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Barclays Africa Financial Review

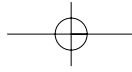
Barclays has been operating in Africa and the middle East for over 100 years and provides banking services to personal and corporate customers across 12 countries. It operates in Botswana, Egypt, Ghana, Kenya, Mauritius, Seychelles, South Africa, Tanzania, Uganda, the United Arab Emirates, Zambia and Zimbabwe.

During the year, the business made excellent progress by delivering strong financial results. Large scale restructuring, the management of major risks and negotiations with ABSA made great demands on management time. Barclays bank in Africa and the Middle East profit

before tax increased by 13% to £128m (2003: £113m). Operating income grew by 3% to £334 million, while customer lending increased by 41% to £2.4 billion. Provisions were flat year on year in light of growth in customer lending.

Other achievements in 2004 included growth in South Africa, an expansion of the business in the United Arab Emirates, and completing the acquisition of the remaining 40% shareholding in Barclays in Egypt. The bank also successfully launched its new IT platform to corporate customers which will be rolled out in 2005.

	2004	2003
	£m	£m
Operating income	334	324
Operating costs	(179)	(184)
Provisions for bad and doubtful debts	(27)	(27)
Profit before tax and exceptional items	128	113



Barclays Bank of Kenya

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

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

Barclays has established an extensive network of 69 outlets with 82 ATMs and a strong customer base of 440,000 customer accounts spread across the country.

The Bank's financial performance over the years has built confidence among the 33,600 shareholders, with a reputation as one of the leading blue chip companies on the Nairobi Stock Exchange.

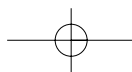
Asset Finance

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BARCLAYS



Board of Directors



SAM AMBUNDO
Chairman (age 75). Joined the Board on 28 May 1982 and was a former General Manager of the Bank.



ADAN MOHAMED
Executive Director (age 42). Joined the Board on 1 December 1999. He is a member of the Institute of Chartered Accountants in England and Wales and a graduate of Harvard Business School in USA. Currently Regional Managing Director East Africa.



CHARLES ONGWAE
Executive Director (age 44). Joined the Board on 26 June 2002. He holds an MBA from the University of Nairobi and is a Certified Public Accountant. Currently Finance and Planning Director.



DOMINIC BRUYNSEELS
Overseas based Non-executive Director (age 45). He is an Associate of the Chartered Institute of Bankers (UK) and holds an MBA degree. Currently Chief Executive of Barclays Africa and the Middle East.



PAUL CHEMNG'OREM
Non-executive Director (age 55). Joined the Board on 26 March 1998. He is a former Managing Director of Kenya Wine Agencies Limited (KWAL). He also served on several boards including Uchumi Supermarkets.



ROSE OGEGA
Non-executive Director (age 44). Joined the Board on 19 April 2002. She is a Bachelor of Commerce graduate from the University of Nairobi and a Fellow of Certified Public Accountants of Kenya. Currently the Finance Director of Skynet Worldwide Express (Kenya) and Chairperson of the Institute of Certified Accountants of Kenya.



JANE W. KARUKU
Non-executive Director (age 42). Joined the Board on 29 August 2003. She holds an MBA from the National University of California USA. Currently the Managing Director of Cadbury Kenya Limited.

Board of Directors



AYISI MAKATIANI
Non-executive Director (age 38). Joined the Board on 26 June 2002. He is a BSc. Electrical Engineering graduate from Massachusetts Institute of Technology (MIT), Boston. Currently the General Manager of AMSCO-International Finance Corporation (IFC).



BROWN M'MBAI ONDEGO
Non-executive Director (age 53). Joined the Board on 29 August 2003. He has experience in the Shipping and Port Related Industry. Currently the Managing Director of Kenya Ports Authority.



AMIN HABIB
Executive Director (age 39). Joined the Board on 25 September 2002. He is a BSc. Industrial Engineering graduate from the University of California. Currently Corporate Director.



FRANCIS OKOMO-OKELLO
Non-executive Director and Vice Chairman (age 54). Joined the Board on 29 August 2003. He holds a Bachelor of Law LLB degree from the University of Dar-es-Salaam and he is a Fellow of the Princeton University, Woodrow Wilson School of Public and International Affairs. Currently the head of Legal & Corporate Affairs at the Industrial Promotion Services Group.



WANJIRU NDUATI
Company Secretary (age 31). She holds a Bachelor of Law degree from the University of Leicester. She is an advocate of the High Court of Kenya and a member of the Chartered Institute of Certified Public Secretaries. She was appointed on 29 August 2003.

Notice of Annual General Meeting

Notice is hereby given that the Twenty Sixth Annual General Meeting of the Shareholders of Barclays Bank of Kenya Limited will be held at Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi on Friday on 8th April, 2005 at 11.00 am to transact the following business:

1. To confirm the Minutes of the Twenty Fifth Annual General Meeting held on 23rd April 2004.

2. To receive, consider and, if thought fit, adopt the Annual Report and Financial Statements for the year ended 31 December 2004 together with the Director's and Auditor's reports thereon.

3. To declare a dividend

4. To elect Directors:

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

Mr. Adan Mohamed

Mr. Charles Ongwae

Mr. Amin Habib

Mr. Ayisi Makatiani

(b) In accordance with Section 186 (2), Mr Samuel O. J. Ambundo who is over the age of 70 years will be retiring as Chairman of the Board and as a director of the Company

5. To fix the remuneration of the directors

6. To Appoint Auditors:

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

By order of the Board

Wanjiru Nduati

Secretary

P O Box 30120, Nairobi

Note 1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend on his behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is provided with this report, must be duly completed by the member and must either be lodged at the registered office of the Company through Barclays Advisory and Registrar Services, P.O. Box 30120, Nairobi or be posted, so as to reach the Company not later than 11.00 a.m on Friday 1st April 2005.

Note 2. Any member may by notice duly signed by him and delivered to the registered office of the company not less than 7 days and not more than 28 days before the day appointed for this meeting propose any other person for election to the Board, such notice must be accompanied by a notice signed by the person proposed indicating his willingness to be elected.

Tangazo la Mkutano Mkuu wa kila mwaka

Hii ni arifa ya kuwafahamisha kwamba mkutano mkuu wa kila mwaka wa Ishirini na sita utafanywa katika ukumbi wa Plenary Hall, Kenyatta International Conference Centre, Harambee Avenue, Nairobi siku ya Ijumaa tarehe 8 Mwezi Aprili mwaka wa 2005 saa tano mchana kwa madhumini yafuatayo:

1. Kithibitisha kumbukumbu za Mkutano mkuu wa mwaka wa ishirini na tano uliofanyika tarehe 23 mwezi Aprili 2004.
2. Kupokea, kutafakari na iwapo itaonekana inafaa, kuidhinisha ripoti na taarifa za kifedha kwa mwaka uliomalizika tarehe 31 mwezi Disemba 2004 pamoja ripoti ya Wakurugenzi na Wakaguzi wa hesabu ya pesa.
3. Kutangaza mgao wa faida.
4. Kuchagua Wakurugenzi:
 - (a) Kuambatana na sehemu za 94 na 96 za sheria za makampuni, wakurugenzi wafuatao wanatarajiwa kustaafu kwa zamu na kwa kuwa wanahitimu, kila mmoja anajiwasilisha kuchaguliwa tena:-

Bw. Adan Mohamed

Bw. Charles Ongwae

Bw. Amin Habib

Bw. Ayisi Makatiani

(b) Kuambatana na sehemu ya 186(2),
Bw. Samuel O.J. Ambundo ambaye ametimiza umri wa miaka 70 atastaafu kama Mwenyekiti wa Halmashauri ya Wakurugenzi wa kampuni hii.

5. Kuweka malipo kwa wakurugenzi
6. Kuteua Wakaguzi wa hesabu ya pesa
7. Kutekeleza shughuli yoyote nyingine ya Mkutano mkuu wa Mwaka

Kwa Agizo la Halmashauri

Wanjiru Nduati

Katibu

P.O.Box 30120, Nairobi

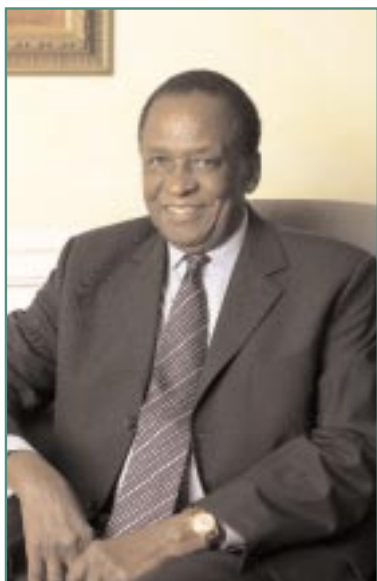
KUMBUKA 1.

M wanachama anaestahili kuhudhuria na kupiga kura mkutanoni anaweza kumteua mwakilishi ahudurie kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Ili kuswihi, mwanachama anahitajika kujaza fomu ya uwakilishi iliyo kwenye taarifa hii na ni lazima ifikihiwe katika Afisi iliyosajiliwa ya Kampuni, Orda ya kwanza, Bank House, Barabara ya Moi Avenue, S. L. Posta 30120, Nairobi au itumwe kwa posta ili iwe inefika kwa Kampuni kabla ya saa Tano asubuhi siku ya Ijumaa tarehe 1 Aprili 2005.

KUMBUKA 2.

M wanachama yeyote anaweza kwa taarifa aliyoitia sahihi mwenyewe na kuwasilisha katika afisi iliyosajiliwa ya Kampuni siku zisizo pungua saba na zisizozidi ishirini na nane kabla ya siku iliyochaguliwa ya kikao hiki kumpendekeza mtu mwingine yeyote kuchaguliwa kwenye Halmashauri, arifa hiyo ni lazima iandane na notisi iliyotiwa saini na mtu aliyependekezwa ikionyesha ridhaa yake ya kuchaguliwa

Chairman's Statement



Sam Ambundo
Chairman

It gives me great pleasure to present the Annual Report and Financial Statements for Barclays bank for the year ended 31 December 2004. The bank had a successful year, delivering strong returns to shareholders while continuing to invest in our staff, new products and technology as well as supporting numerous activities in the communities in which we operate.

During the year, Barclays won many accolades, including three "best bank" awards. 250 top Chief Executive Officers (CEOs) in East Africa voted Barclays as the best bank while the prestigious Euromoney and Banker Magazines rated the bank as the best in Kenya.

Overview of the Economy and Banking Sector

The 2.4% GDP growth for the year is an improvement on the previous year even though it was lower than original government forecast. All the key sectors of the economy - agriculture, tourism, manufacturing, transport and construction - registered reasonable growth rates, ranging from 1.8% to 4.1%

Kenya also saw the resumption of the donor funding programme in 2004, resulting in the much needed investor and donor confidence. Across the banking sector, there was a 20% expansion of credit to the private sector year on year following improved confidence levels and a substantial reduction in the level of interest rates.

The issue of regulatory controls continues within the banking industry. However, during the year certain amendments, which seek to relax some of these regulations, were presented to Parliament and passed into law. As the outstanding issues in the regulatory fronts are being debated, we strongly

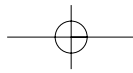
urge that a control-free environment, supplemented by excellent Central Bank of Kenya supervision (as we have witnessed already) be created for smooth operation of the industry.

The upward trajectory in GDP growth and initial confidence in the economic recovery process was overshadowed by political problems in the ruling coalition. Barclays believes there is great potential for further growth during 2005, but is concerned that this may be undermined by the ongoing problems with the donor community on issues of alleged corruption in the government.

Underlying inflation, which is the main focus of monetary policy, remained below 5% during the year, while the 12 month overall inflation rate remained high mainly due to increased costs of energy, transportation and food prices, closing at 11.6%. The shilling exchange rate steadily depreciated against the major currencies in 2004. The depreciation peaked during the first week of December 2004, which coincided with the period of extreme volatility in the interest rates.

Interest rates in Government securities averaged around 3% for most part of the year, having reached a low of 1.52%. The interest rates saw a sharp increase during the fourth quarter of 2004 reaching 8.29% by the end of the year. The key factors that influenced the rise in interest rates included monetary policy interventions by the Central Bank of Kenya (CBK), high demand for funds needed to support Government budgetary requirements and the considerable growth in credit advances to the private sector during the year.

Looking forward, Barclays expects the level of underlying inflation to continue to be below 5% and the interest rates on the 91 day Government paper to be



Chairman's Statement (continued)

similar to those of neighbouring East African countries. These interest rate levels are necessary to avoid any significant movements of funds outside the country to attract better rates of return.

The relatively stable shilling has established a solid foundation for the business community's long-term planning and we hope this will continue into 2005. The movement of the US dollar against other world currencies will influence the shilling exchange rate.

The Board

There were no changes in the composition of the Board in 2004 and I would like to thank all the members for their support and wise counsel. However, after 50 years of dedicated

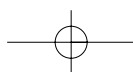
service to the bank in different capacities, the last (10) as Chairman of the Board, I would like to announce at the Annual General Meeting (AGM) my plans to step down from the Board. I wish all my remaining Board colleagues best of luck and I am confident that they will guide this great organisation into the future.

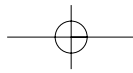
Social Responsibility

Barclays takes social responsibility seriously and aims to make a positive and sustainable impact on its communities. During the year, we invested over Shs 30 million in community programmes. Our intervention related mainly to tackling the HIV/AIDS epidemic, supporting educational projects, promoting local entrepreneurs and environmental conservation and assisting



It's all smiles- Students of Pumwani High School Nairobi practice their skills on computers donated by Barclays through Computer for Schools Kenya Limited.





Chairman's Statement (continued)

people with disabilities. One of the key highlights of the community programmes is Barclay's commitment to making a difference in peoples' lives. Over 1 ,400 of the bank's employees participated in the 'Make a Difference Day' on the 20 November 2004 where numerous activities were carried out in conjunction with the communities and other stakeholders.


As a good corporate citizen, Barclays Bank is committed to paying taxes promptly as required by law. During the year, the bank was recognised by Kenya Revenue Authority as one of the highest tax payers in the country having paid almost shs 2.2 billion.

Barclays Bank will continue to maintain relationships with reputable community

partners to support programmes that are sustainable and provide opportunities for staff involvement.

In conclusion, may I take this opportunity to record my appreciation and gratitude to my fellow Board members, management and staff, for their dedicated support and commitment throughout the year. The continued patronage, spirited support and undivided loyalty of the bank's customers and communities is highly appreciated.


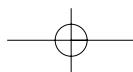
SAM AMBUNDO
CHAIRMAN

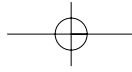


East Africa's most Respected Bank.

As an international bank delivering service to thousands of customers across East Africa, we understand that to be successful, we need to embrace the diversity of our customers. It's this commitment to understanding our customers' needs and providing solutions to them, that's led to us being recognised as the most respected Bank in East Africa.

We couldn't have done it without you - our customers and staff.



Taarifa ya Mwenyekiti



Sam Ambundo
Mwenyekiti

Ninafuraha kuu kuwasilisha Ripoti ya Mwaka na Taarifa za kifedha za benki yenu kwa mwaka uliomalizika tarehe 31 Disemba 2004. Benki yenu ilikuwa na mwaka wenye mafanikio, uliowaletea wenye hisa mapato thabiti huku ikiendelea kuwekeza katika wafanyikazi, bidhaa mpya, teknolojia pamoja na kusaidia shughuli kadhaa katika jamii ambako tunahudumu.

Katika mwaka huo, benki yenu ilishinda tuzo nyingi zikiwemo tatu za nafasi ya "benki bora" katika sekta ya benki. Katika eneo la Afrika Mashariki, maafisa wakuu (CEOs) 250 waliitua Barclays kama benki bora Afrika Mashariki ilhali majarida maarufu ya Euromoney na Banker yaliiorodhesha benki hii kama benki bora zaidi nchini Kenya.

Hali ya Uchumi na sekta ya benki

Ukuaji wa pato la jumla la kitaifa la asilimia 2.4 mwaka huo uliimarika zaidi ya ule wa mwaka uliotangulia hata ingawa ulikuwa wa chini kuliko jinsi serikali ilivyobashiri. Sekta zote muhimu za uchumi katika kilimo, utalii, utengenezaji bidhaa, uchukuzi na ujenzi zilikuwa kwa kiwango cha kati ya asilimia Moja nukta nane na Nne nukta moja.

Kadhalika tulishuhudia kurejeshwa kwa mpango wa ufadhili mnamo mwaka wa 2004 uliorejesha imani iliyohitajika mno ya wawekezaji na wafadhili. Katika sekta yote ya benki kulikuwa na ongezeko la asilimia Ishirini la mikopo kwa sekta ya kibinafsi kufuatia kuimarika kwa viwango vya imani na kupungua kwa viwango vya riba.

