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CHAIRMAN'S STATEMENT



Andrew K. Mullei

I am pleased to present to the Minister of Finance the Annual Report and Statement of the Audited Accounts of the Deposit Protection Fund Board (DPFB) for the year ended 30th June 2003 in accordance with the provisions of Section 42(1) of the Banking Act.

Over the period, the DPFB operated under an improving economic environment. Economic growth is estimated to have risen to 1.4% from 1.2% in the year ended 30th June 2002. The moderate recovery was mainly a reflection of favorable weather conditions and improved economic and political governance that led to increased investor confidence. The easing of average annual underlying inflation to 2.7% from 4.6% a year earlier, significant reduction in the Treasury bill rate to 3.0% from 7.3% and maintenance of a competitively market determined exchange rate, manifested a stable and conducive macroeconomic environment that also supported economic recovery during the period under review.

Economic recovery in the year to June 2004 is expected to accelerate further, boosted by enhanced prospects for the resumption of financial support from development partners and continued pursuit of prudent macroeconomic policies.

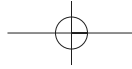
In line with the improvements in economic performance, the banking sector's total assets increased by 5.6% to Kshs 467.6 billion. Banking institutions profit before tax

remarkably increased by 97% to shs 6.5 billion by end of June 2003 mainly as a result of reduced provisions against bad debts as most of the provisions were made in the previous year. The level of non-performing Loans (NPLs), which marginally declined to 28.8 percent from 29.2 percent of total loans in the year to June 2002, remained concentrated in a few banks. Six institutions accounted for 58% of the entire Kshs 74 billion NPLs as at the end of June 2003.

The DPFB's financial position improved with net assets increasing by 21.0%, to Kshs.9.774 billion from Kshs.8.110 billion in the year to June 2001. The Board also realized a net surplus of Kshs. 1.195 billion, which was 8.5% higher than that in the year to June 2002. Prudent investments, effective cost management as well as lower payments of protected deposits following the placing of only one institution under liquidation, accounted for the favorable performance. Over the same period, the DPFB also performed well in discharging its responsibility of insuring deposits and liquidating insolvent institutions. Out of the 22 institutions under liquidation, the Fund had a 6 percent improvement in debt recovery to Kshs. 352.22million. It also paid Kshs 16 million to protected depositors and a total of Kshs 167 million dividend to the creditors of the 22 institutions.

During the year under review, two institutions were placed under statutory management and one under liquidation. Apart from Mr. Nahashon N. Nyagah whose chairmanship ended in March 2003, there were no other changes in the membership of the Board during the financial year under review.

ANDREW K. MULLEI,
Chairman, Deposit Protection Fund Board



BOARD OF DIRECTORS



Dr Andrew K. Mullei
Chairman



Joseph Magari
Permanent Secretary, Treasury



Albert J. K. Ruturi
Member



Isaac O. Awuondo
Member



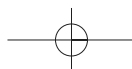
Jeremy P. Okora
Member



Rasiklal C. Kantaria
Member



Gideon M. Muriuki
Member



DIRECTOR'S FOREWORD



Eunice W. Kagane
Director

Background

The Fund, established in 1986 has discharged its duties with diligence. Its' role and function has gone a long way towards encouraging savings in banking institutions.

The fund has also made progress in liquidating of failed institutions. A few are in the process of being wound-up.

Membership

Current membership of the Fund stands at 43 Banks, 2 Financial Institutions, 2 Mortgage Finance Institutions and 4 Building Societies. One member institution, Euro Bank Limited was placed in liquidation due to insolvency. Bank of India Finance merged with the parent bank, while Biashara Bank Ltd merged with Investments and Mortgages Bank Limited in the period under review. Two member institutions namely Daima Bank Ltd and Prudential Building Society were placed under statutory management.

The frequency of bank failures has declined considerably. The prospects are that failure will almost be a thing of the past, since most of the issues associated with failures are frequently being addressed through legislation and reforms as witnessed in the 2003/2004 budget statement.

Liquidation Function

Institutions under liquidation stood at 22 out of which 5 are in advanced stage of winding-up. The law has been

streamlined to speed up this process through legislation by addressing the technicalities which have hindered the process in the past.

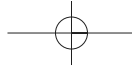
Sources of Income

The principal source of the Fund's income is the premium levied to member institutions which at the moment stands at 0.15% of the average total deposit liabilities during the preceding 12 months period with a minimum of Shs 0.3 million. The Fund raised Shs 497 million from premium contributions for the year under review.

The other source is investment income from Government securities which raised Shs.874million in the year.

Income realised in the year declined marginally to Shs. 1,468 million compared to Shs. 1,487 million in the previous year. However, the decline had no effect on the surplus in view of the cost control measures in the year under review.

The decline in interest rates on Treasury Bills has impacted negatively on the Fund's investment income and compelled the Fund to invest in both medium and long term Government bonds to avoid incurring substantial losses. During the year, interest rates on short-term Government Securities fell to below 2 per centum per annum from a previous average of 8%. To stem off the decline in income earned from Treasury Bills and Treasury Bonds, DPFB will propose recommendations for change in the legislation to allow the Board invest in other safe and secure avenues besides Government Paper.



DIRECTOR'S FOREWORD (Continued)

Future Prospects

The close working relationship with the supervisory authority is expected to enhance the role of the Fund as a safety net player in the financial sector thereby leading to stability in the financial system.

Recent legislative amendments stipulated that all legitimate claimants are expected to claim the protected deposits within two years and dividends within one year from the date of declaration of such payments. This is expected to improve the frequency of payments to creditors since unclaimed dividends will be ploughed back for redistribution.

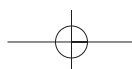
The Fund as one of the founder members of International Association of Deposits Insurance (IADI) expects to gain

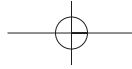
from the experience of more advanced Insurance Schemes in terms of training and practices.

The foregoing notwithstanding, deposit insurance scheme continues to serve the banking sector well given the nature of the economy in general. The scheme allows fair distribution of protected deposits to member institutions without discrimination as and when the Fund is called upon to do so. The Fund will continue to pursue its mission, which is to contribute to the stability of Kenya's financial system and to protect small and unsophisticated depositors.

Eunice W. Kagane

Director, Deposit Protection Fund Board





SENIOR MANAGEMENT STAFF



Eunice W. Kagane
Director



Johnson K. Karuga
Deputy Director



Peter W.D. Ngumi
Deputy Director



J.M. Maina (Mrs)
Acting Board Secretary



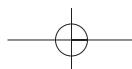
Bertha Muchemu (Mrs)
Senior Manager
Administration

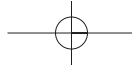


Charles T. Chege
Manager, Finance



Rose Detho
Manager
Risk Management





LIQUIDATION AGENTS FOR INSTITUTIONS IN LIQUIDATION



B.K. Mitei
Senior Manager, Liquidations
Kenya Finance Bank Ltd
Meridien BIAO Bank Ltd



C.K. Nduru
Trust Bank Ltd



E.O. Okoth (Mrs)
Euro Bank Ltd



K.S. Oloitipitip
Postbank Credit Ltd
Ari Bank Ltd
Heritage Bank Ltd.



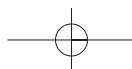
L. A. Wambete (Mrs)
Pan African Bank Ltd
Pan African Credit & Finance Ltd
Prudential Bank Ltd



D. L. Ngatuny
Trade Bank Ltd
Trade Finance Ltd
Diners Finance Ltd
Thabiti Finance Ltd
Fortune Finance Ltd



M.A. Mohamud
Reliance Bank Ltd
Nairobi Finance Corporation Ltd
Inter Africa Credit Finance L td
International Finance Co. Ltd
Central Finance (K) Ltd



THE YEAR UNDER REVIEW

Overview of the economy

This annual report is an exceptional one because it reviews a challenging period in the country's history. In first half of the financial year, the country was gearing towards transitional general elections. The second half of the financial year not only saw a change in the country's leadership but also a transfer of power to the opposition. The new Government inherited a myriad of problems particularly poor governance, dilapidated infrastructure and insecurity, which required substantial amounts of financial resources to address besides the financial implications of the various elections pledges made by the new government. The weaknesses in the economy had greatly undermined economic performance and contributed to high levels of unemployment and poverty in the country.

