Annual Report & Accounts

for the year ended 30th June 2009

Deposit Protection Fund Board Kenya

Vision

To attain international standards of efficiency and best practices in deposit insurance and liquidation of financial institutions.

Mission

To enhance public confidence in the nation's financial system by providing a sound safety net whereby all depositors' funds held by institutions are sufficiently insured against loss as a result of bank failure and to efficiently liquidate and wind up failed institutions for the maximum benefit of all depositors and creditors.

Objectives

- To provide a deposit insurance scheme for customers of member institutions and;
- To wind up any institution in respect of which the Board is appointed as the Liquidator.
- To hold, manage and prudently apply funds levied as contributions from member institutions.

-Table of Contents-

STATEMENT FROM THE CHAIRMAN OF THE BOARD

PROF. NJUGUNA NDUNG'U
Chairman

It is my pleasure to present the Annual Report and Statement of Audited Accounts of the Deposit Protection Fund Board (DPFB) for the financial year ended 30th June, 2009.

During the period under review the projected real GDP of between 4.5 and 6.0 per cent was not realized. This was due to the negative impact of the post election violence, high crude oil prices, the global financial crunch and the pervasive drought in the country in the period. Month-on-month overall inflation decreased from 29.3 per cent as at June 2008 to 8.6 per cent as at June 2009. It is projected that in the medium term, real GDP growth will exceed 5.0 per cent, but the forecast for 2009 is 3.0 per cent.

In the financial year 2008-2009, the Monetary Policy aimed at achieving price stability by maintaining low and stable inflation. The main instrument of Monetary Policy was open market operations complemented by changes in the cash reserve requirements. In the year to June 2009, broad money, M3, grew by 13.0 per cent compared with 18.7 per cent in the year to June 2008. The net domestic assets grew by 22.3 per cent while the net foreign assets declined by 4.5 per cent. These figures reflect the impact of economic slowdown.

The banking sector maintained higher than minimum capital adequate ratios, adequate liquidity and low non-performing loans in relation to gross loans. Total shareholders' funds grew by 25.4 per cent from to Kshs.141.2 billion as at June 2008 to Kshs.177 billion as at June 2009. Total assets increased by 15.0 per cent from Kshs.1, 099 billion as at June 2008 to Kshs.1,263 billion as at June 2009. Total deposits increased by 9.5 per cent from Kshs.871.2 billion as at June 2008 to Kshs.953.7 billion as at June 2009. The average ratio of liquid assets to total deposit liabilities was at 40.9 per cent. The branch network grew by 20.5 per cent from 772 branches as at June 2008 to 930 branches as at June 2009. Gross non-performing loans increased from Ksh.56.3 billion as at June 2008 to Kshs.64.2 billion as at June 2009. The ratio of gross non performing loans improved from 9.4 per cent in June 2008 to 9.0 per cent in June 2009 largely due to enhanced credit underwriting standards applied by financial institutions.

The Micro Finance Act, 2006 came to effect on 2nd May, 2009 and has seen the licensing of one deposit taking microfinance institution, namely, Faulu Kenya Ltd. It is a deliberate Government policy to use microfinance deposit taking institutions as a vehicle to enhance access to financial services and mobilization of savings for investment towards achieving poverty reduction and economic development. It is expected that licensing of other deposit taking microfinance institutions will follow suit in the coming year and they will also be members of the DPFB, as we strive to instill public confidence and promote financial stability.

The performance of the DPFB has continued to improve with total assets increasing by 15.2 per cent from Ksh.18 billion as at June 2008 to Ksh.20.7 billion as at June 2009. The surplus for the Fund grew by 23.4 per cent from Ksh.2.24 billion in the previous year to Ksh.2.77 billion in the year under review.

I wish to sincerely thank all the members of the Board and the staff of DPFB for their dedication to service, which has seen the Fund grow and achieve its primary objective as one of the key pillars in the promotion of financial stability in the Kenyan financial sector.

Prof. Njuguna Ndung'u
Chairman
Deposit Protection Fund Board

Taarifa kutoka kwa Mwenyekiti wa Bodi

Prof. Njuguna Ndung'u
Mwenyekiti

Ni furaha yangu kuwasilisha Ripoti ya Kila Mwaka na Taarifa ya Akaunti, zilizofanyiwa ukaguzi wa kifedha, za Bodi ya Hazina ya Ulinzi wa Arabuni (Deposit Protection Fund Board) ya mwaka wa kifedha uliokomea Juni 30, 2009.

Katika kipindi cha uchunguzi, makadirio ya mapato halisi ya kinyumbani (GDP), ya kati ya asilimia 4.5 na 6.0, hayakutimizwa. Jambo hili lilisababishwa na athari za vita vya baada ya uchaguzi, bei ghali ya mafuta machafu, hali ya kuteketa kwa fedha ulimwenguni na hali mbaya ya ukame nchini katika kipindi hicho. Mfumuko wa bei wa mwezi-kwa-mwezi, kijumla, ulishuka kutoka asilimia 29.3 mwezi Juni, 2008 hadi asilimia 8.6 mwezi Juni, 2009. Inakadiriwa kuwa katika muda wastani kimuhula, makadirio ya mapato halisi ya kinyumbani yataimarika kwa zaidi ya asilimia 5, ingawa utabiri wa mwaka wa 2009 ni asilimia 3.

Katika mwaka wa kifedha wa 2008- 2009, Sera ya Kifedha ililenga kufanikisha udhibiti wa bei kupitia kudumisha kiwango, cha chini na dhabiti, cha mfumuko wa bei. Ala kuu ya sera ya kifedha ilikuwa utendakazi huru wa soko pamoja na mabadiliko katika mahitaji ya hifadhi za fedha. Katika kipindi cha mwezi Juni 2009, broad money, M3, ziliimarika kwa asilimia 13 zikilinganishwa na asilimia 18.7 mwezi Juni 2008. Jumla ya rasilimali za kinyumbani ziliimarika kwa asilimia 22.3 ilhali jumla ya rasilimali za kigeni zikashuka kwa asilimia 4.5. Takwimu hizi zinadhihirisha athari za kudorora kiuchumi.

Sekta ya benki ilidumisha viwango vya zaidi ya wastani vya mitaji kadiri, uyeyukaji kadiri na idadi ndogo ya mikopo iliyokosa kulipwa ikilinganishwa na jumla ya mikopo yote iliyotolewa. Hazina ya wawekezaji iliimarika kwa asilimia 25.4 kutoka shilingi bilioni 141.2 mwezi Juni 2008 hadi shilingi bilioni 177 mwezi Juni 2009. Jumla ya rasilimali iliongezeka kwa asilimia 15.0 kutoka shilingi bilioni 1, 099 mwezi Juni 2008 hadi shilingi bilioni

1,263 mwezi Juni 2009. Jumla ya arabuni iliongezeka kwa asilimia 9.5 kutoka shilingi bilioni 871.2 mwezi Juni 2008 hadi shilingi bilioni 953.7 mwezi Juni 2009. Kiwango kadiri cha uwiano wa rasilimali yeyushwa kwa jumla ya hasara za arabuni ilikuwa asilimia 40.9. Mtandao wa matawi uliimarika kwa asilimia 20.5 kutoka matawi 772 mwezi Juni 2008 hadi matawi 930 mwezi Juni 2009. Jumla ya mikopo iliyokosa kulipwa iliongezeka kutoka shilingi bilioni 56.3 hadi shilingi bilioni 64.2 mwezi Juni 2009. Uwiano wa jumla ya mikopo iliyokosa kulipwa hata hivyo uliimarika kutoka asilimia 9.4 mwezi Juni 2008 hadi asilimia 9.0 mwezi Juni 2009 chanzo kuu ikiwa ni kuimarika kwa kanuni, za kukubali na kufanya malipo ya mikopo, zinazotumika na mashirika ya kifedha.

Sheria ya Mashirika Madogo ya Kifedha (2006), iliyotekelezwa mnamo Mei 2, 2009, imechangia kuleseniwa kwa shirika moja dogo la kupokea arabuni liitwalo Faulu Kenya Ltd. Hii ni sera ya kiserikali iliyokusudiwa kutumia mashirika madogo ya kifedha yanapokea arabuni kama vyombo vya kufanikisha upatikanaji wa huduma za kifedha na kuimarisha akiba za uwekezaji iliyolenga kupunguza hali ya umaskini na kuimarisha maendeleo kiuchumi. Inatarajiwa kuwa kuleseniwa kwa mashirika mengine madogo ya kupokea arabuni itafuata katika miaka ijayo na kuwa mashirika haya yote yatakuwa wanachama wa Bodi ya Hazina ya Kulinda Arabuni (Deposit Protection Fund Board) tunapojitahidi kuimarisha imani ya umma na kuendeleza udhibiti wa kifedha.