Masuala ya udhibiti wa usimamizi yanaendelea kuwa suala muhimu katika sekta ya benki. Hata hivyo, katika mwaka huo, baadhi ya marekebisho ambayo yananiwa kulegeza baadhi ya kanuni hizi yaliwasilishwa bungeni na kukubaliwa. Huku masuala yaliyosalia kuhusu usimamizi yakiendelea kujadiliwa, tunapendekeza kwamba mazingira huru yasiyokuwa na udhibiti pamoja na usimamizi bora wa Benki Kuu ya Kenya (kama tulivyoshuhudia) yabuniwe kwa uendeshaji ufaao wa

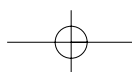
sekta hii.

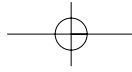
Kuimarika kwa ukuaji wa pato la jumla la kitaifa na imani ya awali katika harakati za ufufuzi wa uchumi kulitatanishwa na matatizo ya kisiasa katika muungano unaotawala. Tunaamini kuwa kuna uwezekano wa ukuaji zaidi wakati wa kipindi cha mwaka wa 2005 lakini tunahofia kwamba ukuaji huo unaweza kuhujumiwa na matatizo yanayoendelea na jumuiya ya wafadhili kuhusiana na masuala ya madai ya ufasidi serikalini.

Kupanda kwa gharama ya maisha, kunakozingatiwa zaidi katika sera ya kifedha kulibakia chini ya asilimia Tano mwaka huo. Hata hivyo gharama ya maisha kwa miezi 12 kwa ujumla ilisalia juu kutokana na kuongezeka kwa gharama za kawi, uchukuzi na bei za vyakula, na kumalizikia kwa asilimia Kumi na moja nukta sita. Viwango vya ubadilishanaji shilingi vilipungua taratibu dhidi ya sarafu muhimu mnamo mwaka 2004. Kupungua huko kulifikia kilele katika wiki ya kwanza ya Disemba 2004 wakati ambapo pia viwango vya riba vilikuwa vinabadilikabadilika.

Viwango vya riba vya hati za dhamana za serikali vilikuwa na wastani wa asilimia 3 kwa sehemu kubwa ya mwaka huo baada ya kufikia kiwango cha chini zaidi cha asilimia Moja nukta hamsini na mbili. Hata hivyo viwango hivyo vilipanda mno wakati wa kipindi cha miezi mitatu ya mwisho wa mwaka 2004 na kufikia asilimia Nane nukta ishirini na tisa kufikia mwisho wa mwaka huo. Mambo muhimu ambayo yaliathiri kupanda kwa viwango vya riba ni pamoja na kuingilia kati sera ya kifedha na Benki Kuu ya Kenya (CBK), mahitaji ya juu ya fedha zilizohitajika kusaidia mahitaji ya bajeti ya serikali na kuongezeka kwa utoaji mikopo kwa sekta ya kibinafsi mwaka huo.

Katika siku zijazo, tunatarajia viwango vya kupanda kwa gharama ya maisha kuendelea kubakia chini ya kiwango cha asilimia Tano na viwango vya riba vya dhamana za serikali za siku 91 kuwa sawa na vile vya mataifa jirani ya Afrika Mashariki. Viwango hivi vya riba vinahitajika ili kuepusha usafirishaji wa





Taarifa ya Mwenyekiti (inaendela)

fedha nje ya nchi hii ili kupata viwango bora.

Uthabiti wa sarafu ya Kenya umeweka msingi imara kwa wafanyibiashara kuwawezesha kufanya mipango ya muda mrefu na tunatumaini kuwa hali hii itaendelea mwaka wa 2005. Hata hivyo, kuimarika kwa dola ya Marekani dhidi ya sarafu nyingine za ulimwengu kutaathiri viwango vya ubadilishanaji shilingi ya Kenya dhidi ya sarafu nyingine.

Halmashauri

Hakukuwa na mabadiliko katika Halmashauri mwaka wa 2004 na ningependa kuwashukuru wanachama wote kwa usaidizi wao na ushauri wa busara waliotoa.

Hata hivyo, baada ya kutoa huduma ya muda wa miaka hamsini kwa benki hii, 10 ya mwisho nikiwa mwenyekiti wa halmashauri, ningependa kutangaza kwenye mkutano mkuu wa mwaka (ACM) mipango yangu ya kujiondoa kwenye Halmashauri. Nawatakia wanachama wenzangu waliosalia kwenye Halmashauri kila la kheri na nina imani kwamba wataliongoza shirika hili kuu kuendelea zaidi siku zijazo.

Jukumu la kijamii

Barclays inachukulia jukumu la kijamii kwa umuhimu mkubwa na hunuia kutoa mchango wenye manufaa mfululizo kwa jamii. Wakati wa kipindi cha mwaka 2004, tuliwekeza zaidi ya shilingi milioni 30 kwa mipango ya kijamii. Usaidizi wetu ulihusiana hasa na ukabilianaji na virusi vya HIV na maradhi ya ukimwi, kusaidia miradi ya kielimu, kuimarisha biashara za humu nchini, uhifadhi wa mazingira na kuwasaidia walemavu. Mojawapo ya masuala tunayoangazia kwenye mipango yetu ya kijamii ni kuimarisha maisha ya watu. Zaidi ya wafanyikazi wetu Elfu moja mia nne walishiriki katika siku ya kutoa usaidizi wenye maana 'Make a difference Day' tarehe 20 mwezi November 2004 ambapo shughuli kadhaa zilitekelezwa kwa ushirikiano na jamii na wahusika wengine.

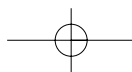
Kama shirika bora la humu nchini, benki

ya Barclays imejitolea kulipa ushuru wakati ufaao kama inavyohitajika kisheria. Katika mwaka huo, benki hii ilitambuliwa na Halmashuri ya Ukusanyaji Ushuru Nchini kama mojawapo ya walipaji ushuru wa juu nchini baada ya kulipa takriban shilingi bilioni 2.2.

Benki ya Barclays itaendelea kudumisha uhusiano na washirika wanaoheshimika wa kijamii kusaidia mipango ifaayo na kutoa nafasi kwa wafanyikazi wetu kushiriki.

Kwa kuhitimisha, ningependa kuchukua nafasi hii kuelezea furaha yangu na kutoa shukrani kwa wanachama wenzangu wa Halmashauri, wasimamizi na wafanyikazi, kwa usaidizi na kujitolea kwao mwaka huo wote. Ningependa pia kuwashukuru wateja wetu na jamii kwa kuendelea kutuunga mkono na kuwa na imani nasi.

SAM AMBUNDO
MWENYEKITI



Managing Director's Report



Adan Mohamed
Managing Director

The journey to transform Barclays Kenya into the most admired financial services organisation in the country, recognised as an innovative, customer - focused business that delivers superb products and services, ensures excellent careers for its people and contributes to its communities, is progressing well. The bank is very pleased to have been voted the best bank in the East Africa region by top 250 CEOs in East Africa and the best bank in Kenya by the Euromoney and Banker Magazines.

Financial Review

The profit before tax for the financial year ended 31 December 2004 was Shs 5,391 million, up from Shs 4,790 million recorded in 2003, reflecting an impressive 12.5% increase considering the challenges in the banking sector where overall margins were low and competition for quality lending and deposits was very fierce.

Total income of Shs 13,775 million declined marginally over the 2003 levels. The 6% growth in both net interest income and foreign exchange fees was offset by the reduction in fees and commissions arising from unrealised loss on revaluation of bonds in line with the International Accounting Standards (IAS).

Following several years of restructuring and investment, total expenses declined by 16.5% to Shs 6,471 million (2003: Shs 7,539 million) benefiting from a one - off gain of Shs 655 million arising from converting the pension scheme from defined benefits (DB) to direct contribution (DC) on a voluntary basis. While the level of restructuring spend significantly declined in 2004, compared to 2003, from Shs 663 million to Shs 252 million, the bank has continued to commit substantial costs to strategic investments in operating systems and other process improvements.

Provision for loan impairment rose 18.6% to Shs 1,913 million (2003: Shs 1,613 million). This was broadly in line with the overall growth in the loan book. Asset quality remained strong and non-performing loans remained at 13% (2003:15%) of the total loan book, compared to the industry average of 22%. Barclays believes that a significant portion of impaired loans and advances is recoverable and initiatives are in place to accelerate recoveries.

Overall loans and advances increased 13% to Shs 68 billion (2003: Shs 60 million), setting Barclays apart as the leading lender to both the personal and business sector in the country. The bank's main areas of growth were Corporate and the SME sector (local businesses), which will provide the necessary growth platform for the Kenyan economy.

Total deposits grew by 4% to Shs 80,449 million in 2004 (2003: Shs 77,266 million), demonstrating the confidence of Barclay's customers in the bank.

The bank's liquidity ratio remained high, averaging 45% of eligible deposits throughout the year compared to the Central Bank minimum guideline of 20%. This liquidity comprises balances held in the statutory cash reserve with the Central Bank, Treasury bills and bond holdings, placings of foreign currency balances and operating cash balances held at Barclay's branches. The high liquidity ratio maintained ensures that the bank can meet maturing deposits, satisfy customer needs for additional borrowing and comply with regulations. The cash ratio remained within the Central Bank's Statutory limit of 6% during the year.

Our capital base remains strong and was above the statutory minimum during the year. Shareholders' funds closed the year at Shs 12,475 million compared to Shs 11,022 million in 2003. Based on our solid capital base and retention of past profits, the Directors have recommended a final dividend of Shs. 11 per share, which together with the interim dividend of Shs.3 per share paid in October 2004, brings the total dividend for the year to Shs 14 per share (2003: Shs 14 per share). The total cash payment amounted to Shs 2,856 million.

Retail Banking

The bank introduced more innovative products and exemplary service to its customers in 2004.

During the year, the bank entered the mortgage market with its 'easy to own' home loan product. This product targets both existing customers and non-customers who desire to own a home or who would like to release equity tied up in their existing homes.

The bank launched a self service branch

Managing Director's Report (continued)

at the Village Market, Nairobi. This self-service branch, the first of its kind in the East African region, opens for longer hours, offers interactive services such as a cash machine with a deposit function, service phones that connect to the bank's telephone banking system and the Barclaycard centre for credit card queries.

Fifteen ATMs were added to the branch network, increasing the total number of ATMs from 67 to 82. This is a welcome boost to the bank's customers and demonstrates that Barclays is committed to providing its customers with the most convenient access to their money.

Barclay's partnership with Local business customers grew through the provision of quick and convenient access to much needed credit. Members of the 'Local Business Club' continued to benefit from up-skilling initiatives, networking events and specialist advice. During the year, the bank facilitated two successful trips to Dubai for about 500 Business Club

members which gave them an opportunity to formulate new business partnerships, learn new business trends and network with their counterparts in Dubai.

Looking forward into 2005, Barclays wishes to ensure that its customers receive radically improved service in the branches and prestige centres. The bank's intention is to ensure that its customers will want to be nowhere else, but Barclays.

Corporate banking

Corporate banking continued its strong growth momentum and achieved record results in 2004. The bank's corporate customer base has made tremendous strides over the past two years and it is now by far the most dominant corporate bank in Kenya.

Aggressive new customer acquisition, as well as a significant broadening of the corporate product offering underpinned this growth. The launch of innovative new products such as 'Cheque-Mate' has enabled the bank to achieve superior electronic payment capability, whilst minimising the element of risk, in particular fraud.

Corporate banking was also at the forefront of all the major structured transactions undertaken in Kenya during the year, the key highlights being the Lead Arranger Status on the Kenya Ports Authority capital expansion programme and the Celtel Syndicated Loan. The latter was the largest syndicated loan transaction undertaken in Kenya at a value of Shs 6 billion, and was fully subscribed.

The ability to sustain this growth will obviously call for a radical improvement in the service offered to corporate customers. Following the successful launch of the first Corporate Service Centre at Barclays Plaza, a second Centre was opened at Enterprise Road in October 2004 to cater for the high concentration of corporate customers in the industrial area. These centres are dedicated to the specialised needs of corporate customers and have a fully integrated service offering that enables seamless execution of transactions. In addition, these centres are equipped with state-of-the-art technology which provides a tracking mechanism on every transaction from source to execution. In line with the bank's stated ambition of providing world-class customer service, Barclays will continue to



The Village Market Self Service branch... the first of its kind in East Africa.

Managing Director's Report (continued)

invest heavily in opening new centres and differentiating its service offering even further in 2005.

Treasury Services

The Treasury had another good year in 2004 despite a challenging economic environment characterised by uncertainty on the political and economic policy fronts. The bank demonstrated its market leadership by winning the mandate for the single largest treasury transaction in the East Africa region, in a period which saw the Kenya shilling post all-time lows against the major hard currencies as the interplay between macro-economic variables sparked currency and interest rate volatility.

The bank's Treasury teams continue to leverage on global enterprise-wide expertise in foreign exchange and interest rate derivatives to provide appropriate products, making it the natural treasury solutions provider for many of our customers.

Barclaycard Business

Barclaycard went through a number of systems and management changes aimed at strengthening operations for the card business. The systems upgrade, replacing the IT operating platform that is expected to be completed during 2005, is a major investment.



During the year, all cardholders were successfully migrated from the Mastercard platform to the more popular Visa platform in the first half of the year. This means all cardholders can now use their cards internationally while enjoying a more flexible payment system. With regard to improving customer service, Barclaycard set up toll-free customer service areas 'Barclaycard Zones' in a number of key branches in Nairobi and Mombasa.

Risk Management

The bank faces various risks, both financial and non-financial in its ordinary course of business and has robust systems, including various management and Board committees in place, to address these.

Improving the credit risk profile of the lending book remains a critical component of overall risk management of the bank. This has been achieved through the improvement in the skills of our credit specialists and professionals who look after the bank's loans and advances.

The quality of the corporate book continues to improve through the booking of better quality businesses, robust, timely monitoring of loans and advances, and early identification of those businesses that may be facing difficult trading conditions. On the other hand, the retail book has continued to grow significantly in both the personal consumer segment and the local business side.

The Barclays Business Support team was able to restructure a number of distressed businesses to generate positive cash flows to meet their ongoing commitments through the involvement of our Legal and other external professionals. A number of them are expected to return to profitability.

The bank's policy on bad and doubtful debt is to provide for impairment losses immediately if it considers that recovery is doubtful. This prudent policy has led to an increase in the level of specific provisions in 2004. Towards the end of last year, the bank took significant steps to accelerating the debt recovery programme and this exercise, which yielded much needed results, will be continued during 2005.

Our Staff

The bank's key objective with regard to

Managing Director's Report (continued)

staff is to be the employer of choice. It has continued to attract some of the best talent in the market thus enabling the bank to refresh its leadership team, with the emphasis being on growing talent to take the business forward. In relation to the future leadership, the bank continues to build the Graduate Recruitment Programme as well as the business attachment of senior staff to different parts of the Group.

During the year, the learning and development function was redesigned to ensure maximum effectiveness with its budget being tripled to ensure significant behavioural and technical up-skilling of employees in different parts of the bank.

The bank has continued its strategy of developing a high performance culture with a clear emphasis being placed on embedding the performance development system that requires line managers to make decisions about performance and pay for their people. This is supported by the introduction of a robust disciplinary and grievance policy.

The bank takes the health and wellbeing programme of staff seriously. One of the biggest business challenges in Africa is the HIV/AIDS scourge. The bank has established and rolled out a wellbeing programme that helps to provide education awareness, preventative measures, confidential testing, medical advice and treatment for employees and

their families. This is considered one of the most advanced programmes among the multi-nationals businesses in Africa.

Looking forward, the bank wishes to develop a robust and enticing human resource culture within Barclays through an effective recognition, training and reward system for its people, with the ultimate aim being to make Barclays the employer and bank of choice in Kenya.

Conclusion

The bank's ambition is to remain the most admired financial services company in the region in the eyes of its colleagues, customers, communities and shareholder.

In conclusion, I would like to thank the Central Bank of Kenya for its guidance and support, our staff for their tireless efforts to protect the Barclays brand, our customers for their continued confidence in us, my colleagues in the management team and the Board for their wise counsel. May I also sincerely thank all our shareholders for their continued investment and trust in us.

ADAN MOHAMED
MANAGING DIRECTOR



Men at work.. Moses Wambua in his weaving workshop, situated in Kibera, a project sponsored by Barclays through Kenya Youth Business Trust (KYBT).

Taarifa ya Mkurugenzi Mkuu



Adan Mohamed
Mkurugenzi Mkuu

Dhamira yetu ya kuigeuza benki ya Barclays kuwa taasisi inayovutia ya utoaji huduma za kifedha nchini Kenya, inayotambuliwa kuwa bunifu, yenye biashara inayotilia maanani mahitaji ya mteja na kutoa bidhaa bora pamoja na huduma, kuhakikisha nafasi bora za kazi kwa watu wake na kuchangia jamii, inaendelea vyema. Tunafurahi sana kwamba tuliteuliwa kuwa benki bora zaidi katika eneo la Afrika Mashariki na Maafisa Wakuu 250 Afrika Mashariki na benki bora zaidi nchini Kenya na majarida ya Euromoney na Banker.