Against this background, the new Government began in earnest implementing various reforms aimed at reversing economic stagnation and restoring the dignity of the people as outlined in the 2003/04 budget proposals and Economic Recovery Strategy for Wealth and Employment Creation (ERSWEC) document. Initial efforts by the new Government came under severe setbacks due to global terrorism threats and the inclement weather which caused severe floods in parts of the country.

In the financial year 2002/03, the economy was estimated to have picked up slightly in real terms by 1.4% compared with 1.2% in the financial year 2001/02. The modest recovery was brought about by the benefits accruing from the stable macroeconomic environment characterised by low inflation, easing interest rates and competitively market-determined exchange rate. The improvement in political and economic governance in the second half of the financial year also buttressed the modest upturn.

Monetary policy in 2002/03 remained focused on

containing inflation below 5% using the reserve money framework. The Bank relied heavily on open market operations (OMO) to implement monetary policy framework while deposit-taking institutions observed the statutory cash ratio requirement (CRR). Due to prudent monetary policy that was put in place together with the relative stability in the shilling exchange, the underlying inflation was contained below 5% throughout 2002/03 financial year.

The overall inflation though contained within this range in the first half of the financial year, accelerated during the second half reaching 13.7% in June 2003. Pressures on the overall inflation emanated largely from low supply of farm produce due to inadequate rains in 2002 and in the first quarter of 2003. The uncertainty in supply of crude oil due to geopolitical tensions and war in Iraq similarly put additional pressure on the overall inflation through high pump prices.

Domestic credit increased by 12% in the year to June 2003 compared with an increase of 7.1% in the previous financial year. The increase in credit was largely in Government borrowing which expanded by 30.7%. Credit to the private sector, however, increased by only 4.9% in the period and was mainly directed to financing mobile phone services and household purchases of various commodities.

In the external sector, a favourable overall balance of payments was recorded in the year to June 2003 following increased exports coupled with reduced imports. As a result, foreign exchange holdings of the central Bank increased to US \$ 1,260m from US \$ 1,137m in June 2002. However, the reduction in short-term capital inflows and increased net foreign asset holdings of commercial banks led to a deterioration of the financial account.

The Kenya shilling strengthened against the US dollar by

THE YEAR UNDER REVIEW *(continued)*

1.9% in the financial year 2002/03. The strengthening of the shilling occurred during the second half of the financial year, reflecting increased investor confidence in the Kenyan economy following the peaceful 2002 general elections and political transition.

Increased government financial needs particularly to finance free primary education and upward revision of emoluments of some sections of the civil service besides financial commitments entered by the previous government inevitably resulted in a much wider deficit. The continued restructuring of the domestic debt in favour of long dated instruments, and increased liquidity in the banking system resulted in intensive competitive bidding for treasury bills among investors. This in turn, caused substantial reduction in short-dated interest rates, partly moderating the adverse impact of increased domestic borrowing. Following the successful debt restructuring process, the average maturity

of domestic debt lengthened to two years and five months in June 2003 from one year and six months in June 2002.

The banking sector remained generally stable in the financial year 2002/03. Only two institutions were placed under CBK statutory management and one under liquidation. Asset portfolio, deposits and capitalization improved and liquidity remained high. The improved performance resulted in lower provisions for bad and doubtful debts, reduced operational costs and improved inflows of foreign deposits.

On the national payments front, reforming and modernizing the country's payment and settlement system continued to be a priority during the period under review with a view to attaining global standards. New policies were therefore initiated to strengthen the quality and capacity of the country's payments system.

PERFORMANCE OF MEMBER INSTITUTIONS

Overview

The banking sector remained generally stable in the financial year 2002/03. Only two institutions were placed under CBK statutory management and one under liquidation. There was an improvement in asset portfolio, deposits and capitalization. Liquidity in the institutions also remained high. The improved performance resulted in lower provisions for bad and doubtful debts, reduced operational costs and more inflows of foreign deposits.

Structure of the Banking System

At the end of June 2003, the banking system comprised of 43 commercial banks, 2 non-bank financial institutions (NBFIs), 2 mortgage finance companies and 4 building societies. Banking and non-banking institutions declined to 51 in June 2003 from 55 in June 2002 due to mergers of six institutions and the liquidation of another. As part of cost cutting measures, a number of banks closed down some of their branches. As a result, the number of branches declined from 597 in June 2002 to 488 in June 2003. Market shares in the sector, however, remained skewed with only 9 banks controlling 74% of total assets in the sector.

One up country foreign exchange bureau closed down, thus foreign exchange bureaus reduced in number to 47 at the end of June 2003 from 48 as at end June 2002. To enhance competition through entry of more bureaus in the foreign exchange market, the moratorium imposed in October 1999 on the licensing of new foreign exchange bureaus was lifted during the year.

Structure of the Balance Sheet

As at the end of June 2003, assets of the banking sector amounted to Ksh 467.6bn or 7% above the level in June 2002 and comprised of loans and advances (47%), investment in government securities (25%), balances with Central Bank (6%) and cash and other assets (16%). The increase in assets was brought mainly by increased investment in Government securities and to a less extent, lending to the private sector. Banking institutions continued to invest heavily on government securities despite sharp decline in Treasury bills rates due to the high risk of default associated with lending to the private sector. As result, liquidity rose to 49%, which was significantly above the statutory 20% minimum requirement and higher than the 44% level as at June 2002.

TABLE 1: BALANCE SHEET (KSH '000)

	June 2003	% (Share)	June 2002	% (Share)	% Change
Assets					
Cash	6,993	1	5,941	1	17.7
Balances from CBK	30,070	6	25,519	6	17.8
Placements	6,195	1	8,910	2	-30.5
Govt. securities	114,759	25	89,127	20	28.8
Investments	5,961	1	3,877	1	53.8
Loans & advances (Net)	219,667	47	212,670	49	3.3
Foreign Assets	25,887	6	30,636	7	15.5
Other assets	58,039	13	59,868	14	3.1
Total Assets	467,571	100	436,548	100	7.1
Liabilities and shareholders funds					
Deposits	373,570	80	343,827	79	8.7
Foreign Liabilities	4,763	1	10,146	2	-53.1
Other liabilities	31,434	7	29,837	7	5.4
Capital & Reserves	57,804	12	52,738	12	9.6
Total Liabilities and shareholders funds	467,571	100	436,548	100	

PERFORMANCE OF MEMBER INSTITUTIONS (continued)

High levels of non-performing loans (NPLs), however, continued to persistently feature in the balance sheet of the sector. While the ratio of total NPLs to advances declined marginally to 28.8% in June 2003 from 29.2% in June 2002, the absolute level of NPLs increased to Ksh 73.2bn from Ksh 71.5bn. With provisions amounting to Ksh 32.3bn and securities worth Ksh 33.8bn, net exposure of the sector stood at Ksh 7.1bn only.

Total liabilities and share holders Funds

As shown in Table 2, deposits continued to dominate the liabilities of the banking system. Deposit liabilities over the period grew by 8.7% largely due to increased donor inflows directed to supporting the country's HIV/AIDS and free primary education programmes.

