BANK OF AFRICA - KENYA

ANNUAL REPORT

2009

Life in colours

BANK OF AFRICA
KENYA
GROUPE BANK OF AFRICA

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BANK OF AFRICA - BENIN

20 ◆ Cotonou ●
16 ▲ Abomey-Calavi, Allada, Azové, Bohicon, Cocotomey, Comé, Dassa-Zoumé, Djougou, Kandi, Natitingou, Parakou 1, Parakou 2, Pobè, Porto-Novo, Sèmè Kraké, Ouando (Porto-Novo).

BANK OF AFRICA - BURKINA FASO

12 ◆ Ouagadougou ●
6 ▲ Bobo-Dioulasso, Essakane, Fada N'Gourma, Koudougou, Koupéla, Pouytenga.

BANK OF AFRICA - CÔTE D'IVOIRE

10 ◆ Abidjan ●
8 ▲ Bouaké, Daloa, Gagnoa, Korhogo, San Pedro, Sinfra, Soubré, Yamoussoukro.

BANK OF AFRICA - MALI

10 ◆ Bamako ●
6 ▲ Kayes, Koulikoro, Koutiala, Nioro du Sahel, Ségou, Sikasso.
2 ▲ Morila (Sikasso), Sadiola (Kayes).

BANK OF AFRICA - NIGER

6 ◆ Niamey ●
6 ▲ Agadez, Dosso, Gaya, Maradi, Tahoua, Tillaberi.

BANK OF AFRICA - SENEGAL

11 ◆ Dakar ●
3 ▲ Kaolack, Saly Portudal, Touba.

BANQUE DE L'HABITAT DU BENIN

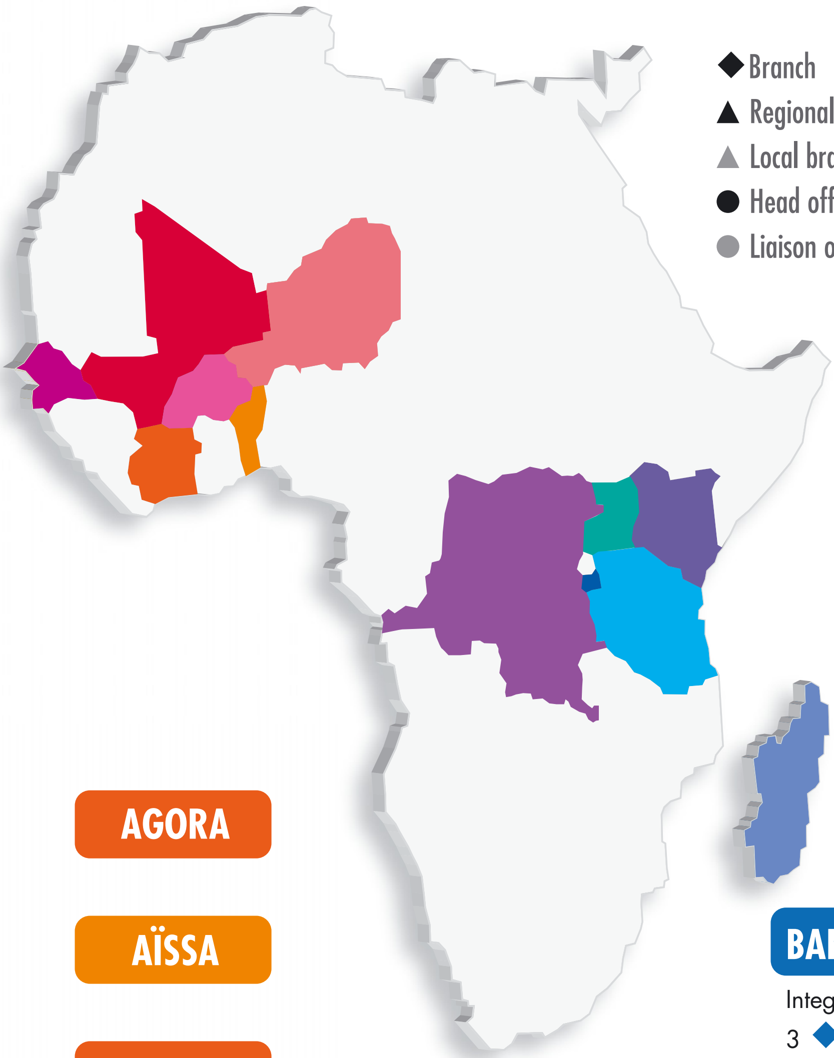
1 ◆ Cotonou ●

Banks and Subsidiaries at end 2009

BOA - FRANCE
1 ◆ Paris, France ●

REPRESENTATIVE OFFICE
1 ◆ Paris, France ●

BANK OF AFRICA - KENYA
6 ◆ Nairobi ●
3 ▲ Kisumu, Mombasa, Thika.



◆ Branch
▲ Regional branch
▲ Local branch
● Head office
● Liaison office

BOA BANK - TANZANIA
8 ◆ Dar es Salaam ●
4 ▲ Arusha, Morogoro, Moshi, Mwanza.

BANK OF AFRICA - UGANDA
9 ◆ Kampala ●
10 ▲ Arua, Entebbe, Fort Portal, Gulu, Jinja (2), Lira, Mbale, Mbarara, Mukono.

BANK OF AFRICA - RDC
1 ◆ Kinshasa ●

BANK OF AFRICA - MADAGASCAR
18 ◆ Antananarivo ●
43 ▲ Throughout the country.

AGORA

AÏSSA

ATTICA

BANQUE DE CREDIT DE BUJUMBURA (BCB)
Integrated into BOA network in 2008.
3 ◆ Bujumbura ●
9 ▲ Gihofi, Gitega, Kayanza, Kirundo, Muyinga, Ngozi, Rumonge, Rugombo, Ruyigi.

EQUIPBAIL-BENIN

EQUIPBAIL-MALI

EQUIPBAIL-MADAGASCAR

ACTIBOURSE
Cotonou ●
1 contact in each BOA company
1 ● Abidjan.

BOA-ASSET MANAGEMENT
Abidjan ●

BANK OF AFRICA FOUNDATION
Bamako ●
7 ● Abidjan, Antananarivo, Cotonou, Dakar, Kampala, Niamey, Ouagadougou.

Group Strong points

- Quality of customer service
- Dynamic, accessible staff
- Financial solidity
- Cohesive network
- A wide range of financing solutions
- Expertise in financial engineering
- Strong partners

A strong network

- *More than 3,000 people at your service.*
- *Major holding in several life insurance companies.*
- *About 250 dedicated operating and service support offices in 13 countries, excluding affiliated partners.*
- *A continuously expanding fleet of Automated Teller Machines and Electronic Payment Terminals.*
- *Over 700,000 bank accounts.*

A wide and varied offer

- *Full range of banking and financial services.*
- *Attractive range of life insurance policies.*
- *Tailored solutions for all financing issues.*
- *Successful financial engineering.*

Group turnover in 2009

±270

million €

Strategic partners, including:

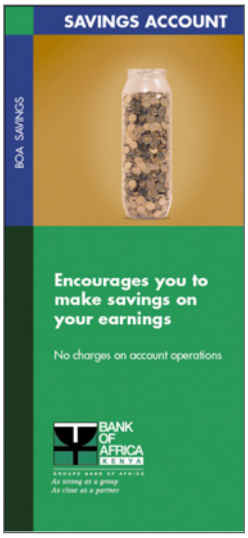
- Banque Marocaine du Commerce Extérieur (BMCE Bank),
- Proparco,
- International Finance Corporation (IFC - World Bank Group),
- West African Development Bank (BOAD),
- Netherlands Development Finance Company (FMO),
- Belgium Investment Company for Developing Countries (BIO),
- and investment fund Aureos.

Unique experience in Africa

- Continuous development for almost 30 years.

Main products of the Bank

BANK OF AFRICA english speaking network			BOA-KENYA
Accounts	Current Account	(Local & Foreign Currency)	●
	Goodwill Current Account		●
	Remunerated Current Account		
	Salary Current Account		●
	Personal Current Account		●
	Wakili Current Account		●
Investment Products	Access Account		●
	Call Deposits Account		●
	Chama Account		●
	Children Savings Account	"123 Cool Kids Account"	●
	Classic Savings Account		
	Family Savings Account		
	Forexave Account		
	Ero Savings Account		
	Gold Plus Account		
	Investment Plan Account		●
	Ordinary Savings Account		●
	Premium Plus Fixed Deposit		●
	Reward Savings Account		
	Schools Fees Account		
	Senior Citizen Fixed Deposit		
	SESAME Savings Account		
	Student Investment Teams		
	Student Savings Account		●
	Term Deposit		●
Electronic Banking	B-SMS / B-Phone		
	B-Web		●
	SESAME ATM Card	(Kenswitch Network)	●
Loans & Advances	2-in-1 Loan		
	Bridging Overdraft		
	Instant Cash		
	Motor cycle Loan		
	Motor vehicle Loan		
	Personal Loans		●
	Personal motor Loan		●
	Salary Advance		●
	Schools Fees Loan		●
	Super Kikapu		
BOA Company Services	BOA-KENYA also offers a wide range of products and services to Corporates, SMEs, International Organizations, Institutions and Professional firms.		●
Transfers and foreign exchanges	Foreign Exchange		●
	Moneygram		
	Travellers Cheques		●
	Western Union		●
Complementary Products & Services	Banker's Cheques		●



Activity Report 2009

Making life easier

Comments from the Managing Director

In 2009, Kenya had just begun to emerge from the difficulties of the post election violence that shocked the domestic economy in ways never seen before in its history. The effects of this distortion combined with the drought for most part of the year and across all provinces as well as the global financial crisis that manifested as global recession resulted in low domestic output's growth. Food supply and electricity generation suffered gravely leading to severe shortages and the high cost of production. The government's stimulus plan aimed at spending some Kenya shillings 22 billion on infrastructure in the last half of the year did not really materialize. Consequently, GDP was estimated to have grown at 2.5%, slightly higher than the year before when it grew at 1.7%.

However, in the last quarter of the year, the country received some limited amounts of rainfall. Food inflation therefore began to fall and stood at 5.3% in December 2009.The rains have favoured the horticultural sector as well as tea production. With increased electricity generation and global recovery the outlook for 2010 seems promising, especially in agribusiness, manufacturing and construction. Tourism is also expected to make a significant comeback.

In 2009, the government tapped into the bonds market to finance infrastructure projects that required huge capital outlays. Two bonds for Kenya Shillings 18.5 billion each were issued in February and December. They were both heavily oversubscribed. The success of these bonds was not only a major boost to government finances, it also was a signal about Kenyans' commitment to building modern infrastructure and future long term debt raising capacity. It also signifies the maturity of the bond market. BANK OF AFRICA – KENYA (BOA-KENYA), like many other banks was a direct beneficiary of these bonds.

With respect to the financial services sector, the muted consumer demand and external trade conscriptions reflected in the slow growth in private sector credit. Banks adopted a cautious approach and structural changes that has resulted in improved non-performing loans book. A number of technology driven products were rolled out by banks, either on their own or in association with the local telecom companies to diversify their fee income base and reach out to the retail sector. Unlike the earlier years however, branch roll out plans and expansion were withheld. One bank was licensed, bringing the total of banks to 46.

Against this background, BOA-KENYA achieved some remarkable milestones. The Bank continued with the implementation of its retail network expansion strategy and added 2 new branches to the network, making it 9. The head office and main branches were remodeled to create space and serve customers in a more serene setting. The shareholders also injected fresh capital under a rights issue of shares, raising Kenya shillings 712 MIO in the process. New products were introduced, and the fundamentals of bank management structure realigned with the overall strategy to be visible in the Small and Medium Enterprises market. The Bank's loan book recorded a 33.8 per cent growth from December 2008 KES 6.8 billion to KES 9.1 billion. Customer deposits grew by 42.5 per cent to KES 12.4 billion from the previous KES 8.7 billion. Profit before tax was 179% above the previous year.

As usual, the Bank was involved in a number of corporate social responsibility projects, especially in sponsorship of needy children in high school, the arts, music and gender violence reduction projects. We will continue to contribute our quota to society in that regard and in association with our Group members.

We take this opportunity to thank all our business partners for the massive assistance/collaboration we received from them during the year and trust that they will continue to be with us in the new year and the years to come. We especially want to record our gratitude to our customers who have continued to place their confidence in us and trust us with their business. We also thank our staff for their unflinching loyalty to the Bank and our shareholders for keeping the faith. We shall continue to inflame their passion for the brand so as to make BOA-KENYA a respected and enviable bank in this country.

Kwame AHADZI
Managing Director

Highlights 2009

❶ *The new Ruaraka Branch Staff.*

February

- Opened Ruaraka Branch (photo ❶), Industrial zone 15km north of Nairobi.
- Coming of a new Managing Director.

April

- The Bank won 2 awards at the annual Kenyan Banking awards 2009:
  - Best Bank in Customer Satisfaction
  - 2nd Runners up, Best Bank in SME Banking.

May

- Participation in the Groupe BANK OF AFRICA network management meeting, in Abidjan.

June

- Hosting of the first Business clinic for SME customers in Nairobi.
- Increase of Bank's capital by way of a rights issue, reaching an amount of KES 2.0 billion.

September

- Launched 3 months staff deposit mobilization campaign, "Count me in".

October

- Opened Monrovia Street (photos ❷&❸), in the Central Business District of Nairobi.

November

- Internal launch of 2 new current account products, the Wakili and Goodwill accounts.

December

- Renovations completed for the main branch and head office located at Kenya Reinsurance Plaza.

Key figures

On 31/12/2009

❸ *The Monrovia Street Branch staff.*

❷ *Regional Director of Agence Française de Développement (AFD) Mr. J.-P. MARCELLI cuts the tape at the official opening of the newest BOA-KENYA branch, "Monrovia Street". He is flanked by BOA-KENYA MD Mr. Kwame AHADZI (left) and the BANK OF AFRICA Group Chairman, Mr. Paul DERREUMAUX.*

Total Assets

16,915

KES' million

Activity

Deposits*	12,405
Loans*	9,120

Income

Net Interest Income*	533
Operating income*	1002
Operating expense*	(761)
Profit before tax*	260
Profit after tax*	192

Structure

Total Assets*	16,915
Number of employees	137

** in KES' million*

(Euro 1 = 109.400720 KES)

Photos: © BOA-KENYA

Corporate Social Responsibility Initia

CSR policy

The Bank has planned to formulate and have in place a CSR policy by February 2010. Despite the lack of a policy, BOA–KENYA has a well guided CSR philosophy that provides financial support to initiatives that are consistent with its business objectives and have a positive impact on society. Sponsorship and donations serve to promote BOA's image as a responsible member of society.

A number of these activities do support our existing clients while others support charitable and community initiatives that we believe can have a meaningful impact and present a positive image of the Bank. Most of the funding is split equally between sponsorships and donations.

Social

- The Bank is committed to supporting music and theatre. There has been a long existing partnership with the Alliance Française to promote the arts. In April 2009, the Bank sponsored the Gangbe Brass Band, from Benin, for a concert at Alliance Française in Nairobi and Mombasa. Over 300 fans and BOA staff attended mainly drawn from the French community and their friends, jazz enthusiasts and from the Arts scene.

- It has been quite a relief to note from media reports that HIV – AIDS infection rates have been gradually falling in the last few years in Kenya. This success is due to the dedicated government, NGO, community and CSR efforts of many companies including banks. BOA-KENYA strongly supports community based initiatives primarily those that would involve a cross-section of the public to raise awareness on health, primarily on HIV – AIDS.