Uchambuzi wa kifedha

Faida kabla ya kutozwa ushuru kwa mwaka uliomalizikia tarehe 31 Disemba 2004 ilikuwa shilingi milioni 5,391, ongezeko la kutoka shilingi milioni 4,790 mnamo mwaka wa 2003. Hii ilidhihirisha ongezeko la asilimia Kumi na mbili nukta tano licha ya changamoto zilizokabili sekta ya benki ambapo viwango vya ujumla vilikuwa vya chini na ushindani wa ukopeshaji bora na uwekaji akiba ulikuwa mkali mno.

Mapato ya jumla ya shilingi milioni 13,775 yalipungua kwa kiasi kidogo kutoka viwango vya mwaka 2003. Ukuaji wa asilimia Sita katika mapato ya riba na ada za ubadilishanaji fedha za kigeni ulisawazishwa na kupungua kwa malipo na ada zilizotokana na hasara ya kutathmini upya dhamana kuambatana na viwango vya uhasibu vya kimataifa.

Kufuatia miaka kadhaa ya marekebisho na uwekezaji, jumla ya gharama ilipungua kwa asilimia Kumi na sita nukta tano na kufikia shilingi milioni 6,471(2003: Shs milioni 7,539) na kunufaika na faida ya wakati mmoja ya shilingi milioni 655 zilizotokana na kugeuza mpango ya malipo ya uzeeni kutoka kwa manufaa yaliyobainishwa (defined benefits) hadi katika mchango wa moja kwa moja(direct contribution) kwa hiari. Ingawaje kiwango cha matumizi katika marekebisho kilipungua kwa kiasi kikubwa mnamo mwaka wa 2004 ikilinganishwa na 2003 kutoka shilingi milioni 663 hadi shilingi

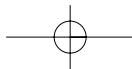
milioni 252, benki hii imeendelea kutumia kiasi kikubwa kwa uwekezaji muhimu katika kuimarisha mifumo ya uendeshaji shughuli za benki na uimarishaji wa taratibu nyingine.

Ukabilianaji na mikopo yenye matatizo uliongezeka kwa asilimia Kumi na nane nukta sita na kufikia shilingi milioni 1,913 (2003: shilingi milioni 1,613). Hii iliambatana na ukuaji wa kiwango cha utoaji mikopo. Uhora wa rasimali ulibakia thabiti, na mikopo isiyoleta faida ilibakia katika kiwango cha asilimia Kumi na tatu (2003:15%) ya jumla ya mikopo iliyotolewa, ikilinganishwa na kiwango cha wastani katika sekta hiyo cha asilimia Ishirini na mbili. Tunaamini kwamba kiasi kikubwa cha mikopo yenye matatizo na advansi kinaweza kupatikana na mipango imefanywa kuharakisha kulipwa kwa mikopo hiyo.

Jumla ya mikopo na advansi iliongezeka kwa asilimia Kumi na Tatu hadi kufikia shilingi bilioni 68 (2003: shilingi milioni 60), na kuifanya Barclays kuwa benki inayoongoza katika ukopeshaji wa kibinafsi na sekta ya kibiashara nchini. Nyanja za benki zilizokua zaidi ni zile za shirika na sekta ya biashara za humu nchini ambazo zitatoa fursa inayohitajika ya ukuaji wa uchumi wa Kenya.

Jumla ya akiba ilikua kwa asilimia Nne na kufikia shilingimilioni 80,449 mwaka wa 2004 (2003: shilingi milioni 77,266) na kudhihirisha imani ambayo wateja wetu wameendelea kuwa nayo katika benki yetu.

Kiwango chetu cha fedha kilibakia cha juu, kikiwa na wastani wa asilimia Arubaini na tano ya akiba zifaazo mwaka wote ikilinganishwa na kiwango cha chini kilichowekwa na Benki Kuu cha asilimia Ishirini. Fedha hizi zinajumuisha zile zilizowekwa kwenye hifadhi ya pesa taslimu katika Benki Kuu, hati za thamani na dhamana za serikali, fedha za kigeni na pesa taslimu zilizoko kwenye matawi ya benki zetu. Kiwango cha juu cha fedha tunachodumisha kinahakikisha tunatimiza akiba zinazokomaa, mahitaji ya wateja ya ukopaji zaidi na kuzingatia kanuni



Taarifa ya Mkurugenzi Mkuu (inaendelea)

zilizowekwa. Kiwango chetu cha fedha daima kiliambatana na kile cha chini kilichowekwa na Benki Kuu cha asilimia Sita mwaka wa 2004.

Mtaji wetu ulibakia thabiti na ulikuwa juu ya kiwango cha chini mwaka huo. Fedha za wenye hisa zilifunga mwaka zikiwa shilingi milioni 12,475 ilinganishwa na shilingi milioni 11,022 mwaka wa 2003. Kutokana na uthabiti wa mtaji wetu na kuhifadhiwa kwa faida iliyopatikana awali, Wakurugenzi wamependekeza mgao wa faida wa mwisho wa shilingi 11 kwa kila hisa, ambazo pamoja na mgao wa muda wa shilingi 3 kwa kila hisa uliolipwa mwezi Oktoba 2004, unafanya jumla ya mgao wa faida kwa mwaka huo kuwa shilingi 14 kwa kila hisa (2003:shilingi 14 kwa kila hisa). Jumla ya pesa za malipo ni shilingi milioni 2,856.

Shughuli za benki za wateja binafsi

Benki ilidumisha mtandao wake mpana wa wateja binafsi katika kipindi cha mwaka wa 2004 na ikaweza kutoa bidhaa bunifu zaidi na huduma bora kwa wateja wetu. Tulianzisha bidhaa kadhaa ukiwemo mpango wa mikopo kwa sekta ya kibinafsi na nyingine kwa sekta ya kibiashara humu nchini.

Mnamo mwaka huo pia tuliingia kwenye soko la kutoa mikopo ya ununuzi wa nyumba kupitia kwa bidhaa yetu ya utoaji mikopo ya kununua nyumba ya "miliki kwa urahisi" (easy to own home loan). Bidhaa hii inakusudiwa wateja tulionao kwa sasa na watu wasio wateja ambao wangenda kumiliki nyumba au kusawazisha rasimili zinazoshikiliwa na nyumba walizo nazo kwa wakati huu.

Wakati wa kipindi cha mwaka huo tulitangaza kufungwa kwa matawi 10 kote nchini lakini tukaendelea kuweka rasimili kwa njia tofauti kwa kufungua matawi mapya matatu na kurekebisha mengine matatu makubwa, kutoa mazingira bora zaidi na ya hali ya juu kwa wateja wetu kuendesha shughuli zao za kifedha. Kadhalika tuliongeza mitambo mingine 15 ya kutoa pesa (ATM), na kuongeza jumla ya mitambo hiyo kutoka 67 hadi 82. Hii iliimarisha maslahi ya wateja wetu na

tutaendelea kuhakikisha kwamba wanaweza kufikia pesa zao kwa urahisi.

Benki hii ilianzisha tawi linalotumia mitambo katika sehemu ya Village Market. Kituo hiki cha kujihudumia mwenyewe, ambacho ni cha kipekee cha aina yake katika eneo la Afrika Mashariki hufungua masaa mengi zaidi, hutoa huduma zinazohusisha mawasiliano kama vile mitambo ya pesa ambapo mteja anaweza kuweka akiba, simu za huduma ambazo zimeunganishwa na mfumo wa simu wa benki na kituo cha kutoa kadi za barclaycard kwa maswali yoyote kuhusu kadi za mikopo.

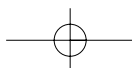
Ushirikiano wetu na wateja walio wafanyibiashara humu nchini ulimarika kupitia kwa utoaji wa mikopo iliyohitajika sana kwa haraka na kwa njia rahisi. Wanachama wa klabu cha kibiashara cha humu nchini waliendelea kunufaika na mipango ya kutoa maarifa, shughuli za kuimarisha ushirikiano na kutoa ushauri mahususi. Katika kipindi cha mwaka huo, tuliandaa ziara mbili zilizofanikiwa sana huko Dubai kwa takriban wanachama 500 wa klabu cha kibiashara humu nchini ambazo ziliwapatia fursa ya kuunda ushirikiano mpya wa kibiashara, kujifunza mielekeo mipya ya kibiashara na kushirikiana na wenzao huko Dubai.

Tunapoangalia mbele katika mwaka wa 2005 tunataka kuhakikisha wateja wetu wanapokea huduma zilizomarishwa katika vituo pamoja na matawi yetu. Tunataka kuhakikisha kwamba hawatataka kwenda kwingineko isipokuwa Barclays.

Shughuli za benki za mashirika

Shughuli za benki za mashirika ziliendelea kuwa thabiti na kuafikia matokeo bora zaidi mwaka wa 2004. Wateja wa shughuli za benki za mashirika wameongezeka katika muda wa miaka miwili iliyopita na sasa ndio benki inayohudumia mashirika mengi zaidi nchini Kenya.

Ukuaji huo ilitokana na juhudi kabambe za kutafuta na kupata wateja wapya na pia kupanua kwa kiasi kikubwa bidhaa zinazotolewa kwa wateja hao. Kuanzishwa



Taarifa ya Mkurugenzi Mkuu (inaendelea)



kwa bidhaa mpya kama vile “Cheque-Mate” kumwezesha wateja wa shughuli za mashirika wa benki hii kupata huduma bora zaidi za ulipaji kwa njia ya mitambo huku wakipunguza kiwango cha mashaka, hasa udanganyifu.

Shughuli za benki za mashirika pia zilikuwa katika mstari wa mbele kwenye shughuli zote zilizoundwa na kutekelezwa nchini Kenya mwaka huo, muhimu zikiwa ule mpango wa upanuzi wa mtaji uliofanywa halmashauri ya bandari nchini na mkopo ulioshirikishwa wa celtel. Mpango huo wa Celtel ndio mkubwa zaidi ulioshirikishwa na kutekelezwa nchini Kenya wenye thamani ya shilingi bilioni 6.

Uwezo wa kudumisha ukuaji huu utahitaji kubuniwa upya kwa viwango vya huduma zinazotolewa kwa wateja wa shughuli za

mashirika. Kufuatia kuanzishwa kwa kituo cha kwanza cha huduma za shughuli za mashirika katika Barclays Plaza, kituo cha pili kilianzishwa Enterprise Road mwezi Oktoba 2004 kushughulikia wateja wengi wa shughuli za benki za mashirika katika eneo la Industrial Area. Vituo hivi vinajihusisha na mahitaji mahususi ya wateja wa shughuli za benki za mashirika na huduma madhubuti zinazoweza utoaji ufaao wa huduma hizo. Kuambatana na lengo letu la kutoa huduma za hali ya juu, tutaendelea kuweka rasimali katika ufunguzi wa vituo vipya na kutenganisha utoaji wetu wa huduma hata zaidi katika mwaka wa 2005. Huduma za Hazina

Hazina yetu ilikuwa na mwaka mwingine mzuri mnamo 2004 licha ya changamoto za hali ya kiuchumi zilizodhihirishwa na kutokuwepo uhakika katika nyanja za kisiasa na kiuchumi. Tulionyesha uongozi wetu kwenye soko kwa kushinda kibali cha biashara ya dhamana kubwa zaidi katika eneo la Afrika Mashariki katika kipindi ambapo shilingi ya Kenya ilipungua hadi kufikia kiwango cha chini zaidi dhidi ya sarafu muhimu huku hali ya kiuchumi ikiathiri uthabiti wa sarafu na viwango vya riba.

Makundi yetu ya hazina yanaendelea kujizatiti na kujifahamisha maarifa ya ulimwengu katika ubadilishanaji fedha za kigeni na viwango vya riba ili kutoa bidhaa zifaazo na hivyo basi kutufanya kuwa watoaji bora zaidi wa huduma hizo kwa wateja wetu wengi.

Biashara ya Barclaycard

Barclaycard ilifanyiwa mabadiliko kadhaa ya kimfumo na usimamizi yaliyonuiwa kuthibiti shughuli za biashara yetu ya kadi. Uimarishaji mitambo (Systems upgrade) ni uwekezaji muhimu unaochukua nafasi ya mitambo ya utekelezaji (operating IT platform) na unatarajiwa kukamilika mwaka wa 2005.

Wakati wa kipindi cha mwaka huo, wenye kadi walihamishwa kutoka mfumo wa Mastercard hadi mfumo wa Visa katika nusu ya kwanza ya mwaka na kwa sababu hiyo wenye kadi wetu wote wanaweza

Taarifa ya Mkurugenzi Mkuu (inaendelea)

kutumia kadi zao kimataifa na kufurahia mfumo bora wa malipo. Kwa kuzingatia uimarishaji wa huduma kwa wateja, Barclaycard iliweka huduma bila malipo kwa wateja “Barclaycard zones” katika baadhi ya matawi mjini Nairobi na Mombasa.

Ukabilianaji na Mashaka

Benki hukabiliwa na mashaka mbalimbali, ya kifedha na yasiyo ya kifedha katika shughuli zake za kawaida na imeweka mifumo madhubuti zikiwemo kamati mbalimbali za wasimamizi na halmashauri kushughulikia mashaka hayo.

Kuimarisha ukabilianaji na mashaka katika utoaji mikopo ni suala nyeti kwa ujumla katika benki. Hii imeafikiwa kupitia uimarishaji wa maarifa ya wataalamu wa utoaji mikopo na wale wanaoshughulikia mikopo na advansi za benki.

Ubora wa shughuli za benki za mashirika

unaendelea kuimarika kupitia kujishughulisha na biashara bora zaidi, ukadiriaji ufaao wa mikopo na advansi na utambuaji wa mapema wa biashara ambazo huenda zinakabiliwa na hali ngumu ya kibiashara. Kwa upande mwingine wateja wa shughuli za kibinafsi wameendelea kuongezeka kwa kiasi kikubwa.

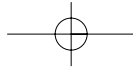
Kundi la usaidizi wa kibiashara la Barclays liliweza kurekebisha biashara kadhaa zilizokuwa zikikabiliwa na matatizo na kuzifanya kupata mapato kuziwezesha kutimiza malipo kupitia kuhusishwa kwa wataalamu wetu wa kisheria na wengineo. Tunatarajia baadhi ya biashara hizo zitaanza kupata tena faida.

Sera ya benki kuhusu madeni mabaya au yasiyo na uhakika ni kutoa fidia ya madeni yenye matatizo mara inapoona kuwa hakuna uhakika wa kuyalipa. Sera hii imesababisha ongezeko katika kiwango maalum kilichotengwa mwaka wa 2004. Kufikia mwishoni mwa mwaka uliopita,

Senior Management Team



(Back) Kihara Maina, Treasurer; Paul Kasimu, Head of Human Resources; Joseph Muremwa, Head of Operations & IT; Wanjiru Nduati, Company Secretary; Salim Abdalla, Director Credit Risk; Kamau Kuria, Head of Change; Kariuki Ngari, Director Retail; Chris Akiwumi, Head of Legal Services.
(Front) Amin Habib, Director Corporate Banking; Charles Ongwae, Director Finance and Planning; Adan Mohamed, Managing Director; Chris Pasha, Commercial Manager Card Centre.



Taarifa ya Mkurugenzi Mkuu (inaendelea)

benki ilichukua hatua muhimu katika kuimarisha mpango wa kulipa madeni ambao ulipata matokeo yaliyohitajika mno na ambao utaendelea mwaka wa 2005.

Wafanyikazi wetu

Madhumuni yetu kuhusiana na wafanyikazi ni kuifanya benki kuwa mwajiri anayechaguliwa na kila mmoja. Tumeendelea kuwavutia watu wenye vipawa bora kwenye soko na hivyo kuiwezesha benki kuwa na kundi bora la uongozi huku ikitilia maanani zaidi vipawa vinavyokua ili kuiendeleza biashara. Kuhusiana na viongozi wa siku zijazo, tunaendelea kujenga na kuwekeza katika mpango wa kuajiri wahitimu walio na shahada za digrii pamoja na kuwapeleka maafisa wakuu kufanya kazi katika sehemu tofauti za benki kujipatia maarifa zaidi.

Wakati wa kipindi cha mwaka huo, shughuli ya mafunzo na ustawishaji iliundwa upya ili kuhakikisha matokeo yafaayo huku bajeti yake ikiongezwa mara tatu kuhakikisha wafanyikazi wanapata maarifa muhimu ya kiufundi na kimienendo katika idara mbalimbali za benki.