Table 2: Composition of Deposits (Ksh M)

	2002 June	% (Share)	2003 June	Share in 2003 (%)	% Change
Type of Deposits					
Demand deposits	115,332	33.5	137,913	36.9	19.6
Kenya shillings	87,721	25.5	102,974	27.6	17.3
Foreign Currency	27,611	8.0	34,939	9.4	26.5
Time Deposits	137,747	40.1	138,052	37.	0.2
Kenya shillings	119,083	34.6	117,463	31.4	1.4
Foreign Currency	18,664	5.4	20,589	5.5	10.3
Saving Deposits	79,060	23.0	90,522	24.2	13.1
Kenya shillings	78,840	22.9	90,190	24.1	13.0
Foreign Currency	220	0.1	332	0.1	50.9
Sub-Total	332,139	96.7	366,487	98.1	10.3
Kenya shillings	285,644	83.1	310,627	83.2	8.7
Foreign Currency	46,495	13.5	55,860	15.0	20.1
Others	11,689	3.4	7,083	1.8	-39.4
Total	343,827		373,570	100.0	8.7

Capital and Reserves

Capital and reserves of the banking sector increased by 9.6% in the year to June 2003 to Ksh 57.8bn from Ksh 52.7bn in June 2002. The ratio of total capital to total risk-weighted assets also strengthened to 17.7% from 16.8% in June 2002 reflecting an increase in capital by Ksh 3.2bn that offset Ksh 1.8bn increase in total risk weighted assets. The increase in total capital reflected improved profitability of banking institutions and fresh capital injections by some to meet the statutory minimum capital requirements.

Notwithstanding the significant decline in interest rates in the year, the banking sector made an impressive 97% increase in pre-tax profit to Ksh 6.5bn for the six months ending June 2003 from Ksh 3.3bn in a similar period in 2002. The increase in

PERFORMANCE OF MEMBER INSTITUTIONS *(continued)*

profitability in the sector is partly attributed to reduced provisions for bad debts. Forty-four institutions made pre tax profits amounting to Ksh 6.9bn while three others made losses amounting to Ksh 0.4bn. More closely considered, two large banks made the highest pre-tax profits of Ksh 3.7bn or 57% of the total profits of the sector. Non-funded income from commissions, charges, penalties and foreign exchange trading increased by 14% to Ksh 10.3bn, against Ksh 9.0bn increase in the same period in the previous year and contributed to the good performance. The sector also benefited from significant reduction in interest expenses on deposits.

Table 3: Banking Industry Profits (Kshs M)

	June-02	June-03
Total income	29,610	30,255
Expenses before provisions	21,798	20,636
Profit before provisions	7,814	9,619
Provisions for bad debts	4,530	3,155
Profit before tax	3,284	6,464

Banking sector outlook

The performance of the banking sector is expected to improve further following the implementation of the measures proposed by the Minister for Finance in financial year 2003/04 Budget. In particular, strict enforcement of compliance requirements by the Central Bank should ensure prudence and enhance efficiency in the sector thereby leading to increased solvency and hence continued stability. In addition, the reduction of the minimum core capital for banks and non-bank financial institutions from shs 350m and shs 262.5m to shs 250m and shs 200m, respectively will enhance competition in the sector and ultimately improve efficiency in the delivery of financial services. Measures to ensure disclosure of all charges by specified financial institutions in the local dailies to be enforced by the Central Bank will also increase customer awareness of products and services available and their associated costs. As a result, the scope of customer choice will widen bringing with it the opportunities for increasing competition in the sector.

REVIEW OF DPFB OPERATIONS

Fund Membership

At the end of the financial year, the total number of member institutions stood at 43 commercial banks, 2 non bank financial institutions, 2 mortgage finance companies and 4 building societies compared with 46 banks and 8 non bank financial institutions the previous year. During the year, Investment and Mortgages Bank Ltd. merged with Biashara Bank Ltd., Bank of India Ltd. merged with Bank of India Finance Ltd. while Cooperative Bank of Kenya Ltd. merged with Cooperative Merchant Bank Ltd. Prudential Building Society joined the Fund membership during the year but was soon placed under statutory management on 11th June, 2003. Daima bank was placed under statutory management on 14th March 2003. Euro bank Ltd. was placed in liquidation in February 2003.

Financial Performance

The Fund's total income declined by 1.3% to Kshs 1,467 million compared with Kshs 1,487 million recorded in the last financial year. The decline was attributed to interest rate earned on Government securities which shrunk from Kshs 925million to Kshs 874million during the financial year. On the other hand, total expenses decreased to Ksh 170million compared to Kshs 292million the previous year. The decrease was attributed to both lower negotiated legal fees and reduction in deposit pay-offs as only one member institution was placed under liquidation. Consequently the Net surplus for the year increased to Kshs 1,297million compared with Kshs 1,195million realised in the previous year.

Investments in Treasury bills and bonds increased by 15.2% to Kshs 9.4billion from Kshs 8.2billion in the last financial year. Net assets grew by 16.0% to Kshs 9.4billion from Ksh 8.1billion recorded in the same period. Highlights on the trend in some selected financial indicators are summarised in Table 4 below.

TABLE 4 : SELECTED FINANCIAL INDICATORS (KSH MILLIONS)

Year	1997	1998	1999	2000	2001	2002	2003
Premium Receipts	320	381	399	445	465	486	497
Interest earned on T/Bills	547	809	737	831	499	387	165
Interest earned on T/Bonds	7	2	25	11	293	538	709
Surplus	524	1,076	199	1,333	943	1,195	1,297
Net Assets	3,522	4,554	4,707	5,995	6,915	8,108	9,407

Source: DPFB

Liquidation Activities

Payment of Protected Deposits

Cumulative payments of protected deposits as detailed in table 5, increased by Ksh 17million from Ksh 1,047million in 2002 to Ksh 1,064million in the year under review. This accounted for 74% of the Ksh 1,432million provided for payment to protected depositors in the twenty two institutions under liquidation. Euro Bank Ltd. which was placed under liquidation on February 21, 2003 recorded the highest payment at Ksh 8million during the year. Payment to depositors of other institutions remained low. The Fund placed an advertisement in newspapers reminding depositors to collect their protected deposits

Liquidation Activities (continued)

before the expiry of the two year period as provided in the amendments in the Banking Act that came into effect on 1st January 2002.

TABLE 5 : PROTECTED DEPOSITS PAID AS AT 30TH JUNE 2003 (KSHS MILLION)

Name of Institution	Liquidation Date	Total Deposits at Closure	Total Protected Deposits	Protected Deposits Paid as at 30.06.2002	Protected Deposits Paid as at 30.06.2003	% of protected Deposits Paid as at 30.06.2003
Inter-Africa C. & Fin. Ltd.	31 Jan.1993	138	4	2	2	50
International Finance Ltd.	16 Apr.1993	168	2	1	1	50
Central Finance Ltd.	19 May.1993	111	15	12	12	80
Postbank Credit Ltd.	20 May 1993 *	3,834	50	48	48	96
Trade Bank Ltd.	18 Aug.1993 **	4,680	277	255	255	92
Trade Finance Ltd.	18 Aug.1993	209	10	6	6	60
Middle Africa Fin. Ltd.	20 Aug.1993	236	17	13	13	76
Diners Finance Ltd.	20 Aug.1993	554	144	97	97	67
Nairobi Finance Ltd.	20 Aug.1993	188	5	4	4	80
Allied Credit Ltd.	20 Aug.1993	81	14	8	8	57
Pan-African Bank Ltd.	18 Aug.1994 ***	2,421	107	90	90	84
Pan-African C & Fin.	18 Aug.1994	139	8	6	6	75
Thabiti Finance Ltd.	19 Dec.1994	924	54	33	33	61
Meridien Biao Bank Ltd.	15 Apr.1996	805	47	39	39	82
Heritage Bank Ltd.	13 Sept.1996	376	10	8	8	80
Kenya Finance Bank Ltd.	29 Oct.1996	2,009	386	323	323	96
Ari Bank Corporation Ltd.	5 Dec.1997	286	13	6	6	46
Prudential Bank Ltd.	5 May 2000	600	18	11	12	67
Reliance Bank Ltd.	12 Sept. 2000	1,154	88	47	48	55
Fortune Finance Ltd.	14 Sept. 2000	320	33	23	24	73
Trust Bank Ltd.	15 Aug. 2001	167	111	15	21	19
Euro Bank Ltd.	21 Feb. 2003	2,060	19	N/A	8	42
TOTAL		21,460	1,432	1,047	1,064	74

Source: DPFB

* Includes CBK balance of Ksh 1,433million.