On 1st December 2009, BOA-KENYA was the main prize sponsor of the Kisumu Worlds Aids Marathon held in Kisumu. The event was flagged off by Mama Sarah OBAMA - grand mother to US President -, who was the chief guest. The Bank was widely appreciated by the Organizers as we were the only bank to have sponsored the event (photos ❶, ❷ & ❸).

❶ *BOA staff assisting Mama Sarah OBAMA to the presentation after the marathon.*

Participating in local life

❷ *Top Athletes, including some of the upcoming Kenyan marathoners prepare for the start at the Jomo Kenyatta public grounds in Kisumu city.*

❸ *The top 2 athletes at the World AIDS Day Kisumu Marathon pose for a photo with BOA Kenya Kisumu staff Steve OYUCHO and Sheila MWABISHI.*

Photos: © BOA-KENYA

Environment

Kenya is facing a huge challenge in preserving forests and water catchment areas. It's a key CSR responsibility for many corporate organizations to support environmental conservation and in many instances involve the staff and general public in joint activities such as tree planting.

For 3 years now, BOA-KENYA has been supporting tree planting within marginalized communities in the slum areas of Nairobi.This has been conducted in partnership with Eco-challenge, a joint conservation initiative of Total Kenya Ltd.

Economy

At a time when the Global economic crises was slowly catching up with the developing world, and the Kenyan economy was shrinking from a growth rate of 7.1 to 1.7% in 2008, there were wise suggestions that the SME sector should be ready for tougher economic times ahead. In this regard, "Cash" therefore became a critical business asset that needed proper management to remain afloat.

It's in cognizance of the current economic situation BOA-KENYA found it wise to prepare and educate our Business clientele on this subject in a bid to keep them not only better equipped for the tough times ahead but also to make them better business managers.

In this connection, BOA-KENYA hosted the first SME Business Empowerment Clinic on 18th June 2009 at the Serena Hotel in Nairobi. The Topic for the day was "Cash Management". We had invited about 80 clients from Nairobi and Thika, and had requested them to bring along a friend who is also in business, and the turnout was very good.

Board of Directors

The Directors who held office during the year and to the date of this report were:

- Paul DERREUMAUX, Chairman
- Georges ABALLO
- Vincent de BROUWER
- Alexandre RANDRIANASOLO
- Davinder S. SIKAND
- Kwame AHADZI
- Jean-Geo PASTOURET
- Ben ZWINKELS

Capital

The Bank has 2,000,000 authorized ordinary shares with a cumulative nominal value of KES 2.0 billion. The following is the Bank's shareholding structure as at 31st December 2009.

Shareholding Position based on number of shares (%):

10% BOA GROUP S.A.

15% AFH-OCEAN INDIEN

11% BANK OF AFRICA - BENIN

11% BANK OF AFRICA - CÔTE D'IVOIRE

15.50% BANK OF AFRICA - MADAGASCAR

20% NETHERLANDS DEVELOPMENT FINANCE COMPANY (FMO)

15.50% AUREOS EAST AFRICA FUND LLC

2% AGORA

Report and Financial Statements

for the year ended 31 December 2009

Making life better

Directors' Report

The Directors submit their report together with the audited financial statements for the year ended 31 December 2009, which disclose the state of affairs of BANK OF AFRICA - KENYA Limited and its subsidiary (the "Group") and BANK OF AFRICA - KENYA Limited (the "Bank/Company").

Principal activities

The Group is engaged in the business of banking and the provision of banking related services.

Results and dividend

Profit for the year of Shs 293 million (2008: Shs 218 million) has been added to retained earnings. The Directors recommend the approval of a final dividend of Shs 130 million (2008: Shs 65 million).

Directors

The Directors who held office during the year and to the date of this report were:

Paul DERREUMAUX	Chairman
Alexandre RANDRIANASOLO	
Davinder S. SIKAND	(Alternate Director Shakir MERALI)
Vincent de BROUWER	
Georges ABALLO	Resigned 1st Feb 2010
Kwame AHADZI	Managing Director (Appointed 5th March 2009)
Jean-Geo PASTOURET	Deputy Managing Director (Appointed 5th March 2009)
Bernardus ZWINKELS	Appointed 20 May 2009
Philippe LEON-DUFOUR	Resigned 15th February 2009
Francis SUEUR	Resigned 18th of March 2009

Auditor

The Company's auditor, PriceWaterhouseCoopers, has indicated its willingness to continue in office in accordance with the provisions of Section 159(2) of the Companies Act and Section 24(1) of the Banking Act.

By order of the Board

Ramesh VORA
Secretary

19th March 2010

123 Cool Kids account top saver together with her parents receive the top deposit award from BOA-KENYA MD Kwame AHADZI. Looking on is Phyllis GITUMBI, Head of Consumer Banking.

BOA-KENYA MD Mr. Kwame AHADZI is eagerly assisted to cut a celebratory cake by 123 Cool Kids account holders, at the Splash Water world in Nairobi.

Corporate governance

Corporate governance outlines the way companies are run and managed, the role of the Board of Directors and a framework of internal controls. The Board of BANK OF AFRICA - KENYA is keen in ensuring the adoption of good corporate governance.

The Board

The Board is made up of the Chairman, the MD, the Deputy MD and five non-executive Directors. All Directors are subject to periodic re-appointment in accordance with the Company's Articles of Association. On appointment, each director receives information about the Bank and is advised of the legal, regulatory and other obligations of a director.

The full Board meeting is held every quarter and Directors are given appropriate information that guides their control over strategic, financial, operational, compliance and governance matters. The Managing Director, is in charge of the day to day operations while the Board oversees the performance of the executive management.

The following table shows the number of Board meetings held during the year and the attendance of individual Directors.

Board meeting Membership and Attendance

	Date 15th January 2009	Date 5th March 2009	Date 19th March 2009	Date 27th May 2009	Date 27th August 2009
Paul DERREUMAUX	A	A	A	A	A
Alexandre RANDRIANASOLO	AP	A	A	A	A
Davinder S. SIKAND	A	A	A	A	A
Vincent de BROUWER	A	A	A	A	A
Georges ABALLO (resigned 1st Feb 2010)	A	N/A	N/A	N/A	N/A
Kwame AHADZI	N/A	A	A	A	A
Jean-Geo PASTOURET	N/A	A	A	A	A
Bernardus ZWINKELS (appointed on the 20th of May 2009)	N/A	N/A	N/A	AP	A
Philippe LEON-DUFOUR (resigned 15th of February 2009)	A	N/A	N/A	N/A	N/A
Francis SUEUR (resigned on the 18th of March 2009)	AP	A	N/A	N/A	N/A
Shakir MERALI (alternate to Mr. Davinder S. SIKAND)	AP	A	AP	A	A

A – Attended AP – Absent with apology N/A – Not Applicable

Board Audit & Risk Committee

The overall responsibility of the Board Audit and Risk Committee is to review the financial condition of the Bank, its internal controls, performance and findings of the internal and external auditors, findings of the regulatory authorities, and recommend appropriate remedial action. The committee will also review the various risks faced by the Bank and the management of such risks.

Directors' Remuneration

The remuneration of all Directors is subject to regular review to ensure that levels of remuneration and compensation are appropriate. Information on the aggregate amount of emoluments and fees paid to Directors are disclosed in Note 28 of the financial statements.

The winner of the "Count me in" campaign, Ruth KUNG'U, receives the keys to the top prize (Nissan Sunny B15) from BOA-KENYA MD, Kwame AHADZI. Top deposit mobilizers were rewarded during the Bank's staff Party held in Nairobi.

Board Performance Evaluation

Under the Prudential Guidelines issued by the Regulator, the Board is responsible for ensuring that an evaluation of its performance is done, and that of its committees and individual Directors. The results of such an evaluation are to be provided to the Central Bank of Kenya.

The Board conducted its first comprehensive evaluation and that of Members, the Chairman and Board Committees on 27 February 2010. The aim was to assess their capacity and effectiveness relative to the mandates, and identify any challenges that could form a basis for action in the coming year. The evaluation will henceforth be an annual exercise.

The process was carried out using a set of self assessment questionnaires that ranked performance on a range of 'Poor' to 'Very Good' and was developed by the Board Audit and Risk Committee in consultation with external sources that have undertaken this exercise in the past and have global good practice. It had the characteristics of group assessment and one-on-one evaluation.

The discussions focused on the board's processes and procedures in the following areas, among others:

- Bank Strategy evolution and follow through
- Understanding and influencing the Bank's Risk profile in the context of the industry
- Review of Board Composition and Mix relative to the mandate
- Board Attendance and participation in discussions
- Effectiveness of Board Committees namely Board Audit & Risk Committee and Board Credit Committee
- Board Relationship with Executive Management.

Photos: © BOA-KENYA

i. Board Self Evaluation

Each board member was availed the questionnaire a month before the board meeting convened to discuss the evaluation. At the evaluation meeting, the ratings given by each member of the board and its committees were discussed by all members under the direction of the Chairman of the Board. Overall ratings were agreed taking into account the individual ratings and comments.

Overall, the Board concluded that it was operating in an effective manner but identified some areas in its processes and procedures for which further improvements could be made, and will be a focus of attention in the year 2010 and beyond. They include:

- Appointment of additional local Directors to add knowledge of the local market
- Evolution of the Bank's risk matrix relative to other banks in the industry with special emphasis on the Business Continuity Plan and stress testing results for key risk areas
- More regular board committee meetings.

ii. Director Peer Evaluation

Directors were evaluated using a peer evaluation method. The Board Chairman appointed a peer evaluator for each member who then completed the evaluation questionnaire for the appointed peer. Specific knowledge in bank risk issues and Central Bank Prudential Guidelines were identified as areas needing emphasis in 2010. The Executive Directors were also evaluated on effective implementation of strategy and board policies.

iii. Board Chairman's Evaluation

The Chairman was evaluated by the board members in his absence. The process was steered by a Non-Executive Board Member. At a meeting thereafter with the Chairman on the results of the evaluation members concluded that the Chairman has been effective in his role.

Going concern

The Board ensures that the Bank has adequate resources to continue in business into the foreseeable future. For this reason, it continues to adopt the going concern basis when preparing the financial statements.

The Groupe BANK OF AFRICA network management meeting 2009, in Abidjan.

Paul DERREUMAUX, BANK OF AFRICA Group Chairman, addressing the Meeting.

Internal Controls

The Board has the responsibility of ensuring that adequate systems of internal control that provide reasonable assurance of effective and efficient operations are in place.

The Board strives to achieve a strong control environment including the evaluation of non-financial risks guided by written policies and procedures to identify and manage risk.

The Bank's Internal Audit department which is independent, reports to the Board Audit & Risk Committee and provides and independent confirmation that Group business standards, policies and procedures are being complied with.

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 Company as at the end of the financial year and of its 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.

The Directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable estimates, in conformity with 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 Company and of its profit or loss in accordance with International Financial Reporting Standards. 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 designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement.

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

Jean-Geo PASTOURET
Director

Kwame AHADZI
Director

19th March 2010

The Groupe BANK OF AFRICA's meeting 2009 for the Directors of its network, in Abidjan.

Report of the independent auditors
to the Members of BANK OF AFRICA - KENYA Ltd.

REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the accompanying consolidated financial statements of BANK OF AFRICA - KENYA Limited (the Company) and its subsidiary (together, the Group), as set out on pages 24 to 81. These financial statements comprise the consolidated balance sheet at 31 December 2009 and the consolidated statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, together with the balance sheet of the Company standing alone as at 31 December 2009 and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting standards, and with the requirements of the Kenyan Companies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Photos: © BOA-KENYA

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

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

Opinion

In our opinion the accompanying 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 2009 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.

REPORT ON OTHER LEGAL REQUIREMENTS

The Kenyan Companies Act requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the Company, so far as appears from our examination of those books;

iii) the Company's balance sheet and profit and loss account are in agreement with the books of account.

Certified Public Accountants

NAIROBI
19th March 2010

Financial Statements

for the year ended 31 December 2009

Making life different

Financial Statements

Consolidated statement of comprehensive income

	NOTES	2009	2008
		SHS 000	SHS 000
INTEREST INCOME	5	2,101,307	1,369,224
INTEREST EXPENSE	6	(1,016,845)	(611,630)
NET INTEREST INCOME		**1,084,462**	**757,594**
FEE AND COMMISSION INCOME		450,640	360,297
FEE AND COMMISSION EXPENSE		(48,345)	(42,636)
NET FEE AND COMMISSION INCOME		**402,295**	**317,661**
FOREIGN EXCHANGE INCOME		196,893	204,231
OTHER OPERATING INCOME		156,550	56,245
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	14	(45,302)	(50,455)
FAIR VALUE LOSSES ON FINANCIAL ASSETS THROUGH PROFIT OR LOSS		(14,235)	-
OPERATING EXPENSES	7	(1,405,400)	(1,042,915)
SHARE OF INCOME OF ASSOCIATES	17	21,656	29,059
PROFIT BEFORE INCOME TAX		**396,919**	**271,420**
INCOME TAX EXPENSE	9	(103,865)	(53,071)
PROFIT FOR THE YEAR (of which Shs 192,439,000 has been dealt with in the profit and loss account of the Company)		**293,054**	**218,349**
OTHER COMPREHENSIVE INCOME:			
GAINS ON REVALUATION OF AFS BONDS		13,603	8,112
TAX EFFECT ON GAINS ON REVALUATION OF AFS BONDS		(4,081)	(2,434)
CURRENCY TRANSLATION DIFFERENCES		21,805	6,016
TOTAL		**31,327**	**11,694**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**324,381**	**230,043**
PROFIT ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		227,607	138,580
NON CONTROLLING INTEREST		65,447	79,769
TOTAL		**293,054**	**218,349**
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		248,053	144,570
NON CONTROLLING INTEREST		76,328	85,473
TOTAL		**324,381**	**230,043**

for the year ended 31 December 2009

Consolidated balance sheet

	NOTES	2009	2008
		SHS 000	SHS 000
ASSETS			
CASH AND BALANCES WITH CENTRAL BANKS	11	2,061,070	1,783,102
GOVERNMENT SECURITIES - HELD TO MATURITY	12 (A)	4,332,727	2,743,660
GOVERNMENT SECURITIES - AVAILABLE FOR SALE	12 (B)	742,463	734,747
ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	12 (C)	32,109	31,413
PLACEMENTS WITH OTHER BANKS	13	2,745,622	1,164,360
AMOUNTS DUE FROM GROUP BANKS	28	493,275	253,752
GOODWILL ON PURCHASE OF SUBSIDIARY	29	15,610	15,988
INVESTMENT IN ASSOCIATE	17	283,651	242,091
LOANS AND ADVANCES TO CUSTOMERS	14	13,730,002	10,235,824
CURRENT INCOME TAX		19,633	21,500
PROPERTY AND EQUIPMENT	15	652,862	519,921
INTANGIBLE ASSETS	16	75,282	105,919
PREPAID OPERATING LEASE RENTALS	30	5,033	5,118
DEFERRED INCOME TAX	18	2,967	-
OTHER ASSETS	19	326,009	901,196
TOTAL ASSETS		**25,518,315**	**18,758,591**
LIABILITIES			
CUSTOMER DEPOSITS	20	18,796,143	13,820,055
DEPOSITS FROM OTHER BANKS	21	1,411,353	899,317
AMOUNTS DUE TO GROUP BANKS	28	621,623	492,674
BORROWINGS	31	1,141,613	1,002,374
CURRENT INCOME TAX		51,632	-
DEFERRED INCOME TAX	18	7,318	4,659
OTHER LIABILITIES	22	261,105	317,360
TOTAL LIABILITIES		**22,290,787**	**16,536,439**
EQUITY			
SHARE CAPITAL	23	2,000,000	1,400,000
SHARE PREMIUM	23	112,200	-
REGULATORY RESERVE	25	91,414	73,777
REVALUATION RESERVES	24	13,807	4,285
TRANSLATION RESERVES		16,940	6,016
RETAINED EARNINGS		345,742	265,772
NON CONTROLLING INTEREST		517,425	407,302
PROPOSED DIVIDEND	10	130,000	65,000
TOTAL EQUITY		**3,227,528**	**2,222,152**
TOTAL EQUITY AND LIABILITIES		**25,518,315**	**18,758,591**

