	15,697,286	7,486,203	8,582,793
Held to maturity investments	12,935,943	383,366	12,673,965	-
Due from banks	10,421,565	25,812,084	4,491,511	17,648,880
Due to banks	(9,333,589)	(14,105,149)	(8,261,878)	(11,502,571)
Held for trading	2,923,263	367,938	2,923,263	367,938
	39,820,916	**41,931,416**	**19,313,064**	**15,097,040**

For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition. Cash and cash equivalents excludes, KShs. 13,546 million (2011 KShs. 13,234 million) being the cash reserve requirement held with the Central Banks which is not available for use by the Group.

The cash and cash equivalent components disclosed above are same amounts included in the statement of financial position except held to maturity investments, whose reconciliation is as follows:

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Balance as per statement of cash flows	12,935,943	383,366	12,673,965	-
Balances with more than three months maturity from the acquisition date	57,515,221	36,048,831	38,421,478	34,023,362
Balance as per statement of financial position	70,451,164	36,432,197	51,095,443	34,023,362

39. COMMITMENTS

To meet the financial needs of the customers, the Group enters into various irrevocable commitments. Even though these obligations may not be recognized on the statement of financial position, they do contain credit risk and are therefore part of the overall risk of the Group.

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Capital commitments contracted for at year end	276,963	170,164	113,244	132,777
Loans committed but not disbursed at year end	46,644,275	44,586,173	45,089,131	43,639,631
Foreign currency commitments	102,365	184,536	55,092	97,759

39. COMMITMENTS (Continued)

Commitments to extend credit represent contractual commitments to make loans and other credit facilities to counterparties who, as per the Group credit risk rating model, are rated as either normal or watch. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

40. CONTINGENT LIABILITIES

	GROUP		BANK	
	2012 KShs'000	2011 KShs'000	2012 KShs'000	2011 KShs'000
Letters of credit, acceptances, guarantees, indemnities and other engagements entered into on behalf of customers at year end	102,024,865	87,424,335	100,674,117	84,557,085

Letters of credit, guarantees and acceptances commit the Bank and its subsidiary companies to make payments on behalf of the customers in the event of a specific act, generally relating to the import and export of goods. Guarantees and letters of credit carry the same credit risk as loans. Adversely graded guarantees and letters of credit amount to KShs. 31,417 million (2011: KShs. 19,985 million).

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank and its subsidiary companies have established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Group makes adjustments to account for any adverse effects which the claim may have on its financial standing.

At year end, the Group had several unresolved legal claims. However, the Group believes, based on the information currently available, that the ultimate resolution of these legal proceedings would not likely have a material effect on its operations.

41. RETIREMENT BENEFIT OBLIGATIONS

KCB Pension Fund and Staff Retirement Benefit Scheme

The Group operates a defined contribution scheme and a defined benefit scheme for all full time permanent employees. The members of the defined contribution scheme constitutes employees who joined the Group after 1st January 2006 and members of staff who were in employment prior to this date, but who opted to join the new scheme. The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst the benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

The Group's net obligation in respect of defined benefit scheme is calculated by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The calculation is performed annually by a qualified actuary using the projected unit credit method.

The amount included in the statement of financial position arising from the Group's obligation in respect of the defined benefit scheme is as follows:

41. RETIREMENT BENEFIT OBLIGATIONS (Continued)

The information below summarizes the scheme assets and liabilities:

	2012 KShs'000	2011 KShs'000
Fair value of plan assets	7,404,000	6,872,000
Present value of fund obligations	6,355,000	6,964,000
Deficit	(1,049,000)	92,000
Unrecognized actuarial gain	1,369,000	174,000
Net retirement benefit liability	320,000	266,000

The deficit has been accrued in the financial statements.

	2012 KShs'000	2011 KShs'000
Movement in plan assets		
At 1st January	6,872,000	7,671,000
Expected return on plan assets	891,000	738,000
Employer contributions	78,000	127,000
Actuarial gains	192,000	(964,000)
Benefits paid	(629,000)	(700,000)
At 31st December	7,404,000	6,872,000

	2012 KShs'000
The plan assets as at 31st December consisted of the following	
Equity securities	1,829,000
Government bonds	1,916,000
Investment in real properties	2,552,000
Bank's own ordinary shares	426,000
Corporate bonds	347,000
Cash and Bank deposits	334,000
Total plan assets	7,404,000