Utendekazi wa DPFB umezidi kuimarika huku jumla ya rasilimali ikiongezeka kwa asilimia 15.2 kutoka shilingi bilioni 18 mwezi Juni 2008 hadi shilingi bilioni 20.7 mwezi Juni 2009. Jazi ya hazina iliongezeka kwa asilimia 23.4 kutoka shilingi bilioni 2.24 mwaka uliopita hadi shilingi bilioni 2.77 katika mwaka chini ya uchunguzi.

Ningependa kuwashukuru sana wanachama wote wa Bodi na wafanyakazi wa DPFB kwa kujitolea kwao kutoa huduma, jambo ambalo limechangia kuimarika kwa Hazina hii na kuiwezesha kutendekeza malengo yake makuu ya kuwa mojawapo ya vinara vikuu katika kuendeleza udhibiti wa kifedha katika sekta ya fedha nchini Kenya.

Prof. Njuguna Ndung'u
Mwenyekiti
Bodi ya Hazina ya Kulinda Arabuni

Board of Directors

Standing (Left to Right)

Richard Etemesi, Kakai Cheloti, Jane K. Ikunyua (Board Secretary), Terry Davidson and Martin S. O. Gumo

Seated (Left to Right)

Rasiklal C. Kantaria,
Prof. Njuguna Ndung'u (Chairman) and Gideon M. Muriuki.

Not in the Picture (Left to Right)

Joseph K. Kinyua, Anne W. Amissabour and Isaac O. Awuondo

Message from the Director

Kakai Cheloti
Director

The core mandate of the Deposit Protection Fund Board (the "Board") is to foster confidence in the financial system by ensuring that depositors' funds which are entrusted to licensed financial institutions are protected in the event that such institutions are declared insolvent. The operations of the Board are therefore steered in line with this core mandate. In this regard, the Board collects premiums from licensed member institutions, invests the contributions, pays protected deposits, liquidates insolvent member institutions and pays dividends to creditors of institutions in liquidations upon realisation of their assets.

During the year major financial institutions in the United States and Europe were seriously affected by the adverse effects of the global financial crisis. In the Kenyan banking sector, we have fortunately not been directly impacted by the exposure of the toxic assets comprised in the problems associated with the subprime mortgage crisis in the United States. Contributory institutions are however likely to feel indirect effects in relation to the respective correspondent arrangements with some of the overseas commercial banks. Consequently, contributory institutions would be expected to be more vigilant in addressing risks associated with the global financial crisis.

During the financial year ending June 2009, the number of member institutions increased by one (1) to Forty six (46), comprising of Forty Three (43) commercial banks and Two (2) mortgage finance companies and include one deposit taking micro finance institution which was licensed during the year.

The value of the Deposit Protection Fund (the "Fund") has been growing and its total assets were Ksh.20.7 billion as at June 2009 up from Ksh.18 billion as at June 2008 representing a 15 per cent growth. This growth is attributable to an increase of 21.3 per cent in respect of income from Government Securities. Investment in Government Securities increased to Ksh.20.7 billion from Ksh.17.9 billion in June 2008. The Fund also registered a 23.6 per cent growth in surplus from Ksh.2.24 billion in the previous year to Ksh.2.77 billion in the year under review.

As at June 2009, the total deposits for member institutions amounted to Ksh.953.7 billion and out of these Ksh.129.2 billion or 13.5 per cent are protected by the Fund. The total number of accounts maintained in financial institutions as at June 2009 stood at 7.57 million out of which 6.9 million accounts or 91 per cent are fully protected by the Fund.

There was no new institution placed under liquidation. The number of institutions under liquidation by the Board fell from Twenty Two (22) to Twenty (20) after Trade Finance Limited (I.L.) and Diners Finance Limited (I.L.) were wound up by the High Court in September and November 2008 respectively upon the issuance of orders releasing the Board from its obligations as Liquidator.

The Board looks to the future with confidence as it awaits the publication of the Kenya Deposit Insurance Bill, which was forwarded to the Ministry of Finance during the last financial year. The Bill, once enacted, will grant the Board operational independence and a broader mandate in accordance with international best practice on deposit insurance.

On behalf of the Board's Management, I extend our gratitude to the Chairman of the Board, Members of the Board and all staff members for their dedication and service that has contributed to the success of the Board. May I also take this opportunity to reiterate our commitment to the vision of being a leading, efficient and effective provider of deposit insurance for the Kenyan financial sector.

Kakai Cheloti
Director
Deposit Protection Fund Board

Ujumbe kutoka kwa Mkurugenzi Mkuu

Kakai Cheloti
Mkurugenzi

Jukumu msingi la Bodi ya Hazina ya Kulinda Arabuni ni kuimarisha imani katika mfumo wa kifedha kwa kuhakikisha kuwa arabuni zilizowekwa mikononi mwa mashirika ya kifedha yaliyoleseniwa zinalindwa iwapo mashirika hayo yatasambaratika. Utendakazi wa Bodi hivyo basi unazingatia jukumu hili kuu. Kwa hivyo, Bodi hukusanya malipo kutoka mashirika wanachama, huwekeza michango ile, hufidia arabuni zilizolindwa, huweka mashirika yaliyosambaratika chini ya urasimu na hutoa mgao wa faida kwa wadai wa mashirika yaliyo chini ya urasimu baada ya mauzo ya rasilimali ya mashirika yale.

Mwaka huu, mashirika makuu ya kifedha Marekani na Uropa yaliathiriwa vibaya na sumbivi la kifedha ulimwenguni. Katika sekta ya benki nchini Kenya, ni bahati kubwa kuwa hatukuathiriwa moja kwa moja kwa kuhusishwa na rasilimali sumu iliyofungamanishwa na matatizo yaliyoshirikiana na sumbivi la mikopo ya nyumba Marekani. Mashirika wanachama wa DPFB hata hivyo huenda yakaathiriwa kulingana na makubaliano baina yao na baadhi ya benki za kibiashara kule ughaibuni. Kutokana na hayo, mashirika haya wanachama yatatarajiwa kuwa makini zaidi katika kuzishugulikia hatari zinazohusishwa na sumbivi la kifedha ulimwenguni.

Katika mwaka wa kifedha uliokamilika mwezi Juni 2009, idadi ya mashirika wanachama iliongezeka kwa shirika moja hadi mashirika arubaini na sita (46), ikijumuisha benki za kibiashara arubaini na tatu (43), mashirika mawili (2) ya kutoa mikopo ya nyumba na shirika dogo la kifedha lipokealo arabuni, liliyoleseniwa mwaka huo.

Thamani ya Hazina ya Kulinda Arabuni imekuwa ikiimarika na jumla ya rasilimali yake ilikuwa shilingi bilioni 20.7 mwezi Juni 2009 kutoka shilingi bilioni 18 mwezi Juni 2008 inayowakilisha ustawi wa asilimia 15. Kuimarika huku kunafungamanishwa na kuimarika kwa asilimia 21.3 katika mapato ya kiserikali kutokana na Dhamana za Kiserikali. Uwekezaji katika dhamana za kiserikali uliongezeka hadi shilingi bilioni 20.7 mwezi Juni 2009 kutoka shilingi bilioni 17.9 mwezi Juni 2008. Hazina pia iliandikisha ongezeko la asilimia 23.6 katika jazi kutoka shilingi bilioni 2.24 mwaka uliopita hadi shilingi bilioni 2.77 katika mwaka ulio chini ya uchunguzi.

Kufikia mwezi Juni 2009, jumla ya arabuni ya mashirika wanachama ilikuwa shilingi bilioni 953.7 ambamo shilingi bilioni 129.2 au asilimia 13.5 zinalindwa na Hazina. Jumla ya idadi ya akaunti katika mashirika ya kifedha mwezi Juni 2009 ilikuwa milioni 7.57 ambamo akaunti milioni 6.9 au asilimia 91 zimelindwa kikamilifu na Hazina.