The financial statements on pages 24 to 81 were approved for issue by the Board of Directors on 19th March 2010 and signed on its behalf by:

Jean-Geo PASTOURET	Kwame AHADZI	Shakir MERALI	Ramesh VORA
Director	Director	Director	Secretary

Financial Statements

Company balance sheet

	NOTES	2009	2008
		SHS 000	SHS 000
ASSETS			
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	11	1,157,535	902,371
GOVERNMENT SECURITIES - HELD TO MATURITY	12 (A)	2,415,614	1,420,764
GOVERNMENT SECURITIES - AVAILABLE FOR SALE	12 (B)	742,463	734,747
PLACEMENTS WITH OTHER BANKS	13	1,932,097	1,058,761
AMOUNTS DUE FROM GROUP BANKS	28	488,321	320,696
INVESTMENT IN ASSOCIATE	17(A)	283,651	242,091
INVESTMENT IN SUBSIDIARY	17(B)	346,527	278,504
LOANS AND ADVANCES TO CUSTOMERS	14	9,120,438	6,856,438
CURRENT INCOME TAX		-	7,134
PROPERTY AND EQUIPMENT	15	194,617	174,231
INTANGIBLE ASSETS	16	34,456	51,098
PREPAID OPERATING LEASE RENTALS	30	5,033	5,118
DEFERRED INCOME TAX	18	2,967	-
OTHER ASSETS	19	191,573	250,810
TOTAL ASSETS		**16,915,292**	**12,302,763**
LIABILITIES			
CUSTOMER DEPOSITS	20	12,405,181	8,700,784
DEPOSITS FROM OTHER BANKS	21	844,904	773,950
AMOUNTS DUE TO GROUP BANKS	28	609,232	587,078
BORROWINGS	31	331,407	327,761
CURRENT INCOME TAX		51,632	-
DEFERRED INCOME TAX	18	-	1,578
OTHER LIABILITIES	22	162,058	249,895
TOTAL LIABILITIES		**14,404,414**	**10,641,046**
EQUITY			
SHARE CAPITAL	23	2,000,000	1,400,000
SHARE PREMIUM	23	112,200	-
REGULATORY RESERVES	25	81,337	63,074
REVALUATION RESERVES	24	13,807	4,285
RETAINED EARNINGS		173,534	129,358
PROPOSED DIVIDEND	10	130,000	65,000
TOTAL		**2,510,878**	**1,661,717**
TOTAL EQUITY AND LIABILITIES		**16,915,292**	**12,302,763**

The financial statements on pages 24 to 81 were approved for issue by the Board of Directors on 19th March 2010 and signed on its behalf by:

Jean-Geo PASTOURET	**Kwame AHADZI**	**Shakir MERALI**	**Ramesh VORA**
Director	Director	Director	Secretary

Consolidated statement of changes in equity

	NOTES	SHARE CAPITAL SHS 000	SHARE PREMIUM SHS 000	REVALUATION RESERVES SHS 000	TRANSLATION RESERVES SHS 000	REGULATORY RESERVES SHS 000	RETAINED EARNINGS SHS 000	PROPOSED DIVIDEND SHS 000	TOTAL SHS 000	NON CONTROLLING INTEREST SHS 000	TOTAL EQUITY SHS 000
YEAR ENDED 31 DECEMBER 2008											
AT START OF THE YEAR		950,000	-	(1,393)	-	48,042	209,258	57,000	1,262,907	-	1,262,907
COMPREHENSIVE INCOME											-
PROFIT FOR THE YEAR		-	-	-	-	-	138,580	-	138,580	79,769	218,349
OTHER COMPREHENSIVE INCOME:											
NET CHANGE IN AVAILABLE-FOR-SALE FINANCIAL ASSETS NET OF TAX	24	-	-	5,678	-	-	-	-	5,678	-	5,678
TRANSFER TO REGULATORY RESERVE	25	-	-	-	-	25,735	(25,735)	-	-	-	-
CURRENCY TRANSLATION DIFFERENCES		-	-	-	6,016	-	-	-	6,016	5,730	11,746
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**5,678**	**6,016**	**25,735**	**112,845**	**-**	**150,274**	**85,499**	**235,773**
TRANSACTIONS WITH OWNERS:											
DIVIDENDS:											
- PAID (FINAL FOR 2007)	10	-	-	-		-	-	(57,000)	(57,000)	-	(57,000)
- PROPOSED FINAL FOR 2008	10	-	-	-		-	(65,000)	65,000	-	-	-
INCREASED INVESTMENT IN SUBSIDIARY		-	-	-	-	-	-	-	-	63,060	63,060
CONSOLIDATION OF FOREIGN SUBSIDIARY		-	-	-		-	8,669	-	8,669	258,743	267,412
ISSUE OF SHARES		450,000	-	-		-	-	-	450,000	-	450,000
TOTAL TRANSACTIONS WITH OWNERS		**450,000**	**-**	**-**	**-**	**-**	**(56,331)**	**8,000**	**401,669**	**321,803**	**723,472**
AT 31 DECEMBER 2008		**1,400,000**	**-**	**4,285**	**6,016**	**73,777**	**265,772**	**65,000**	**1,814,850**	**407,302**	**2,222,152**
YEAR ENDED 31 DECEMBER 2009											
AT START OF YEAR		1,400,000	-	4,285	6,016	73,777	265,772	65,000	1,814,850	407,302	2,222,152
COMPREHENSIVE INCOME											-
PROFIT FOR THE YEAR		-	-	-	-	-	227,607	-	227,607	65,447	293,054
OTHER COMPREHENSIVE INCOME:		-		-	-	-	-				
NET CHANGE IN AVAILABLE-FOR-SALE FINANCIAL ASSETS NET OF TAX	24	-	-	9,522	-	-	-	-	9,522	-	9,522
TRANSFER TO REGULATORY RESERVE	25	-	-	-	-	17,637	(17,637)	-	-	-	-
CURRENCY TRANSLATION DIFFERENCES		-	-	-	10,924	-	-	-	10,924	10,881	21,805
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**9,522**	**10,924**	**17,637**	**209,970**	**-**	**248,053**	**76,328**	**324,381**
TRANSACTIONS WITH OWNERS:											
DIVIDENDS:	10										
- PAID (FINAL FOR 2008)		-	-	-	-	-	-	(65,000)	(65,000)	-	(65,000)
- PAID TO MINORITY INTEREST		-	-	-	-	-	-	-	-	(33,637)	(33,637)
- PROPOSED FINAL FOR 2009	10	-	-	-	-	-	(130,000)	130,000	-	-	-
INCREASED INVESTMENT IN SUBSIDIARY		-	-	-	-	-	-	-	-	67,432	67,432
ISSUE OF SHARES	23	600,000	112,200	-	-	-	-	-	712,200	-	712,200
TOTAL TRANSACTIONS WITH OWNERS		**600,000**	**112,200**	**-**	**-**	**-**	**(130,000)**	**65,000**	**647,200**	**33,795**	**680,995**
AT 31 DECEMBER 2009		**2,000,000**	**112,200**	**13,807**	**16,940**	**91,414**	**345,742**	**130,000**	**2,710,103**	**517,425**	**3,227,528**

Financial Statements

Company statement of changes in equity

	NOTES	SHARE CAPITAL SHS 000	SHARE PREMIUM SHS 000	REVALUATION RESERVES SHS 000	REGULATORY RESERVES SHS 000	RETAINED EARNINGS SHS 000	PROPOSED DIVIDEND SHS 000	TOTAL SHS 000
YEAR ENDED 31 DECEMBER 2008								
AT START OF THE YEAR COMPREHENSIVE INCOME		**950,000**	**-**	**(1,393)**	**48,042**	**209,258**	**57,000**	**1,262,907**
PROFIT FOR THE YEAR		-	-	-	-	70,961	-	70,961
OTHER COMPREHENSIVE INCOME:								
SHARE OF ASSOCIATES RESERVES MOVEMENT		-	-	-	-	(70,829)	-	(70,829)
NET CHANGE IN AVAILABLE FOR SALE FINANCIAL ASSETS NET OF TAX		-	-	5,678	-	-	-	-
TRANSFER TO REGULATORY RESERVE	25	-	-		15,032	(15,032)	-	5,678
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**5,678**	**15,032**	**(14,900)**	**-**	**5,810**
TRANSACTIONS WITH OWNERS:								
DIVIDENDS:								
- PAID (FINAL FOR 2007)	10	-	-	-	-	-	(57,000)	(57,000)
- PROPOSED FINAL FOR 2008	10	-	-	-	-	(65,000)	65,000	-
ISSUE OF SHARES	23	450,000	-	-	-	-	-	450,000
TOTAL TRANSACTIONS WITH OWNERS		**450,000**	**-**	**-**	**-**	**(65,000)**	**8,000**	**393,000**
AT 31 DECEMBER 2008		**1,400,000**	**-**	**4,285**	**63,074**	**129,358**	**65,000**	**1,661,717**
AT 1 JANUARY 2009								
TOTAL COMPREHENSIVE INCOME		**1,400,000**	**-**	**4,285**	**63,074**	**129,358**	**65,000**	**1,661,717**
PROFIT FOR THE YEAR		-	-	-	-	192,439	-	192,439
OTHER COMPREHENSIVE INCOME:								
NET CHANGE IN AVAILABLE-FOR-SALE FINANCIAL ASSETS NET OF TAX	24	-	-	9,522	-	-	-	9,522
TRANSFER TO REGULATORY RESERVE	25	-	-	-	18,263	(18,263)	-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-**	**-**	**9,522**	**18,263**	**174,176**	**-**	**201,961**
TRANSACTIONS WITH OWNERS:								
DIVIDENDS:								
- PAID (FINAL FOR 2008)	10	-	-	-	-	-	(65,000)	(65,000)
- PROPOSED FINAL FOR 2009	10	-	-	-	-	(130,000)	130,000	-
ISSUE OF SHARES	23	600,000	112,200	-	-	-	-	712,200
TOTAL TRANSACTIONS WITH OWNERS		**600,000**	**112,200**	**-**	**-**	**130,000**	**65,000**	**647,200**
AT 31 DECEMBER 2009		**2,000,000**	**112,200**	**13,807**	**81,337**	**173,534**	**130,000**	**2,510,878**

for the year ended 31 December 2009

Consolidated cash flow statement

	NOTES	2009 SHS 000	2008 SHS 000
CASH FLOWS FROM OPERATING ACTIVITIES			
INTEREST RECEIPTS		2,077,936	1,321,311
INTEREST PAYMENTS		(952,414)	(680,175)
NET FEE AND COMMISSION RECEIPTS		414,571	317,661
OTHER INCOME RECEIVED		353,445	260,476
RECOVERIES FROM LOANS PREVIOUSLY WRITTEN OFF		38,180	11,044
PAYMENTS TO EMPLOYEES AND SUPPLIERS		(1,047,649)	(1,025,599)
INCOME TAX PAID		(50,366)	(131,492)
CASH FLOWS FROM OPERATING ACTIVITIES BEFORE CHANGES IN OPERATING ASSETS AND LIABILITIES		**833,703**	**73,226**
CHANGES IN OPERATING ASSETS AND LIABILITIES:			
- LOANS AND ADVANCES		(3,279,286)	(3,302,716)
- CASH RESERVE REQUIREMENT		(239,387)	(330,724)
- OTHER ASSETS		575,188	(362,986)
- CUSTOMER DEPOSITS		5,116,459	4,494,405
- OTHER LIABILITIES		(56,255)	(31,923)
- TREASURY BILLS AND BONDS MATURING AFTER 91 DAYS		(1,820,500)	(1,646,900)
- INVESTMENT SECURITIES – AVAILABLE FOR SALE		(7,716)	(407,545)
- INVESTMENT SECURITIES – FAIR VALUE THROUGH PROFIT OR LOSS		(696)	(31,413)
NET CASH FROM OPERATING ACTIVITIES		**1,121,510**	**(1,546,576)**
CASH FLOWS FROM INVESTING ACTIVITIES			
INVESTMENT IN ASSOCIATE		(19,904)	(89,705)
PURCHASE OF PROPERTY AND EQUIPMENT	15	(241,243)	(259,602)
PURCHASE OF INTANGIBLE ASSETS		(5,281)	(39,149)
PROCEEDS FROM SALE OF PROPERTY AND EQUIPMENT		3,359	1,123
NET CASH USED IN INVESTING ACTIVITIES		**(263,069)**	**(387,333)**
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM BORROWINGS	31	139,239	1,002,374
ISSUE OF ORDINARY SHARES	23	712,200	450,000
MINORITY INTEREST INVESTMENT IN SUBSIDIARIES		67,432	63,060
DIVIDENDS PAID	10	(65,000)	(60,375)
DIVIDENDS RECEIVED	17		11,916
NET CASH FROM FINANCING ACTIVITIES		**853,871**	**1,466,975**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**1,712,312**	**(466,934)**
CASH AND CASH EQUIVALENTS AT START OF YEAR		952,346	535,322
CASH AND CASH EQUIVALENTS ACQUIRED ON ACQUISITION OF SUBSIDIARY		-	883,958
CASH AND CASH EQUIVALENTS AT END OF YEAR	27	**2,664,658**	**952,346**

Notes to the Financial Statements

1 GENERAL INFORMATION

BANK OF AFRICA - KENYA Limited is incorporated in Kenya under the Companies Act as a limited liability company, and is domiciled in Kenya. The address of its registered office is:

RE-INSURANCE PLAZA

TAIFA ROAD

P.O.BOX 69562

00400 NAIROBI

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, unless otherwise stated.

(A) BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

(a) New and amended standards adopted by the Group

-IAS 1 (revised), 'Presentation of financial statements' – effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard.

-IFRS 7 'Financial Instruments – Disclosures' (amendment) – effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy.

(b) Amendments to existing standards effective in 2009 but not relevant

In 2009, the following amendments to existing standards became effective but are not relevant to the Group's operations.

-IFRS 2 (amendment), 'Share-based payment' - effective from 1 January 2009. It clarifies that vesting conditions are service conditions and performance conditions only. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment.

-IAS 23 (amendment), 'Borrowing costs' - effective from 1 January 2009.The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

Two revised standards (IFRS 3 – Business combinations and IAS 27 – Consolidated and separate financial statements) and numerous amendments to existing standards and new interpretations have been published and will be effective for the Group's accounting periods beginning on or after 1 January 2010, but the Group has not early adopted any of them.

(B) CONSOLIDATION

(i) Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

They are de-consolidated from the date the control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(ii) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for by the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

(C) FUNCTIONAL CURRENCY AND TRANSLATION OF FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the Functional currency'). The consolidated financial statements are presented in Kenya Shillings, which is the Bank's Functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the Functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within 'foreign exchange income'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other operating income'.

Translation differences on non-monetary financial assets and liabilities, such as equities held at fair value through profit or loss, are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available-for-sale financial assets, are included in the revaluation reserve in equity.