** Includes CBK balance of Ksh 2,414million and DPFB balance of Ksh 659million.

*** Includes investor's funds (CBK) of Ksh 1,800million.

Liquidation Activities *(continued)*

Debt Recovery

Out of the total outstanding loans of Ksh 36,216million as at liquidation dates, only 11.96% or Kshs 4,333.67million had been recovered as at close of the year. Euro Bank Ltd. which was placed in liquidation on 21st February 2003, only four months to the close of the year collected Kshs 12.32million or 0.32% of the total loans of Kshs 3,861million as at liquidation. Apart from Trust Bank Ltd. and Euro Bank Ltd. the rest of the Institutions continued to perform poorly, partly due to lack of securities, poor loan documentation, lengthy court process, inability to execute judgements and the harsh economic conditions.

The performance of the individual institutions is indicated in table 6 below.

TABLE 6: DEBT RECOVERY / SALE OF ASSETS AS AT 30TH JUNE 2003 (KSHS MILLION)

Name of Institution	Liquidation Date	Total Loans as at Liquidation Date	Total Loans Recovered as at June 2002	Total Loans Recovered as at June 2003	Recoveries In 2001/2002	Recoveries In 2002/2003	% of Original Debt Recovered
Inter-Africa C. & Fin. Ltd.	31 Jan.1993	155	35.70	35.70	0.00	0.00	23.03
International Finance Ltd.	16 Apr.1993	176	5.20	5.20	0.00	0.00	2.95
Central Finance Ltd.	19 May.1993	111	106.00	106.07	0.00	0.07	95.55
Postbank Credit Ltd.	20 May 1993	3,605	1,731.04	1,755.26	77.69	24.22	48.69
Trade Bank Ltd.	18 Aug.1993	3,955	706.90	739.80	19.47	32.9	18.71
Trade Finance Ltd.	18 Aug.1993	105	93.15	94.66	0.35	1.51	90.15
Middle Africa Fin. Ltd.	20 Aug.1993	656	53.23	53.85	0.73	0.62	8.21
Diners Finance Ltd.	20 Aug.1993	358	114.50	116.00	1.77	1.50	32.40
Nairobi Finance Ltd.	20 Aug.1993	187	57.50	57.50	2.50	0.00	30.75
Allied Credit Ltd.	20 Aug.1993	111	4.40	4.40	0.00	0.00	3.96
Pan-African Bank Ltd.	18 Aug.1994	1,433	255.74	264.64	8.56	8.90	18.47
Pan-African C & Fin. Ltd.	18 Aug.1994	445	88.00	103.38	3.28	15.38	23.23
Thabiti Finance Ltd.	19 Dec.1994	1,217	95.75	98.88	2.07	3.13	8.12
Meridien Biao Bank Ltd.	15 Apr.1996	224	73.58	73.82	2.67	0.24	32.96
Heritage Bank Ltd.	13 Sept.1996	458	45.48	46.03	4.02	0.55	10.05
Kenya Finance Bank Ltd.	29 Oct.1996	2,329	325.23	337.01	96.28	11.78	14.47
Ari Bank Corporation Ltd.	05 Dec.1997	453	23.71	24.74	2.28	1.03	5.46
Prudential Bank Ltd.	05 May 2000	633	48.40	57.00	3.43	8.60	9.00
Reliance Bank Ltd.	12 Sept. 2000	1,591	28.80	66.31	16.95	37.51	4.17
Fortune Finance Ltd.	14 Sept. 2000	345	17.20	32.90	15.33	15.7	9.54
Trust Bank Ltd.	15 Aug. 2001	13,808	104.93	248.20	104.93	143.27	1.80
Euro Bank Ltd.	21 Feb. 2003	3,861	N/A	12.32	N/A	12.32	0.32
TOTAL		36,216	4,014.44	4,333.67	362.31	319.23	11.96

Source: DPFb

Liquidation Activities (continued)

Payment of Dividends

A total of Kshs 4,060.99million had been paid in form of dividends as at 30th June 2003 up from Kshs 3,893.53 paid as at 30th June 2002. During the year under review, Kshs 167.46million was paid compared with Kshs 137.02million paid in the year 2001/2002. Five institutions, namely; Credit Ltd., Kenya Finance Bank Ltd., Trust Bank Ltd., Fortune Finance Ltd. and Prudential Bank Ltd. declared dividends during the year.

Details of payments by individual institutions are as per Table 7 below.

Table 7: Dividends Paid as at 30th June 2003 (Kshs Million)

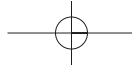
Name of Institution	Liquidation Date	Total Deposits at Liquidation	Dividends Paid as at 30.06.2002	Dividends Paid as at 30.06.2003	Dividends Paid In 2001/2002	Dividends Paid In 2002/2003
Inter-Africa C. & Fin. Ltd.	31 Jan.1993	138	14.10	14.10	1.38	0.00
International Finance Ltd.	16 Apr.1993	168	0.00	0.00	0.00	0.00
Central Finance Ltd.	19 May.1993	111	104.10	104.10	0.00	0.00
Postbank Credit Ltd.	20 May 1993 *	3,834	1,264.76	1,284.66	50.00	19.90
Trade Bank Ltd.	18 Aug.1993 **	4,680	595.9	596.50	0.11	0.60
Trade Finance Ltd.	18 Aug.1993	209	80.23	80.23	0.00	0.00
Middle Africa Fin. Ltd.	20 Aug.1993	236	14.70	14.70	0.00	0.00
Diners Finance Ltd.	20 Aug.1993	554	244.80	244.80	0.66	0.00
Nairobi Finance Ltd.	20 Aug.1993	188	48.10	48.10	0.28	0.00
Allied Credit Ltd.	20 Aug.1993	81	0.00	0.00	0.00	0.00
Pan-African Bank Ltd.	18 Aug.1994 ***	2,421	584.13	584.51	0.00	0.38
Pan-African C & Fin.	18 Aug.1994	139	136.43	136.43	0.00	0.00
Thabiti Finance Ltd.	19 Dec.1994	924	59.30	59.30	0.27	0.00
Meridien Biao Bank Ltd.	15 Apr.1996	805	324.21	325.85	8.21	1.64
Heritage Bank Ltd.	13 Sept.1996	376	12.43	12.43	1.50	0.00
Kenya Finance Bank Ltd.	29 Oct.1996	2,009	148.62	174.40	9.26	25.78
Ari Bank Corporation Ltd.	05 Dec.1997	286	20.80	20.80	0.00	0.00
Prudential Bank Ltd.	05 May 2000	600	92.30	139.40	28.03	47.10
Reliance Bank Ltd.	12 Sept. 2000	1,154	85.52	86.99	35.97	1.47
Fortune Finance Ltd.	14 Sept. 2000	320	63.10	86.90	1.35	23.80
Trust Bank Ltd.	15 Aug. 2001	167	0.00	46.79	0.00	46.79
Euro Bank Ltd.	21 Feb. 2003	2,060	N/A	0.00	N/A	0.00
TOTAL		21,460	3,893.53	4,060.99	137.02	167.4

Source: DPFB

* Includes CBK balance of Kshs 1,433million.

** Includes CBK balance of Ksh 2,414million and DPFB balance of Kshs 659million.

*** Includes investor's funds (CBK) of Kshs 1,800million.

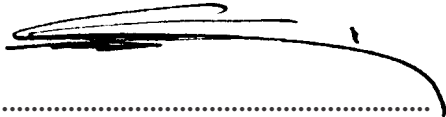


STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Banking Act requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Fund as at the end of the financial year and of its operating results for that year. It also requires the Directors to ensure the Fund keeps proper accounting records which disclose, with reasonable accuracy, the financial position of the Fund. They are also responsible for safeguarding the assets of the Fund.

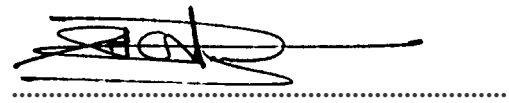
The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Banking 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 Fund and of its operating results. The Directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

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



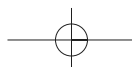
CHAIRMAN

Wednesday, 10 September 2003



DIRECTOR

Wednesday, 10 September 2003



REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER FOR FINANCE ON THE ACCOUNTS OF DEPOSIT PROTECTION FUND BOARD

We have audited the financial statements on pages 4 to 15, which have been prepared on the basis of the accounting policies set out on pages 8 and 9. We obtained all the information and explanations which we considered necessary for our audit.