Benki imeendelea kustawisha utamadumi wa utendaji-kazi wa hali ya juu huku mfumo wa ustawishaji matokeo bora ambao unahitaji wasimamizi kufanya maamuzi kuhusu matokeo na kuwalipa watu wao ukizingatiwa. Hatua hii inaungwa mkono na kuanzishwa kwa sera madhubuti ya nidhamu na malalamishi.

Benki hii inachukulia mpango wa afya ya wafanyikazi kwa umuhimu mkubwa. Moja ya changamoto kubwa za kibiashara barani Afrika ni maradhi ya ukimwi. Hivyo basi, benki hii imeanzisha na kutekeleza mpango wa afya ambapo inasaidia kutoa elimu na ufahamu, hatua za kuzuia, upimaji wa siri, ushauri wa kimatibabu na matibabu kwa wafanyikazi na jamaa zao. Huu unaonekana kuwa mojawapo ya mipango iliyopiga hatua kubwa zaidi kwenye shirika lolote lile la kibiashara barani Afrika.

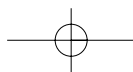
Katika siku zijazo, tunataka kustawisha

wafanyikazi wenye maadili bora katika benki ya Barclays kupitia kwa utambuzi kabambe, mafunzo na mfumo wa utoaji zawadi kwa watu wetu kwa lengo la kuifanya benki ya Barclays hatimaye kuwa mwajiri na chaguo la wote nchini Kenya.

Lengo letu ni kubakia kuwa kampuni ya huduma inayopendwa zaidi katika eneo hili na wafanyikazi wenzetu, wateja, jamii na wenye hisa.

Kwa kumalizia, ningependa kuishukuru Benki Kuu ya Kenya kwa mwongozo na usaidizi wake, wafanyikazi wetu kwa juhudi zao za kulinda bidhaa ya Barclays, wateja wetu kwa kuendelea kuwa na imani nasi na wenzangu katika kundi la usimamizi na Halmashauri kwa ushauri wao wa busara. Ningependa pia kuwashukuru kwa dhati wenye hisa wetu wote kwa kuendelea kuweka rasilimali zao na imani yao kwetu.

**ADAN MOHAMED
MKURUGENZI MKUU**



Directors' Report

The Directors have pleasure in presenting their report together with the audited financial statements for the year ended 31 December 2004.

Principal activities

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

Results

The results for the year are set out on page 37 to 64.

Dividends

One interim dividend of Shs. 3 per share (amounting to Shs. 611 million) was paid during the year. Subject to the approval of the shareholders, the Directors recommend a final dividend for the year of Shs. 11 Per Share, amounting to Shs. 2,241 million. This will be paid on or about 8th April, 2005 to shareholders registered at close of business on 3rd March, 2005. This distribution would leave a balance of retained profit for the year of Shs 842 million which is carried to group revenue reserves.

Financial statements

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

Directors

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

The following Directors are due to retire from the board by rotation under Articles 94, 95 and 96 of the Company's Articles of Association at the forthcoming Annual General Meeting and are eligible for re-

election.

Mr. Adan Mohamed
Mr. Charles Ongwae
Mr. Amin Habib
Mr. Ayisi Makatiani

Mr. S. O. J. Ambundo having attained the mandatory retirement age of 70 years shall be retiring from the Board.

The Chairman Mr. S. O. J. Ambundo who has served as Chairman of the Board since September 1997 will be stepping down at this year's Annual General Meeting. In accordance with Article 106 of the Companies Articles of Association, the Board will be meeting to elect a new Chairman for its meetings.

Directors benefits

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

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

Auditors

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

By order of the Board.
Wanjiru Nduati
Company Secretary
Nairobi

Directors' Report (continued)

Directors

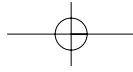
S. O. J. Ambundo	Chairman
F. Okomo-Okello	Deputy Chairman
A. A. Mohamed	Managing Director
C. O. Ongwae	
A. M. Habib	
P. K. Chemngorem	
A. B. Makatiani	
R. N. Ogega	
B. M. Ondego	
J.W. Karuku	
D. Bruynseels	

Auditors

PriceWaterhouseCoopers
Rahimtulla
Upper Hill
P.O. Box 41968 Code 00100
Nairobi

Registered Office
Barclays Plaza
Loita Street
P.O. Box 30120 Code 00100
Nairobi

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



Taarifa ya Wakurugenzi

Wakurugenzi wanafuraha kuwasilisha ripoti pamoja na taarifa za kifedha zilizokaguliwa kwa mwaka uliomalizika tarehe 31 Disemba 2004.

Shughuli muhimu

Benki hii hutoa kwa jina lake na kupitia kwa kampuni tanzu huduma mbalimbali za benki, kifedha na huduma zinazohusiana na imesajiliwa chini ya kifungu cha sheria cha benki.

Matokeo

Matokeo ya mwaka yamechapishwa katika ukurasa wa 37 hadi 64

Mgao wa faida

Mgao wa faida wa muda wa shilingi 3 kwa kila hisa (wa jumla ya shilingi milioni 611) ulilipwa katika kipindi cha mwaka huo. Iwapo wenye hisa wataidhinisha, wakurugenzi wanapendekeza mgao wa faida wa mwisho wa shilingi 11 kwa kila hisa, ambao utakuwa jumla ya shilingi milioni 2,241. Mgao huu utalipwa tarehe 15 mwezi Aprili 2005 kwa wenye hisa waliosajiliwa kufikia kumalizika kwa shughuli za kibiashara tarehe 3 mwezi Machi 2005. Ugawaji huu utabakisha kiasi cha faida itakayohifadhiwa kwa mwaka huo ya shilingi milioni 842 ambayo itapelekwa kwenye hifadhi za mapato za kampuni hii.

Taarifa za kifedha

Kufikia tarehe ya ripoti hii, wakurugenzi hawakufahamu hali zozote, ambazo zingefanya thamani za raslimali zilizoko kwenye taarifa za kifedha za kampuni hii kuwa za kupotosha.

Wakurugenzi

Wanachama wa Halmashauri ya wakurugenzi ambao walihudumu wakati wa kipindi cha mwaka huo na kufikia wakati wa ripoti hii wameorodheshwa hapo chini.

Wakurugenzi wafuatao wanatarajiwa kustaafu kutoka kwa Halmashauri kwa zamu kuambatana na sehemu za 94, 95 na 96 za kifungu cha sheria za makampuni

kwenye mkutano mkuu wa mwaka na wanahitimu kuchaguliwa tena.

Bw Adan Mohamed
Bw Charles Ongwae
Bw Amin Habib
Bw Ayisi Makatiani

Bw S. O. J. Ambundo baada ya kufikisha umri wa miaka 70 atastaafu kutoka kwa Halmashauri.

Mwenyekiti

Bw S. O. J. Ambundo ambaye amehudumu kama mwenyekiti wa halmashauri tangu Septemba 1997 ataondoka kwenye wadhifa huo kwenye mkutano mkuu wa mwaka huu. Kuambatana na sehemu ya 106 ya kifungu cha sheria za makampuni, Halmashauri itakutana kumchagua mwenyekiti mpya kwa mikutano yake.

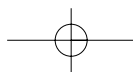
Marupurupu ya wakurugenzi

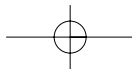
Tangu Mkutano Mkuu wa mwaka uliopita wa kampuni hii hadi kufikia tarehe ya mkutano huu, hakuna mkurugenzi yeyote aliyepokea au kuwa na haki ya kipokea marupurupu yoyote isipokuwa ada za wakurugenzi na malipo yanayopokewa kiambatana na kandarasi za ujiri kwa wakurugenzi wakuu.

Hakujakuwepo mipango yoyote kufikia mwisho wa mwaka wa matumizi ya kifedha au wakati mwingine wowote katika kipindi cha mwaka huo ambapo kampuni ilihusishwa na ambapo wakurugenzi wangepata manufaa kwa njia ya kujipatia hisa au dhamana za mikopo ya benki au taasisi nyingine yoyote ile.

Wakaguzi wa hesabu ya pesa

Wakaguzi wa hesabu ya pesa, PricewaterhouseCoopers wamedhihirisha kwamba wangependa kuendelea na wadhifa huo kuambatana na sehemu ya 159(2) ya kifungu cha sheria za makampuni (Cap 486) na sehemu ya 24(1) ya kifungu cha sheria za benki (cap 488).





Taarifa ya Wakurugenzi (inaendelea)

Kwa Agizo la Halmashauri

Wanjiru Nduati
KATIBU
Nairobi

Wakurugenzi
S.O.J. Ambundo
Mwenyekiti

F. Okomo- Okello
Naibu Mwenyekiti

A. A. Mohamed
Mkurugenzi mkuu

C.O. Ongwae

A. M. Habib

P. K. Chemng'orem

A.B. Makatiani

R.N. Ogega

B.M. Ondego

J.W. Karuku

D. Bruynseels

Wakaguzi wa hezabu ya pesa

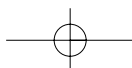
PriceWaterhouseCoopers
Rahimtulla
Upper Hill
P.O.Box 41968 Code 00100

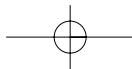
Afisi iliyosajiliwa

Barclays Plaza

Loita Street
PO Box 30120 Code 00100
Nairobi

Msajili na afisi ya uhamishaji
Barclays Advisory & Registrar Services
Ltd
Bank House, Moi Avenue,1st Floor
P.O.Box 30120 Code 00100
Nairobi





Statement of Directors' Responsibilities

The Companies Act requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the group's profit or loss. It also requires the directors to ensure that the company keeps proper accounting records that disclose, with reasonable accuracy, the financial position of the company. They are also responsible for safeguarding the assets of the company.

International Financial Reporting Standards and the requirements of the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and of the company and of the group's profit. The directors further accept responsibility for the maintenance of accounting records that may be relied upon in the preparation of financial statements as well as adequate systems of internal financial control.

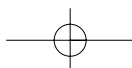
The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a going concern for at least the twelve months from the date of this statement.

Sam Ambundo
Chairman

Adan Mohamed
Managing Director

10 February 2005



Corporate Governance Statement for 2004

Barclays is committed to having robust corporate governance practices and applying the highest standards of business integrity in all our its activities. The Bank achieves this by using a risk-based approach to establish and review the system of internal controls.

As a company listed on the Nairobi Stock Exchange, Barclays is required to state how it has applied the principles of good corporate governance promulgated by the local regulators. In 2004, the bank complied with the existing codes of best practices and all the relevant regulatory requirements. In addition to the governance principles stipulated by local regulators, Barclays Bank of Kenya Limited as a member of the Barclays Group, applies the Group's internal corporate governance guidelines which address the responsibilities of management, the Board and its composition, selection procedures for new directors and relationships with stakeholders.

Management Committees

The bank has set up three key management committees, all chaired by the Managing Director, mandated to implement policy guidelines and strategy from Barclays Group and the Board of Directors. The three committees are;

(a) The Country Management Committee (CMC)

The CMC is responsible for the implementation of operational strategies and policies and is empowered by the Board to make general and operating business decisions. The Board must ratify all strategic and/or policy decisions.

(b) The Assets and Liabilities Committee (ALCO)

The ALCO is responsible for financial risk management, specifically liquidity, interest rate, market risk, capital management and balance sheet structures. The committee meets monthly and its key objective is to ensure sustainable and stable returns within a framework of acceptable financial risks and controls.

(c) The Governance and Controls Committee.

The Governance and Control Committee is responsible for establishing, operating and complying with the bank's regulatory and internal control frameworks. The committee meets quarterly to review the effectiveness of the internal control systems and to monitor all compliance and regulatory issues.

The Board and Committees of The Board

The Board provides overall strategic direction, reviews performance, ensures that the bank meets its responsibilities to the shareholders and that adequate controls exist to protect the bank's assets against major risks. The Board meets regularly and has a formal schedule of matters reserved to it. It has access to the internal audit function, the Company Secretary and the Legal Counsel.

Role of Non-Executive Board Members

The non-executive members of the Board are not involved in the day-to-day operations of the Bank. They are independent of management and free of relationships and other interests which could be perceived to interfere materially with the exercise of judgement in the best interests of the bank and are able to bring objective judgement to the assessment of management and the merits of their initiatives. The primary role of non-executives is to make a positive contribution to the leadership of a company as equal board members, their distinctive role lies in reviewing the performance of the executive and taking the lead where conflicts of interests arise.

Composition of Board Committees

The Board, which comprises eight non-executive directors and three executive directors, has three principal committees with specific responsibilities. Each of the committees is chaired by a non-executive member of the Board, with a membership of four non-executives and provision for co-opting any two or more of the executive members as and when the need arises.

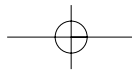
The Responsibilities of the Board Committees

Audit Committee

The Audit committee reviews the annual and compliance reports and evaluates the effectiveness of the internal control systems. In performing its duties, the committee maintains an effective working relationship with the Board of directors, management, the assurance function and the external auditors.

The committee assists the Board to fulfill its corporate governance responsibilities and in particular to;

- Improve the quality of financial reporting
- Strengthen the effectiveness of the assurance function
- Strengthen the control environment
- Increase the stakeholders' confidence in the credibility and standing of the bank.



Corporate Governance Statement for 2004

Advances committee

This committee reviews the risk profile of the Group and recommends to the Board policies and standards for risk management. In the process, it also advises the Board and management on the credit policy, the health of the Bank's lending book and monitors the adequacy and appropriateness of the bank's Business strategies.

External Relations Committee

This newly established committee is mandated to advise the Board and support the management of the bank in all matters related to the formulation, implementation and regular review of policies and strategies in relation to external relations aimed at promoting, preserving and enhancing the Barclays brand and reputation.

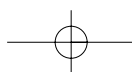
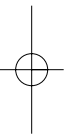
Directors' Conflicts of Interest

Directors are required to disclose all conflicts of interest to the Board and are excluded from voting on such areas. They are sensitised on the rules of insider trading and are required to report and register regularly any changes in their shareholding.

Creating and Maximising Shareholders Value

Creating shareholder value is the key function of the Board, Management and staff of Barclays Bank. The Bank recognises that while in protecting the longer term interests of shareholders, consideration should also be taken on how other stakeholders such as employees, customers, communities, creditors and suppliers are impacted. In order to assure shareholders of our commitment to activities that create and enhance shareholder value, the Board undertakes to carry out an annual evaluation exercise to review and audit its role and successes or otherwise to meet the challenges committed to at the beginning of the year.

10 February 2005



Corporate Social Responsibility Report for 2004

Barclays undertook several community projects in 2004 which have changed lives and offered long lasting benefits to the communities in which we operate. The bank's focus is on education, health promotion, sustainable wealth creation and alleviation of poverty and suffering. We ensure that our community intervention is aligned to national developmental priorities and reflect local community needs. Indeed, Barclays has received local and international recognition for its community programme, including the Marketing Society of Kenya Warrior Award and the Africa Investment Highly Commended Award for The Best Initiative in Support of Millennium Development Goals.

Education

During 2004, the bank injected more than Shs 25 million into the education system. 18 primary schools in need and drawn from every province were chosen and they benefited from additional classrooms, libraries, water tanks, sanitation, desks, staffrooms and furniture. In total 70 toilets blocks, 80 classrooms and libraries were built and handed over to the school communities.

In 2004, Barclays established a unique partnership with UNICEF Kenya to raise funds for girls' education in a campaign dubbed "Barclays and UNICEF Banking on Girls' Education". The campaign raised Ksh 20 million which will go towards constructing or improving sanitation facilities and providing clean water in carefully selected schools in 2005.



A student at Mukuru Kwa Njenga in Nairobi reading in the newly constructed library built by Barclays.

Public Health with specific Focus on HIV & AIDS

Recognizing that HIV/AIDS is no longer just a health issue, but more importantly a socio-economic one, Barclays launched the HIV/AIDS Workplace Policy in 2004. Under this policy, the bank offers employees and their dependents structures to cope, prevent and get treatment as part of the wider scheme to stem the devastating socio-economic effects of the virus on the business and community it operates in. The policy prohibits pre-employment screening of HIV, discrimination and stigmatization of employees living with HIV/AIDS.



This is how it's done, seems to be the message Joseph Wafula is telling his keen listeners during one of the many HIV/AIDS seminars organised by the bank.

Employee Involvement

We have committed and caring staff, numbering about 1800 employees in Kenya. We actively encourage and provide practical support to our staff in making their own individual contributions to the community, either through personal fundraising or donating their time and expertise.

The following programs are the tools that the bank provides to support and reward our people's community initiatives:

Corporate Social Responsibility Report for 2004

(i) Matching Scheme (Shilling for Shilling)

Employee fund raising activities in the Shilling for Shilling in 2004 topped Shs. 7.5 million which went towards various community projects in the country. This scheme is part of the Barclays Group matching scheme known as 'Pound for Pound' where the bank will match funds raised by employees for their favourite charity or cause up to four times per year.