Hapakuwa na shirika lingine lipya lililowekwa chini ya urasimu. Idadi ya mashirika, yaliyowekwa chini ya urasimu wa Bodi, ilishuka kutoka mashirika 22 hadi mashirika 20 baada ya mashirika ya Trade Finance Ltd(I.L) na Diners Finance Ltd(I.L) kufungwa na Mahakama Kuu mwezi Septemba na Novemba mtawalia baada ya kutolewa kwa amri zilizoihurisha Bodi kutokana na majukumu yake ya urasimu.

Bodi inatazamia mustakabali kwa imani huku ikisubiri kuchapishwa kwa Mswada wa Bima ya Arabuni, uliopendekezwa kwa Wizara ya Fedha katika mwaka uliopita wa kifedha. Pendekezo hili likishafanywa kuwa sheria, litaipa Bodi uhuru wa utendakazi na kuipa uwezo zaidi kijukumu ikizingatia mifanyiko mwafaka ya kimataifa ya bima ya arabuni.

Kwa niaba ya usimamizi wa Bodi, natoa shukurani zetu kwa mwenyekiti wa Bodi, wanachama wa Bodi na wafanyakazi wote kwa kujitolea kwao na huduma zao zilizofanikisha ufanisi wa Bodi. Ningependa pia kuchukua fursa hii kusisitiza jitihada zetu kwa ruwaza ya kuwa kiongozi katika utoaji wa bima ya arabuni kwa sekta ya kifedha nchini Kenya.

Kakai Cheloti
Mkurugenzi Mkuu
Bodi ya Hazina ya Kulinda Arabuni

Senior Management Staff

Standing (from left to right)

Daniel L. Ng'atuny, Sophie Lang'at, Mohamud A. Mohamud, Jane K. Ikunyua, Doris M. Mugambi and Samson N. Aling'.

Seated (from left to right)

Linah C. Soi, Daniel N. Muguima, Irene B. M'rabu, Stanley N. Wainaina and Jane Kamita

Not in the picture

Kakai Cheloti

I. Introduction

The DPFB performed well during the year ending June 2009 with significant improvements in its operations and activities. The Board finalized the drafting of the Kenya Deposit Insurance Bill. The Bill when finally approved by parliament will enable the Board to operate as an autonomous body with a broader mandate on deposit insurance in line with international best practice.

The financial position of the Fund strengthened registering net surplus of Kshs.2, 771 million in the year compared with Kshs.2,245 million in the previous financial year. The payment of total protected deposits made by institutions in liquidation amounted to Kshs.1, 004 m as at June 2009 while the cumulative dividends paid since liquidation amounted to Kshs. 4,532 million. By June 30, 2009 cumulative debt recovery by all institutions from loans and realisation of assets amounted to Kshs.5, 546 million.

No institution was placed under liquidation in the period but the number of institutions in liquidation reduced from 22 to 20 following the successful winding up of Diners Finance Limited and Trade Finance Limited.

II. Performance of the economy

Kenya's economic growth momentum receded in 2008. Growth decelerated from 7.1 percent in 2007 to 1.7 percent in 2008. The worsening economic performance had its origins in adverse impact of post-election crisis in early 2008, high international crude oil prices which triggered high food prices and global financial crisis which started in the last quarter of 2008. The worst hit sectors which also happen to be anchors of economy were tourism and transport sectors. Due to the adverse impact of the factors outlined above, the projected real GDP growth rate of between 4.5 and 6.0 percent in 2008 was not realized. It is however expected that in the medium term, real GDP growth will exceed 5 percent.

Month on month overall inflation decreased from 29.26 percent in June 2008 to 17.76 percent in June 2009 while month on month underlying inflation increased slightly from 7.60 percent to 7.90 percent during the same period. The drop in overall inflation was caused by a decrease in the prices of food, fuel and energy and transport.

The Kenya's balance of payments position reduced from a surplus of US$ 683 million in the 2007/08 fiscal year to deficit of US$ 422 million in the fiscal year 2008/09 following the widening of the current account deficit which surpassed improvement in the capital and financial account. The deficit in the current account widened from US$ 1,073 million in the fiscal year 2007/08 to US$ 2,671 million in the fiscal year 2008/09 reflecting 7.9 percent growth in merchandise imports to US$ 10,875 million as the value of merchandise exports declined by 0.5 percent to US$ 4,623 million. The balance on the services account reduced from a surplus of US$ 4,355 million in the 2007/08 fiscal year to a surplus of US$ 3,581 million in the year 2008/09 fiscal year following decreased receipts from non-factor services, income and private current transfers. Total foreign exchange holdings by the banking system thus declined from US$ 5,786 million at the end of June 2008 to US$ 4,822 million at end of June 2009.

The Kenya Shilling weakened against major world currencies in fiscal year 2008/09. The shilling depreciated against the US dollar to average Ksh 77.95 per US dollar in June 2009 from Ksh 63.78 per US dollar in June 2008. Against the Sterling Pound and the Euro, the Shilling depreciated to exchange at an average of Ksh 127.22 and 109.03 in June 2009 compared with Ksh 125.27 and Ksh 99.21 in June 2008 respectively.

Government budgetary operations in the fiscal year 2008/09 resulted in a budget deficit of Ksh 110.6 billion or 4.6 percent of GDP on commitment basis compared with Ksh 77.2 billion (4.5 percent of GDP) in a similar period in the fiscal year 2007/08. The higher deficit was attributed mainly to increased expenditure on road infrastructure development projects. In addition, Government receipts fell below the target for the period, following underperformance of non-tax revenue and Appropriation in Aid (AIA). The deficit was well within the revised budget target of Ksh 137.7 billion or 5.8 percent of GDP for the fiscal year. Government expenditure and net lending increased by 16.3 percent, from Ksh 534.8 billion in the fiscal year 2007/08 to Ksh 621.9 billion in the fiscal year 2008/09. This rise was due to increases of 14.6 percent and 21.4 percent in recurrent and development expenditures, respectively. In particular, development expenditure increased from Ksh 131.5 billion to Ksh 159.7 billion in the period largely to finance increased expenditure towards infrastructure development. However, the implicit lower development expenditure vis-a-vis target was attributed to slower implementation rates especially with respect to the externally financed projects.

In the fiscal year 2008/09, the Central Bank continued to pursue its key objective of maintaining price stability by implementing a monetary policy stance directed to maintaining low and stable inflation. Monetary targeting framework was used to implement the monetary policy with reserve money as the operating target and broad money, M3 as the intermediate target. The main instrument of monetary policy was open market operations complemented with changes in cash reserve requirements. Reserve money was targeted to grow by 10.7 percent by June 2009, consistent with a 17.1 percent growth for M3. In the year to June 2009, broad money, M3, grew by 13.0 percent compared with 18.7 percent in the year to June 2008. The deceleration in M3 followed a decline in net foreign assets (NFA) of the banking system that more than offset the rise in the net domestic assets (NDA). NDA grew by 22.3 percent in the fiscal year 2008/09 from 13.1 percent a year earlier while NFA declined by 4.5 percent from a growth of 30.8 percent.

III. Banking Sector Developments

Overview

As at the end of 30 June 2009, the Kenyan Banking sector maintained higher than required capital adequacy ratios, adequate liquidity and low non-performing loans in relation to gross loans. The total shareholders' funds, deposits and assets expanded by 25.4 percent, 9.5 percent and 15.0 percent respectively. Liquidity was considered strong, with the ratio of liquid assets to total deposit liabilities at 40.9 per cent, well above the statutory minimum requirement of 20 per cent. The overall performance of the banking sector was rated strong in June 2009.

Structure of the Banking Sector

As at June 30, 2009 the Kenyan banking sector comprised of 43 commercial banks, 2 mortgage finance companies and 123 foreign exchange bureaus. The sector witnessed an increase in the branch network from 772 branches in June 2008 to 930 in June 2009 representing a growth of 20.5 percent. One Deposit Taking Microfinance Institution, namely Faulu Kenya was issued with a license during the period under review. Further, the Bank approved 29 business names, for applicants seeking to operate as deposit taking microfinance institutions which is the first stage in the licensing process.

Structure of the Balance Sheet

Total assets of the banking sector rose by 15.0 percent from Ksh. 1,099.1 billion in June 2008 to Ksh. 1,263.5 billion as at June 2009. The major components of the assets comprised net advances, Government securities and placements accounting for 53%, 20% and 10% respectively. Deposits expanded by 9.5 percent from Ksh 871.2 billion to Ksh 953.7 billion in June 2009. The growth in deposits, retained profits and capital injections supported the growth in the asset base.