(iii) Consolidation of group entities

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the statement of comprehensive income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(D) INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the statement of comprehensive income for all interest bearing instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When loans and advances become doubtful of collection, they are written down to their recoverable amounts and interest income is thereafter recognised based on the rate of interest that was used to discount the future cash flows for the purpose of measuring the recoverable amount.

(E) FEES AND COMMISSION INCOME

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan.

(F) FINANCIAL ASSETS

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

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

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so classifying eliminates or significantly reduces a measurement inconsistency. Derivatives are also categorised as held for trading.

(ii) Loans and receivables

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

(iii) Held-to maturity

Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Bank to sell more than an insignificant amount of held-to-maturity financial assets, the entire category would have to be reclassified as available for sale. Held to maturity investments are carried at amortised cost using, the effective interest method.

(iv) Available-for-sale

Available-for-sale (AFS) assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Available-for-sale financial assets are stated at fair value based on quoted bid prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised through equity in the revaluation reserve, net of deferred tax.

When these investments are de-recognised, the cumulative gain or loss previously directly recognised in equity is recognised in the statement of comprehensive income.

Purchases and sales of financial assets at fair value through profit or loss, held-to-maturity and available-for-sale are recognised on trade-date – the date on which the Group commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus, for all financial assets except those carried at fair value through profit or loss, transaction costs. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or where the Group has transferred substantially all risks and rewards of ownership.

Loans and receivables and held-to-maturity financial assets are carried at amortised cost using the effective interest method. Available-for-sale financial assets and financial assets at fair value through profit or loss are carried at fair value.

Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in the statement of comprehensive income in the period in which they arise. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

However, interest calculated using the effective interest method is recognised in the statement of comprehensive income. Dividends on available-for-sale equity instruments are recognised in the statement of comprehensive income when the Group's right to receive payment is established.

Fair values of quoted investments in active markets are based on current bid prices. Fair values for unlisted equity securities are estimated using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants. Equity securities for which fair values cannot be measured reliably are recognised at cost less impairment.

(G) IMPAIRMENT OF FINANCIAL ASSETS

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the statement of comprehensive income. Impairment losses recognised in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

(i) Assets carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instrument's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income. If a loan or held-to-maturity asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Group and historical loss experience for assets with credit risk characteristics similar to those in the Group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the statements of comprehensive income.

(iii) Renegotiated loans

Loans that are either subject to collective impairment assessment or individually significant and whose terms have been renegotiated are no longer considered to be past due but are treated as new loans. In subsequent years, the renegotiated terms apply in determining whether the asset is considered to be past due.

(H) PROPERTY AND EQUIPMENT

All property and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of these assets.

Depreciation is calculated on the straight line basis to write down their cost to their residual values over their estimated useful lives, as follows:

BUILDINGS	1.5%
FIXTURES, FITTINGS AND EQUIPMENT	20%
MOTOR VEHICLES	33.3%
LEASEHOLD IMPROVEMENT	10%
FREEHOLD LAND IS NOT DEPRECIATED	

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on disposal of property and equipment are determined by comparing proceeds with their carrying amount and are taken into account in determining profit.

(I) INTANGIBLE ASSETS

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(ii) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of five years.

(J) IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(K) INCOME TAX EXPENSE

Income tax expense is the aggregate of the charge to the statement of comprehensive income in respect of current income tax and deferred income tax. Tax is recognised in the statement of comprehensive income unless it relates to items recognised directly in equity, in which case it is also recognised directly in equity.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation.

(L) ACCOUNTING FOR LEASES

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired under finance leases are capitalised at the inception of the lease at the lower of their fair value and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in non-current liabilities. The interest element of the finance charge is charged to the statement of comprehensive income over the lease period. Property, plant and equipment acquired under finance leases is depreciated over the estimated useful life of the asset.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, including: cash and non-restricted balances with Central Banks, Treasury and other eligible bills, and amounts due from other banks. Cash and cash equivalents excludes the cash reserve requirement held with Central Banks.

(N) EMPLOYEE BENEFITS

(i) Retirement benefit obligations

The Group operates a defined contribution post-employment benefit scheme for all its employees. The scheme is funded from contributions from both the Group and the employees. The Group and its employees also contribute to the National Social Security Fund, which is a defined contribution scheme.

The Group's contributions to both these defined contribution schemes are charged to the statement of comprehensive income in the year to which they fall due. The Group has not further obligation once the contributions have been paid.

(ii) Other entitlements

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

(O) DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives, which comprise solely forward foreign exchange contracts, are initially recognised at fair value on the date the derivative contract is entered into and are subsequently measured at fair value. The fair value is determined using forward exchange market rates at the balance sheet date or appropriate pricing models. The derivatives do not qualify for hedge accounting. Changes in the fair value of derivatives are recognised immediately in the statement of comprehensive income.

(P) BORROWINGS

Borrowings are recognised initially at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

(Q) 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.

(R) SALE AND REPURCHASE AGREEMENTS

Securities sold subject to repurchase agreements ('repos') are classified in the financial statements as pledged assets when the transferee has the right by contract or custom to sell or repledge the collateral; the counterparty liability is included in amounts due to other banks, deposits from banks, other deposits or deposits due to customers, as appropriate. Securities purchased under agreements to resell ('reverse repos') are recorded as placements with other banks or loans and advances, as appropriate. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method. Securities lent to counterparties are also retained in the financial statements.

(S) SHARE CAPITAL

Ordinary shares are classified as 'share capital' in equity. Any premium received over and above the par value of the shares is classified as 'share premium' in equity.

(T) 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.

(U) ACCEPTANCES AND LETTERS OF CREDIT

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

(W) RELATED PARTIES

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

(X) COMPARATIVES

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

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

A) IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

B) HELD TO MATURITY INVESTMENTS

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

C) IMPAIRMENT OF GOODWILL

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in Note 2(b). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. The carrying amount of the goodwill are set out in Note 29.

D) INCOME TAXES

The Group is subject to income taxes in various jurisdictions. Significant judgment is required in determining the Group's provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4 FINANCIAL RISK MANAGEMENT

Introduction and overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered.

The Group's Audit Committee is responsible for monitoring compliance with the Group's risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in these functions by Internal Audit, who undertake both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(A) CREDIT RISK

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the loans and advances to customers and other banks and investment securities. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities. Authorisation limits are allocated to Bank Credit Committee or the Board of Directors as appropriate.
- Reviewing and assessing credit risk. Bank Credit Committee assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- Developing and maintaining The Bank's risk gradings in order to categorise exposures according to the degree of risk of financial losses faced and to focus management on the attendant risks. Clients of the Bank are segmented into 5 grades which are in line with the Prudential guidelines issued by Central Bank of Kenya' i.e. Normal, Watch , Substandard , Doubtful and Loss grades. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.
- Reviewing compliance of branches with agreed exposure limits, including those for selected industries, country risk and product types.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the Bank in the management of credit risk.

Each branch and company is required to implement the Bank's credit policies and procedures, with credit approval authorities delegated from the Bank's Credit Committee. Each branch is responsible for the quality and performance of its credit portfolio and for monitoring and controlling all credit risks in its portfolios, including those subject to Credit Committee approval. Regular audits of branch and bank credit processes are undertaken by Internal Audit.

MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD

	2009	2008
	SHS 000	SHS 000
GROUP		
BALANCES WITH CENTRAL BANKS	1,285,508	1,042,970
GOVERNMENT SECURITIES HELD TO MATURITY	4,332,727	2,743,660
GOVERNMENT SECURITIES – AVAILABLE-FOR-SALE	742,463	734,747
ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS	32,109	31,413
PLACEMENTS WITH OTHER BANKS	2,745,622	1,164,360
AMOUNTS DUE FROM GROUP BANKS	493,275	253,752
LOANS AND ADVANCES TO CUSTOMERS	13,730,002	10,235,824
OTHER ASSETS	326,009	180,535
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS:		
- ACCEPTANCES AND LETTERS OF CREDIT	1,248,952	1,142,076
- GUARANTEE AND PERFORMANCE BONDS	2,545,322	2,281,457
- COMMITMENT TO LEND	2,123,054	1,557,279
TOTAL	**29,605,043**	**21,368,073**
COMPANY		
BALANCES WITH CENTRAL BANK OF KENYA	883,843	531,818
GOVERNMENT SECURITIES HELD TO MATURITY	2,415,614	1,420,764
GOVERNMENT SECURITIES – AVAILABLE-FOR-SALE	742,463	734,747
PLACEMENTS WITH OTHER BANKS	1,932,097	1,058,761
AMOUNTS DUE FROM GROUP BANKS	488,321	320,696
LOANS AND ADVANCES TO CUSTOMERS	9,120,438	6,856,438
OTHER ASSETS	191,573	46,845
CREDIT RISK EXPOSURES RELATING TO OFF-BALANCE SHEET ITEMS:		
- ACCEPTANCES AND LETTERS OF CREDIT	621,084	405,040
- GUARANTEE AND PERFORMANCE BONDS	1,702,766	1,497,963
- COMMITMENT TO LEND	1,812,079	1,333,635
TOTAL	**19,910,278**	**14,206,707**

MAXIMUM EXPOSURE TO CREDIT RISK BEFORE COLLATERAL HELD (CONTINUED)

The above tables represent a worst case scenario of credit risk exposure to the Group and Company as at 31 December 2009 and 2008, without taking account of any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures set out above are based on carrying amounts as reported in the balance sheet.

Loans and advances to customers, other than to major corporate entites and to individuals borrowing less than Shs 1 million, are secured by collateral in the form of charges over land and buildings and/or plant and machinery or corporate guarantees.

The Group holds the following types of collateral as security and other credit enhancements in respect to credit risk exposure.

- Mortgages - First ranking legal charge over the property financed.
- Other loans and advances - Debenture over the Company's assets, legal charges over commercial and residential properties, Directors' personal guarantees and Company guarantees.

FINANCIAL ASSETS

Loans and advances are summarised as follows:

	2009	2008
	SHS 000	SHS 000
GROUP		
NEITHER PAST DUE NOR IMPAIRED	13,282,923	9,818,498
PAST DUE BUT NOT IMPAIRED	382,505	348,075
INDIVIDUALLY IMPAIRED	197,202	184,891
GROSS	13,862,630	10,351,464
LESS: ALLOWANCE FOR IMPAIRMENT (NOTE 14)	(132,628)	(115,640)
NET	**13,730,002**	**10,235,824**
COMPANY		
NEITHER PAST DUE NOR IMPAIRED	8,756,451	6,656,313
PAST DUE BUT NOT IMPAIRED	291,416	133,835
INDIVIDUALLY IMPAIRED	145,459	141,155
GROSS	9,193,326	6,931,303
LESS: ALLOWANCE FOR IMPAIRMENT (NOTE 14)	(72,888)	(74,865)
NET	**9,120,438**	**6,856,438**

No other financial assets are either past due or impaired.

LOANS AND ADVANCES NEITHER PAST DUE NOR IMPAIRED

	2009	2008
	SHS 000	SHS 000
GROUP		
STANDARD (NORMAL GRADE)	13,282,923	9,818,498
COMPANY		
STANDARD (NORMAL GRADE)	8,756,451	6,656,313

LOANS AND ADVANCES PAST DUE BUT NOT IMPAIRED

Loans and advances less than 90 days past due are not considered impaired, unless other information is available to indicate the contrary. The gross amounts of loans and advances that were past due but not impaired were as follows:

	2009	2008
	SHS 000	SHS 000
GROUP		
PAST DUE UP TO 30 DAYS	233,287	215,194
PAST DUE 31-60 DAYS	21,608	51,296
PAST DUE 61-90 DAYS	127,610	81,585
TOTAL	**382,505**	**348,075**
COMPANY		
PAST DUE UP TO 30 DAYS	193,181	89,948
PAST DUE 31-60 DAYS	7,253	1,877
PAST DUE 61-90 DAYS	90,982	42,010
TOTAL	**291,416**	**133,835**
GROUP		
INDIVIDUALLY ASSESSED IMPAIRED LOANS AND ADVANCES COMPRISING:		
- CORPORATE	4,519	117,696
- RETAIL	41,725	12,983
- SME	150,958	54,212
TOTAL	**197,202**	**184,891**
FAIR VALUE OF COLLATERAL	**98,172**	**81,233**

The Bank's policy is to dispose of any repossessed collateral on the open market at market value.

LOANS AND ADVANCES PAST DUE BUT NOT IMPAIRED (CONTINUED)

	2009	2008
	SHS 000	SHS 000
COMPANY		
INDIVIDUALLY ASSESSED IMPAIRED LOANS AND ADVANCES COMPRISING:		
- CORPORATE	-	87,525
- RETAIL	24,171	7,221
- SME	121,288	46,409
TOTAL	**145,459**	**141,155**
FAIR VALUE OF COLLATERAL	**58,665**	**57,984**

COLLATERAL REPOSSESSED

During the year, the Group took possession of the following:

	2009	2008
	SHS 000	SHS 000
GROUP AND COMPANY		
NATURE OF ASSETS:		
RESIDENTIAL PROPERTY	-	-
COMMERCIAL PROPERTY	-	-
MOTOR VEHICLES	2,573	-
TOTAL	**2,573**	**-**

CONCENTRATIONS OF RISK

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

	2009	2008
	SHS 000	SHS 000
BY ECONOMIC SECTOR		
GROUP		
WHOLESALE/RETAIL	1,619,545	3,264,399
MANUFACTURING	2,799,313	1,574,304
AGRICULTURE	1,146,672	1,062,313
CONSTRUCTION	1,370,305	1,061,277
TRANSPORT	769,978	647,713
INDIVIDUAL/PERSONAL	1,481,465	1,260,738
SERVICES	2,196,650	32,638
FINANCIAL INSTITUTIONS	396,088	529,939
TOURISM	-	90,045
COMMUNICATION	130,287	42,987
HOSPITALITY	132,571	25,564
OTHERS	1,819,756	759,547
TOTAL	**13,862,630**	**10,351,464**

As at 31 December 2009 there were no loans and advances that would have been past due or impaired if the terms of those loans had not been negotiated (2008: nil).

	2009	2008
	SHS 000	SHS 000
COMPANY		
WHOLESALE/RETAIL	1,619,545	2,274,672
MANUFACTURING	2,682,580	1,568,905
AGRICULTURE	1,001,924	865,887
CONSTRUCTION	898,705	540,839
TRANSPORT	429,119	472,660
INDIVIDUAL/PERSONAL	967,842	533,942
SERVICES	641,772	32,638
FINANCIAL INSTITUTIONS	246,670	441,934
TOURISM	-	90,045
COMMUNICATION	130,287	42,987
HOSPITALITY	132,571	25,565
OTHERS	442,311	41,229
TOTAL	**9,193,326**	**6,931,303**

Notes to the Financial Statements

CONCENTRATIONS OF RISK (CONTINUED)

	2009	2008
	SHS 000	SHS 000
BY TENOR		
GROUP		
SHORT TERM CREDITS (<1 YEAR)	8,153,826	6,495,290
MEDIUM TERM CREDITS (> 1 YEAR < 5 YEARS)	3,812,313	2,985,766
LONG TERM CREDITS (> 5 YEARS)	960,712	594,899
BILLS/CHEQUES/NOTES DISCOUNTED	935,779	275,509
TOTAL ON BALANCE SHEET EXPOSURE	**13,862,630**	**10,351,464**
ACCEPTANCES AND LETTERS OF CREDIT	1,248,952	1,142,076
GUARANTEE AND PERFORMANCE BONDS	2,545,322	2,281,457
COMMITMENTS TO LEND	2,123,054	1,557,279
TOTAL NON-FUNDED EXPOSURE	**5,917,328**	**4,980,812**
TOTAL EXPOSURE	**19,779,958**	**15,332,276**
COMPANY		
SHORT TERM CREDITS (<1 YEAR)	5,935,512	4,830,586
MEDIUM TERM CREDITS (> 1 YEAR < 5 YEARS)	1,918,152	1,531,381
LONG TERM CREDITS (> 5 YEARS)	456,482	296,388
BILLS/CHEQUES/NOTES DISCOUNTED	883,180	272,947
TOTAL ON BALANCE SHEET EXPOSURE	**9,193,326**	**6,931,302**
ACCEPTANCES AND LETTERS OF CREDIT	621,084	405,040
GUARANTEE AND PERFORMANCE BONDS	1,702,766	1,497,963
COMMITMENTS TO LEND	1,812,079	1,333,635
TOTAL NON-FUNDED EXPOSURE	**4,135,929**	**3,236,638**
TOTAL EXPOSURE	**13,329,255**	**10,167,940**

(B) LIQUIDITY RISK

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, and the availability of funding from an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses, Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve on the basis of expected cash flow.