Helen Kamande of Barclays Head Office Support Team engages students of Nile Road Secondary School during a captivating HIV & AIDS awareness session.

(i) Group Volunteering Schemes.

Over 1,400 employees participated in the 2004 'Make - A - Difference Day' (MADD), in 103 projects countrywide. MADD is one of the Volunteer 2-Day Scheme which aims to encourage employees to actively participate in volunteering

activities. The schemes support staff by way of small grants and time out of work, up to 2 days a year.



Junior Achievement Programme in action - Barclays has partnered with Junior Achievement Kenya to promote the welfare and development of young people throughout the country. Through an in-school programme, the bank supported entrepreneurship and economic literacy through job shadowing which saw 1,500 students in Nairobi and Mombasa get first - hand work place experience.

Other Activities

Other activities undertaken by the bank in 2004 include partnership with Junior Achievement Kenya where the bank has committed Shs 4million to sponsor in-school programmes for the next three years and partnership with Red Cross Society to provide relief to victims of drought and floods around the country to the tune of Shs 6.5 million.



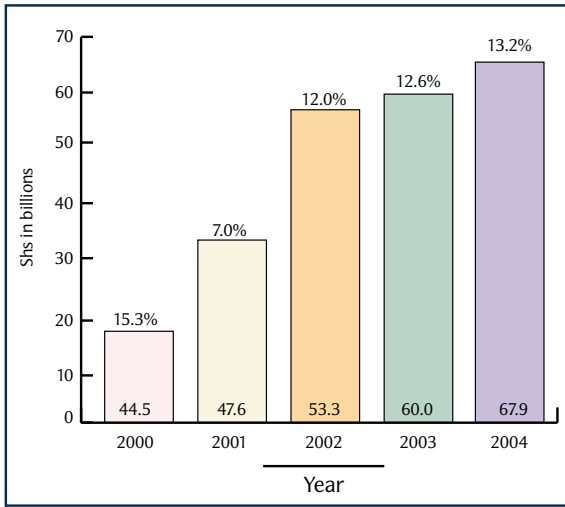
Adan Mohamed- Barclays Kenya MD leads in a tree planting initiative where Barclays employees planted over 2000 trees at Karura Forest during the bank's 'Make - A - Difference Day'.

Five Year Group Review

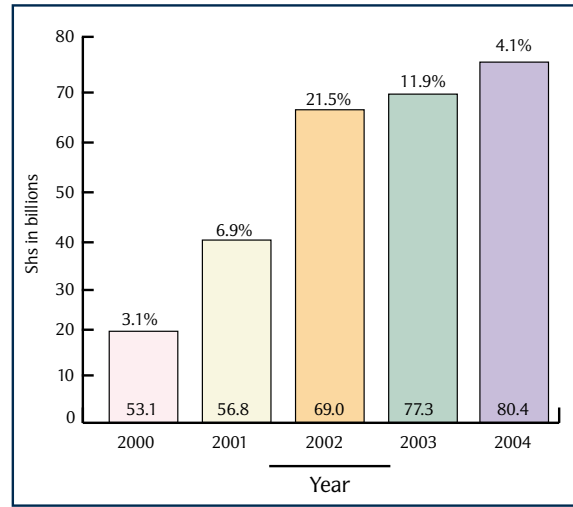
	2000	2001	2002	2003	2004
	Shs. Million	Shs. Million	Shs. Million	Shs. Million	Shs. Million
Operating Income	11,324	11,262	11,494	13,942	13,775
Operating expenses	(6,648)	(5,990)	(7,431)	(7,539)	(6,471)
Impairment losses on loans and advances	(1,641)	(1,037)	(1,513)	(1,613)	(1,913)
Profit before tax	3,035	4,235	2,550	4,790	5,391
Net profit	2,068	2,955	1,783	3,367	3,694
Earnings per share (Shs)	11.0	16.0	10.0	17.0	18.0
Dividends per share (Shs)	14.0	14.0	12.0	14.0	14.0
Loans and advances to customers (gross)	44,519	48,186	53,335	60,038	67,940
Provision for loan impairment	(2,278)	(2,532)	(2,664)	(3,568)	(4,718)
Cash and short term funds	14,370	13,723	15,187	13,816	16,062
Government securities	10,363	10,289	16,189	22,885	21,470
Property and Equipment	1,893	1,749	1,427	1,411	1,580
Other assets	1,510	2,232	2,440	2,073	3,861
Total Assets	70,377	73,647	85,914	96,655	106,195
Customer deposits	53,134	56,788	69,023	77,266	80,449
Other liabilities	6,900	5,459	6,902	8,367	13,271
Total Liabilities	60,034	62,247	75,925	85,633	93,720
Net assets	10,343	11,400	9,989	11,022	12,475
Shareholders funds	10,343	11,400	9,989	11,022	12,475
Performance ratios					
Return on Capital employed	20%	26%	18%	31%	30%
Return on assets	3%	4%	2%	3%	3%
Provisions Charge / Loans and Advances	4%	2%	3%	3%	3%
Balance sheet ratios					
Gross advances to deposits (%)	84%	85%	77%	78%	84%
Provisions / Gross Advances	5%	5%	5%	6%	7%
Classified Debt / Gross Advances	9%	12%	15%	15%	13%
Liquidity (%)	39%	38%	42%	45%	45%
Others					
Staff Numbers	2,143	1,981	1,811	1,741	1,775
Number of shareholders	34,702	34,665	34,540	33,938	33,545

Financial Graphs and Charts

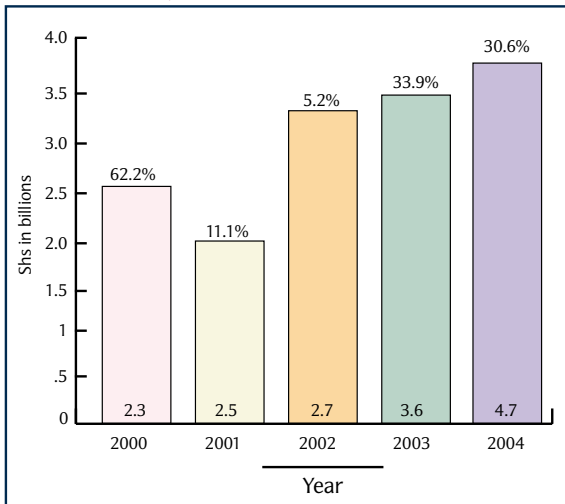
Advances to customers (gross)



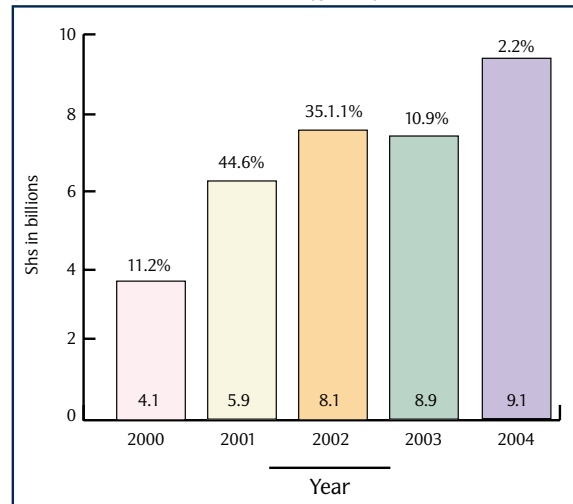
Customer deposits



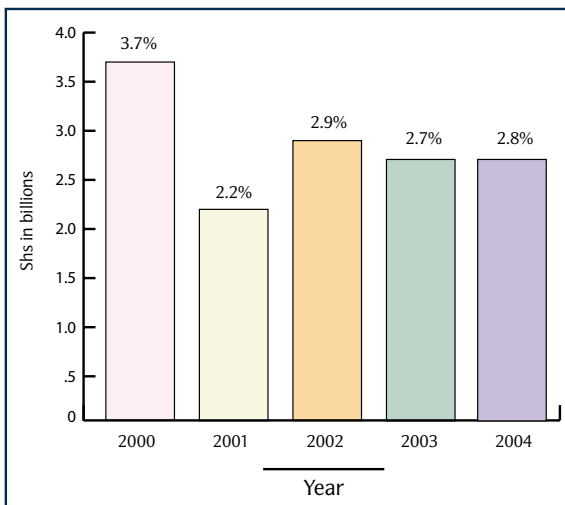
Provisions for impaired loans and advances



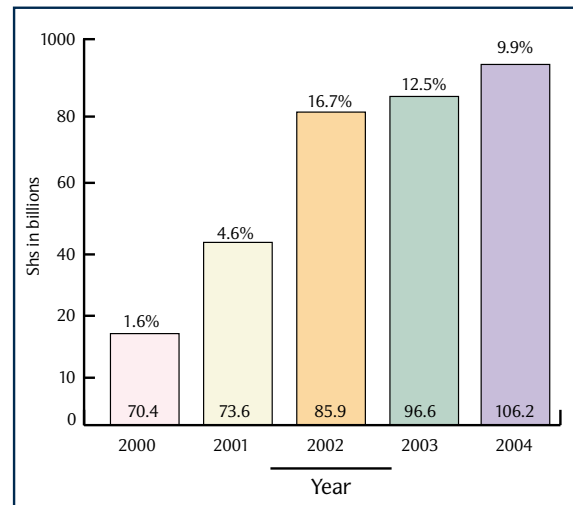
Impaired loans and advances (gross)



Provisions charge as a % of gross advances

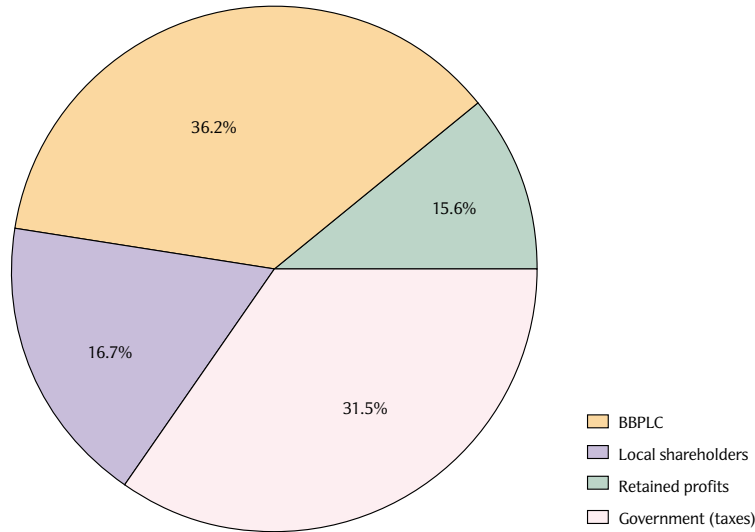


Total assets

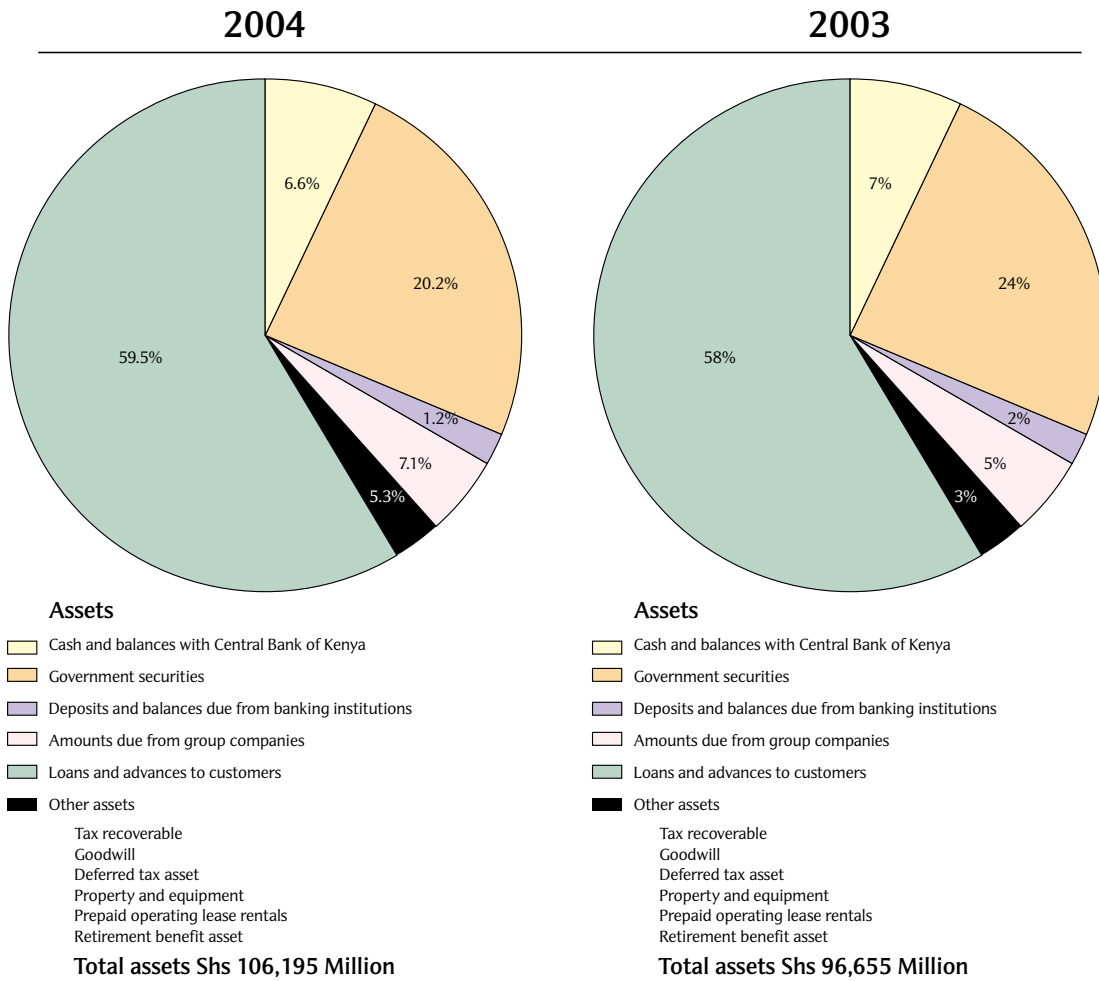


Financial Graphs and Charts (continued)

Distribution of profit before tax



Distribution of assets



Report of the Auditors to the Members of Barclays Bank of Kenya Limited

We have audited the financial statements of Barclays Bank of Kenya Limited for the year ended 31 December 2004 as set out on pages 37 to 64.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of financial statements as described on page 27. Our responsibility is to express an independent opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements.

We have obtained all the information and explanations that to the best of our knowledge and belief were necessary for the purposes of our audit and believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion proper books of account have been kept and the financial statements, give a true and fair view of the state of the financial affairs of the group and of the company at 31 December 2004 and of the profit and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act. The balance sheet of the company is in agreement with the books of account.

PRICEWATERHOUSECOOPERS 

Certified Public Accountants
Nairobi

10 February 2005

Taarifa ya Wakaguzi wa hesabu kwa Wenyehisa wa Barclays Bank of Kenya Limited

Tumefanya ukaguzi wa taarifa za hesabu ya pesa za kampuni ya Barclays Bank kwa mwaka uliomalizika tarehe 31 mwezi Disemba 2004 kama zilivyochapishwa katika kurasa za 37 hadi 64.

Wajibu wa wakurugenzi na wahasibu

Wakurugenzi wana jukumu la kutayarisha taarifa za kifedha zilizoko katika ukurasa wa 27. Jukumu letu ni kutoa maoni yetu kuhusu taarifa hizo za kifedha kulingana na ukaguzi wetu.

Msingi wa maoni

Tulifanya ukaguzi wetu kulingana na viwango vya kimataifa vya ukaguzi wa hesabu. Viwango hivyo vinahitaji tuwe na mpango na kutekeleza ukaguzi wetu ili kupata hakikisho kwamba taarifa hizo za kifedha ni sahihi. Ukaguzi huo unajumuisha uchunguzi, ukadiriaji na ushahidi wa kuunga mkono kiasi cha fedha kilichoko kwenye taarifa hizo. Pia unajumuisha ukadiriaji wa maongozi ya uhasibu yaliyotumiwa na makadirio muhimu yaliyofanywa na wakurugenzi na kutathmini maswala yote ya taarifa hizo za kifedha.

Tumepata habari na maelezo yote ambayo tunajua na kuamini yalikuwa muhimu kwa malengo ya ukaguzi wetu na tunaamini kuwa ukaguzi wetu unatoa msingi kwa maoni yetu.

Maoni

Kwa maoni yetu vitabu sahihi vya uhasibu vimewekwa na taarifa za kifedha zinadhihirisha maoni ya kweli na haki ya jinsi hali ilivyo ya masuala ya kifedha ya kundi na kampuni kufikia tarehe 31 mwezi Disemba mwaka wa 2004 na ya faida na fedha za kundi hilo kwa mwaka uliopita na inaambatana na viwango vya uhasibu wa kimataifa na kifungu cha sheria kuhusu makampuni ya Kenya. Taarifa ya pesa ya kampuni hii inakubaliana na hesabu iliyoko kwenye vitabu.