Respective Responsibilities of the Directors and the independent auditors

As stated on page 2, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of the affairs of the organization and of the results of its operations. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

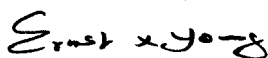
Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. We planned and performed our audit so as to obtain reasonable assurance that the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of significant estimates and judgements made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate in the organisation's circumstances, consistently applied and adequately disclosed.

As stated in note 18, the financial statements of a subsidiary company, Consolidated Bank of Kenya Limited, have not been consolidated with those of the Fund because the Banking Act restricts its investments to government securities only. Non-consolidation of the financial statements contravenes International Accounting Standard Number 27 on consolidation of financial statements and accounting for investments in subsidiaries. In addition the investment in the subsidiary contravenes the provisions of Section 37(3) of the Banking Act.

Opinion

In our opinion, proper books of account have been kept and except for the matter referred to in the proceeding paragraph, the financial statements which are in agreement therewith, give a true and fair view of the state of the financial affairs of the Deposit Protection Fund Board at 30 June 2003 and of the surplus and the cash flows for the year then ended and comply with International Financial Reporting Standards and the Banking Act, in all other respects.



ERNST & YOUNG

Certified Public Accountants,

P.O. Box 44286

Nairobi

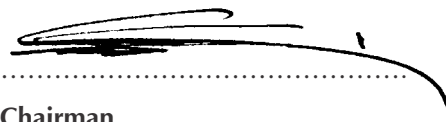
Date 10 September 2003

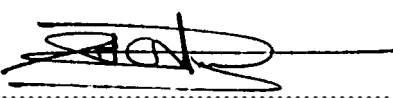
BALANCE SHEET

as at 30 June 2003

	Note	2003 KShs'000	2002 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	2	19,316	20,043
Prepaid land lease	4	4,406	4,505
Investments	5	100	100
Government securities maturing after 12 months	6	6,489,215	4,444,722
		6,513,037	4,469,370
CURRENT ASSETS			
Debtors and prepayments	7	161,273	79,697
Interest receivable	8	152,610	193,719
Due from Central Bank of Kenya	9	986	–
Government securities maturing within 12 months	6	2,946,240	3,745,887
Bank and cash balances		–	8,779
		3,261,109	4,028,082
TOTAL ASSETS		9,774,146	8,497,452
FUND BALANCE AND LIABILITIES			
FUND BALANCE	10	9,407,129	8,109,708
CURRENT LIABILITIES			
Creditors and accruals	11	22,582	42,213
Due to Central Bank of Kenya	9	–	7,732
Provision for protected deposit claims	12	340,608	337,799
Bank overdraft		3,827	–
		367,017	387,744
TOTAL FUND BALANCE AND LIABILITIES		9,774,146	8,497,452

The financial statements were approved by the Board of Directors on 19th September, 2003 and were signed on its behalf by:-

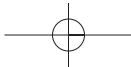

 Chairman


 Member

INCOME AND EXPENDITURE ACCOUNT

for the year ended 30 June 2003

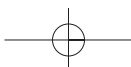
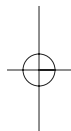
	Note	2003 KShs'000	2002 KShs'000
INCOME			
Assessed income		496,556	485,794
Interest earned on Treasury bills	13(a)	165,430	387,260
Interest earned on Treasury bonds	13(b)	708,822	538,242
Interest income - term loans		96	842
Other income	14	96,654	74,550
		1,467,558	1,486,688
EXPENDITURE			
Administration and establishment expenses	15	141,467	166,725
Loan interest payable		-	60
Protected deposits provision	10	18,544	110,516
Provision for bad debts		10,126	14,276
		170,137	291,577
SURPLUS FOR THE YEAR		1,297,421	1,195,111



STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2003

	Fund balance
	Kshs'000
At 1 July 2001	
As previously stated	6,915,116
Prior year adjustment (Note 3)	<u>(519)</u>
As restated	6,914,597
Surplus for the year	<u>1,195,111</u>
At 30 June 2002	<u>8,109,708</u>
At 1 July 2002	8,109,708
Surplus for the year	<u>1,297,421</u>
At 30 June 2003	<u>9,407,129</u>



CASH FLOW STATEMENT

for the year ended 30 June 2003

Note	2003 Kshs'000	2002 Kshs'000
Cash flows from operating activities		
Surplus for the year	1,297,421	1,195,111
Adjustments for:		
Depreciation	1,631	1,567
Lease amortization	99	17
Fixed assets write off	6	–
Leave provision write back	(96)	–
Interest income	(874,348)	(926,344)
Interest expense	–	60
Accrued interest written back	–	(975)
Operating surplus before working capital change	424,713	269,436
Debtors and prepayments	(81,576)	(39,674)
Creditors and accruals	(21,345)	(76,030)
Central Bank of Kenya account	(8,718)	(18,707)
Provision for protected deposits	2,809	85,399
Net cash flows from operating activities	315,883	220,424
Cash flows from investing activities		
Investments	(2,635,936)	(5,072,322)
Term loans	–	20,000
Purchase of property and equipment	910	(18,388)
Purchase of leasehold land	–	(4,522)
Interest received	915,457	835,807
Net cash flows from investing activities	(2,635,026)	(4,239,425)
Cash flows from financing activities		
Long term loans repaid	–	(25,000)
Interest paid	–	(750)
Net cash flow utilised in financing activities	–	(25,750)
Net increase in cash and cash equivalents	(1,403,686)	(4,044,751)
Cash and cash equivalents at the beginning of the year	3,127,066	7,171,817
Cash and cash equivalents at the end of the year	1,723,380	3,127,066

NOTES TO THE ACCOUNTS

for the year ended 30 June 2003

1. ACCOUNTING POLICIES

(a) Accounting convention

The financial statements have been prepared under the historical cost convention.

(b) Revenue recognition

Interest derived from investments in Treasury bills, Treasury bonds or other Government Securities in which the Fund is required to invest in accordance with Section 37(3) of the Banking Act, 1989 is apportioned over the life of the respective investments. Income is realised on the expired portion of the life of the investments.

Contributions levied on the contributory institutions are credited to income in the period in which they become receivable.

(c) Payments to depositors

Provisions for payments to protected depositors are recognised in the financial statements in the period the contributory institutions are placed under liquidation.

(d) Taxation

Income received by the Fund is not subject to taxation. The necessary exemption has been obtained from the Commissioner of Income Tax vide exemption certificate serial No. 01608. Therefore, no provision for taxation is made in the financial statements.

(e) Property and equipment

Depreciation on property and equipment is calculated at rates estimated to write off the cost of the assets concerned over their expected useful lives on the reducing balance basis except for computers whose policy is on straight line basis.

The annual rates in use are: -

Furniture and fittings	12.5% p.a.
Office and kitchen equipment	20.0% p.a.
Motor vehicles	25.0% p.a.
Computers	33 1/3 % p.a.

Leasehold buildings are written off over the estimated useful life of the building, or the remaining lease term, whichever is less.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

(f) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments which are classified as long-term investments and are intended to be held to maturity, such as bonds, are subsequently measured at amortised cost. Amortised cost is calculated by taking into account any discount or premium on acquisition, over the period to maturity. For investments carried at amortized cost, any gain or loss is recognised in income when the investment is derecognised or impaired, as well as through the amortisation process.

Investment in equity which is unquoted and for which there is no comparable listed company, fair value is determined by the directors. Provision is made for any permanent diminution in value of investment.