BALANCE SHEET (KSH MILLION)

	June 2009	June 2008	% Change
Cash	24,848	19,318	**28.6**
Balances at CBK	55,064	56,490	**(2.5)**
Placements	122,392	164,326	**(25.5)**
Govt. securities	257,923	195,209	**32.1**
Other Investments	20,500	8,649	**137.0**
Loans & Advances	668,580	555,062	**20.5**
Foreign Assets	4,629	7,115	**(34.9)**
Other assets	109,528	92,921	**17.9**
Total Assets	**1,263,464**	**1,099,090**	**15.0**
Deposits	953,745	871,200	**9.5**
Foreign Liabilities	23,088	13,453	**71.6**
Other liabilities	109,593	73,234	**49.6**
Capital & Reserves	177,038	141,203	**25.4**
Total Liabilities and Shareholders' Funds	**1,263,464**	**1,099,090**	**15.0**

Source: CBK Returns

Non–Performing Loans

Non-performing loans (NPLs) increased by 14.0 percent from Ksh. 56.3 billion in June 2008 to Ksh. 64.2 billion as at the end of June 2009. The increase was attributed to the post election crisis and loans turning delinquent in the normal course of business. However, the ratio of gross non-performing loans to gross loans improved from 9.4 percent in June 2008 to 9.0 percent in June 2009 largely due to enhanced credit underwriting standards applied by financial institutions.

Deposit Liabilities

Total deposits which form a major component of the banking sector funding increased by 9.5 percent from Ksh. 871.2 billion as at end of June 2008 to Ksh. 953.7 billion as at end of June 2009. The growth in deposits was partly supported by aggressive marketing campaigns adopted by financial institutions, rapid branch network expansion and inflows from exports.

Capital and Reserves

Capital and reserves of the banking sector increased by 25.4 percent from Ksh. 141.2 billion in June 2008 to Ksh. 177.0 billion in June 2009. Banking sector's total capital which comprises core and supplementary capital expanded by 26.9 percent from Ksh. 129.2 billion in June 2008 to Ksh. 163.9 billion. Total capital to risk weighted assets ratio improved from 18.1 percent in June 2008 to 19.8% percent in June 2009. Similarly, core capital grew by 24.5 percent from Ksh. 117.1 billion in June 2008 to Ksh. 145.8 billion in June 2009. The growth was attributed to fresh capital injection and retention of profits.

Profitability

Despite tight economic conditions, the banking sector pre-tax profits increased by 2.9 per cent from Ksh. 23.9 billion in June 2008 to Ksh. 24.6 billion in June 2009. Total income rose by 15.5 per cent from Ksh. 70.8 billion in June 2008 to Ksh. 81.8 billion in June 2009 with interest on advances at Ksh. 44.0 billion constituting 54 per cent of total income. The staff costs constituted 33 per cent of total expenses. However, return on assets reduced from 3.5 per cent in June 2008 to 3.0 per cent in June 2009 occasioned by an increase in assets that was not matched by a commensurate growth in profits.

BANKING INDUSTRY PROFITS (KSH BILLION)

Item	June-09	June-08	% Change
Total income	81.8	70.8	15.5
Expenses before provisions	54.0	44.7	20.8
Profit before provisions	27.8	26.2	6.1
Provision for bad debts	3.2	2.2	45.5
Profit before tax	**24.6**	**23.9**	**2.9**

Source: CBK Returns

Outlook for the Banking Sector

The dynamism in the banking sector is expected to continue as banks seek new opportunities in the face of an anticipated subdued risk appetite. The reduction in the risk appetite will be a result of the uncertainty surrounding the global financial crisis. Though the sector emerged unscathed from the first round effects, there are concerns that the "second" and "third" round effects of the crisis could impact the real sector. This may then in turn affect the quality of the loan portfolio held by banks.

However, banks will continue to explore new opportunities locally and regionally to maintain their growth momentum. Initiatives to raise capital are therefore expected as banks consolidate their market niches and explore new opportunities particularly within the East African Community.

IV. Board Operations and activities

Fund Membership

At the end of the financial year 2008/09, the total number of member institutions increased from 45 to 46 comprising 43 commercial banks, 2 mortgage finance companies and 1 deposit taking micro finance institution licensed during the year.

Financial Performance

The Fund's net surplus increased by 23.4 per cent to Kshs 2,771 million compared with Kshs 2,245 million recorded in the previous financial year. Interest earned on Government Securities increased by 21.3 per cent from Kshs 1,448 million to Kshs 1,756 million during the financial year under review. Assessed premium increased by 20.9 per cent from Kshs 919 million to Kshs 1,111 million during the financial year due to increased deposit base of the member institutions.

Total assets increased by 15.4 per cent to Kshs 20,739 million from Kshs 17,968 million in the previous financial year. The increase was mainly due to re-investment of the surplus in government securities, which also increased by 15.3 per cent to Kshs 20,711 million from Kshs 17,955 million in the previous financial year. The Fund balance grew by 15.4 per cent to Kshs 20,739 million from Kshs 17,968 million recorded the previous year. Highlights on the trend in some selected financial indicators are summarised in Table 4 below:

Table 4: Selected Financial Indicators (Kshs millions)

Year	2001	2002	2003	2004	2005	2006	2007	2008	2009
Assessment	465	486	497	544	615	696	788	919	1,111
Int. on T.Bills	499	387	165	63	235	479	552	829	1,094
Int. on T.Bonds	293	538	709	608	576	667	683	619	662
Surplus	943	1,195	1,297	1,478	1,218	1,800	1,914	2,245	2,771
Net Assets/Fund	6,915	8,108	9,407	10,885	12,009	13,809	15,723	17,968	20,739

- Liquidation Activities -

Payment of protected deposits

The total protected deposits paid so far by the 20 [twenty] institutions in liquidation amounted to KShs.1,004 million as at June 30, 2009. This represents a KShs. 3 million decrease from June 30, 2008 due to the writing back of KShs. 3 million by Trust Bank Limited [I.L.] being unclaimed protected payments.

Details of payment of Protected Deposits by each institution are shown on Table 5.

Table 5 Payment of protected deposits (Kshs. Million)

	Name of Institution	Liquidation Date	Total Deposits as at Liquidation	Total Protected Deposits	Protected Deposits paid as at 30th June 2008	Protected Deposits paid as at 30th June 2009	% of Protected Deposits paid as at 30th June 2009
1	Inter-Africa Credit Finance Ltd.	31 Jan 1993	138	4	2	2	50.00
2	Central Finance Ltd.	19 May 1993	106	15	12	12	80.00
3	Postbank Credit Ltd.	20 May 1993*	3,834	50	30	30	60.00
4	Trade Bank Ltd.	18 Aug 1993**	4,766.5	280	248	248	88.57
5	Middle Africa Finance Ltd.	20 Aug 1993	242	17	13	13	76.47
6	Nairobi Finance Ltd.	16 Apr 1993	188	5	4	4	80.00
7	Pan-African Bank Ltd.	18 Aug 1994	614.5	107	90	90	84.11
8	Pan-African Credit & Finance Ltd.	18 Aug 1994	139	8	6	6	75.00
9	Thabiti Finance Co. Ltd.	19 Dec 1994	850	54	33	33	61.11
10	Meridien BIAO Bank Ltd.	15 Apr 1996	781	45	38	38	84.44
11	Heritage Bank Ltd.	13 Sept 1996	370	10	7	7	70.00
12	Kenya Finance Bank Ltd.	29 Oct 1996	1,782	381	323	323	84.78
13	Ari Bank Corporation Ltd.	05 Dec 1997	287	11	6	6	54.55
14	Prudential Bank Ltd.	05 May2000	600	16	12	12	75.00
15	Reliance Bank Ltd.	12 Sept 2000	969	88	50	50	56.82
16	Fortune Finance Co. Ltd.	14 Sept 2000	320	33	23	23	69.70
17	Trust Bank Ltd.	15 Aug 2001	159	111	23	20	18.02
18	Euro Bank Ltd.	21 Feb 2003	2,040	19	8	8	42.11
19	Prudential Building Society	18 Jan 2005	2,025	8	3	3	37.50
20	Daima Bank Ltd.	13 June 2005	669	93	76	76	81.72
	TOTALS		**20,880**	**1,355**	**1,007**	**1,004**	**74.10**

* Total figure shown includes CBK Balance of Kshs. 1,433m
** Total figure shown includes CBK Balance of Kshs. 2,414m and DPFB of Kshs. 659m

Debt Recovery

The number of Institutions under Liquidation reduced from 22 to 20 following successfull completion of the winding up of M/s Diners Finance Limited[I.L.] and Trade Finance Limited [I.L.].