Management of Liquidity Risk

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

Treasury maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, loans and advances to banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of branches are met through short-term loans from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more severe market condition. All liquidity policies and procedures are subject to review and approval by the Assets and Liabilities Committee (ALCO). Daily reports cover the liquidity position of both The Bank and branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO.

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customer. For this purpose net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month.

The table shown overleaf presents the cash flows payable and receivable by the Group and the Company under financial assets and liabilities by remaining contractual maturities at the balance sheet date.

Notes to the Financial Statements

(B) LIQUIDITY RISK (CONTINUED)

	UP TO 1	MONTHS 1-3	3-12	YEARS 1-5	> 5	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP						
AT 31 DECEMBER 2009						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANKS	1,902,674	124,764	32,367	1,265	-	2,061,070
GOVERNMENT SECURITIES-HTM	489547	523,342	1,363,461	1,956,377	-	4,332,727
PLACEMENTS WITH BANKS	2,321,865	423,757	-	-	-	2,745,622
AMOUNTS DUE FROM GROUP COMPANIES	493,275	-	-	-	-	493,275
GOVERNMENT SECURITIES-AFS AND FAIR VALUE THROUGH P&L	32,109				742,463	774,572
LOANS AND ADVANCES	7,391,242	816,984	707,445	4,139,811	674,521	13,730,002
OTHER FINANCIAL ASSETS	300,616	-	-	-	653,546	954,162
TOTAL FINANCIAL ASSETS	**12,931,328**	**1,888,847**	**2,103,273**	**6,097,453**	**2,070,530**	**25,091,430**
LIABILITIES						
CUSTOMER DEPOSITS	13,718,031	3,266,073	1,771,566	39,553	920	18,796,143
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	1,100,014	225,973	85,366	-	-	1,411,353
AMOUNTS DUE TO GROUP BANKS	410,253	211,370	-	-	-	621,623
BORROWINGS	-	-	6,198	231,001	904,414	1,141,613
OTHER FINANCIAL LIABILITIES	261,105	-	-	-	-	261,105
TOTAL FINANCIAL LIABILITIES	**15,489,403**	**3,703,416**	**1,863,130**	**270,554**	**905,334**	**22,231,837**
GAP	**(2,558,075)**	**(1,814,569)**	**240,143**	**5,826,899**	**1,165,196**	**2,859,593**
AT 31 DECEMBER 2008						
TOTAL ASSETS	**9,840,731**	**1,296,974**	**1,377,980**	**4,875,929**	**1,412,052**	**18,803,666**
TOTAL LIABILITIES	**12,950,195**	**1,154,133**	**1,278,792**	**148,511**	**1,002,374**	**16,534,005**

	UP TO 1	MONTHS 1-3	3-12	1-5	YEARS > 5	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
COMPANY						
AT 31 DECEMBER 2009						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANKS	999,139	124,764	32,367	1,266	-	1,157,536
GOVERNMENT SECURITIES-HTM	433,086	197,172	260,273	1,525,083	-	2,415,614
PLACEMENTS WITH BANKS	1,508,340	423,757	-	-	-	1,932,097
AMOUNTS DUE FROM GROUP COMPANIES	488,321	-	-	-	-	488,321
GOVERNMENT SECURITIES-AFS	-	-	-	-	742,463	742,463
LOANS AND ADVANCES	5,941,012	510,567	252,918	2,245,650	170,291	9,120,438
OTHER FINANCIAL ASSETS	191,573	-	-	-	608,521	800,094
TOTAL FINANCIAL ASSETS	**9,561,471**	**1,256,260**	**545,558**	**3,771,999**	**1,521,275**	**16,656,563**
LIABILITIES						
CUSTOMER DEPOSITS	8,726,278	2,897,757	751,750	29,396	-	12,405,181
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	613,538	146,000	85,366	-	-	844,904
AMOUNTS DUE TO GROUP BANKS	397,862	211,370	-	-	-	609,232
BORROWINGS	-	-	-	-	331,407	331,407
OTHER FINANCIAL LIABILITIES	162,058	-	-	-	-	162,058
TOTAL FINANCIAL LIABILITIES	**9,899,736**	**3,255,127**	**837,116**	**29,396**	**331,407**	**14,352,782**
GAP	**(338,265)**	**(1,998,867)**	**(291,558)**	**3,742,603**	**1,189,868**	**2,303,781**
AT 31 DECEMBER 2008						
TOTAL ASSETS	**6,973,415**	**532,287**	**409,737**	**3,000,066**	**1,113,540**	**12,029,045**
TOTAL LIABILITIES	**8,932,705**	**861,743**	**464,367**	**52,035**	**327,761**	**10,638,611**
GAP	**(1,959,290)**	**(329,456)**	**(54,630)**	**2,948,031**	**785,779**	**1,390,434**

(B) LIQUIDITY RISK (CONTINUED)

		MONTHS			YEARS	
	UP TO 1	1-3	3-12	1-5	> 5	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP						
AT 31 DECEMBER 2008						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANKS	1,699,051	52,556	28,321	3,174	-	1,783,102
GOVERNMENT SECURITIES - HTM	120,045	584,468	931,837	1,107,309	-	2,743,659
PLACEMENTS WITH OTHER BANKS	1,164,361	-	-	-	-	1,164,361
AMOUNTS DUE FROM GROUP BANKS	176,123	-	77,629	-	-	253,752
GOVERNMENT SECURITIES - AFS	-	31,412	-	395,796	338,951	766,159
LOANS AND ADVANCES TO CUSTOMERS	5,702,177	628,538	340,193	2,969,140	595,777	10,235,825
OTHER FINANCIAL ASSETS	978,974	-	-	400,510	477,324	1,856,808
TOTAL FINANCIAL ASSETS	**9,840,731**	**1,296,974**	**1,377,980**	**4,875,929**	**1,412,052**	**18,803,666**
LIABILITIES						
CUSTOMER DEPOSITS	11,332,454	1,060,298	1,278,792	148,511	-	13,820,055
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	827,969	71,347	-	-	-	899,316
AMOUNTS DUE TO GROUP BANKS	470,187	22,488	-	-	-	492,675
BORROWINGS	-	-	-	-	1,002,374	1,002,374
OTHER FINANCIAL LIABILITIES	319,585	-	-	-	-	319,585
TOTAL FINANCIAL LIABILITIES	**12,950,195**	**1,154,133**	**1,278,792**	**148,511**	**1,002,374**	**16,534,005**

	UP TO 1	MONTHS 1-3	3-12	YEARS 1-5	> 5	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
COMPANY						
AT 31 DECEMBER 2008						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	818,321	52,555	28,321	3,174	-	902,371
GOVERNMENT SECURITIES - HTM	20,813	61,250	384,632	1,280,425	-	1,747,120
PLACEMENTS WITH OTHER BANKS	1,058,761	-	-	-	-	1,058,761
AMOUNTS DUE FROM GROUP BANKS	320,696	-	-	-	-	320,696
GOVERNMENT SECURITIES - AFS	-	21,644	55,906	705,448	547,685	1,330,683
LOANS AND ADVANCES TO CUSTOMERS	4,517,693	433,945	92,780	1,514,755	297,265	6,856,438
OTHER FINANCIAL ASSETS	257,944	-	-	-	477,324	735,268
TOTAL FINANCIAL ASSETS	**6,994,228**	**569,394**	**561,639**	**3,503,802**	**1,322,274**	**12,951,337**
LIABILITIES						
CUSTOMER DEPOSITS	7,322,639	861,743	464,367	52,035	-	8,700,784
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	773,949	-	-	-	-	773,949
AMOUNTS DUE TO GROUP BANKS	587,078	-	-	-	-	587,078
BORROWINGS	-	-	-	-	327,761	327,761
OTHER FINANCIAL LIABILITIES	249,039	-	-	-	-	249,039
TOTAL FINANCIAL LIABILITIES	**8,932,705**	**861,743**	**464,367**	**52,035**	**327,761**	**10,638,611**
GROUP AND COMPANY						
AT 31 DECEMBER 2007						
TOTAL ASSETS	**3,265,253**	**185,320**	**2,109,668**	**1,374,196**	**1,156,122**	**8,090,559**
TOTAL LIABILITIES	**5,513,221**	**506,625**	**326,619**	**-**	**-**	**6,346,465**

(C) MARKET RISK

Market risk is the risk that changes in market prices, such as interest rate, equity prices and foreign exchange rates will affect the Bank's income or the value of its holdings of financial instruments.

The objective of market risk management is to manage and control market risk exposures with acceptable parameters, while optimising the return on risk.

Management of market risks

The Group separates its exposure to market risk between trading and non-trading portfolios. Trading portfolios mainly are held by the Treasury unit, and include positions arising from market making and proprietary position taking, together with financial assets and liabilities that are managed on a fair value basis.

Overall authority for market risk for both trading and non-trading portfolios is vested in ALCO. The Bank's Risk & Compliance department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

(i) Currency risk

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

The table below summarises the Group's and the Company's exposure to foreign currency exchange rate risk as at 31 December 2009. Included in the table are the Group's and the Company's financial instruments categorised by currency:

GROUP

AT 31 DECEMBER 2009	USD	GBP	EURO	OTHER	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
ASSETS					
CASH AND BALANCES WITH CENTRAL BANKS	288,411	28,006	101,829	4,758	423,004
PLACEMENTS WITH OTHER BANKS	962,295	220,167	652,748	210,715	2,045,925
AMOUNTS DUE FROM GROUP COMPANIES	237,694	55,676	194,778	5,127	493,275
LOANS AND ADVANCES TO CUSTOMERS	3,032,444	97,342	705,336	422	3,835,544
OTHER ASSETS	66,020	-	1,318	2	67,340
TOTAL ASSETS	**4,586,864**	**401,191**	**1,656,009**	**221,024**	**6,865,088**
LIABILITIES					
CUSTOMER DEPOSITS	3,597,257	181,128	899,879	11,950	4,690,214
DEPOSITS FROM OTHER BANKS	381,270	-	50,190	14,705	446,175
AMOUNTS DUE TO GROUP COMPANIES	246,900	24,672	350,051	-	621,623
BORROWINGS	-	-	331,407	-	331,407
OTHER LIABILITIES	216,396	33,488	10,821	400	261,105
TOTAL LIABILITIES	**4,441,823**	**239,288**	**1,642,348**	**27,055**	**6,350,514**
NET ON-BALANCE SHEET POSITION	**145,041**	**161,903**	**13,661**	**193,969**	**514,574**
NET OFF-BALANCE SHEET POSITION	**327,613**	**138,774**	**(79,403)**	**203,034**	**590,018**
OVERALL OPEN POSITION	**472,654**	**300,677**	**(65,742)**	**397,003**	**1,104,592**

	USD	GBP	EURO	OTHER	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP					
AT 31 DECEMBER 2008					
ASSETS					
CASH AND BALANCES WITH CENTRAL BANKS	68,906	13,605	42,456	760	125,727
PLACEMENTS WITH OTHER BANKS	504,481	97,966	265,917	308,687	1,177,051
AMOUNTS DUE FROM GROUP COMPANIES	312,082	-	27,392	36,443	375,917
LOANS AND ADVANCES TO CUSTOMERS	2,745,863	19,755	672,176	241,450	3,679,244
OTHER FINANCIAL ASSETS	30,944	66,797	348,222	1,423	447,386
TOTAL ASSETS	**3,662,276**	**193,123**	**1,356,163**	**588,763**	**5,805,325**
LIABILITIES					
CUSTOMER DEPOSITS	3,101,917	134,881	534,106	26,364	3,797,268
DEPOSITS FROM OTHER BANKS	58,076	17	356,620	17,724	432,437
AMOUNTS DUE TO GROUP COMPANIES	334,396	39,695	283,429	22,488	680,008
BORROWINGS	-	-	330,716	-	330,71
OTHER LIABILITIES	378,736	2,306	56,731	877	438,650
TOTAL LIABILITIES	**3,873,125**	**176,899**	**1,561,602**	**67,453**	**5,679,079**
NET ON-BALANCE SHEET POSITION	**(210,849)**	**21,224**	**(205,439)**	**521,310**	**126,246**
NET OFF-BALANCE SHEET POSITION	**256,959**	**(39,645)**	**(126,709)**	**(520,611)**	**(430,006)**
OVERALL OPEN POSITION	**46,110**	**(18,421)**	**(332,148)**	**699**	**(303,760)**

(C) MARKET RISK (CONTINUED)

	USD	GBP	EURO	OTHER	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
COMPANY					
AT 31 DECEMBER 2009					
ASSETS					
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	191,284	8,373	18,817	-	218,474
PLACEMENTS WITH OTHER BANKS	567,548	157,548	459,293	208,876	1,393,265
AMOUNTS DUE FROM GROUP COMPANIES	233,935	55,077	194,258	5,051	488,321
LOANS AND ADVANCES TO CUSTOMERS	2,279,738	94,423	639,958	262	3,014,381
OTHER FINANCIAL ASSETS	33,711	-	1,318	2	35,031
TOTAL ASSETS	**3,306,216**	**315,421**	**1,313,644**	**214,191**	**5,149,472**
LIABILITIES					
CUSTOMER DEPOSITS	2,470,357	161,974	610,497	11,071	3,253,899
DEPOSITS FROM OTHER BANKS	376,951	-	50,190	-	427,141
AMOUNTS DUE TO GROUP COMPANIES	248,027	-	350,051	-	598,078
BORROWINGS	-	-	331,407	-	331,407
OTHER LIABILITIES	3,155	499	10,621	-	14,275
TOTAL LIABILITIES	**3,098,490**	**162,473**	**1,352,766**	**11,071**	**4,624,800**
NET ON-BALANCE SHEET POSITION	**207,726**	**152,948**	**(39,122)**	**203,120**	**524,672**
NET OFF-BALANCE SHEET POSITION	**229,915**	**152,329**	**(29,420)**	**203,034**	**555,859**
OVERALL OPEN POSITION	**437,641**	**305,277**	**(68,542)**	**406,154**	**1,080,531**

	USD	GBP	EURO	OTHER	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
COMPANY					
AT 31 DECEMBER 2008					
ASSETS					
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	-	-	-	-	-
PLACEMENTS WITH OTHER BANKS	186,162	49,508	32,389	277,076	545,135
AMOUNTS DUE FROM GROUP COMPANIES	233,732	16,855	27,392	23,038	301,017
LOANS AND ADVANCES TO CUSTOMERS	2,055,964	17,234	616,915	241,450	2,931,563
OTHER FINANCIAL ASSETS	28,584	66,797	348,222	1,423	445,026
TOTAL ASSETS	**2,504,442**	**150,394**	**1,024,918**	**542,987**	**4,222,741**
LIABILITIES					
CUSTOMER DEPOSITS	2,220,387	123,597	309,342	17,600	2,670,926
DEPOSITS FROM OTHER BANKS	43,991	17	356,580	4,799	405,387
AMOUNTS DUE TO GROUP COMPANIES	334,396	-	216,003	-	550,399
BORROWINGS	-	-	330,716	-	330,716
OTHER LIABILITIES	140,326	225	56,731	437	197,719
TOTAL LIABILITIES	**2,739,100**	**123,839**	**1,269,372**	**22,836**	**4,155,147**
NET ON-BALANCE SHEET POSITION	**(234,568)**	**26,555**	**(244,454)**	**520,150**	**67,594**
NET OFF-BALANCE SHEET POSITION	**247,116**	**(28,761)**	**(90,295)**	**(521,611)**	**(393,551)**
OVERALL OPEN POSITION	**12,548**	**(2,206)**	**(334,749)**	**(1,460)**	**(325,957)**

The off-balance sheet position represents the difference between the notional amounts of foreign currency derivative financial instruments and their fair values.