(g) Retirement benefit costs

The Fund's employees are eligible for retirement benefits under a defined benefit plan provided through a separate fund. The defined benefit plan is funded by the Fund and the Central Bank, the main sponsor. The retirement benefit asset is wholly recognised in the financial statements of the Central Bank while the Fund recognises contributions to the fund as if it were a defined contribution scheme by charging them to the profit and loss account in the year to which they relate. The amount of contributions for the year were KShs 10,212,927 (2002 – KShs. 10,300,987)

The actuarial valuations of the scheme are performed using the Projected Unit Credit Method and resulting assets or liabilities recognised in the financial statements of Central Bank of Kenya. The Fund staff are seconded from the Central Bank and as such it is not possible to account for their proportionate share of the defined benefit obligation.

The Fund also contributes to a statutory defined contribution Pension Scheme, the National Social Security Fund (NSSF). Contributions are determined by local statute and are currently limited to KShs.200 per employee. The Contributions are charged to income and expenditure account in the year to which they relate.

(h) Employee entitlements

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

(i) Leases

Operating lease rental payments are taken to income and expenditure account on a straight-line basis over the term of the lease.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

2. PROPERTY AND EQUIPMENT

	Building Kshs.'000	Furniture and fittings Kshs.'000	Office and kitchen equipment Kshs.'000	Motor vehicles Kshs.'000	Computers Kshs.'000	Total Kshs.'000
COST						
At 1 July 2002	16,278	1,920	3,964	3,858	2,916	28,936
Additions	–	–	70	–	840	910
Write offs	–	–	(43)	–	–	(43)
At 30 June 2003	16,278	1,920	3,991	3,858	3,756	29,803
DEPRECIATION						
At 1 July 2002	59	688	2,912	3,193	2,041	8,893
Charge for the year	356	154	222	166	733	1,631
Eliminated on write offs	–	–	(37)	–	–	(37)
At 30 June 2003	415	842	3,097	3,359	2,774	10,487
NET BOOK VALUE						
At 30 June 2003	15,863	1,078	894	499	982	19,316
At 30 June 2002	16,219	1,232	1,052	665	875	20,043

3. PRIOR YEAR ADJUSTMENTS

During the year ended 30 June 2002 the Fund changed its accounting policy on depreciation of computers. Up to 30 June 2001 depreciation on computers was charged at 20% p.a. on the reducing balance but from July 2002, it is being charged at 33 1/3% p.a. using the straight line method.

4. PREPAID LAND LEASE

	2003 Ksh'000	2002 Kshs'000
Cost	4,505	4,522
Less: Amortization	(99)	(17)
	4,406	4,505

5. INVESTMENTS

Investment in Consolidated Bank of Kenya Limited 10,000,000 ordinary shares of Kshs.20 each	200,000	200,000
Provision for diminution in value	(199,900)	(199,900)
	100	100

The investment in Consolidated Bank of Kenya Limited was last valued in 1998 by Deloitte & Touche Management Consultants Limited.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

6. GOVERNMENT OF KENYA SECURITIES

	2003 Amortised Cost Kshs 2002	2002 At Cost Kshs 2002
Treasury Bills maturing within 91 days of the balance sheet date	1,527,175	2,618,287
Treasury bills maturing after 91 days of the balance sheet date	538,672	-
Treasury Bonds maturing within 91 days of the balance sheet date	200,032	500,000
Treasury Bonds maturing after 91 days within 365 days of the balance sheet date	680,361	627,600
Treasury Bonds maturing after 365 days of the balance sheet date	6,489,215	4,444,722
	9,435,455	8,190,609
Less securities maturing within 1 year of balance sheet date	2,946,240	3,745,887
Long term government securities	6,489,215	4,444,722

The effective interest rates on government securities as at 30 June was 9.3 % (2002-9.8%). Investments in Treasury Bonds are initially stated at cost but subsequently restated at amortised cost at year end.

During the year the Board adopted International Accounting Standard (IAS) Number 39. Consequently Treasury Bonds and Bills, which are held to maturity, have been remeasured at year end at amortised cost.

7. DEBTORS AND PREPAYMENTS

	2003 Kshs'000	2002 Kshs'000
Debtors and prepayments	162,486	93,973
Less: provision for bad debts	(1,213)	(14,276)
Net debtors and prepayments	161,273	79,697

8. INTEREST RECEIVABLE

	2002 Kshs'000	2003 Kshs'000
Treasury bills	-	29,367
Treasury bonds	152,610	164,352
	152,610	193,719

9. DUE FROM/(TO) CENTRAL BANK OF KENYA

Central Bank of Kenya pays administrative expenses such as salaries on behalf of the Fund. These are reimbursable by the Fund under the terms of Section 37(4) of the Banking Act, 1989.

During the year the Fund had overpaid Central Bank of Kenya by KShs.986,000 for such expenses.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

10. FUND BALANCE

At the beginning of the year
As previously reported
Prior year adjustment (Note 3)

2003 Kshs'000	2003 Kshs'000
8,109,708	6,915,116
–	(519)

As restated
Surplus for the year

8,109,708	6,914,597
1,297,421	1,195,111

At 30 June 2003

9,407,129	8,109,708
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11. CREDITORS AND ACCRUALS

Sundry creditors and accruals
Unclaimed stale cheques

4,040	25,236
18,542	16,977
22,582	42,213

12. PROVISION FOR PROTECTED DEPOSITS

Balance brought forward
Protected deposit provision
Euro bank Limited
Trust Bank Limited
Payments during the year

337,799	252,400
18,544	–
–	110,516
356,343	362,916
(15,735)	(25,117)
340,608	337,799

Balance carried forward

Euro Bank Limited was placed under liquidation in the current year. Provision has been made in the financial statements to recognise the amounts payable as protected deposits.

13. INVESTMENT INCOME

a) Interest earned on Treasury bills
Received on matured bills
Discount on purchase

2003 Kshs'000	2003 Kshs'000
134,467	357,893
30,963	29,367
165,430	387,260

b) Interest earned on Treasury bonds
Received on matured bonds
Accrued interest

556,212	373,891
152,610	164,351
708,822	538,242

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

14. OTHER INCOME

	2003 Kshs'000	2003 Kshs'000
Recoveries from subrogated claims	50,378	18,219
Recoveries from institutions under liquidation	46,276	56,331
	96,654	74,550

15. ADMINISTRATION AND ESTABLISHMENT EXPENSES

Staff costs	101,627	99,271
Accrued staff leave	1,315	1,804
Depreciation	1,631	1,567
Lease amortisation	99	17
Auditor's remuneration	385	350
Directors' emoluments:		
Fees	2,428	1,680
Other emoluments	–	739
Legal and professional fees	799	31,679
Other	33,183	29,618
	141,467	166,725

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	2003 Kshs'000	2003 Kshs'000
Treasury bonds maturing within 91 days of balance sheet	200,032	500,000
Treasury bills maturing within 91 days of balance sheet date	1,527,175	2,618,287
Bank and cash balances	(3,827)	8,779
	1,723,380	3,127,066

17. RISK MANAGEMENT

CURRENCY RISK

The organization operates wholly within Kenya and its assets and liabilities are reported in the local currency. It does not transact in foreign currencies.

INTEREST RATE RISK

Excess funds held by the organisation are invested in Government of Kenya Treasury bills and Treasury bonds. No interest rate risk exposure is envisaged.

LIQUIDITY RISK

The organisation holds a significant portion of investments in Government securities that are readily convertible. No significant risk is envisaged.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

18. CONSOLIDATION

The Fund owns 51% of a subsidiary company, Consolidated Bank of Kenya Limited. The financial statements of the subsidiary have not been consolidated with those of the Fund because the Banking Act restricts the organisation's investments to government securities only. The Fund intends to dispose their investment in the subsidiary once its performance improves, as outright disposal may not realise much.

19. RELATED PARTY TRANSACTIONS

The Fund and Central Bank are related parties, performing connected duties of bank supervision and deposit protection respectively. No trading is carried with Central Bank. The following transactions however take place between the two organisations:-

The Central Bank pays some operating expenses on behalf of the Fund. These are fully reimbursed.

The staff of the Fund are contractually employees of Central Bank but seconded to the Fund. Salaries of these staff are met by Central Bank and fully reimbursed by the Fund.