Cummulatively all the 20 institutions had collected KShs. 5,545.86 million from loans/ realisation of assets by June 30, 2009. This represents an increase of 269.2m against the total cumulative realisation of KShs. 5,276.66 million achieved in the previous financial year.

Out of the total amount of KShs. 5,487.55 million reported in the last financial year, KShs. 210.89 million is attributed to the 4[four] wound up institutions namely, Diners Finance Limited[I.L.],Trade Finance Limited [I.L.], International Finance Limited[I.L.], and Allied Credit Limited [I.L.].

The table below clearly illustrates the cummulative loan recovery and performance by all institutions.

Table 6 Debt recovery (Kshs million)

	Name of Institution	Liquidation Date	Total Loans as at Liquidation	Total Loans Recovered as at 30 June 2008	Total Loans Recovered as at 30 June 2009	% of Original Debt 30 June 2009
1	**Inter-Africa Credit Finance Ltd.**	31 Jan 1993	155	35.70	35.70	23.03
2	**Central Finance Ltd.**	19 May 1993	111	106.33	106.98	96.38
3	**Postbank Credit Ltd .**	20 May 1993	3,605	1,962.07	2,035.00	56.45
4	**Trade Bank Ltd .**	18 Aug 1993	3,955	748.38	749.93	18.96
5	**Middle Africa Finance Ltd.**	20 Aug 1993	656	64.54	64.67	9.86
6	**Nairobi Finance Ltd.**	16 Apr 1993	997	63.80	63.86	6.41
7	**Pan-African Bank Ltd.**	18 Aug 1994	1,433	288.46	291.30	20.33
8	**Pan-African Credit & Finance Ltd.**	18 Aug 1994	445	130.16	150.57	33.84
9	**Thabiti Finance Co. Ltd.**	19 Dec 1994	1,217	107.78	107.91	8.87
10	**Meridien BIAO Bank Ltd.**	15 Apr 1996	224	74.71	74.71	33.35
11	**Heritage Bank Ltd.**	13 Sept 1996	458	50.30	50.30	10.98
12	**Kenya Finance Bank Ltd.**	29 Oct 1996	2,329	445.18	449.21	19.29
13	**Ari Bank Corporation Ltd.**	05 Dec 1997	453	24.74	24.74	5.46
14	**Prudential Bank Ltd.**	05 May2000	633	77.90	78.18	12.35
15	**Reliance Bank Ltd.**	12 Sept 2000	1,591	129.39	129.39	8.13
16	**Fortune Finance Co. Ltd.**	14 Sept 2000	345	36.89	36.89	10.69
17	**Trust Bank Ltd.**	15 Aug 2001	13,808	771.96	868.63	6.29
18	**Euro Bank Ltd.**	21 Feb 2003	3,861	65.73	105.92	2.74
19	**Prudential Building Society**	18 Jan 2005	3,283	17.22	19.71	0.60
20	**Daima Bank Ltd.**	13 June 2005	802	75.42	102.26	12.75
	TOTALS		**40,361**	**5,276.66**	**5,545.86**	**13.74**

Payment of Dividends

During the year, Reliance Bank Limited [I.L.] and Inter Africa Credit Finance Limited [I.L.] declared a second and fourth dividend to its Depositors/ Creditors amounting to KShs. 7.5 million and KShs. 53.7 million respectively.

The cummulative dividends paid by all the institutions since liquidation amounted to KShs. 4,628.55 million. The highest dividend paid so far has been made by Post Bank Limited [I.L.] amounting to KShs. 1,604.27 million, followed by Pan African Bank Limited [I.L.] at KShs. 584.14 million and Trade Bank Limited [I.L.] at KShs. 540.72 million. Recovery efforts by other institutions have been intensified with the objective of raising sufficient funds to enable declaration of further dividends.

Table 7 below shows cummulative dividend payments made to date by individual institutions.

Table 7 Dividends paid as at 30th June 2009 (Kshs. Million)

	Name of Institution	Liquidation Date	Total Unprotected Deposits as at Liquidation	Dividends paid as at 30th June 2008	Dividends paid as at 30 June 2009
1	Inter-Africa Credit Finance Ltd.	31 Jan 1993	134	18.98	18.98
2	Central Finance Ltd.	19 May 1993	96	104.10	104.10
3	Postbank Credit Ltd.	20 May 1993*	3,784	1,604.27	1,604.27
4	Trade Bank Ltd.	18 Aug 1993**	3,901	540.72	540.72
5	Middle Africa Finance Ltd.	20 Aug 1993	219	14.70	14.70
6	Nairobi Finance Ltd.	16 Apr 1993	183	48.26	48.26
7	Pan-African Bank Ltd.	18 Aug 1994	507	584.14	584.14
8	Pan-African Credit & Finance Ltd.	18 Aug 1994	131	136.45	136.45
9	Thabiti Finance Co. Ltd.	19 Dec 1994	796	77.48	77.48
10	Meridien BIAO Bank Ltd.	15 Apr 1996	736	330.11	330.11
11	Heritage Bank Ltd.	13 Sept 1996	366	12.43	37.90
12	Kenya Finance Bank Ltd.	29 Oct 1996	1,396	177.34	177.34
13	Ari Credit Corporation Ltd.	05 Dec 1997	275	20.80	20.80
14	Prudential Bank Ltd.	05 May2000	584	139.40	139.40
15	Reliance Bank Ltd.	12 Sept 2000	879	90.85	115.63
16	Fortune Finance Co. Ltd.	14 Sept 2000	287	96.95	96.95
17	Trust Bank Ltd.	15 Aug 2001	43	63.63	458.00
18	Euro Bank Ltd.	21 Feb 2003	2,021	0.00	0.00
19	Prudential Building Society	18 Jan 2005	2,017	15.85	15.85
20	Daima Bank Ltd.	13 June 2005	576	107.47	107.47
	TOTALS		**18,931**	**4,183.93**	**4,628.55**

* Total figure shown includes CBK balance of KShs.1,433m
**Total figure shown includes CBK balance of KShs.2,414m and DPFB balance of KShs. 659m

STATEMENT OF DIRECTORS' RESPONSIBILITIES ON THE FINANCIAL STATEMENTS

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

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and in the manner required by the Banking Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Board and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of the financial statements, as well as adequate systems of internal financial control.

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

……………………………………………
CHAIRMAN

……………………………………………
MEMBER

25-09-2009
……………………………………………
Date

REPORT OF THE INDEPENDENT AUDITORS TO THE MINISTER FOR FINANCE ON THE FINANCIAL STATEMENTS

Report on the Financial Statements

We have audited the accompanying financial statements of the Deposit Protection Fund Board set out on pages 21 to 42, which comprise the balance sheet as at 30 June 2009, and the Income Statement, Statement of Changes in Fund Balance and Cash Flow Statement 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 the International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of 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 these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Deposit Protection Fund Board as at 30 June 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Banking Act (Cap 488).

REPORT ON OTHER MATTERS

We also report to you, based on our audit, that:

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

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

iii) The Board's balance sheet and income statement are in agreement with the books of account.

Nairobi

25-09-2009
....

BALANCE SHEET

	Note	2009 KShs'000	2008 KShs'000
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	2	28,328	30,938
Prepaid operating lease rentals	3	3,812	3,911
Investment held for sale	4	100	100
Government securities	5	6,592,751	4,991,908
		6,624,991	5,026,857
CURRENT ASSETS			
Debtors and prepayments	6	12,896	22,296
Government securities	5	14,118,498	12,963,007
Cash and bank balance		564	2,038
		14,131,958	12,987,341
TOTAL ASSETS		20,756,949	18,014,198
FUND BALANCE AND LIABILITIES			
FUND BALANCE	7	20,739,365	17,968,316
CURRENT LIABILITIES			
Creditors and accruals	8	4,554	10,644
Due to related party	9	13,030	14,519
Provision for protected deposit claims	10	-	20,719
		17,584	45,882
TOTAL FUND BALANCE AND LIABILITIES		20,756,949	18,014,198

The financial statements were approved by the Board of Directors for issue on 25-09-2009 and signed on its behalf by:-

....Chairman

....Member

The accounting policies and the notes on pages 29 to 45 form an integral part of these financial statements.