PRICEWATERHOUSECOOPERS 

Wahasibu walioidhinishwa wa umma

10 Februari 2005

Nairobi

Mandishi yalio juu ni tafsiri ya Kiswahili ya Ripoti ya Wakaguzi kwa wanchama wa Barclays Bank of Kenya Limited, inayonekana katika ukurasa wa 36. Iwapo patatokea ubishi wowote katika ufanuzi wa Taarifa ya Wakaguzi, tafsiri ya Kiingereza ndiyo itakayo tambulika kama inayofaa.

The text set out above is a Kiswahili translation of the Report of the Auditors to the members of Barclays Bank of Kenya Limited, which appears on page 36. In the event of any dispute over the interpretation of the Report of the Auditors, the English version shall be the authoritative version.

Consolidated Profit and Loss Account

For the year ended 31 December 2004

	Notes	2004 Shs million	2003 Shs million
Interest income	1	8,078	8,044
Interest expense	2	(445)	(863)
Net interest income		7,633	7,181
Net fees and commission income		5,084	5,046
Foreign exchange income		1,183	1,121
Fair value (loss)/gain on available-for-sale securities		(172)	334
Other operating income		47	260
Operating income		13,775	13,942
Impairment losses on loans and advances	13	(1,913)	(1,613)
Other operating expenses	3	(6,471)	(7,539)
Profit before income tax		5,391	4,790
Income tax expense	5	(1,697)	(1,423)
Profit for the year		3,694	3,367
Earnings per share			
- Basic and diluted (Shs per share)	6	18	17
Dividends: (Shs million)			
Interim dividends – paid in the year	7	611	1,222
Proposed final dividend for the year	7	2,241	1,630
		2,852	2,852

Consolidated Balance Sheet

For the year ended 31 December 2004

	Notes	2004 Shs million	2003 Shs million
ASSETS			
Cash and balances with Central Bank of Kenya	8	7,049	7,026
Government securities	9	21,470	22,885
Deposits and balances due from banking institutions	10	1,310	1,661
Balances due from group companies	11	7,566	5,129
Other assets	12	2,266	1,055
Loans and advances to customers	13	63,222	56,470
Current income tax recoverable		137	-
Goodwill	15	128	136
Deferred income tax	16	-	219
Property and equipment	17	1,580	1,411
Prepaid operating lease rentals	18	102	109
Retirement benefit asset	19	1,365	554
Total assets		106,195	96,655
LIABILITIES			
Customer deposits	20	80,449	77,266
Deposits and balances due to banking institutions	21	1,427	27
Administered funds	22	2,416	2,892
Other liabilities	23	3,285	2,683
Balance due to group companies	11	6,102	1,648
Dividends payable		-	611
Deferred income tax	16	41	-
Current income tax payable		-	506
Total liabilities		93,720	85,633
SHAREHOLDERS' EQUITY			
Share capital	24	2,037	2,037
Retained earnings		8,197	7,355
Proposed dividend	7	2,241	1,630
Total shareholders' equity		12,475	11,022
Total equity and liabilities		106,195	96,655

The financial statements on pages 37 to 64 were approved for issue by the board of directors on 10 February 2005 and signed on its behalf by:

Sam Ambundo
Chairman

Charles Ongwae
Finance and Planning Director

Adan Mohamed
Managing Director

Wanjiru Nduati
Secretary

Company Balance Sheet

For the year ended 31 December 2004

	Notes	2004 Shs million	2003 Shs million
ASSETS			
Cash and balances with Central Bank of Kenya	8	7,049	7,026
Government securities	9	21,316	22,732
Deposits and balances due from banking institutions	10	1,310	1,661
Amounts due from group companies	11	7,566	5,129
Amounts due from subsidiary company		31	
Other assets	12	2,255	1,035
Loans and advances to customers	13	63,222	56,470
Current income tax recoverable		130	-
Investments in subsidiary companies	14	432	432
Goodwill	15	128	136
Deferred income tax	16	-	219
Property and equipment	17	1,580	1,411
Prepaid operating lease rentals	18	102	109
Retirement benefit asset	19	1,365	554
Total assets		106,486	96,914
LIABILITIES			
Customer deposits	20	80,449	77,266
Deposits and balances due to banking institutions	21	1,427	27
Administered funds	22	2,416	2,892
Other liabilities	23	3,570	2,934
Amounts due to group companies	11	6,102	1,648
Dividends payable		-	611
Deferred income tax	16	47	-
Current income tax payable		-	514
Total liabilities		94,011	85,892
SHAREHOLDERS' EQUITY			
Share capital	24	2,037	2,037
Revaluation reserve		230	252
Retained earnings		7,967	7,103
Proposed dividend	7	2,241	1,630
Total shareholders' equity		12,475	11,022
Total equity and liabilities		106,486	96,914

The financial statements on pages 37 to 64 were approved for issue by the board of directors on 10 February 2005 and signed on its behalf by:

Sam Ambundo
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Finance and Planning Director

Adan Mohamed
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Secretary

Company Statement of Changes in Equity

For the year ended 31 December 2004

	Notes	Share capital Shs million	Retained earnings Shs million	Proposed dividends Shs million	Total Shs million
Year ended 31 December 2003					
At start of year		1,852	7,025	1,112	9,989
Bonus issue of shares		185	(185)	-	-
Profit for the year		-	3,367	-	3,367
Dividends:					
- final for 2002 paid		-	-	(1,112)	(1,112)
- first interim for 2003 paid		-	(611)	-	(611)
- second interim for 2003 paid		-	(611)	-	(611)
- proposed final for 2003	7	-	(1,630)	1,630	-
At end of year		2,037	7,355	1,630	11,022
Year ended 31 December 2004					
At start of year		2,037	7,355	1,630	11,022
Profit for the year		-	3,694	-	3,694
Dividends:					
- final for 2003 paid		-	-	(1,630)	(1,630)
- interim for 2004 paid		-	(611)	-	(611)
- proposed final for 2004	7	-	(2,241)	2,241	-
At end of year		2,037	8,197	2,241	12,475

Company Statement of Changes in Equity (continued)

For the year ended 31 December 2004

Notes	Share capital Shs million	Revaluation reserves Shs million	Retained earnings Shs million	Proposed dividends Shs million	Total Shs million
Year ended 31 December 2003					
At start of year	1,852	234	6,791	1,112	9,989
Surplus on revaluation of investment in subsidiary	-	18	-	-	18
Net gains recognised directly in equity	-	18	-	-	18
Bonus issue of shares	185	-	(185)	-	-
Profit for the year	-	-	3,349	-	3,349
Dividends:					
- final for 2002 paid	-	-	-	(1,112)	(1,112)
- first interim for 2003 paid	-	-	(611)	-	(611)
- second interim for 2003 paid	-	-	(611)	-	(611)
- proposed final for 2003 7	-	-	(1,630)	1,630	-
At end of year	2,037	252	7,103	1,630	11,022
Year ended 31 December 2004					
At start of year	2,037	252	7,103	1,630	11,022
Deficit on revaluation of investment in subsidiary	-	(22)	-	-	(22)
Net gains recognised directly in equity	-	(22)	-	-	(22)
Profit for the year	-	-	3,716	-	3,716
Dividends:					
- final for 2003 paid	-	-	-	(1,630)	(1,630)
- interim for 2004 paid	-	-	(611)	-	(611)
- proposed final for 2004 7	-	-	(2,241)	2,241	-
At end of year	2,037	230	7,967	2,241	12,475

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 Shs million	2003 Shs million
Cash flows from operating activities			
Interest receipts		8,156	8,219
Interest payments		(487)	(966)
Net fee and commission receipts		5,084	5,046
Other income received		1,211	1,576
Recoveries from loans previously written off	13	464	173
Payments to employees and suppliers		(7,464)	(7,663)
Tax paid		(2,338)	(690)
Cash flows from operating activities before changes in operating assets and liabilities		4,626	5,695
Changes in operating assets and liabilities:			
- loans and advances		(9,207)	(7,541)
- other assets		(1,211)	195
- CBK cash reserve requirement	28	(390)	1,168
- government securities maturing after 90 days		4,417	87
- administered funds		(476)	(82)
- customer deposits		3,101	8,358
- other liabilities		602	890
- amounts due to group companies		4,454	(308)
Net cash from operating activities		5,916	8,462
Cash flows from investing activities			
Purchase of property and equipment	17	(455)	(298)
Proceeds from sale of property and equipment		102	209
Net cash used in investing activities		(353)	(89)
Cash flows from financing activities			
Dividends paid		(2,241)	(1,723)
Net cash used in financing activities		(2,241)	(1,723)
Net increase in cash and cash equivalents		3,322	6,650
Cash and cash equivalents at beginning of year (note 26)		22,722	16,072
Cash and cash equivalents at end of year		26,044	22,722

Accounting Policies

For the year ended 31 December 2004

The principal accounting policies adopted in the preparation of these financial statements are set out below: These policies have been consistently applied to all years presented.

(a) Basis of preparation

The consolidated financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The consolidated financial statements are presented in the functional currency; Kenya Shillings (Shs) and rounded to the nearest million and prepared under the historical cost convention as modified by the revaluation of certain financial instruments.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates.

(b) Consolidation

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

(c) Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest bearing instruments on an accrual basis using the effective yield method based on the actual purchase price. Interest income includes coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other discounted instruments. When loans and advances become doubtful of collection, they are written down to their recoverable amounts.

(d) Translation of foreign currencies

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

(e) Investments in subsidiaries

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

(f) Property and equipment

Property and equipment is stated at historical cost less depreciation. Depreciation is calculated on the straight line basis to write down the cost of each asset to its residual value over its estimated useful life as follows:

Accounting Policies (continued)

For the year ended 31 December 2004

- Furniture, fittings and equipment -5 years
- Motor vehicles -5 years
- Improvements on rented premises is depreciated over the lease period.
- Freehold land is not depreciated

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

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

Leasehold land is classified as an operating lease and accounted for as prepayments and amortised over the lease period.

(g) Offsetting

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

(h) Investment securities

Investment securities intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates are classified as available-for-sale. Management determines the appropriate classification of its investments at the time of the purchase.

Investment securities are initially recognised at cost (which includes transaction costs). Available-for-sale financial assets are subsequently re-measured at fair value based on quoted bid prices or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the profit and loss. Where the securities are disposed off or impaired the related accumulated fair

value adjustments are included in the income statement as gains and losses from investment securities.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment loss for assets carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate. By comparison, the recoverable amount of an instrument measured at fair value is the present value of expected future cash flows discounted at the current market rate of interest for a similar financial asset.

Interest earned whilst holding investment securities is reported as interest income. Dividends receivable are included separately in dividend income when a dividend is declared.

(i) Loans and advances

Loans and advances are recognised when cash is advanced to borrowers. They are categorised as originated loans and carried at amortised cost.

Provisions for loan impairment are established if there is objective evidence that the group will not be able to collect all amounts due according to the original contractual terms of loans. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of loans.

Identified provisions are recognised for loans and advances that are individually significant. Unidentified provision is measured and recognised on a portfolio basis where there is objective evidence that probable losses are present in components of the loan portfolio at the balance sheet date. This is estimated

Accounting Policies (continued)

For the year ended 31 December 2004

based upon historical patterns of losses in each component, the credit ratings allocated to the borrowers and reflecting the current economic climate in which the borrowers operate.

When a loan is deemed uncollectible, it is written off against the related provision for impairment losses. Subsequent recoveries are credited to the provision for impairment losses in the profit and loss account. If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for impairment losses in the profit and loss account.

(j) Leases

Assets leased to customers under agreements, which transfer substantially all the risks, and rewards of ownership, other than legal title, are classified as finance leases. Finance lease receivables are included in loans and advances to customers. Gross earnings under finance leases are allocated to accounting periods in such a way as to give a constant periodic rate of return on the net cash investment. Finance lease receivable are stated at the cost of the equipment, including gross earnings to date, less rentals received to date.

(k) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired business or associated undertaking at the date of acquisition.

The carrying amount of goodwill is reviewed when circumstances or events indicate that there may be uncertainty over the carrying amount and written down for impairment where the net present value of the forecast future cash flows of the business are insufficient to support the carrying value. The gain or loss on disposal of an entity includes the related unamortised balance of goodwill relating to the entity disposed.

(l) Repurchase agreement transactions

Securities purchased from the Central Bank of Kenya under agreements to resell ("reverse repos"), are disclosed as Treasury bills as they are held to maturity after which they are repurchased and are not negotiable/discounted during the tenure. The difference between the sale and repurchase price is treated as interest and accrued over the life of the repurchase agreement using the effective yield method.

(m) Retirement benefit obligations

The company operates both a defined benefit plan and defined contribution plan. The assets of this scheme are held in a separate trustee administered fund that is funded by contributions from the company and the employees. Some of the employees are members of the parent company's defined benefit scheme. The company and all its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

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

The group's contributions to the company and parent company's defined contribution schemes are charged to the profit and loss account in the year to which they relate.

Accounting Policies (continued)

For the year ended 31 December 2004

(n) Employee entitlements

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

(o) Income tax

Current income tax is the amount of income tax payable on the profit for the year determined in accordance with the Kenyan Income Tax Act.

Deferred income tax is provided in full, using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, if the deferred income tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is determined using tax rates that are enacted or substantially enacted at the balance sheet date and are expected to apply when the related deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised.

(p) Dividends payable

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

(q) Foreign exchange forward contracts

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

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

(r) Acceptances and letters of credit

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

(s) Fiduciary activities

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

Notes to the Financial Statements

for the year ended 31 december 2003

	2004 Shs million	2003 Shs million
1 Interest income		
Loans and advances	6,849	6,375
Government securities	895	1,519
Cash and short term funds	199	9
Other	135	141
	8,078	8,044
2 Interest expense		
Customer deposits	370	789
Deposits by banks	10	8
Other	65	66
	445	863
3 Other operating expenses		
Staff costs (Note 4)	1,913	3,142
Other administrative expenses	4,558	4,397
	6,471	7,539
Other administrative expenses include:		
Depreciation (Note 17)	231	258
Amortisation of leasehold land	3	5
Operating lease rentals	269	258
Auditors' remuneration	8	8

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

4 Staff costs	2004 Shs million	2003 Shs million
The following items are included within staff costs:		
Restructuring costs - Net termination benefit	252	663
Retirement benefit costs		
- group's retirement benefit scheme	58	58
- parent company's scheme	1	1
- National Social Security Fund	2	3
Gain on curtailment of the retirement benefit scheme	798	-

	2004 Number	2003 Number
The number of persons employed by the group as at year end was:	1,775	1,741

5 Income tax expense	2004 Shs million	2003 Shs million
Current income tax	1,437	1,404
Deferred income tax (Note 16)	260	19
	1,697	1,423

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

	2004 Shs million	2003 Shs million
Profit before income tax	5,391	4,790
Tax calculated at the statutory tax rate of 30% (2003: 30%)	1,617	1,437
Tax effect of:		
Income not subject to tax	(15)	(42)
Expenses not deductible for tax purposes	95	28
Income tax expense	1,697	1,423

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

6 Earnings per share

Basic earnings per share are calculated on the profit attributable to shareholders of Shs 3,694 million (2003: Shs 3,367 million) and on the weighted average number of ordinary shares outstanding during the period.

	2004 Shs million	2003 Shs million
Net profit attributable to shareholders (Shs million)	3,694	3,367
Adjusted weighted average number of ordinary shares in issue (millions)	203.7	193.2
Basic earnings per share (Shs)	18	17

There were no potentially dilutive shares outstanding at 31 December 2004 or 2003. Diluted earnings per share are therefore the same as basic earnings per share.

7 Dividends 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 forthcoming annual general meeting to be held on 8 April 2005, a final dividend in respect of the year ended 31 December 2004 of Shs 11 per share amounting to a total of Shs 2,241 million is to be proposed. During the year an interim dividend of Shs 3 per share, amounting to a total of Shs 611 million was paid. The total dividend for the year is therefore Shs 14 per share (2003: Shs 14), amounting to a total of Shs 2,852 million (2003: Shs 2,852 million).

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

8 Cash and balances with Central Bank of Kenya

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Cash in hand	1,975	2,313	1,975	2,313
Balances with Central Bank of Kenya	5,074	4,713	5,074	4,713
	7,049	7,026	7,049	7,026

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

9 Investment securities

Available-for-sale securities	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Treasury bills and bonds:				
Maturing within 90 days of the date of acquisition	16,616	13,614	16,462	13,461
Maturing after 90 days of the date of acquisition	4,854	9,271	4,854	9,271
	21,470	22,885	21,316	22,732

Treasury bills and bonds are debt securities issued by the Government of Kenya and are classified as available for sale. The weighted average effective interest rate on the Government securities as at 31 December 2004 was 4.2% (2003: 7.2%).