(ii) Interest rate risk

The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on both its fair value and cash flow risks. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Mismatch positions are reviewed on a weekly basis. The table below summarises the Group's and the Company's exposure to interest rate risks. Included in the table are the Group's and the Company's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The Group does not bear any interest rate risk on off balance sheet items.

(C) MARKET RISK (CONTINUED)

		MONTHS			NON INTEREST	
	UP TO 1	1 TO 3	3 TO 12	>12	BEARING	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP						
AT 31 DECEMBER 2009						
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	-	-	-	-	2,061,070	2,061,070
GOVERNMENT SECURITIES-HTM	489,547	523,342	1,363,461	1,956,377	-	4,332,727
PLACEMENTS WITH BANKS	2,321,865	423,757	-	-	-	2,745,622
AMOUNTS DUE FROM GROUP COMPANIES	493,275	-	-	-	-	493,275
GOVERNMENT SECURITIES-AFS AND FAIR VALUE THROUGH P&L	32,109	-	-	742,463	-	774,572
LOANS AND ADVANCES	7,391,242	816,984	707,445	4,814,331	-	13,730,002
TOTAL FINANCIAL ASSETS	**10,728,038**	**1,764,083**	**2,070,906**	**7,513,171**	**2,061,070**	**24,137,268**
CUSTOMER DEPOSITS	11,722,706	3,266,073	1,771,566	40,472	1,995,326	18,796,143
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	1,100,014	225,973	85,366	-	-	1,411,353
AMOUNTS DUE TO GROUP BANKS	376,994	219,717	-	-	24,912	621,623
BORROWINGS	-	-	6,198	1,135,415	-	1,141,613
TOTAL FINANCIAL LIABILITIES	**13,199,714**	**3,711,763**	**1,863,130**	**1,175,887**	**2,020,238**	**21,970,732**
INTEREST SENSITIVITY GAP	**(2,471,676)**	**(1,947,680)**	**207,776**	**6,337,284**		
COMPANY						
AT 31 DECEMBER 2009						
CASH AND BALANCES WITH CENTRAL BANK OF KENYA	-	-	-	-	1,157,535	1,157,535
GOVERNMENT SECURITIES-HTM	433,086	197,172	260,273	1,525,083	-	2,415,614
PLACEMENTS WITH BANKS	1,508,340	423,757	-	-	-	1,932,097
AMOUNTS DUE FROM GROUP COMPANIES	488,321	-	-	-	-	488,321
GOVERNMENT SECURITIES-AFS	-	-	-	742,463	-	742,463
LOANS AND ADVANCES	5,941,012	510,567	252,918	2,415,941	-	9,120,438
TOTAL FINANCIAL ASSETS	**8,370,759**	**1,131,496**	**513,191**	**4,683,487**	**1,157,535**	**15,856,468**
CUSTOMER DEPOSITS	8,726,278	2,897,757	751,750	29,396		12,405,181
DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS	613,538	146,000	85,366			844,904
AMOUNTS DUE TO GROUP BANKS	389,515	219,717	-			609,232
BORROWINGS	-	-	-	331,407		331,407
TOTAL FINANCIAL LIABILITIES	**9,729,331**	**3,263,474**	**837,116**	**360,803**	**-**	**14,190,724**
INTEREST SENSITIVITY GAP	**(1,358,572)**	**(2,131,978)**	**(323,925)**	**4,322,684**		

	UP TO 1	MONTHS 1-3	3-12	>12	NON INTEREST BEARING	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP						
AT 31 DECEMBER 2008						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANKS	-	-	-	-	1,783,101	1,783,101
INVESTMENT SECURITIES - HTM	120,045	584,468	931,837	1,107,309	-	2,743,659
PLACEMENTS WITH OTHER BANKS	1,164,361	-	-	-	-	1,164,361
AMOUNTS DUE FROM GROUP BANKS	176,123	-	77,629	-	-	253,752
INVESTMENT SECURITIES - AFS	-	31,412	-	734,747	-	766,159
LOANS AND ADVANCES TO CUSTOMERS	5,702,177	628,538	340,193	3,564,917	-	10,235,825
TOTAL FINANCIAL ASSETS	**7,162,706**	**1,244,418**	**1,349,659**	**5,406,973**	**1,783,101**	**16,946,857**
LIABILITIES						
CUSTOMER DEPOSITS	9,649,071	1,060,297	1,278,792	148,511	1,669,826	13,806,497
DEPOSITS/BALANCES DUE TO BANKING INSTITUTIONS	827,969	71,347	-	-	-	899,316
AMOUNTS DUE TO GROUP BANKS	470,187	22,488	-	-	-	492,675
BORROWED FUNDS	16,486	-	1,200	750,519	-	768,205
TOTAL FINANCIAL LIABILITIES	**10,963,713**	**1,154,132**	**1,279,992**	**899,030**	**1,669,826**	**15,966,693**
INTEREST SENSITIVITY GAP	**(3,801,007)**	**90,286**	**69,667**	**4,507,944**		
COMPANY AT 31 DECEMBER 2008						
ASSETS						
CASH AND BALANCES WITH CENTRAL BANK KENYA	-	-	-	-	902,371	902,371
INVESTMENT SECURITIES - HTM	-	45,787	288,636	1,086,341	-	1,420,764
PLACEMENTS WITH OTHER BANKS	1,058,761	-	-	-	-	1,058,761
AMOUNTS DUE FROM GROUP BANKS	320,696	-	-	-	-	320,696
INVESTMENT SECURITIES - AFS	-	-	-	734,747	-	734,747
LOANS AND ADVANCES TO CUSTOMERS	4,517,693	433,945	92,780	1,812,020	-	6,856,438
TOTAL FINANCIAL ASSETS	**5,897,150**	**479,732**	**381,416**	**3,633,108**	**902,371**	**11,293,777**
LIABILITIES						
CUSTOMER DEPOSITS	7,322,639	861,743	464,367	52,035	-	8,700,784
DEPOSITS/BALANCES DUE TO BANKING INSTITUTIONS	773,949	-	-	-	-	773,949
AMOUNTS DUE TO GROUP BANKS	587,078	-	-	-	-	587,078
BORROWINGS	-	-	-	327,761	-	327,761
TOTAL FINANCIAL LIABILITIES	**8,683,666**	**861,743**	**464,367**	**379,796**	**-**	**10,389,572**
INTEREST SENSITIVITY GAP 2008	**(2,786,516)**	**(382,012)**	**(82,951)**	**3,253,313**	**902,371**	**904,205**
INTEREST SENSITIVITY GAP 2007	**1,787,932**	**(517,062)**	**(135,519)**	**241,443**		

(C) MARKET RISK (CONTINUED)

The matching and controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. 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 Group and the Company and its exposure to changes in interest rates and exchange rates.

(D) FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Effective 1 January 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 31December 2009.

GROUP	LEVEL 1	LEVEL 2	LEVEL 3
FAIR VALUE HIERARCHY		SHS 000	
AT 31 DECEMBER 2008			
GOVERNMENT SECURITIES:			
- AVAILABLE FOR SALE	-	743,747	-
- AT FAIR VALUE THROUGH PROFIT & LOSS	-	31,413	-
AT 31 DECEMBER 2009			
GOVERNMENT SECURITIES:			
- AVAILABLE FOR SALE	-	742,463	-
- AT FAIR VALUE THROUGH PROFIT & LOSS	-	32,109	-

COMPANY	LEVEL 1	LEVEL 2	LEVEL 3
FAIR VALUE HIERARCHY		SHS 000	
AT 31 DECEMBER 2008			
GOVERNMENT SECURITIES:			
- AVAILABLE FOR SALE	-	734,747	-
AT 31 DECEMBER 2009			
GOVERNMENT SECURITIES:			
- AVAILABLE FOR SALE	-	742,463	-

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily NSE equity investments classified as trading securities or available-for-sale.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

(E) CAPITAL MANAGEMENT

The Company's objectives when managing capital, which is a broader concept than the 'equity' on the balance sheets, are:

- to comply with the capital requirements set by the Central Bank of Kenya;
- to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- to maintain a strong capital base to support the development of its business.

Capital adequacy and use of regulatory capital are monitored regularly by management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The Central Bank of Kenya requires each bank to: (a) hold the minimum level of regulatory capital of Shs 250 million; (b) maintain a ratio of total regulatory capital to the risk-weighted assets plus risk-weighted off-balance sheet assets (the 'Basel ratio') at or above the required minimum of 8%; (c) maintain core capital of not less than 8% of total deposit liabilities; and (d) maintain total capital of not less than 12% of risk-weighted assets plus risk-weighted off-balance sheet items.

The Bank's total regulatory capital is divided into two tiers:

- Tier 1 capital (core capital): share capital, share premium, plus retained earnings.
- Tier 2 capital (supplementary capital): 25% (subject to prior approval) of revaluation reserves, subordinated debt not exceeding 50% of Tier 1 capital and hybrid capital instruments. Qualifying Tier 2 capital is limited to 100% of Tier 1 capital.

The risk weighted assets are measured by means of a hierarchy of four risk weights classified according to the nature of – and reflecting an estimate of the credit risk associated with – each asset and counterparty. A similar treatment is adopted for off-balance sheet exposure, with some adjustments to reflect the more contingent nature of the potential losses.

(E) CAPITAL MANAGEMENT (CONTINUED)

	2009	2008
	SHS 000	SHS 000
CAPITAL MANAGEMENT		
TIER 1 CAPITAL		
SHARE CAPITAL	2,000,000	1,400,000
SHARE PREMIUM	112,000	-
RETAINED EARNINGS	173,533	129,361
INVESTMENT IN SUBSIDIARY AND ASSOCIATE	(630,177)	(520,595)
TOTAL	**1,655,356**	**1,008,766**
TIER 2 CAPITAL		
REVALUATION RESERVES (25%)	3,451	1,071
REGULATORY RESERVES	81,337	63,074
TOTAL CAPITAL	**1,740,144**	**1,072,911**
RISK WEIGHTED ASSETS		
ON BALANCE SHEET	10,104,206	7,475,989
OFF BALANCE SHEET	890,433	639,942
TOTAL RISK WEIGHTED ASSETS	**10,994,639**	**8,115,931**
DEPOSIT LIABILITIES	**13,589,058**	**9,474,734**
CAPITAL RATIOS		
CORE CAPITAL/TOTAL DEPOSIT LIABILITIES	12.60%	10.63%
(-CBK MINIMUM 8%)		
CORE CAPITAL/TOTAL RISK WEIGHTED ASSETS	15.20%	12.42%
(-CBK MINIMUM 8%)		
TOTAL CAPITAL/TOTAL RISK WEIGHTED ASSETS	**15.90%**	**13.19%**
(-CBK MINIMUM 12%)		

5 INTEREST INCOME - GROUP

	2009	2008
	SHS 000	SHS 000
LOANS AND ADVANCES	1,607,255	1,082,294
GOVERNMENT AND OTHER SECURITIES	419,566	199,810
BALANCES WITH OTHER BANKING INSTITUTIONS	74,486	87,120
TOTAL	**2,101,307**	**1,369,224**

6 INTEREST EXPENSE - GROUP

	2009	2008
	SHS 000	SHS 000
CUSTOMER DEPOSITS	849,219	523,529
DEPOSITS BY BANKS	78,244	47,406
BORROWINGS	67,817	40,495
OTHER	21,565	200
TOTAL	**1,016,845**	**611,630**

7 EXPENSES BY NATURE - GROUP

The following items are included within operating expenses:

	2009	2008
	SHS 000	SHS 000
STAFF COSTS (NOTE 8)	677,340	481,827
DEPRECIATION OF PROPERTY AND EQUIPMENT (NOTE 15)	103,951	69,252
AMORTISATION OF INTANGIBLE ASSETS (NOTE 16)	35,918	31,948
LOSS ON SALE OF PROPERTY AND EQUIPMENT	751	357
OPERATING LEASE RENTALS	74,636	38,189
AUDITORS' REMUNERATION	9,882	8,641
AMORTISATION OF PREPAID OPERATING LEASE RENTALS (NOTE 30)	85	85

8 EMPLOYEE BENEFITS EXPENSE - GROUP

The following items are included within employee benefits expense:

	2009	2008
	SHS 000	SHS 000
SALARIES AND WAGES	573,555	426,022
RETIREMENT BENEFIT COSTS		
- NATIONAL SOCIAL SECURITY FUND	14,840	14,086
- DEFINED CONTRIBUTION SCHEME	20,549	13,938
OTHER STAFF COSTS	68,396	27,780
TOTAL	**677,340**	**481,827**

9 INCOME TAX EXPENSE - GROUP

	2009	2008
	SHS 000	SHS 000
CURRENT INCOME TAX	107,973	66,461
DEFERRED INCOME TAX (NOTE 18)	(4,108)	(13,390)
TOTAL	**103,865**	**53,071**

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

	2009	2008
PROFIT BEFORE INCOME TAX	396,919	271,420
TAX CALCULATED AT THE STATUTORY INCOME TAX RATE OF 30% (2008: 30%)	119,076	81,426
TAX EFFECT OF:		
- INCOME NOT SUBJECT TO TAX	(78,397)	(87,639)
- EXPENSES NOT DEDUCTIBLE FOR TAX PURPOSES	31,797	16,868
- OTHER - FINAL TAX ON GOVERNMENT PAPER AT 15%	31,389	42,416
INCOME TAX EXPENSE	**103,865**	**53,071**

10 DIVIDENDS

At the annual general meeting, a final dividend in respect of the year ended 31 December 2009 of Shs 65 (2008: Shs 46.43) per share amounting to a total of Shs 130 million (2008: Shs 65 million) will be proposed.