Report of the independent auditors-pages 23-24

INCOME STATEMENT

	Note	2009 KShs'000	2008 KShs'000
REVENUE			
Assessment income	11(a)	1,110,684	919,134
Investment income	11(b)	1,755,715	1,447,621
Other income	12	37,088	5,390
Write back of protected deposits	13	26,760	442
		2,930,247	2,372,587
EXPENSES:-			
Administration and establishment	14	142,082	127,107
Provision for doubtful debts	6(b)	17,116	-
		159,198	127,107
SURPLUS FOR THE YEAR		2,771,049	2,245,480

The accounting policies and the notes on pages 29 to 45 form an integral part of these financial statements.

Report of the independent auditors-pages 23-24

STATEMENT OF CHANGES IN FUND BALANCE

	Fund Balance KShs'000
Balance at 1 July 2007	15,722,836
Surplus for the year	2,245,480
Balance at 30 June 2008	17,968,316
Balance at 1 July 2008	17,968,316
Surplus for the year	2,771,049
Balance at 30 June 2009	20,739,365

The accounting policies and the notes on pages 29 to 45 form an integral part of these financial statements.

Report of the independent auditors-pages 23-24

CASH FLOW STATEMENT

	Note	2009 KShs'000	2008 KShs'000
Cash flows from operating activities:-			
Surplus for the year		2,771,049	2,245,480
Adjustment for:-			
Depreciation of property and equipment		3,446	4,227
Amortisation of prepaid operating lease rentals		99	99
Write-back of Provision for protected deposits		(20,791)	-
Interest income		(1,755,715)	(1,447,621)
Operating surplus before working capital changes		998,088	802,185
Debtors and prepayments		9,400	(15,523)
Creditors and accruals		(6,090)	(3,223)
Related party account		(1,489)	(8,905)
Net cash flows generated from operating activities		999,909	774,534
Cash flows from investing activities:-			
Reversal (Payment) of protected deposit claims		72	(260)
Purchase of investments		(586,158)	(1,873,200)
Purchase of property and equipment		(836)	(1,382)
Proceeds on disposal of property and equipment		-	-
Interest received		1,755,715	1,447,621
Net cash flows from investment activities		1,168,793	(427,221)
Net movement in cash and cash equivalents		2,168,702	347,313
Cash and cash equivalents at the beginning of the year		6,539,955	6,192,642
Cash and cash equivalents at the end of the year	15	8,708,657	6,539,955

The accounting policies and the notes on pages 29 to 45 form an integral part of these financial statements.

Report of the independent auditors-pages 23-24

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

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

a) Basis of preparation of financial statements

(i) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and Interpretations of those Standards as adopted by the International Accounting Standards Board. The financial statements are presented in thousands of Kenya Shillings (KShs'000) and are prepared under the historical cost convention except for measurement at fair value of certain investments.

(ii) Statement of compliance

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS) and interpretations of those Standards.

(iii) Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

(iv) Standards, amendments and interpretations effective in 2008

The following amendment to Standards and Interpretations are mandatory though not relevant to the Board. The effective date of the amendments was 1 July 2008.

- Amendment to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments Disclosures - Reclassification of financial assets. The amendments allow entities to reclassify certain financial assets out of held-for-trading if they are no longer held for the purpose of being sold or repurchased in the near term. Financial assets that would be eligible for classification as loans and receivables (ie those assets which, apart from not being held with the intent of sale in the near term, have fixed or determinable payments, are not quoted in an active market and contain no features which could cause the holder not to recover substantially all of its initial investment except through credit deterioration) may be transferred from 'Held-for-trading' to 'Loans and receivables', if the entity has the intention and the ability to hold them for the foreseeable future.
  Financial assets that are not eligible for classification as loans and receivables may be transferred from 'Held-for-trading' to 'Available-for-sale' or to 'Held-to-maturity', only in rare circumstances. The amendment requires detailed disclosures relating to such reclassifications. The effective date of the amendment is 1 July 2008 and reclassifications before that date are not permitted.

- IFRIC 13, Customer Loyalty Programmes – The IFRIC issued IFRIC 13 in June 2007. This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to award credits.

- IFRIC 14, IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction - IFRIC Interpretation 14 provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognised as an asset under IAS 1.

(v) Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations are mandatory for accounting periods beginning on or after 1 January 2008 but are not relevant to the Board's operations:

- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions - This interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed.

- IFRIC 12, Service Concession Agreements -The IFRIC was issued in November 2006. This interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements.

(vi) Standards, amendments and interpretations that have been issued and are not yet effective

At the date of authorisation of these financial statements, the following Standards and Interpretations were in issue but not yet effective for the Board's operations and which the Board has not early adopted:

- IFRS 2, Amendments to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective from 1 January 2009). The Standard restricts the definition of "vesting condition" to a condition that includes an explicit or implicit requirement to provide services. Any other conditions are non-vesting conditions, which have to be taken into account to determine the fair value of the equity instruments granted. In the case that the award does not vest as the result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this must be accounted for as a cancellation.

- IFRS 3 Business Combinations and IAS 27 Consolidated and Separate Financial Statements (effective I July 2009) - The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations occurring after this date that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as an equity transaction.

Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to IAS 7 Statement of Cash Flows, IAS 12 Income Taxes, IAS 21 The Effects of Changes in Foreign Exchange Rates, IAS 28 Investment in Associates and IAS 31 Interests in Joint Ventures. The changes by IFRS 3 and IAS 27 will affect future acquisitions or loss of control and transactions with minority interests.

- IFRS 8 Operating Segments. This standard requires disclosure of information about the Board's operating segments and replaced the requirement to determine primary (business) and secondary (geographical) reporting segments of the Board. IFRS replaces IAS 14 Segment Reporting (IAS 14) upon effective date.

- IAS 1 (Revised 2007) Presentation of Financial Statements. The standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005. The revised IAS 1 was issued in September 2007 and is effective for accounting periods beginning on or after 1 January 2009 with early application permitted. The Standard separates owner and non-owner changes in equity. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income, which presents income and expense items recognised in profit or loss, together with all other items of recognised income and expense, either in one single statement, or in two linked statements.

- IAS 23 Borrowing Costs (effective from 1 January 2009)-The IASB issued an amendment to IAS 23 in April 2007. The revised IAS 23 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

- IAS 32, Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation -These amendments to IAS 32 and IAS 1 were issued in February 2008 and become effective for financial years beginning on or after 1 January 2009. The revisions provide a limited scope exception for puttable instruments to be classified as equity if they fulfil a number of specified features.

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items - These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

- IFRIC 15 Agreement for the Construction of Real Estate-IFRIC 15 was issued in July 2008 and becomes effective for financial years beginning on or after 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation - IFRIC 16 was issued in July 2008 and becomes effective for financial years beginning on or after 1 October 2008. The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

- IFRIC 17-Distribution of Non-Cash Assets to Owners-effective for periods beginning on or after 1 July 2009-This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends.
- IFRIC 18-Transfers of Assets from Customers effective for periods beginning on or after 1 July 2009-This interpretation provides guidance on how to account for items of property, plant and equipment received from customers, or cash that is received and used to acquire or construct specific assets. This interpretation only applies to such assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both.

The directors anticipate that the adoption of these standards will have no material effect on the financial statements of the Board.

(viii) Improvements to IFRS's

In May 2008, the International Accounting Standards Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.
The Board has not yet adopted the following amendments and anticipates that these changes will have no material effect on the financial statements.

- IFRS 7 Financial Instruments: Disclosures: Removal of the reference to 'total interest income' as a component of finance costs.
- IAS 8 Accounting Policies, Change in Accounting Estimates and Errors: Clarification that only implementation guidance that is an integral part of an IFRS is mandatory when selecting accounting policies.
- IAS 10 Events after the Reporting Period: Clarification that dividends declared after the end of the reporting period are not obligations.