10 Deposits and balances due from banking institutions

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Items in course of collection from other banks	1,151	1,081	1,151	1,081
Placements with other banks	159	580	159	580
	1,310	1,661	1,310	1,661

11 Balances with group companies

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Due from:				
Barclays Bank Plc	<u>7,566</u>	<u>5,129</u>	<u>7,566</u>	<u>5,129</u>
Due to:				
Barclays Bank Plc				
- For services rendered	267	606	267	606
- Others	5,520	1,023	5,520	1,023
Other group companies	315	19	315	19
	6,102	1,648	6,102	1,648

The weighted average effective interest rates at 31 December 2004 on amounts due from group companies was 2.7% (2003: 2.3%) and on amounts due to group companies was 1.7% (2003: 1.8%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

12 Other assets

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Other assets	2,266	1,055	2,255	1,035

13 Loans and advances to customers

Overdrafts	12,321	12,603	12,321	12,603
Commercial loans	52,844	45,450	52,844	45,450
Advances under finance lease agreements	1,298	598	1,298	598
Bills discounted	686	271	686	271
Bills negotiated	51	38	51	38
Other	740	1,078	740	1,078
Gross loans and advances to customers	67,940	60,038	67,940	60,038
Less:				
Provisions for impairment of loans and advances				
- Identified	(3,844)	(2,652)	(3,844)	(2,652)
- Unidentified	(874)	(916)	(874)	(916)
Loans and advances to customers net of provisions	63,222	56,470	63,222	56,470

The aggregate amount of impaired loans included in the balance sheet (net of impairment losses) is Shs 5,237 million (2003: Shs 6,192 million). All such loans have been written down to their recoverable amount.

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

13 Loans and advances to customers (continued)

Movements in provisions for impairment of loans and advances are as follows:

	Group and Company		
	Identified provisions Shs million	Unidentified provision Shs million	Total Shs million
Year ended 31 December 2003			
At 1 January 2003	1,914	750	2,664
New impairment provisions	1,158	-	1,158
Increases of impairment provisions	701	166	867
Recoveries and impairment provisions no longer required	(246)	-	(246)
Net increase in impairment provisions	1,613	166	1,779
Amounts written off during the current period	(875)	-	(875)
At 31 December 2003	2,652	916	3,568
Net increase in impairment provisions above Amount recovered previously written off	1,613 (166)	166 -	1,779 (166)
Net impairment charge to profit and loss account	1,447	166	1,613
Year ended 31 December 2004			
At 1 January 2004	2,652	916	3,568
New impairment provisions	2,547	-	2,547
Increase/(decrease) impairment provisions	896	(42)	854
Recoveries and impairment provisions no longer required	(1,024)	-	(1,024)
Net increase in impairment provisions	5,071	874	5,945
Amounts written off during the current period	(1,227)	-	(1,227)
At 31 December 2004	3,844	874	4,718
Net increase in impairment provisions above Amounts recovered previously written off	2,419 (464)	(42) -	2,377 (464)
Net impairment charge to profit and loss account	1,955	(42)	1,913

The weighted average effective interest rate on loans and advances at 31 December 2004 was 11.0% (2003: 11.6%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

13 Loans and advances to customers (continued)

The loans and advances to customers include finance lease receivables, which may be analysed as follows:

	Group and Company	
	2004	2003
	Shs million	Shs million
Gross investment in finance leases	1,484	686
Unearned future finance income on finance leases	(186)	(88)
Net investment in finance leases	1,298	598
The net investment in finance leases may be analysed as follows:		
Not later than 1 year	40	17
Later than 1 year and not later than 5 years	1,258	581
Net investment in finance leases	1,298	598

No specific provisions for finance lease receivables are included in the provision for loan impairment. Economic sector risk concentrations within the customer loan portfolio were as follows:

	Group and Company	
	2004	2003
	%	%
Manufacturing	23	15
Wholesale and retail trade	3	10
Transport and communications	3	9
Business services	1	2
Agricultural	3	5
Private individuals	32	26
Other	35	33
	100	100

14 Investments in subsidiary companies	Percentage Shareholding	Company	
		2004	2003
		Shs million	Shs million
Barclays Financial Services Limited	100%	275	275
Barclays Advisory and Registrar Services Limited	100%	157	157
Barclays (Kenya) Nominees Limited	100%	-	-
Barclays Mercantile Limited	100%	-	-
		432	432

Barclays Advisory and Registrar Services Limited provides registrar services, advice and acts as a sponsor for corporate clients requiring public share issues on the Nairobi Stock Exchange. Barclays (Kenya) Nominees Limited holds various securities on behalf of customers of Barclays Bank of Kenya. Barclays Financial Services Limited (formerly Barclays Mortgages Limited) and Barclays Mercantile Limited are dormant companies. All the subsidiaries are incorporated in Kenya.

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

15 Goodwill	Group and Company	
	2004 Shs million	2003 Shs million
Net book amount		
At start of the year	136	149
Amortisation charge for the year	(8)	(13)
At end of year	128	136
Cost	153	153
Accumulated amortisation	(25)	(17)
	128	136

16 Deferred income tax

Deferred income tax is calculated, in full, on all temporary differences under the liability method using the enacted income tax rate of 30% (2003: 30%). The movement on the deferred tax account is as follows:

	2004 Shs million	2003 Shs million
At start of year	219	238
Income statement credit	(260)	(19)
At end of year	(41)	219
The net deferred income tax (asset)/liability is attributable to the following:		
Unidentified provision for bad and doubtful debts	262	275
Property and equipment	107	110
Retirement benefit asset	(410)	(166)
	(41)	219

Consolidated deferred income tax assets and liabilities and deferred income tax credit in the profit and loss account are attributable to the following items.

	Credited to profit & loss account		
	1.1.2004		31.12.2004
Deferred tax liabilities			
Others	(166)	(244)	(410)
Deferred tax assets			
Property and equipment	110	(3)	107
Provisions	275	(13)	262
Net deferred tax asset	219	(260)	(41)

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

17 Property and equipment

The Group and Company

	Freehold land and buildings Shs million	Buildings Shs million	Fixtures fittings & equipment Shs million	Motor vehicles Shs million	Total Shs million
Cost					
At 1 January 2004	87	1,442	3,057	222	4,808
Additions	-	182	272	1	455
Disposals	-	(56)	(42)	(106)	(204)
At 31 December 2004	87	1,568	3,287	117	5,059
Depreciation					
At 1 January 2004	28	485	2,710	174	3,397
Charge for the year	1	62	148	20	231
Eliminated on disposals	-	(13)	(40)	(96)	(149)
At 31 December 2004	29	534	2,818	98	3,479
Net book amount					
At 31 December 2004	58	1,034	469	19	1,580
At 31 December 2003	59	957	347	48	1,411

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

18 Prepaid operating lease rentals

Leasehold land is disclosed as prepaid operating lease rentals and carried at cost less amortisation over the period of the lease.

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
At start of year	109	144	109	144
Disposals	(4)	(30)	(4)	(30)
Amortisation	(3)	(5)	(3)	(5)
At end of year	102	109	102	109

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

19 Retirement benefit assets

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

	Group and Company	
	2004 Shs million	2003 Shs million
Present value of funded obligations	(6,033)	(7,331)
Fair value of scheme assets	6,526	6,254
<hr/>		
Present value of under-funding	493	(1,077)
Unrecognised actuarial losses	872	1,631
<hr/>		
Asset in the balance sheet	1,365	554

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

Current service cost	210	172
Interest cost	573	391
Expected return on plan assets	(693)	(505)
Amortisation of unrecognised actuarial losses	53	-
<hr/>		
Net charge before curtailment gain	143	58
Gains on curtailment	(798)	-
<hr/>		
Net charge for the year included in staff costs	(655)	58
Contributions paid	(156)	(165)
<hr/>		
Movement in the asset recognised in the balance sheet	(811)	(107)

The actual return on scheme assets was 7 % (2003: 4.5%).

The principal actuarial assumptions used were as follows:

	2004	2003
- discount rate	12.0%	7.0%
- expected rate of return on scheme assets	13.0%	12.0%
- future salary increases	10.0%	5.0%
- future pension increases	6.0%	2.5%

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

20 Customer deposits	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Current and demand deposits	30,906	28,496	30,906	28,496
Savings accounts	37,256	37,215	37,256	37,215
Fixed deposit accounts	12,287	11,555	12,287	11,555
	80,449	77,266	80,449	77,266

The weighted average effective interest rate on interest bearing customer deposits as at 31 December 2004 was 0.5% (2003: 1.1%).

21 Deposits and balances due to banking institutions

	Group and Company	
	2004 Shs million	2003 Shs million
Items in the course of collection	77	27
Balances due to local banks	1,350	-
	1,427	27

22 Administered funds

Administered funds relate to loans administered on behalf of agencies as follows:

	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
European Investment Bank (EIB) Global Private Enterprises loan programme funding	1,476	1,797	1,476	1,797
PROPARCO funding	940	1,095	940	1,095
	2,416	2,892	2,416	2,892

The weighted average effective interest rate on the administered loans at 31 December 2004 was 1.4% (2003: 1.2%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

23 Other liabilities	Group		Company	
	2004 Shs million	2003 Shs million	2004 Shs million	2003 Shs million
Bills payable	1,385	1,113	1,385	1,113
Unclaimed dividends	151	124	151	124
Other	1,749	1,446	2,034	1,697
	3,285	2,683	3,570	2,934

24 Share capital	Number of shares in millions	Ordinary shares Shs million
Balance at 1 January 2004	203.7	2,037
Balance at 31 December 2004	203.7	2,037

The total authorised number of ordinary shares is 203.7 million with a par value of Shs 10 per share. All issued shares are fully paid.

The distribution of shareholders as at 31 December 2004 was as follows:

Share range	Number of shareholders	Shares held	%
Less than 500	11,304	2,224,780	1.1
501 to 5,000	21,333	26,639,671	13.1
5,001 to 10,000	386	2,741,684	1.4
10,001 to 100,000	470	11,680,983	5.7
100,001 to 1,000,000	45	11,805,755	5.8
Above 1,000,000	7	148,589,727	72.9
Total	33,545	203,682,600	100.0

The top ten shareholders as at 31 December 2004 were:

Name	Shares held	%
1 Barclays Bank Plc	139,530,600	68.50
2 Barclays (Nominees) Kenya Limited – Account No. 9002	2,210,745	1.09
3 Barclays (Nominees) Kenya Limited – Account No. 1256	1,800,000	0.90
4 Barclays (Nominees) Kenya Limited – Account No. 9011	1,527,309	0.80
5 National Social Security Fund Board of Trustees	1,265,766	0.62
6 Old Mutual Life Assurance Company Limited	1,130,181	0.55
7 Kenya Commercial Bank Limited Nominees – Account No. 744	1,125,126	0.55
8 Barclays (Nominees) Kenya Limited – Account No. 1853	942,790	0.46
9 Kenya Commercial Bank Limited Nominees – Account No. 744	798,348	0.40
10 African Liaison and Consultant Services Limited	463,248	0.23
Others	52,888,487	25.90

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

25 Off balance sheet financial instruments, contingent liabilities and commitments

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

	Group and Company	
	2004	2003
	Shs	Shs
Contingent liabilities	million	million
Acceptances and letters of credit	4,177	4,284
Guarantee and performance bonds	8,662	7,626
	12,839	11,910

Nature of the contingent liabilities

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

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

	Group and Company	
	2004	2003
	Shs	Shs
Commitments	million	million
Undrawn formal stand-by facilities, credit lines and other commitments to lend	8,906	5,620
Foreign exchange forward rate agreements at contract value	3,787	737
Foreign exchange spot settlement agreements	235	1,196
	12,928	7,553

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

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

Contingent tax liabilities

There are a number of open tax issues that are currently the subject of discussion between Barclays Bank of Kenya Limited and the Kenya Revenue Authority. Based on appropriate professional advice, the directors are of the opinion that no loss is expected and therefore, no provision has been made in these accounts.

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

26 Fiduciary activities

The group holds asset security documents on behalf of customers with a value of Shs 70,199 million (2003: Shs 66,443 million). Most of these securities are held by the custody services department. The assets held comprise of deposits with financial institutions, government securities, debentures and quoted and unquoted shares.

27 Business segments

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

28 Analysis of the balances of cash and cash equivalent as shown in the consolidated cash flow statement

	2004 Shs million	2003 Shs million
Cash and balances with Central Bank of Kenya	7,049	7,026
Government securities maturing within ninety days	16,616	13,614
Balances due from group companies	7,566	5,129
Deposit and balances due from banking institutions	1,310	1,661
Deposits and balances due to banking institutions	(1,427)	(27)
Central Bank of Kenya cash reserve requirement	(5,070)	(4,681)
	26,044	22,722

For the purposes of the cash flow statement, cash and cash equivalents comprise balances with less than 90 days maturity from the date of acquisition including: cash and balances with central banks, treasury bills and amounts due from other banks. Cash and cash equivalents exclude the cash reserve requirement held with the Central Bank of Kenya

Banks are required to maintain a prescribed minimum cash balance with the Central Bank of Kenya that is not available to finance the bank's day-to-day activities. The amount is determined as 6% (2003: 6%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

29 Interest rate risk

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

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

	Up to 1 month	1-3 Months	3-12 Months	Over 1 year	Non- interest Bearing	Total
ASSETS						
Cash and balances with Central Bank of Kenya	-	-	-	-	7,049	7,049
Government securities	11,621	5,488	4,251	110	-	21,470
Deposits and balances due from Banking institutions	159	-	-	-	1,151	1,310
Balances due from group companies	7,566	-	-	-	-	7,566
Other assets	-	-	-	-	2,266	2,266
Loans and advances to customers	57,985	-	-	-	5,237	63,222
Property and equipment	-	-	-	-	1,580	1,580
Prepaid operating lease rentals	-	-	-	-	102	102
Goodwill	-	-	-	-	128	128
Retirement benefit asset	-	-	-	-	1,365	1,365
Current income tax recoverable	-	-	-	-	137	137
Total assets	77,331	5,488	4,251	110	19,015	106,195
LIABILITIES & EQUITY						
Customer deposits	46,749	7,764	698	313	24,925	80,449
Deposits and balances due to banking institutions	1,427	-	-	-	-	1,427
Administered funds	-	-	-	2,416	-	2,416
Other liabilities	-	-	-	-	3,285	3,285
Amounts due to group companies	6,102	-	-	-	-	6,102
Deferred income tax	-	-	-	-	41	41
Shareholders' equity	-	-	-	-	12,475	12,475
Total liabilities and equity	54,278	7,764	698	2,729	40,726	106,195
Interest sensitivity gap	23,320	(2,276)	3,553	(2,619)	(21,978)	-
As at 31 December 2003						
Total assets	57,190	11,561	7,145	2,976	17,783	96,655
Total liabilities and Equity	48,867	7,616	353	2,892	36,927	96,655
Interest sensitivity gap	8,323	3,945	6,792	84	(19,144)	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

30 Liquidity risk

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2004 to the contractual maturity date. All figures are in millions of shillings.

	Up to 1 month	1-3 Months	3-12 Months	1-3 Years	3-5 Years	Over 5 years	Total
ASSETS							
Cash and balances with							
Central Bank of Kenya	7,049	-	-	-	-	-	7,049
Government securities	11,621	5,488	4,251	60	-	50	21,470
Deposits and balances due							
from banking institutions	1,310	-	-	-	-	-	1,310
Balances due from group							
companies	7,566	-	-	-	-	-	7,566
Other assets	2,266	-	-	-	-	-	2,266
Loans and advances to							
customers	19,551	5,731	7,394	14,923	9,769	5,854	63,222
Property and equipment	-	-	-	-	-	1,580	1,580
Prepaid operating lease rentals	-	-	-	-	-	102	102
Goodwill						128	128
Current income tax							
recoverable						137	137
Retirement benefit asset	-	-	-	1,365	-	-	1,365
Total Assets	49,363	11,219	11,645	16,348	9,769	7,851	106,195
LIABILITIES & EQUITY							
Customer deposits	71,673	7,764	698	256	58	-	80,449
Deposits and balances							
due to banking institutions	1,427	-	-	-	-	-	1,427
Administered funds	-	-	-	2,416	-	-	2,416
Other liabilities	3,285	-	-	-	-	-	3,285
Balances due to group							
companies	6,102	-	-	-	-	-	6,102
Deferred income tax	-	-	-	-	41	-	41
Shareholders equity	-	-	-	-	-	12,475	12,475
Total liabilities & equity	82,487	7,764	3,114	256	99	12,475	106,195
Net liquidity gap	(33,124)	3,455	8,531	16,092	9,670	(4,624)	-
As at 31 December 2003							
Total assets	38,763	17,262	11,537	16,654	7,583	4,856	96,655
Total liabilities and equity	74,266	8,122	3,245	-	-	11,022	96,655
Net liquidity gap	(35,503)	9,140	8,292	16,654	7,583	(6,166)	-

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

30 Liquidity risk (continued)

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

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

31 Currency risk

The group operates wholly within Kenya and its assets and liabilities are carried in the local currency. The group maintains trade with the majority shareholder and other correspondent banks and its foreign currency exposure as at 31 December 2004 was Shs 106 million (2003: Shs 142 million).