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

11 CASH AND BALANCES WITH CENTRAL BANKS

	2009	2008
	SHS 000	SHS 000
GROUP		
CASH IN HAND	775,562	740,132
BALANCES WITH CENTRAL BANKS	1,285,508	1,042,970
TOTAL	**2,061,070**	**1,783,102**
COMPANY		
CASH IN HAND	273,692	370,553
BALANCES WITH CENTRAL BANK OF KENYA	883,843	531,818
TOTAL	**1,157,535**	**902,371**

12 INVESTMENT SECURITIES

(A) HELD TO MATURITY

	2009	2008
	SHS 000	SHS 000
GROUP		
TREASURY BILLS AND BONDS:		
- MATURING WITHIN 91 DAYS OF THE DATE OF ACQUISITION	595,114	101,167
- MATURING AFTER 91 DAYS OF THE DATE OF ACQUISITION	3,725,577	2,626,407
- LISTED DEBT SECURITIES	12,036	16,086
TOTAL	**4,332,727**	**2,743,660**
COMPANY		
TREASURY BILLS AND BONDS:		
- MATURING WITHIN 91 DAYS OF THE DATE OF ACQUISITION	595,114	45,787
- MATURING AFTER 91 DAYS OF THE DATE OF ACQUISITION	1,820,500	1,374,977
TOTAL	**2,415,614**	**1,420,764**

12 INVESTMENT SECURITIES (CONTINUED)

(B) AVAILABLE FOR SALE

	2009	2008
	SHS 000	SHS 000
GROUP AND COMPANY		
TREASURY BONDS	**742,463**	**734,747**

The movement in treasury bonds available for sale may be summarised as follows:

AT START OF YEAR	734,747	321,523
ADDITIONS	11,744,520	3,857,334
DISPOSALS (SALE AND REDEMPTION)	(11,750,407)	(3,452,222)
GAINS FROM CHANGES IN FAIR VALUE TAKEN TO EQUITY (NOTE 24)	13,603	8,112
AT END OF YEAR	**742,463**	**734,747**

(C) ASSETS AT FAIR VALUE THROUGH THROUGH PROFIT OR LOSS

GROUP		
TREASURY BONDS	**32,109**	**31,413**

Treasury bills and bonds are debt securities issued by the Government.

13 PLACEMENTS WITH OTHER BANKS

	2009	2008
	SHS 000	SHS 000
GROUP		
ADDITIONS		
PLACEMENTS	575,454	815,976
LOANS AND ADVANCES TO OTHER BANKS	2,170,168	348,384
TOTAL	**2,745,622**	**1,164,360**
COMPANY		
PLACEMENTS	575,454	710,377
LOANS AND ADVANCES TO OTHER BANKS	1,356,643	348,384
TOTAL	**1,932,097**	**1,058,761**

14 LOANS AND ADVANCES TO CUSTOMERS

	2009	2008
	SHS 000	SHS 000
GROUP		
OVERDRAFTS	5,289,470	4,734,246
PERSONAL LOANS	624,266	321,212
MORTGAGES	67,025	78,898
COMMERCIAL LOANS	7,045,583	4,936,336
DISCOUNTED BILLS	836,286	280,772
GROSS LOANS AND ADVANCES	**13,862,630**	**10,351,464**
LESS: PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES		
- INDIVIDUALLY ASSESSED	(96,050)	(90,234)
- COLLECTIVELY ASSESSED	(36,578)	(25,406)
TOTAL	**13,730,002**	**10,235,824**
COMPANY		
OVERDRAFTS	4,161,690	3,957,896
PERSONAL LOANS	624,266	321,212
MORTGAGES	67,025	78,898
COMMERCIAL LOANS	3,506,658	2,294,999
DISCOUNTED BILLS	833,687	278,298
GROSS LOANS AND ADVANCES	**9,193,326**	**6,931,303**
LESS: PROVISION FOR IMPAIRMENT OF LOANS AND ADVANCES		
- INDIVIDUALLY ASSESSED	(64,141)	(69,706)
- COLLECTIVELY ASSESSED	(8,747)	(5,159)
TOTAL	**9,120,438**	**6,856,438**

14 LOANS AND ADVANCES TO CUSTOMERS (CONTINUED)

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

	IDENTIFIED	UNIDENTIFIED	TOTAL
	SHS 000	SHS 000	SHS 000
GROUP			
AT 1 JANUARY 2008	**55,477**	**14,806**	**70,283**
PROVISION FOR LOAN IMPAIRMENT	50,899	10,600	61,499
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(1,801)	-	(1,801)
AMOUNTS RECOVERED DURING THE YEAR	(11,044)	-	(11,044)
EXCHANGE DIFFERENCE	(3,297)	-	(3,297)
AT 31 DECEMBER 2008	**90,234**	**25,406**	**115,640**
AT 1 JANUARY 2009	**90,234**	**25,406**	**115,640**
PROVISION FOR LOAN IMPAIRMENT	67,627	11,191	78,818
AMOUNTS RECOVERED DURING THE YEAR	(33,516)	-	(33,516)
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(23,583)	-	(23,583)
EXCHANGE DIFFERENCE	(4,712)	(19)	(4,731)
AT 31 DECEMBER 2009	**96,050**	**36,578**	**132,628**
COMPANY			
AT 1 JANUARY 2008	**38,511**		**38,511**
PROVISION FOR LOAN IMPAIRMENT	34,492	5,159	39,651
EXCHANGE DIFFERENCES	(3,297)		(3,297)
AT 31 DECEMBER 2008	**69,706**	**5,159**	**74,865**
AT 1 JANUARY 2009	**69,706**	**5,159**	**74,865**
PROVISION FOR LOAN IMPAIRMENT	8,925	3,588	12,513
LOANS WRITTEN OFF DURING THE YEAR AS UNCOLLECTIBLE	(9,778)	-	(9,778)
AMOUNTS RECOVERED DURING THE YEAR	(4,712)	-	(4,712)
AT 31 DECEMBER 2009	**64,141**	**8,747**	**72,888**

All impaired loans have been written down to their estimated recoverable amount. The aggregate carrying amount of impaired loans at 31 December 2009 was Shs 197 million (2008: Shs 185 million).

15 PROPERTY AND EQUIPMENT

	BUILDINGS & FREEHOLD LAND	MOTOR VEHICLES	FIXTURES, FITTINGS & EQUIPMENT	WIP	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000	SHS 000
GROUP					
AT 1 JANUARY 2008					
COST	12,000	14,948	118,505	-	145,453
ACCUMULATED DEPRECIATION	(630)	(8,078)	(41,780)	-	(50,488)
NET BOOK AMOUNT	**11,370**	**6,870**	**76,725**	**-**	**94,966**
YEAR ENDED 31 DECEMBER 2008					
OPENING NET BOOK AMOUNT	11,370	6,870	76,725	-	94,966
ARISING ON ACQUISITION OF SUBSIDIARY	132,490	3,001	94,315	5,440	235,246
ADDITIONS	1,921	10,944	231,891	14,846	259,602
TRANSFERS			5,362	(5,362)	-
DISPOSALS	-	(400)	(240)	-	(640)
DEPRECIATION CHARGE	(2,701)	(5,708)	(60,843)	-	(69,252)
CLOSING NET BOOK AMOUNT	**143,080**	**14,707**	**347,210**	**14,924**	**519,921**
AT 31 DECEMBER 2008					
COST	150,812	35,015	533,064	14,924	733,816
ACCUMULATED DEPRECIATION	(7,732)	(20,309)	(185,854)	-	(213,895)
NET BOOK AMOUNT	**143,080**	**14,707**	**347,210**	**14,924**	**519,921**
YEAR ENDED 31 DECEMBER 2009					
OPENING BOOK AMOUNT	143,080	14,707	347,210	14,924	519,921
EXCHANGE DIFFERENCE ON OPENING BALANCE	(94)	(9)	(129)	(9)	(241)
OPENING NET BOOK AMOUNT	142,986	14,698	347,081	14,915	519,680
ADDITIONS	-	9,694	206,637	24,912	241,243
DISPOSALS	-	(400)	(3,590)	(120)	(4,110)
DEPRECIATION CHARGE	(3,059)	(7,899)	(92,993)	-	(103,951)
CLOSING NET BOOK AMOUNT	**139,927**	**16,093**	**457,135**	**39,707**	**652,862**
AT 31 DECEMBER 2009					
COST	150,812	36,699	691,252	39,707	918,470
ACCUMULATED DEPRECIATION	(10,885)	(20,606)	(234,117)	-	(265,608)
NET BOOK AMOUNT	**139,927**	**16,093**	**457,135**	**39,707**	**652,862**

15 PROPERTY AND EQUIPMENT (CONTINUED)

	BUILDINGS	MOTOR VEHICLES	FIXTURES, FITTINGS & EQUIPMENT	TOTAL
	SHS 000	SHS 000	SHS 000	SHS 000
AT 1 JANUARY 2008				
COST	12,000	14,948	118,505	145,453
ACCUMULATED DEPRECIATION	(630)	(8,078)	(41,780)	(50,488)
NET BOOK AMOUNT	**11,370**	**6,870**	**76,725**	**94,966**
YEAR ENDED 31 DECEMBER 2008				
OPENING NET BOOK AMOUNT	11,370	6,870	76,725	94,966
ADDITIONS	-	1,460	110,485	111,945
DISPOSALS	-	-	-	-
DEPRECIATION CHARGE	(180)	(4,188)	(28,311)	(32,679)
CLOSING NET BOOK AMOUNT	**11,190**	**4,142**	**158,899**	**174,232**
AT 31 DECEMBER 2008				
COST	12,000	16,408	228,990	257,398
ACCUMULATED DEPRECIATION	(810)	(12,266)	(70,091)	(83,167)
NET BOOK AMOUNT	**11,190**	**4,142**	**158,899**	**174,231**
YEAR ENDED 31 DECEMBER 2009				
OPENING NET BOOK AMOUNT	11,190	4,142	158,899	174,231
ADDITIONS	-	4,856	60,486	65,342
DISPOSALS	-	-	(745)	(745)
DEPRECIATION CHARGE	(180)	(4,340)	(39,691)	(44,211)
CLOSING NET BOOK AMOUNT	**11,010**	**4,658**	**178,949**	**194,617**
AT 31 DECEMBER 2009				
COST	12,000	21,264	282,209	315,473
ACCUMULATED DEPRECIATION	(990)	(16,606)	(103,260)	(120,856)
NET BOOK AMOUNT	**11,010**	**4,658**	**178,949**	**194,617**

16 INTANGIBLE ASSETS - SOFTWARE

	2009	2008
	SHS 000	SHS 000
GROUP		
AT START OF YEAR	105,919	32,973
ARISING ON ACQUISITION OF SUBSIDIARY		66,505
ADDITIONS	5,281	39,149
DISPOSALS		(760)
AMORTISATION	(35,918)	(31,948)
AT END OF YEAR	**75,282**	**105,919**
AT 31 DECEMBER		
COST	182,738	177,457
ACCUMULATED AMORTISATION	(107,456)	(71,538)
NET BOOK AMOUNT	**75,282**	**105,919**
COMPANY		
AT START OF YEAR	51,098	32,973
ADDITIONS	4,041	33,627
AMORTISATION	(20,683)	(15,502)
AT END OF YEAR	**34,456**	**51,098**
AT 31 DECEMBER		
COST	106,270	102,229
ACCUMULATED AMORTISATION	(71,814)	(51,131)
NET BOOK AMOUNT	**34,456**	**51,098**

17 INVESTMENT IN ASSOCIATE AND SUBSIDIARY

(A) INVESTMENT IN ASSOCIATES – GROUP AND COMPANY

	2009	2008
	SHS 000	SHS 000
AT START OF THE YEAR	242,091	358,880
RIGHTS ISSUE	19,904	89,705
TRANSFER TO SUBSIDIARY		(223,637)
DIVIDENDS RECEIVED		(11,916)
SHARE OF PROFITS	21,656	29,059
AT END OF YEAR	283,651	242,091

	COUNTRY OF INCORPORATION	% INTEREST HELD	ASSETS SHS 000	LIABILITIES SHS 000	PROFIT SHS 000
2009					
BOA BANK – TANZANIA LTD	TANZANIA	37.47%	9,426,506	8,606,483	57,248
2008					
BOA BANK – TANZANIA LTD	TANZANIA	37.15%	7,385,370	6,693,743	62,292

(B) INVESTMENT IN SUBSIDIARY

	2009	2008
	SHS 000	SHS 000
AS START OF THE YEAR	278,504	-
TRANSFER FROM INVESTMENT IN ASSOCIATES	-	223,637
SHARE OF ASSOCIATE POST ACQUISITION RESERVES MOVEMENT ADJUSTED ON ACQUISITION OF SUBSIDIARY	-	(70,829)
RIGHTS ISSUES	68,023	125,696
AT END OF YEAR	346,527	278,504

Investment in subsidiary comprises the Bank's investment in BANK OF AFRICA - UGANDA Limited (BOA-UGANDA). BOA-UGANDA is incorporated in Uganda. The Bank owns 50.01% of the total shareholding in BOA-UGANDA.

18 DEFERRED INCOME TAX

Deferred income tax is calculated using the enacted income tax rate of 30% (2008: 30%).

The movement on the deferred income tax account is as follows:

	2009	2008
	SHS 000	SHS 000
GROUP		
AT START OF YEAR	4,659	4,211
CONSOLIDATION OF SUBSIDIARY	-	11,404
INCOME STATEMENT (CREDIT)/CHARGE (NOTE 9)	(4,108)	(13,390)
DEFERRED INCOME TAX ON CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS (NOTE 24)	4,081	2,434
EXCHANGE DIFFERENCES	(281)	-
AT END OF YEAR	**4,351**	**4,659**
COMPANY		
AT START OF YEAR	1,578	4,211
INCOME STATEMENT CREDIT	(8,626)	(5,067)
DEFERRED INCOME TAX ON CHANGES IN FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS (NOTE 24)	4,081	2,434
AT END OF YEAR	**(2,967)**	**1,578**

The deferred income tax assets, deferred income tax charge/(credit) in the profit and loss account, and deferred income tax charge/(credit) in equity are attributable to the following items:

	1.01.2009	CHARGED/ (CREDITED) TO P&L	CREDITED TO EQUITY	31.12.2009
GROUP	SHS 000	SHS 000	SHS 000	SHS 000
DEFERRED INCOME TAX LIABILITIES				
PROPERTY AND EQUIPMENT	32,769	2,433	-	35,202
DEFERRED INCOME TAX ASSETS				
PROVISIONS	(22,585)	12,413	-	(10,172)
FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	(1,837)	-	4,081	5,918
TAX LOSSES	(7,362)	(18,954)	-	(26,316)
EXCHANGE DIFFERENCES	-	(281)	-	(281)
NET DEFERRED INCOME TAX LIABILITY/(ASSET)	**4,659**	**(4,108)**	**4,081**	**4,351**

18 DEFERRED INCOME TAX (CONTINUED)

COMPANY	1.01.2009 SHS 000	CHARGED/ (CREDITED) TO P&L SHS 000	CREDITED TO EQUITY SHS 000	31.12.2009 SHS 000
DEFERRED INCOME TAX LIABILITIES				
PROPERTY AND EQUIPMENT	5,758	(6,284)	-	(526)
DEFERRED INCOME TAX ASSETS				
PROVISIONS	(6,017)	(2,342)	-	(8,359)
FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	1,837	-	4,081	5,918
NET DEFERRED INCOME TAX ASSET	**1,578**	**(8,626)**	**4,081**	**(2,967)**

GROUP	1.01.2008 SHS 000	ON ACQUISITION OF SUBSIDIARY SHS 000	CHARGED/ (CREDITED) TO P&L SHS 000	CREDITED TO EQUITY SHS 000	31.12.2008 SHS 000
DEFERRED INCOME TAX LIABILITIES					
PROPERTY AND EQUIPMENT	9,223	28,331	(4,785)	-	32,769
DEFERRED INCOME TAX ASSETS					
PROVISIONS	(4,415)	(4,402)	(13,768)	-	(22,585)
FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	(597)	-	-	2,434	1,837
TAX LOSSES	-	(12,525)	5,163	-	(7,362)
NET DEFERRED INCOME TAX LIABILITY/(ASSET)	**4,211**	**11,404**	**(13,390)**	**2,434**	**4,659**