Central Bank is also the sponsor of the Staff Pension Fund to which the Fund contributes on behalf of employees seconded to it from Central Bank.

Central Bank provides the Fund with office space and charges the Fund rent. In the year, rent charged amounted to KShs. 6 million (2002 KShs. 6 million).

The balance at year end on transactions with Central Bank are shown in note 9.

20. CONTINGENT LIABILITIES

LITIGATION

- a. Mr. Ajay Shah filed a case claiming general damages and special damages of Shs.144m against Trust Bank Limited (In Liquidation) and the Fund on allegations for defamation and publication of malicious false statements. The suit is pending for hearing.

No provision has been made in the financial statements because, in the opinion of the directors, the claim is unlikely to succeed.

NOTES TO THE ACCOUNTS (continued)

for the year ended 30 June 2003

b. Garnishee Order against the Fund and Central Bank

On 27 March 2002, a taxation for costs amounting to KShs 30 million in a case, initially filed by the Fund as the liquidator of Reliance Bank Limited against Panachand J Shah, Dipak P. Shah and Mrs Dipak P. Shah, but dismissed by the Court of Appeal. The Fund has appealed against the taxation.

No provision has been made in the financial statements for these amounts as directors are of the view that the appeal is likely to succeed.

21. EMPLOYEES

The number of employees at the end of the year was 65 (2002 - 56).

22. COMPARATIVES

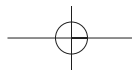
Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year. In particular the comparative figures have been adjusted to take into account the effect of the prior year adjustments relating to changes in policy on depreciation of computers.

23. INCORPORATION

The Fund is incorporated under the Banking (Amendment) Act, 1985.

24. CURRENCY

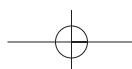
The financial statements are presented in thousands of Kenya shillings (KShs'000).

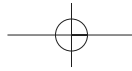


Appendix 1

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
1	African Banking Corp. P.O Box 46452 Nairobi	7	N.P. Sheth Ashraf Savani Shamaz Savan R. Abdulla Richard Omwela	Chairman Managing Director Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster
2	Akiba Bank Ltd. P.O Box 49584 Nairobi	4	L.J.Pandit Dhruv L Pandit Raj P. Arora Hon. Moody Awori N.P.G. Warren H. A. Damji	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
3	Bank of Baroda (K) Ltd. P.O. Box 30033 Nairobi	6	K. Khandelwal T.K. Krishnan H. K. Arora Prof. F.F Ojany R.C. Shah M.P. Ranade	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	Kanubhai & Co.
4	Bank of India Ltd. P.O. Box 30246 Nairobi	2	P.A. Kalyanasundar G.L.N. Sastry B.R. Choudhury	Chief Executive Executive Non-Executive	KPMG Peat Marwick
5	Barclays Bank of Kenya Limited P.O. Box 30120 Nairobi	63	S.O.J. Ambundo Adan Mohamed C.O. Ongwae Amin Habib D. Bruynseels C. C. Simmonds P.K. Chemngorem M.N. Wahome S.R. Shah R.N. Ogega A.B. Makatiani	Chairman Managing Director Executive Executive Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
6	CFC Bank Ltd. P.O. Box 72833 Nairobi	4	P.K. Jani R.J. Barry M. Soundararajan J.G. Kiereini C. Njonjo A.P. Hamilton J.C. Kulei S.W. Lewis	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche

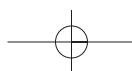




Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
7	Charterhouse Bank Ltd. P.O. Box 43252 Nairobi	2	H. Eshani Sanjay Shah M.W. Prabhu M. Eshani Atul Shah Manoj Shah	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
8	Chase Bank (K) Ltd. P.O. Box 28987 Nairobi	1	Rafiq Sharrif Zafrullah Khan Daniel Mavindu Osman Murgian	Chairman Managing Director Executive Non-Executive	Deloitte & Touche
9	Citibank N.A. P.O. Box 30711 Nairobi	3	Sridhar Srinivasan Kellen Kariuki Vikram Samsi Edwin Ogbogu John Ngumi Richard Squires Sanjiv Seedhar Sanjiv Sethi Paul Njiiri	General Manager Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm. Local Mgt. Comm.	KPMG Peat Marwick
10	City Finance Bank P.O. Box 22741 Nairobi	1	V.R. Patel S. V. Ramani F.S. Abdalla M.A. Sheppard S.S. Bachheta	Chairman Managing Director Non-Executive Non-Executive Non-Executive	Deloitte & Touche
11	Commercial Bank of Africa Kenya Ltd P.O. Box 30437 Nairobi	10	M.H. Da Gama-Rose I.O. Awuondo J.A.M. Docherty J.S. Armitage Muhoho Kenyatta Michael A. Turner	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
12	Consolidated Bank of Kenya Ltd. P.O. Box 51133 Nairobi	11	Donald B. Kimutai K.K. Bett F.N. Ojiambo A.K. Montet J.E. Mbori PS-Treasury	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	



Appendix 1 (continued)

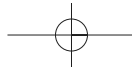
Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
13	Co-operative Bank of Kenya Ltd. P.O. Box 48231 Nairobi	31	S.C. Muchiri G. Muriuki J. Riungu J. Mackenzi J.B. Nthuku A. Khangati P.K. Githendu G. Mwobobia S. Wakasiaka R.L. Kimanthi S. Ogamba D.C. Kuria D. Kuria E.K. Mbogo J. Sitienei	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
14	Credit Agricole Indosuez P.O. Box 69562 Nairobi	2	Jean Marguier Patrick Savignac James Gichuki Jane Kilonzo Peter Maina Phillip Wambua	Chairman Local Committee Local Committee Local Committee Local Committee Local Committee	PriceWaterhouse Coopers
15	Credit Bank Ltd. P.O. Box 61064 Nairobi	3	Hon. S. Nyachae N.K. Agarwal G.W. Nyachae(Mrs) M.C. Patel H.K. Shah K.D. Morjaria M.M. Mwendwa	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
16	Daima Bank Ltd. P.O. Box 54319 Nairobi (Under Statutory Management)	2	S.K. Muumbi I.H. Kiema Mutula Kilonzo Dave Muumbi Dr. D.M. Muindi	Chairman Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
17	Delphis Bank Ltd. P.O. Box 44080 Nairobi	4	G.V. Shah Y. M. Shukla V.T. Patel Azim Virjee P.J. Shah	Chairman Managing Director Non-Executive Non-Executive Non-Executive	Ernst & Young

Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

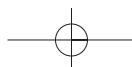
	Bank	Branch Network	Directors' Names	Status	Approved Auditors
18	Development Bank of Kenya Ltd. P.O. Box 30483 Nairobi	1	Prof. H.K. Mengech Sajal Rakhit David D. Marris K. Gatabaki Karl-Heinz Niessen Paul W. Weise I.C.D.C. Ned Fin-M.V.O. NV PS-Treasury Chairman	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
19	Diamond Trust Bank of Kenya Ltd. P.O. Box 61711 Nairobi	5	Robert A. Bird N.M. Devji(Mrs) Iain Cheyne (Alternate: Fredrick Lucien) N.N. Juma J.J. Kisa I.G. Mamdani M.P. Manji A.A. Merali Abdul A. Samji	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
20	Dubai Bank (K) Ltd. P.O. Box 11129 Nairobi	3	A.S. Dahir Hassan Zubeidi A.H. Ahmed A.I. Ahmed A.H.S. Elbusaidy K.D. Singh	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
21	Equatorial Comm. Bank Ltd. P.O. Box 52467 Nairobi	3	Edgar I. Manasseh T.N. Khwaja M.H. Da Gama-Rose Akif H. Butt Iqbal I. Mandviwalla Ahmed S. Ndope	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
22	Fidelity Commercial Bank Ltd. P.O. Box 34886 Nairobi	1	Ashok Shah S.K. Khimji A. Abdallah K. Khimji A Khimji Bharat Thakrar	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster



Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
23	FINA Bank Ltd. P.O. Box 20613 Nairobi	4	D.H. Chandaria V.M. Shanbhag R.M. Patel N.N. Shah M.M. Patel	Chairman Managing Director Non-Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster
24	First American Bank of Kenya Ltd. P.O. Box 30691 Nairobi	4	D.G.M. Hutchison M. Blasetti S.S.H. Rizvi M.B. Da Gama-Rose W. Muriithi A. Butt Chairman	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
25	Giro Commercial Bank Ltd P.O. Box 46739 Nairobi	6	C.J. Gidoomal R.B. Singh P.J. Gidoomal M. De Brouwer D.K. Ngini	Chairman Managing Director Executive Non-Executive Non-Executive	Deloitte & Touche
26	Guardian Bank. P.O. Box 67681 Nairobi	5	Moganlal M. Chandaria Gopinath H. Bhatt M.M. Chandaria Raghibir S. Saini Raj Sahi	Chairman Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
27	Habib A.G. Zurich P.O. Box 30584 Nairobi	4	I.A. Allawala N.A. Mohammed M.A. Hussain Zarir Somjee S.A. Khan(Alternate to Mr.Somjee) Arshad Mahmood	Chairman/CEO Local Committee Local Committee Local Committee Local Committee Local Committee	KPMG Peat Marwick
28	Habib Bank Ltd. P.O. Box 6906 Nairobi	5	H. Mukarram Baig M. Niaz Syed Ajmal M. Ansari Touseef A. Khan Abdul Rashid Khatri Bilal A. Qureshi	Regional G/Manager Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick



Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
29	Imperial Bank Ltd. P.O. Box 44905 Nairobi	4	A. Popat A. Janmohamed Anwar Hajee Jinit Shah Mukesh Patel Vishnu Dhutia Hanif Somji	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster
30	Industrial Dev. Bank Ltd P.O. Box 44036 Nairobi	1	O. Mbaya L.A. Masaviru PS-Treasury PS-Trade & Industry National Bank ICDC KNAC(I-L) Kenya Re Corp J.M. Konzolo M.W.K. Kamaara	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
31	Investments & Mort. Bank Ltd. P.O. Box 30238 Nairobi	7	P.J. Ransley Sarit Shah S.B.R. Shah Sachit Shah M.J. Karanja Brian Rogers	Chairman Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
32	Kenya Commercial Bank Ltd. P.O. Box 48400 Nairobi	88	Susan O. Mudhune Terence M. Davidson Albert K. Ruturi P.S.-Treasury Catherine N. Kimura Sarah W. Wainaina Prof F.F.Ojany William R. Gitobu Charles N. Barongo Esther J. Koimett Jeremiah M. Ndetto	Chairlady Managing Director Chief Oper. Officer Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
33	K-Rep Bank Ltd P.O. Box 25363 Nairobi	3	Bethuel Kiplagat Kimanthi Mutua M. Van G. Brouwers Mary Houghton R. Zimmermann Alfredo Abad Ross C. Croulet Tony Wainaina	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche

Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
34	Middle East Bank Ltd. P.O. Box 41034 Nairobi	3	A.A.K. Esmail D. Ghosh A.D. Raja R. Thibaut	Chairman Managing Director Non-Executive Non-Executive	PriceWaterhouse Coopers
35	National Bank of Kenya Ltd. P.O. Box 72866 Nairobi	31	M.E.G. Muhindi R.M. Marambii A.C.Juma PS-Treasury Managing Trustee- NSSF Dr Jeniffer N. Riria F.W. Waganju F.L. Atwoli K.E. Bharadia	Chairman Managing Director Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive Non Executive	Deloitte & Touche
36	NIC Bank Ltd P.O. Box 44599 Nairobi	3	N.M. Mugwandia M.N. Davidson S.J. Caley G.A. Maina F.M. Mbiru F.N. Mwanzia A.S.M. Ndegwa I. O -Wilson(Mrs) M.L. Somen	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
37	Paramount Universal Bank Limited P.O. Box 14001 Nairobi	3	Manilal Dodhia A.A. Merali Dilip D. Shah A.N. Merali Bahadur Alibhai B.A. Kiplagat	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster
38	Prime Bank Ltd. P.O. Box 43825 Nairobi	7	R.C. Kantaria V.K. Shetty R.N. Kantaria N.P. Thaker J.N. Mungai V.N. Ponda A. Abdalla S.K. Shah	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young

Appendix 1 (continued)

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
39	Southern Credit Banking Corp. Ltd. P.O. Box 11666 Nairobi	7	P.C. Chandarana D.A. Shah A.K. Kurji A. Yousuf C.M. Kuria(Mrs) S.W. Karanja V.V. Patel Hitesh Haria	Chairman Managing Director Executive Executive Executive Non-Executive Non-Executive Non-Executive	KLSA Pannell Kerr Forster
40	Stanbic Bank (K) Ltd. P.O Box 30550 Nairobi	3	J.B. Wanjui P.R. Southey J.Y. Kerrets E.A.W. Njoroge O.M. Tidbury PS-Treasury	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
41	Standard Chartered Bank (K) Ltd. P.O Box 30003 Nairobi	29	H. O. Awori Michael C. Hart Alan J. Dodd S. M'Mbijjiwe(Mrs) Jeremy Awori R. Chowdhury D.G. Njoroge Denis D. Afande Peter D. Sullivan	Chairman Managing Director Executive Executive Executive Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick
42	Transnational Bank P.O. Box 75840 Nairobi	6	Mwakai K. Sio D.K. Rana Charles F. Marsham K.K. Bett Peter Kemei Charles Nyachae Ben K. Chepkoit	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
43	Victoria Commercial Bank Ltd. P.O. Box 41114 Nairobi	1	K.D. Pattni Y.K. Pattni Silvano O. Kola K.P. Jani Ketaki Sheth	Chairman Managing Director Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers

Appendix II

Member NonBanking Financial Institutions, directors and approved external auditors

	Financial Institution	Branch Network	Directors' Names	Status	Approved Auditors
1	Devna Finance Ltd. P.O. Box 1299 Nakuru	1	J. Devchand Nanji Shamil J. Nanji Shileen J. Nanji K.D. Khagram Dilip Mahida	Chairman Executive Executive Non-Executive Non-Executive	Arisi & Co.
2	Prime Capital & Credit Ltd. P.O. Box 46559 Nairobi	1	A.C. Kantaria R.C. Kantaria R.N. Kantaria J.Z. Onduko B.S. Rihal	Chairman Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
3	Savings & Loan Kenya Ltd. P.O. Box 45129 Nairobi	8	S. Mudhune T. Davidson Ms Wangui Ngatia Prof. F.F. Ojany Prof. G.K. Misoi Prof. N.D. Nzomo P.S. Treasury	Chairman Chief Executive Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
4	Housing Finance Company of (K) Ltd. P.O. Box 30088 Nairobi	10	R. Kemoli P. Lewis-Jones Michael Turner David Ansell Titus Naikuni A. Amisabour(Mrs) PS-Treasury	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Peat Marwick

Appendix III

Member Building Societies, directors and approved external auditors

	Building Society	Branch Network	Directors' Names	Status	Approved Auditors
1	East Africa Build.Soc. P. O.Box 47499 Nairobi	8	L.J. Pandit R.J. Pandit D.J. Pandit Hon A.A.M. Awori N.P.G. Warren H.A. Damji	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	PriceWaterhouse Coopers
2	Equity Building Soc. P.O. Box 75104 Nairobi	12	P.K. Munga J.K. Mwangi J.N. Mwangi Prof. S. Kimenyi B.I. Wairegi F.M. Muchoki E.K. Kimani S.Herpe/Prof. Otero	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Mungai & Associates
3	Family Finance P.O. Box 74145 Nairobi	12	T.K. Muya C.N. Muchai L.W. Muya Prof. K. Kinyanjui	Chairman/CEO Non-Executive Non-Executive Non-Executive	Wachira Irungu & Associates
4	Prudential Building Society P.O. Box 28759 Nairobi. (Under Statutory Management)	1	W.K. Kipkoti T.N. Mutundi P.K. Kandie	Chairman Executive Non-Executive	Chege, Muchuguzi Mwangi & Co.