The various currencies to which the bank is exposed at 31 December 2004 are summarised in the table below (all amounts expressed in millions of Kenya Shillings):

As at 31 December 2004	USD	GBP	Euro	Other	Total
Assets					
Deposits and balances due to banking institutions and group companies	2,705	4,102	733	165	7,705
Loans and advances to customers	8,446	45	2,414	39	10,944
Other assets	947	186	40	92	1,265
Total assets	12,098	4,333	3,187	296	19,914
Liabilities					
Customer deposits	9,684	4,149	1,707	210	15,750
Deposits and balances due to banking institutions and group companies	5,537	-	-	-	5,537
Other liabilities	897	24	738	47	1,706
Total liabilities	16,118	4,173	2,445	257	22,993
Net balance sheet position	(4,020)	160	742	39	(3,079)
Off balance sheet net notional position	4,105	(160)	(737)	(23)	3,185
Overall net position	85	-	5	16	106
As at 31 December 2003					
Total assets	11,088	1,877	3,806	94	16,865
Total liabilities	10,049	2,198	3,419	73	15,739
Net balance sheet position	1,039	(321)	387	21	1,126
Off balance sheet net notional position	(908)	314	(388)	(2)	(984)
Overall net position	131	(7)	(1)	19	142

Notes to the Financial Statements (continued)

For the year ended 31 December 2004

32 Credit risk

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

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

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral and corporate guarantees. Credit risk is spread over a diversity of personal and commercial customers as set out in Note 13. The credit risk exposure relating to contingencies and commitments is further outlined in Note 25.

33 Related party transactions

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

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

	2004	2003
	Shs million	Shs million
Directors emoluments		
- Fees	8	7
- Executive	39	39
	47	46
Amounts due from directors		
At the start of the year	90	95
Amounts advanced during the year	8	5
Repayments received	(74)	(10)
At the end of year	24	90

At 31 December 2004 advances to directors or companies controlled by directors or their families amounted to Shs 24 million (2003: Shs 90 million).

At 31 December 2004 advances to employees amounted to Shs 2,956 million (2003: Shs 2,842 million).

All the above loans were given on commercial terms and at market rates.

No provisions have been recognised in respect of loans given to the directors. (2003: Nil).

Deposits

During the year the directors maintained various deposit accounts with the Bank which included current, savings and fixed deposit accounts. At 31 December 2004 balances relating to directors deposits amounted to Shs 3 million (2003: Shs22 million).

Branch Network

	Address	Telephone	Fax
Head Office			
Barclays Plaza, Loita Street	Box 30120, 00100 Nairobi	(020) 313405, 313364, 241270	(020) 312392
Barclaycard Centre, Nairobi	Box 70292, 00400 Nairobi	(020) 2714471, 2717150	(020) 2715217
Mombasa Card Centre	Box 43212, 80100 Msa	(041) 316200, 222940	(041) 223884
Plaza Business Centre	Box 46661, 00200 Nairobi	(020) 313364, 241270	(020) 312392
Plaza Premier Centre	Box 46661, 00200 Nairobi	(020) 313364, 241270	(020) 215769
Nairobi Branches			
ABC	Box 30120, 00100 Nairobi	(020) 4446641, 2	(020) 4446642
Enterprise Road	Box 18060, 00500 Nairobi	(020) 530700, 1, 530851 / 2	(020) 558846
Haile Selassie	Box 20415, 00200 Nairobi	(020) 221806, 215895, 219031 / 39	(020) 219039
Hurlingham	Box 34974, 00505 Nairobi	(020) 2710114, 2715408, 2710667	(020) 2715393
JKIA	Box 19011, 00501 Nairobi	(020) 822395 / 665 / 612 / 024, 833024	(020) 822021
Karen	Box 24189, 00502 Nairobi	(020) 882932 / 882162 / 3	(020) 884335
Market	Box 30018, 00200 Nairobi	(020) 222476, 216992, 223507, 216976	(020) 311229
Moi Avenue	Box 30116, 00100 Nairobi	(020) 252244, 210577	(020) 214197
Mombasa Road	Box 30120, 00100 Nairobi	(020) 350124 / 5 / 6	-
Muthaiga	Box 63419, 00619 Nairobi	(020) 3740624 / 3741501 / 2	(020) 3741507
NIC House	Box 72058, 00200 Nairobi	(020) 2715366 / 2714871	(020) 2714361
Plaza	Box 30120, 00100 Nairobi	(020) 241270 / 5, 313364	(020) 332392
Queensway	Box 30011, 00200 Nairobi	(020) 223161 / 6, 223176 / 7	(020) 213530
Rahimtulla	Box 30120, 00100 Nairobi	(020) 2719173 / 4	-
Ruaraka	Box 65090, 00618 Nairobi	(020) 802973, 861760 / 1	(020) 803755
Westlands	Box 14403, 00300 Nairobi	(020) 4442685 / 6 / 7, 4448911 / 2	(020) 4444776
Village Market	Box 14403, 00300 Nairobi	(020) 522741, 521963, 520042	(020) 522452
Coast Branches			
Bamburi	Box 90182, 80100 Mombasa	(041) 5485434, 5487168 / 7547	(041) 5487134
Changamwe	Box 93603, 80100 Mombasa	(041) 432094 / 2 / 75, 434753	(041) 432164
Diani	Box 685, 80400 Ukunda	(040) 3202448 / 9, 3202375	(040) 3203421
Digo Road	Box 90184, 80100 Mombasa	(041) 223667, 224570 / 3	(041) 315911
Malindi	Box 100, 80200 Malindi	(042) 30002, 30870 / 3	(042) 20692
Nkurumah Road Mombasa	Box 90182, 80100 Mombasa	(041) 311660 / 4, 229700	(041) 314477
Upcountry Branches			
Bungoma	Box 91, 50200 Bungoma	(055) 30908	(055) 30475
Eldoret	Box 22, 30100 Eldoret	(053) 2032881 - 9	(053) 32890
Embu	Box 88, 60100 Embu	(068) 20066 / 7 / 8, 20906, 20249	(068) 30717
Kakamega	Box 1815, 30100 Kakamega	(056) 20831, 30028, 20618	(056) 20191
Karatina	Box 320, 10101 Karatina	(061) 72010 / 1, 72518	(061) 72528
Kericho	Box 79, 20200 Kericho	(052) 20274 / 5, 30607 / 8	(052) 30010
Kisii	Box 99, 40200 Kisii	(058) 20021 - 3, 20096 / 80 / 83	(058) 21029
Kisumu	Box 831, 40100 Kisumu	(057) 41210 / 11 / 29 / 45, 41281	(057) 40066
Kitale	Box 62, 30200 Kitale	(054) 20841 / 2, 30418 / 9	(054) 30925
Machakos	Box 652, 90100 Machakos	(044) 20144 / 5, 20333	(044) 21567
Meru	Box 92, 60200 Meru	(064) 20785 / 6, 30108	(064) 30927
Nakuru East	Box 59, 20100 Nakuru	(051) 211825 / 9, 42438 / 9	(051) 45994
Nakuru West	Box 111, 20100 Nakuru	(051) 211825 / 9, 42438 / 9	(051) 43844
Naivasha	Box 654, 20117 Naivasha	(050) 2021466, 2020202 / 3	(050) 2020139
Nanyuki	Box 214, 10400 Nanyuki	(062) 31880 / 2	(062) 32192
Nyahururu	Box 15, 20300 Nyahururu	(065) 32345	(065) 32347
Nyeri	Box 239, 10100 Nyeri	(061) 30792 / 5, 30871 / 20	(061) 30873
Thika	Box 219, 01000 Thika	(067) 30229, 21201, 30230	(067) 22318
Webuye	Box 1020, 50205 Webuye	(055) 41027, 41373, 41623	(055) 41250
Prestige Centres			
ABC Prestige Centre	Box 14403, 00300 Nairobi	(020) 4446641 / 2	(020) 4446642
Eldoret Prestige Centre	Box 22, 30100 Eldoret	(053)822327	(053) 822340
Enterprise Prestige Centre	Box 18060, 00500 Nairobi	(020)530700 / 1	(020) 530842
Harambee Prestige Centre	Box 72700, 00200 Nairobi	(020) 316162 / 72, 226140	(020) 311426
Hurlingham Prestige Centre	Box 34974, 00505 Nairobi	(020) 2710114, 2710667	(020) 2731179
Karen Prestige Centre	Box 24189, 00502 Nairobi	(020) 882932, 882162 / 3	(020) 884335
Kisumu Prestige Centre	Box 831, 40100 Kisumu	(057) 41210, 23244	(057) 40066
Malindi Prestige Centre	Box 100, 80200 Malindi	(042) 31530	(042) 20692
Moi Avenue Prestige Centre	Box 90182, 80100 Mombasa	(041) 226794, 220296, 220318	(041) 312647
Nakuru West Prestige Centre	Box 111, 20100 Nakuru	(051) 211825 / 9, 42438 / 40	(051) 43844
Nkurumah Rd Prestige Centre	Box 90182, 80100 Mombasa	(041) 311661 / 4, 229255	(041) 224699
Nyerere Avenue Prestige Centre	Box 90182, 80100 Mombasa	(041) 311461, 311427	(041) 311460
Plaza Prestige Centre	Box 46661, 00200 Nairobi	(020) 241270, 313364	(020) 312392
Queensway Prestige Centre	Box 30011, 00200 Nairobi	(020) 223161 / 6, 223176 / 7	(020) 213530
Rahimtulla Prestige Centre	Box 72058, 00200 Nairobi	(020) 2719173	(020) 2719176
Sarit Prestige Centre	Box 14403, 00300 Nairobi	(020) 3744742, 4449859	(020) 3747133
Warwick Prestige Centre	Box 63419, 00619 Nairobi	(020) 3755568	(020) 3755569
Yaya Prestige Centre	Box 34974, 00505 Nairobi	(020) 578329	(020) 578097



Proxy Form

Barclays Advisory & Registrar Services
Barclays Bank of Kenya Limited
Bank House, Moi Avenue
P. O Box 30120, Nairobi

I/We _____

of _____

being a member of Barclays Bank of Kenya Limited, hereby appoint _____

of (address) _____

or failing him/her _____

of (address) _____

and failing him/her the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the twenty sixth Annual General meeting of the Company to be held on 8 April 2005 and at any adjournment thereof.

As witness my hand this _____ day of _____ 2005.

Signature(s) _____

This form is to be used* in favour of/against the resolution. Unless otherwise instructed, the proxy will vote as he/she thinks fit.

*Delete whichever is not applicable.

NOTE 1. In case of a member being a corporation the proxy must be under its common seal or the hand of an officer or attorney duly authorised in writing.

NOTE 2. To be valid, this proxy form must be duly completed and delivered to the registered office of the Company not later than 11:00 on Friday 1 April 2005.

A member entitled to attend and vote at the meeting is entitled to appoint a proxy on his behalf. A proxy need not be a member of the Company. To be valid, a form of proxy which is provided with this report, must be duly completed by the member in proxy and must be lodged at the registered office of the Company, 1st Floor, Bank House, Moi Avenue, Nairobi, or be posted, so as to reach the Company not later than 11.00 on Friday 1 April 2005.

Any member may by notice duly signed by him and delivered to the registered office of the Company not less than seven days and not more than 28 days before the day appointed for this meeting propose any other person for election to the Board, such notice must be accompanied by a notice signed by the person proposed indicating his willingness to be elected.



Barclays Advisory & Registrar Services
 Barclays Bank of Kenya Limited
 Bank House, Moi Avenue
 P. O Box 30120, Nairobi

Mimi/Sisi _____

wa Mwanachama/Wanachama wa Kampuni iliotajwa hapo juu, namteua _____

wa (anwani) _____

au kama siye _____

wa (anwani) _____

au badili yake Mwenyekiti wa Mkutano awe muwakilishi wangu/wetu kwa kupiga kura yangu/yetu na kwa niaba yangu/yetu kwenye kikao cha ishirini na sita cha Mkutano Mkuu wa Mwaka utakaofanyika siku ya tarehe 8 Aprili 2005 na kwenye uahirishwaji wake wowote.

Kwa ushahidi wangu/wetu _____

hii _____ siku ya _____ 2005.

Sahihi _____

Fomu hii itatumika* kwa kuunga mkono/kupinga mswada. Isipokuea ikishauriwa vingine mwakilishi atapiga kura anavyo-onelea mwenyewe.

*Futa ile isiyo husika.

FAHAMIKI 1. Ikiwa mwanachama ni shirika uwakilishi uwe kwenye muhuri wa kawaida au kwa idhini ya afisaa au mwanachama alio-idhinishwa kwa maandishi.

FAHAMIKI 2. Ilikuwa halali, fomu hii ya uwakilishi lazima ijazwe na kupelekwa kwenye afisi zilizo-andikishwa za kampuni sio baada ya saa tano asubuhi siku ya Ijumaa tarehe 1 Aprili 2005.

M wanachama anaestahili kuhudhuria na kupiga kura mkutanoni anaweza kumteua mwakilishi ahudhurie kwa niaba yake. Si lazima mwakilishi awe mwanachama wa Kampuni. Ili kuswahi, mwanachama anahitajika kujiiza fomu ya uwakilishi iliyoko kwenye taarifa hii na ni lazima ifikishwe katika Afisi iliyosajiliwa ya Kampuni, Orda ya kwanza, Bank House, Barabara ya Moi Avenue, S. L. Posta 30120, Nairobi au itumwe kwa posta ili iwe imefika kwa Kampuni kabla ya saa Tano asubuhi siku ya Ijumaa tarehe 1 Aprili 2005.

M wanachama yeyote anaweza kwa taarifa aliyoitia sahihi mwenyewe na kuwasilisha katika afisi iliyosajiliwa ya Kampuni siku zisizo punga saba na zisizozidi ishirini na nane kabla ya siku iliyochaguliwa ya kikao hiki kumpendekeza mtu mwingine yeyote kuchaguliwa kwenye Halmashauri, aifa hiyo ni lazima iandane na notisi iliyotiwasaini na mtu aliyependekezwa ikinyesha ridhaa yake ya kuchaguliwa



Notice To Shareholders

The Nairobi Stock Exchange and the Central Depository and Settlement Corporation Limited (Central Depository) has prescribed that shares to be traded in a number of listed companies including Barclays Bank of Kenya Limited will be immobilised starting on 18th January 2005.

Immobilised shares or securities are those in respect of which the underlying share certificates have been deposited with the Central Depository. In order to do this, the shareholder or investor is required to open and maintain a securities account with the Central Depository. Shares that you deposit or buy will be credited to your account with the Central Depository. Shares that you sell will be debited from your account with the Central Depository. From now on share certificates will not be issued for shares that have been deposited in the shares account.

If you intend to trade your shares in the near future, then you are required to immobilise your shares. Please note that the 25th January 2005 is the last day in which your shares may be traded on the securities exchange if they are not immobilised. Thereafter you will not be able to trade your shares unless your shares have been deposited in a securities account with the Central Depository.

If you intend to buy shares of the company from 26th January 2005 you should also open an account.

If you do not intend to trade with your shares for the time being, you are not compelled to immobilise. Barclays Advisory and Registrar Services Limited will continue to offer Registrar services as usual. **Please note**, however, that you will need to immobilise your shares at the time that you wish to trade them.

Immobilisation is intended only to centralise, quicken and make more efficient the process and system of handling shares traded on the Nairobi Stock Exchange. It will not have any impact on the value of your investment.

To open a securities account you will need to consult a Central Depository Agent. Barclays Bank is an appointed Central Depository Agent. To open such an account you will need to have your original identity card/passport and a recent passport size photograph of yourself.

For more information please contact the following persons:

Mark Mbwago or Joseph Gichuhi at Barclays Advisory and Registrar Services Limited, P. O. Box 30120, 00100 Nairobi or Telephone 210577 Ext. 4114, Fax 241301 and e-mail: mark.mbwago@barclays.com

Institutional Investors please contact:

John Odhiambo at Barclays Security Services Kenya, P. O. Box 30120-00100 Nairobi, Telephone 241270 Ext. 3259 Fax 240574 and e-mail: john.odhiambo@barclays.com

Wanjiru Nduati
Company Secretary