COMPANY	1.01.2008 SHS 000	ON ACQUISITION OF SUBSIDIARY SHS 000	CHARGED/ (CREDITED) TO P&L SHS 000	CREDITED TO EQUITY SHS 000	31.12.2008 SHS 000
DEFERRED INCOME TAX LIABILITIES					
PROPERTY AND EQUIPMENT	9,223	-	(3,465)	-	5,758
DEFERRED INCOME TAX ASSETS					
PROVISIONS	(4,415)	-	(1,602)	-	(6,017)
FAIR VALUE OF AVAILABLE-FOR-SALE INVESTMENTS	(597)	-	-	2,434	1,837
NET DEFERRED INCOME TAX ASSET	**4,211**	**-**	**(5,067)**	**2,434**	**1,578**

19 OTHER ASSETS

	2009	2008
	SHS 000	SHS 000
GROUP		
UNCLEARED EFFECTS	124,463	761,040
OTHER ASSETS	201,546	140,156
TOTAL	326,009	901,196
COMPANY		
UNCLEARED EFFECTS	117,105	194,468
OTHER ASSETS	74,468	56,342
TOTAL	191,573	250,810

20 CUSTOMER DEPOSITS

	2009	2008
	SHS 000	SHS 000
GROUP		
CURRENT AND DEMAND DEPOSITS	9,041,508	6,723,445
SAVINGS ACCOUNTS	1,377,368	959,898
FIXED DEPOSIT ACCOUNTS	8,377,267	6,136,712
TOTAL	18,796,143	13,820,055
COMPANY		
CURRENT AND DEMAND DEPOSITS	6,293,276	4,465,286
SAVINGS ACCOUNTS	33,542	7,261
FIXED DEPOSIT ACCOUNTS	6,078,363	4,228,237
TOTAL	12,405,181	8,700,784

21 DEPOSITS FROM OTHER BANKS

	2009	2008
	SHS 000	SHS 000
GROUP		
OVERNIGHT BORROWING	483,410	336,381
OTHER BALANCES DUE TO BANKS	927,943	562,936
TOTAL	**1,411,353**	**899,317**
COMPANY		
OVERNIGHT BORROWING	464,136	336,381
OTHER BALANCES DUE TO BANKS	380,768	437,569
TOTAL	**844,904**	**773,950**

22 OTHER LIABILITIES

	2009	2008
	SHS 000	SHS 000
GROUP		
ITEMS IN TRANSIT	5,990	19,667
BILLS PAYABLE	52,525	176,861
ACCRUALS	56,981	-
OTHER	145,609	120,832
TOTAL	**261,105**	**317,360**
COMPANY		
ITEMS IN TRANSIT	5,990	19,667
BILLS PAYABLE	31,212	162,576
OTHER	124,856	67,652
TOTAL	**162,058**	**249,895**

23 SHARE CAPITAL

(A) SHARE CAPITAL

	NUMBER OF SHARES	ORDINARY SHARES
	SHS 000	SHS 000
BALANCE AT 1 JANUARY 2008, 31 DECEMBER 2008 AND 1 JANUARY 2009	1,400	1,400,000
ISSUE OF SHARES	600	600,000
BALANCE AT 31 DECEMBER 2009	**2,000**	**2,000,000**

(B) SHARE PREMIUM

	ORDINARY SHARES
	SHS 000
BALANCE AT 1 JANUARY 2009	-
ISSUE OF SHARES	112,200
BALANCE AT 31 DECEMBER 2009	**112,200**

The total authorised number of ordinary shares is 2,000,000 with a par value of Shs 1,000 per share. In 2009 the Bank issued an additional 600,000 shares which were fully paid.

24 REVALUATION RESERVES - AVAILABLE-FOR-SALE SECURITIES

	2009	2008
	SHS 000	SHS 000
GROUP AND COMPANY		
AT START OF YEAR	4,285	(1,393)
NET GAINS FROM CHANGES IN FAIR VALUE	13,603	8,112
DEFERRED INCOME TAX	(4,081)	(2,434)
AT END OF YEAR	**13,807**	**4,285**

25 REGULATORY RESERVES

	2009	2008
	SHS 000	SHS 000
GROUP		
REGULATORY RESERVES		
AT START OF YEAR	73,777	48,042
TRANSFER FROM RETAINED EARNINGS	17,637	25,735
AT END OF YEAR	**91,414**	**73,777**
COMPANY		
REGULATORY RESERVES		
AT START OF YEAR	63,074	48,042
TRANSFER FROM RETAINED EARNINGS	18,263	15,032
AT END OF YEAR	**81,337**	**63,074**

The regulatory reserves represent an appropriation from retained earnings to comply with regulations. The balance in the reserve represents the excess of impairment provisions determined in accordance with regulations over the impairment provisions recognised in accordance with the Group's accounting policies.

26 OFF BALANCE SHEET FINANCIAL INSTRUMENTS, CONTINGENT LIABILITIES AND COMMITMENTS

In common with other banks, the Bank conducts business involving acceptances, letters of credit, 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 balance sheet.

	2009	2008
	SHS 000	SHS 000
GROUP		
ACCEPTANCES AND LETTERS OF CREDIT	1,248,952	1,708,025
GUARANTEES AND PERFORMANCE BONDS	2,545,322	1,497,963
CONTINGENCIES AND COMMITMENTS		
TOTAL	**3,794,274**	**3,205,988**
COMPANY		
ACCEPTANCES AND LETTERS OF CREDIT	621,084	405,040
GUARANTEES AND PERFORMANCE BONDS	1,702,766	1,497,963
CONTINGENCIES AND COMMITMENTS		
TOTAL	**2,323,850**	**1,903,003**

Nature of 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 Group to make payments to third parties, on production of documents, which are subsequently reimbursed by customers.

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

OTHER COMMITMENTS

	2009	2008
	SHS 000	SHS 000
GROUP		
FOREIGN EXCHANGE FORWARD CONTRACTS	2,123,054	1,557,279
COMPANY		
FOREIGN EXCHANGE FORWARD CONTRACTS	1,812,079	1,333,635

Nature of commitments

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. At the end of the year, the unutilised commitments amounted to Shs 1,438 million (2008: Shs 4,908 million).

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.

27 ANALYSIS OF CASH AND CASH EQUIVALENTS AS SHOWN IN THE CONSOLIDATED CASH FLOW STATEMENT

	2009	2008
	SHS 000	SHS 000
CASH AND BALANCES WITH CENTRAL BANKS (NOTE 11)	2,061,070	1,783,102
LESS: CASH RESERVE REQUIREMENT	(1,197,447)	(958,045)
GOVERNMENT AND OTHER SECURITIES (NOTE 12)	595,114	101,167
PLACEMENTS WITH OTHER BANKS	2,745,622	1,164,360
DUE TO BANKS AND NON-BANK FINANCIAL INSTITUTIONS (NOTE 21)	(1,411,353)	(899,317)
AMOUNTS DUE FROM GROUP BANKS (NET)	(128,348)	(238,922)
TOTAL	**2,664,658**	**952,345**

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 other eligible 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 4.5% (2008: 5%) of the average outstanding customer deposits over a cash reserve cycle period of one month.

28 RELATED PARTY TRANSACTIONS

The Group is controlled by AFRICAN FINANCIAL HOLDING (AFH) incorporated in Luxembourg. There are other companies which are related to BANK OF AFRICA - KENYA Limited through common shareholdings or common directorships.

In the normal course of business, current accounts are operated and placings of foreign currencies are made with the parent company and other group companies at interest rates in line with the market. The relevant balances are shown below:

(A) AMOUNTS DUE FROM GROUP BANKS

	2009	2008
	SHS 000	SHS 000
GROUP		
NATEXIS BANQUES	200,322	15,306
BOA BANK - TANZANIA	283,309	238,446
OTHER GROUP ENTITIES	9,644	-
TOTAL	**493,275**	**253,752**
INTEREST INCOME EARNED ON THE ABOVE	707	1,708
LEDGER FEES EARNED ON THE ABOVE	68	24
COMPANY		
NATEXIS BANQUES	200,322	15,306
BOA BANK - TANZANIA	265,835	237,726
BANK OF AFRICA - UGANDA (BOA-UGANDA)	22,164	67,664
TOTAL	**488,321**	**320,696**
INTEREST INCOME EARNED ON THE ABOVE	124	1,640
LEDGER FEES EARNED ON THE ABOVE	6	30

(B) AMOUNTS DUE TO GROUP COMPANIES

	2009	2008
	SHS 000	SHS 000
GROUP		
DUE TO AFH (INCLUDED UNDER OTHER LIABILITIES)	7,805	-
COMPANY		
DUE TO AFH (INCLUDED UNDER OTHER LIABILITIES)	7,805	-

(C) AMOUNTS DUE TO GROUP BANKS

	2009	2008
	SHS 000	SHS 000
GROUP		
BOA-MADAGASCAR	143,858	124,035
BOA BANK - TANZANIA	227,972	346,277
BCB	227,425	6,952
OTHER GROUP ENTITIES	22,368	15,410
TOTAL	**621,623**	**492,674**
INTEREST EXPENSE INCURRED ON THE ABOVE	**1,031**	**4,995**
COMPANY		
BOA-MADAGASCAR	143,859	124,035
BOA-UGANDA	10,004	94,444
BOA BANK - TANZANIA	227,932	346,237
BCB	227,425	6,952
OTHER GROUP ENTITIES	12	15,410
TOTAL	**609,232**	**587,078**
INTEREST EXPENSE INCURRED ON THE ABOVE	**2,765**	**5,497**

(D) EXPENSES

	2009	2008
	SHS 000	SHS 000
GROUP		
MANAGEMENT FEE PAID TO AFH	60,742	45,954
COMMISSION ON GUARANTEE AND ACCOUNT CHARGES – BOA-UGANDA		3
COMPANY		
MANAGEMENT FEE PAID TO AFH	45,787	23,318

Notes to the Financial Statements

28 RELATED PARTY TRANSACTIONS (CONTINUED)

Loans to Employees and Directors

Group

Advances to customers at 31 December 2009 includes loans to employees amounting to Shs 215 million (2008: Shs 226 million).
There was a loan of Shs 15 million to a director as at 31 December 2009 (2008: Shs 18 million).

Company

Advances to customers at 31 December 2009 includes loans to employees amounting to Shs 136 million (2008: Shs 138 million).
There was a loan of Shs 6 million to a director as at 31 December 2009 (2008: Shs 8 million)

	2009	2008
	SHS 000	SHS 000
GROUP		
INTEREST INCOME EARNED ON LOANS TO EMPLOYEES AND KEY MANAGEMENT	16,065	11,047
COMPANY		
INTEREST INCOME EARNED ON LOANS TO EMPLOYEES AND KEY MANAGEMENT	9,187	5,525
KEY MANAGEMENT COMPENSATION		
GROUP		
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	305,609	112,353
COMPANY		
SALARIES AND OTHER SHORT-TERM EMPLOYMENT BENEFITS	251,266	70,297
DIRECTORS' REMUNERATION		
GROUP		
SALARIES TO EXECUTIVE DIRECTORS (INCLUDED IN KEY MANAGEMENT COMPENSATION ABOVE)	61,668	42,717
OTHER COMPENSATION TO NON-EXECUTIVE DIRECTORS	13,431	5,241
COMPANY		
SALARIES TO EXECUTIVE DIRECTORS (INCLUDED IN KEY MANAGEMENT COMPENSATION ABOVE)	29,222	19,988
OTHER COMPENSATION TO NON-EXECUTIVE DIRECTORS	6,918	3,200

29 INTANGIBLE ASSET - GOODWILL

	2009	2008
	SHS 000	SHS 000
GROUP		
AT START OF YEAR	15,988	-
GOODWILL ON ACQUISITION AND CONSOLIDATION OF SUBSIDIARY	(378)	15,988
AT END OF YEAR	15,610	15,988

Effect of acquisition of subsidiary, BANK OF AFRICA - UGANDA Limited (BOA-UGANDA)

The goodwill arose from the acquisition of the majority shareholding of BOA-UGANDA by BOA-KENYA in January 2008. In July 2009, a rights issue was declared in BOA-UGANDA. BOA-KENYA partly subscribed to this rights issue and as a result the percentage shareholding in BOA-UGANDA owned by BOA-KENYA decreased from 51.22% to 50.01% with effect from 5th August 2009. The reduction in BOA-KENYA shareholding has been accounted for as a 'partial disposal' in accordance with IFRS 3 Business Combination. A loss on the partial disposal was recorded in the consolidated statement of comprehensive income. This loss was computed as below:

	SHS 000
NET ASSETS ATTRIBUTABLE TO BOA-KENYA PRIOR TO PARTIAL DISPOSAL	(466,209)
NET ASSETS ATTRIBUTABLE TO BOA-KENYA AFTER PARTIAL DISPOSAL	528,448
SHARE OF ASSETS GAINED	62,239
GOODWILL DISPOSED OF	(378)
COST OF INVESTMENT (RIGHTS ISSUE)	(68,022)
LOSS ON PARTIAL DISPOSAL	(6,161)

30 PREPAID OPERATING LEASE RENTALS

This relates to leasehold land for the Group's residential property. The amount is amortised over the remaining lease period.

	2009	2008
	SHS 000	SHS 000
GROUP AND COMPANY		
AT START OF YEAR	5,118	5,203
AMORTISATION CHARGE FOR THE YEAR	(85)	(85)
AT END OF YEAR	5,033	5,118

31 BORROWINGS

	2009	2008
	SHS 000	SHS 000
GROUP		
AT START OF YEAR	1,002,374	-
ARISING ON ACQUISITION OF SUBSIDIARY		674,613
ADDITIONS IN THE YEAR	115,138	327,761
ACCRUED INTEREST	24,101	-
TOTAL	**1,141,613**	**1,002,374**
COMPANY		
AT START OF YEAR	327,761	-
ADDITIONS DURING THE YEAR	-	327,761
ACCRUED INTEREST	3,646	-
TOTAL	**331,407**	**327,761**

The carrying amounts of borrowings approximate to their fair value. Fair values are based on discounted cash flows using a discount rate based upon the borrowing rate that Directors expect would be available to the Group at the balance sheet date.

None of the borrowings were in default during the year.

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	2009	2008
	SHS 000	SHS 000
INTEREST INCOME	1,149,545	727,581
INTEREST EXPENSE	(616,257)	(371,627)
NET INTEREST INCOME	**533,288**	**355,954**
FEE AND COMMISSION INCOME	171,494	126,705
FEE AND COMMISSION EXPENSE	(14,916)	(15,306)
NET FEE AND COMMISSION INCOME	**156,578**	**111,399**
FOREIGN EXCHANGE INCOME	104,844	134,318
OTHER OPERATING INCOME	185,531	51,168
SHARE OF INCOME OF ASSOCIATES	21,656	29,059
IMPAIRMENT LOSSES ON LOANS AND ADVANCES	(12,513)	(39,651)
OPERATING EXPENSES	(728,948)	(548,839)
TOTAL	**(429,430)**	**(373,945)**
PROFIT BEFORE INCOME TAX	**260,436**	**93,408**
INCOME TAX EXPENSE	(67,997)	(22,447)
PROFIT FOR THE YEAR	**192,439**	**70,961**
OTHER COMPREHENSIVE INCOME		
GAINS ON REVALUATION OF AFS BONDS	13,603	8,112
TAX EFFECT ON GAINS ON REVALUATION OF AFS BONDS	(4,081)	(2,434)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**201,961**	**76,639**

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