- IAS 16 Property, Plant and Equipment: Items of property, plant and equipment held for rental, are transferred to inventory when the rental ceases and they are held for sale.
- IAS 18 Revenue: Replacement of the term 'direct costs' with 'transaction costs' as defined in IAS 39.
- IAS 19 Employee Benefits: Revised the definition of 'past service costs' 'return on plan assets' and 'short term' and 'other long-term' employee benefits. Amendments to plans that result in a reduction in benefits related to future services are accounted for as curtailment. Deleted the reference to the recognition of contingent liabilities to ensure consistency with IAS 37.
- IAS 20 Accounting for Government Grants and Disclosures of Government Assistance:
- IAS 38 Intangible Assets: Expenditure on advertising and promotional activities is recognised as an expense when the company either has the right to access the goods or has received the service.
- IAS 39 Financial Instruments: Recognition and Measurement: Changes in circumstances relating to derivatives are not reclassifications and therefore may be either removed from, or included in, the 'fair value through profit or loss' classification after initial recognition. Removed the reference in IAS 39 to a 'segment' when determining whether an instrument qualifies as a hedge. Require the use of the revised effective interest rate when re-measuring a debt instrument on the cessation of fair value hedge accounting.

b) Significant accounting judgments, estimates and assumptions.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The most significant use of judgment and estimates are as follows:

Property and Equipment

Critical estimates are made by the management in determining depreciation and amortisation rates for property and equipment. The rates used are set out in the accounting policy for property, equipment and depreciation.

Allowance for doubtful receivables

The Board reviews its receivables' portfolio regularly to assess the likelihood of impairment. This requires an estimation of the amounts that are irrecoverable especially debts incurred by institutions under liquidation.

Going concern

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

c) Revenue recognition

Assessed income comprises contributions levied to the contributory institutions and is recognized in the period when they are receivable. Such contributions are assessed at a rate of 0.15 per cent of the average of the institutions' total deposit liabilities during the period of 12 months prior to the date of levy notice.

Interest income is recognized in the period in which it is earned based on the expired portion of the life of the investments it relates to. Interest is primarily earned on Treasury bills and bonds and other interest carrying instruments.

Discounts and premiums on acquisition of government securities are amortized over the life of the security.

d) Provisions for payments to depositors

Provisions for payments to protected depositors are recognized in the financial statements in the period the contributory institutions are placed under liquidation. Any payments that exceed the provisions made are taken into account in determining operating profit. Provisions that relate to unclaimed protected deposits are written back to income on expiry of the statutory notice period.

e) Property, equipment and depreciation

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is calculated at annual rates estimated to write off carrying values of the assets over their expected useful lives on the reducing balance basis except for buildings and computers which are depreciated on the straight line basis.

The annual depreciation rates in use are: -

Buildings	2.2%
Fixtures, Furniture and Fittings	12.5%
Office and kitchen equipment	20%
Motor vehicles	25%
Computers	33.33%

The carrying values of property and equipment are reviewed at each balance sheet date for impairment when events or changes in circumstances indicate the carrying values may not be recoverable. If any such indications exist and where the carrying values exceed the estimated recoverable amount the assets are written down to their recoverable amount.

Items of property, plant and equipment are derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating profit.

f) Leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments made under operating leases are recognized as an expense in the income statement on a straight line basis over the lease term.

g) Employee entitlements

Employee entitlements are recognized when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the balance sheet date. The estimated monetary liability for employees' accrued annual leave entitlement at the balance sheet date is recognized as an expense accrual.

Retirement benefit costs

The Board's employees are eligible for retirement benefits under a defined benefit plan provided through a separate fund. The defined benefit plan is funded by the Board and the Central Bank, the main sponsor. The retirement benefit asset is wholly recognized in the financial statements of the Central Bank while the Board recognizes contributions to the fund as if it were a defined contribution scheme by charging them to the profit and loss account in the year to which they relate.

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

h) Taxation

The Board's income is not subject to tax as it has been granted exemption by the Commissioner of Income Tax. Therefore no provision for current tax or deferred tax is made in the financial statements.

i) Financial instruments

The Board's financial instruments which comprise government securities, receivables and payables fall into the following categories:

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Board has the positive intention and ability to hold to maturity. All Investments in government securities are classified as held to maturity and are initially recognised at cost and subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount or premium on acquisition. The amortisation of such investments is recognised in the income statement.

Receivables

Receivables which comprise debtors and prepayments are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

Payables

Payables comprise creditors and accruals, provisions for protected deposit claims and amounts due to Central Bank of Kenya. They are classified as financial liabilities and are carried at amortized cost.

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount. The amount of the impairment losses are recognised in the income statement.

j) Investment held for sale

Investment held for sale relates to investment in a subsidiary which is accounted for under IFRS 5 'Non-current assets held for sale and discontinued operations'. The investment is stated at the lower of its carrying amount and the fair value less costs to sell.

k) Cash and cash equivalents

Cash and cash equivalents are defined as cash on hand and in bank accounts. Cash and cash equivalents are carried at cost. For the purposes of the cash flow statement cash and cash equivalents comprise cash on hand, bank balances, and government securities maturing within 91 days of the balance sheet.

2. PROPERTY AND EQUIPMENT

	Buildings	Furniture & fittings	Office and kitchen equipment	Motor vehicle	Computers	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
COST						
At 1 July 2008	16,559	14,744	6,219	8,713	4,155	50,390
Additions	-	597	-	-	239	836
At 30 June 2009	16,559	15,341	6,219	8,713	4,394	51,226
DEPRECIATION						
At 1 July 2008	2,219	3,843	4,473	5,330	3,587	19,452
Charge for the year	364	1,437	348	845	452	3,446
At 30 June 2009	2,583	5,280	4,821	6,175	4,039	22,898
NET BOOK VALUE						
At 30 June 2009	13,976	10,061	1,397	2,538	355	28,328
COST						
At 1 July 2007	16,559	13,952	6,219	8,713	3,565	49,008
Additions	-	792	-	-	590	1,382
At 30 June 2008	16,559	14,744	6,219	8,713	4,155	50,390
DEPRECIATION						
At 1 July 2007	1,855	2,287	4,038	4,203	2,842	15,225
Charge for the year	364	1,556	435	1,127	745	4,227
At 30 June 2008	2,219	3,843	4,473	5,330	3,587	19,452
NET BOOK VALUE						
At 30 June 2008	14,340	10,901	1,746	3,383	568	30,938

No depreciation has been charged in arriving at the results for the year in respect of certain fully depreciated assets with a cost of KShs 3,384,490 (2008: KShs 1,920,535) and are still in use. If depreciation had been charged during the year on the cost of these assets at normal rates it would have amounted to KShs 1,129,830 (2008: KShs 640,178).

3. PREPAID OPERATING LEASE RENTALS

	2009	2008
	KShs'000	KShs'000
Cost		
At 30 June	4,522	4,522
Amortisation		
At beginning of the year	611	512
Amortisation for the year	99	99
At end of the year	710	611
Net carrying value at end of the year	3,812	3,911

4. INVESTMENT HELD FOR SALE

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

The Board owns 50.2% of the ordinary share capital of the Consolidated Bank of Kenya Limited. At the time of acquisition of the investment, the Banking Act allowed the Board to acquire, hold or dispose shares of an institution that would result in a loss to the Board. The Banking Act was later amended and now prevents the Board from holding investments other than in government securities. The Board has signed the agreement transferring the shareholding in Consolidated Bank of Kenya Limited to Treasury for onward sale to third parties. Due to the above, the requirement for consolidation on IAS 27 does not apply. The Government, through Treasury plans to privatize Consolidated Bank and has therefore directed the Privatization Commission to explore and advice on how the shares are to be sold, either through an initial public offering or to a strategic partner.
The investment was last valued in December 2004 by external consultants and the value of the shares was considered to be effectively nil. In the opinion of the directors, the additional diminution in value of KShs 100,000 based on this valuation is not material for recognition in the financial statements.

5. GOVERNMENT SECURITIES

	2009 KShs'000	2008 KShs'000
Treasury bills maturing within 91 days of the balance sheet date(Note 15)	8,223,846	5,870,069
Treasury bills maturing after 91 days of the balance sheet date	4,027,291	5,882,077
Treasury bonds maturing within 91 days of the balance sheet date(Note 15)	484,247	667,848
Treasury bonds maturing after 91 days of the Balance sheet date but within 1 year	1,383,114	543,013
Treasury bonds maturing after 1 year of the Balance sheet date	6,592,751	4,991,908
	20,711,249	17,954,915
Comprising		
Maturing within 1 year of the balance sheet date	14,118,498	12,963,007
Maturing after 1 year of the balance sheet date	6,592,751	4,991,908
	20,711,249	17,954,915

The weighted average effective interest rate on held to maturity investments as at 30 June 2009 was 10.22% (2008: 8.59%).