	2012 KShs'000	2011 KShs'000
Movement in present value of the retirement benefit obligations		
At 1st January	6,964,000	7,023,000
Current service cost (net of employer contributions)	117,000	129,000
Interest cost	906,000	674,000
Actuarial gains/(losses)	(1,003,000)	(287,000)
Benefits paid	(629,000)	(700,000)
Past service cost	-	125,000
At 31st December	6,355,000	6,964,000

41. RETIREMENT BENEFIT OBLIGATIONS (Continued)

Historical information

	2012 KShs'000	2011 KShs'000	2010 KShs'000	2009 KShs'000	2008 KShs'000
Fair value of plan assets	7,404,000	6,872,000	7,671,000	6,769,000	8,461,100
Present value of benefits	6,355,000	6,964,000	7,023,000	6,780,000	8,925,000
Fund deficit/(surplus)	(1,049,000)	92,000	(648,000)	11,000	463,900

The deficit has been accrued in the 2011 financial statements.

The principal actuarial assumptions used are as follows;

Rate of interest	12.0%
Rate of salary escalation	8.0%
Expected return on plan assets	12.0%
Future pension increases	Nil

Assumptions regarding future mortality are based on published statistics and mortality tables. The average life expectancy of an individual after retiring at age of 55 is 22 years for males and 26 years for females. The overall expected long-term rate of return on assets is 12.0% and is based on the portfolio as a whole. The return is based exclusively on historical returns without adjustments.

42. OPERATING LEASE COMMITMENTS

Operating lease commitments – Group as lessee
Non-cancellable operating lease rentals are payable as follows:

	2012 KShs'000	2011 KShs'000
Within 1 year	29,046	303,704
After 1 year but less than 5 years	665,416	1,109,068
After 5 years	484,371	422,645
	1,178,833	1,835,417
Operating leases – Group as lessor		
Within 1 year	11,377	52,336
After 1 year but less than 5 years	56,835	122,454
After 5 years	94,423	17,146
	162,635	191,936

The Group leases a number of branch and office premises under operating leases. The leases typically run for a year up to ten years, with an option to renew the lease upon expiry. Lease rentals are increased accordingly to reflect market rentals.

43. COMPARATIVE NUMBERS

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

PROXY FORM

THE SECRETARY
KENYA COMMERCIAL BANK LTD
8TH FLOOR, KENCOM HOUSE, MOI AVENUE
P.O. BOX 48400-00100 NAIROBI KENYA

I/We ____

ID/Passport No ____

Shares A/C No/CDS A/C No ____

of P.O. Box ____

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

ID/Passport No ____

of P.O. Box ____

or failing him the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the 42th Annual General Meeting of the Company to be held on 10th May 2013 at 11:00 a.m or at any adjournment thereof.

Signed ______________ this day of ______________ 2013

Signature (s)

Note:

1. If a member is unable to attend personally this Form of Proxy should be completed and returned to reach the Company's Registered Office not later than 11:00 a.m. on 8th May 2013 i.e. 48 hours before the time for holding the meeting.
2. A person appointed to act as a proxy need not to be a member of the Company.
3. Incase of a member being a corporate body, the Proxy Form must be under its Common Seal or under the hand of the officer or attorney duly authorized in writing.

KATIBU
BENKI YA KENYA COMMERCIAL LTD
GOROFA YA NANE, JUMBA LA KENCOM, MOI AVENUE
S.L.P. 48400-00100 NAIROBI KENYA

Mimi/Sisi ______________________________

Wa kitambulisho/Pasipoti Nambari ______________________________

Hisa A/C No/CDS A/C No ______________________________

wa S.L.P. ______________________________

Nikiwa mwanachama/Wanachama wa kampuni iliyotajwa hapo juu namteua/tunamteua ______________________________

wa kitambulisho/pasipoti nambari ______________________________

wa S.L.P. ______________________________

na akikosa yeye, namteua/tunamteu Mwenyekiti wa mkutano kama mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/ yetu kwenye Mkutano Mkuu wa 42 wa Kampuni utakaofanyika tarehe 10, Mei 2013 saa tano za asubuhi ama siku yoyote ile endapo mkutano huo utaahirishwa.

Imetiwa saini ______________ siku ya ______________ 2013

Saini

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

Fomu ya uwakilishi ni lazima ifike kwa Msajili tarehe 8 Mei 2013 saa tano za asubuhi, yaani masaa 48 kabla ya mkutano.