6. (A) DEBTORS AND PREPAYMENTS

	2009 KShs'000	2008 KShs'000
Debtors and prepayments	162,158	188,775
Provision for bad debts (Note 6b)	(149,262)	(166,479)
	12,896	22,296

(B) PROVISIONS FOR IMPAIRED DEBTORS

As at 30 June 2009, debtors amounting to KShs 149 million were fully impaired and provided for. Movements in the provisions for impairment of receivables were as follows:

	2009 KShs'000	2008 KShs'000
At 1 July	166,479	167,776
Additional provision	17,116	-
Write back-provision for bad debts (Note 12)	(34,333)	(1,297)
At 30 June (Note 6a)	(149,262)	(166,479)

7. FUND BALANCE

At start of year	17,968,316	15,722,836
Surplus for the year	2,771,049	2,245,480
At end of year	20,739,365	17,968,316

The Fund balance relates to accumulated surpluses.

8. CREDITORS AND ACCRUALS

Sundry creditors and accruals	4,241	4,363
Unclaimed stale cheques	313	6,281
	4,554	10,644

9. RELATED PARTY TRANSACTIONS

(a) Due to Central Bank of Kenya	13,030	14,519
(b) Directors' emoluments and senior management remuneration		
Fees to directors	2,840	2,649
Remuneration to senior management	44,465	44,491

DEPOSIT PROTECTION FUND BOARD

10. PROVISION FOR PROTECTED DEPOSIT CLAIMS

	2009 KShs'000	2008 KShs'000
Balance brought forward	20,719	20,979
Reversal (payments) during the year	72	(260)
	20,791	-
Write-back of protected deposit	(20,791)	-
Balance carried forward	-	20,719

11. INCOME

(a) ASSESSED INCOME

	2009 KShs'000	2008 KShs'000
Total average deposits of institutions assessed as contributors	740,255,964	612,156,269
0.15% of total average deposits	1,110,384	918,234
Minimum contributions from 1 bank (2008: 3 banks)	300	900
Total assessed income	1,110,684	919,134

(b) INVESTMENT INCOME

	2009 KShs'000	2008 KShs'000
(i) Interest earned on Treasury bills received on		
Matured bills	1,089,958	674,662
Discount on purchase	3,743	154,192
	1,093,701	828,854
(ii) Interest earned on Treasury bonds received on		
Matured bonds	612,904	610,077
Discount on purchase	58,762	21,188
Amortisation of premium	(9,652)	12,498)
	662,014	618,767
Total investment income	1,755,715	1,447,621

12. OTHER INCOME

	2009 KShs'000	2008 KShs'000
Recoveries from subrogated claims	2,330	3
Penalty charges on late contributions	425	873
Bad debts recovered	34,333	1,297
Grants Income	-	2,849
Miscellaneous income	-	368
	37,088	5,390

13. WRITEBACK OF PROTECTED DEPOSITS

	2009 KShs'000	2008 KShs'000
Write-back of provision for protected deposit	20,791	-
Stale cheques written back	5,969	442
	26,760	442

The Board has been making provisions equivalent to the amount of its exposure to protected depositors whenever a bank or financial institution is put under liquidation. The period for claims to be made by protected depositors under the statute is two years after the date of notice. The Board has also written back cheques that were issued to protected depositors that have not been presented until the balance sheet date and are stale by virtue of being over 7 years old. The directors are of the opinion that no claim will be payable in respect of these cheques.

14. ADMINISTRATION AND ESTABLISHMENT EXPENSES

	2009 KShs'000	2008 KShs'000
Staff costs	108,784	95,676
Depreciation	3,446	4,227
Lease amortization	99	99
Auditors remuneration	601	601
Directors' emoluments - fees	2,840	2,649
Legal and professional fees	375	2,662
Other	25,937	21,193
	142,082	127,107

15. CASH AND CASH EQUIVALENTS

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

Treasury bills maturing within 91 days of the balance sheet date(Note 5)	8,223,846	5,870,069
Treasury bonds maturing within 91 days of the balance sheet date(Note 5)	484,247	667,848
Cash and bank balance	564	2,038
	8,708,657	6,539,955

17. RISK MANAGEMENT

Structure and Reporting

The Board of Directors is responsible for the overall risk management approach and for approving the risk management policy and strategies. There are other organs that monitor the assessment and management of risks within the Board including;

(a) Audit Committee of the Board

The Audit Committee assists the Board in the fulfillment of its oversight responsibilities. The Committee guides and monitors the implementation of controls by the Board.

(b) Deposit Insurance and Risk Management Section

The Board has an established Deposit Insurance & Risk Management Section that receives off-site information on deposits from member institutions for analysis and works closely with Central Bank of Kenya to monitor the performance of the Banking industry.

(c) Internal Audit and Risk Management Department (IARM)

The operations of the Board are subject to internal audit by the (IARM) department of the Central Bank of Kenya. The (IARM) department employs risk-based audit approach in planning and carrying out its audit engagements. The business processes are assessed with regard to business continuity procedures, physical safety, system safety, conformity to legal requirements and regulations, sufficiency of human resources and information safety. In addition, the financial risks and reputation risks are also determined. Controls that are designed to reduce these risks to acceptable levels are assessed in terms of sufficiency and effectiveness; additional controls are recommended in order to increase effectiveness.

The main risks faced by the Board in respect of its principal non-derivative financial instruments are interest rate risk and liquidity risk. The directors review and agree on policies for managing these risks. The Board maintains a conservative policy regarding interest rate and liquidity risks. The Board does not engage in speculation in the markets. In addition, the Board does not speculate or trade in derivative financial instruments.

The Board's principal financial instruments comprise investments held to maturity; cash and cash equivalents; debtors and prepayments; creditors and accruals; provisions for protected deposit claims; and amounts due to related parties.

Interest rate risk is the risk that the value and cash flows of a financial instrument will fluctuate due to changes in market interest rates. Excess funds held by the Board are invested in Treasury bills and Treasury bonds.

The following table sets out the carrying amount by maturity, of the Board's financial instruments that are exposed to interest rate risk:

	Upto 3 months	3-12 Months	1-6 Years	Non Interest Bearing	Total
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Debtors and prepayments	-	-	-	12,896	12,896
Cash and bank balance	-	-	-	564	564
Investments held to Maturity	8,708,094	5,410,404	6,592,751	-	20,711,249
Creditors and accruals	-	-	-	(4,554)	(4,554)
Due to related party	-	-	-	(13,030)	(13,030)
Protected deposits	-	-	-	-	-
Interest sensitivity gap At 30 June 2009	8,708,094	5,410,404	6,592,751	(4,124)	20,707,125
At 30 June 2008	6,537,917	6,425,090	4,991,908	(21,548)	17,933,367

The following table demonstrates the sensitivity to a reasonably possible change in the interest rates, with all other variables held constant, on the Board's surplus. The sensitivity computations assume that financial assets maintain a constant rate of return from one year to the next.

	2009 KShs'000	2008 KShs'000
Effect on profit before tax of a +5% change in interest rates	87,786	72,381
Effect on profit before tax of a -5% change in interest rates	(87,786)	(72,381)

Liquidity risk management

Liquidity risk is the risk that the Board will encounter difficulty in meeting obligations from its financial liabilities. The Board'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, without incurring unacceptable losses or risking damage to the Board's reputation. In the course of its operations the Board invests its capital in forms that vary in liquidity ranging from government securities that are readily convertible and sundry debtors. Simultaneously it carries current liabilities in form of provisions for protected deposits, sundry creditors and related party liabilities. The entity matches its current assets to the current liabilities falling due to mitigate the risk of low liquidity.

The Board's financial liabilities amount to KShs 17.584 million (2008: KShs 45.882 million) and are all short term.

Currency risk

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

Fair value

The table set out below is a comparison by category of carrying amounts and fair values of all the Board's financial instruments that are carried in the financial statements.

	2009		2008	
	Carrying value KShs'000	Fair value KShs'000	Carrying value KShs'000	Fair value KShs'000
Financial assets				
Debtors and prepayments	12,896	12,896	22,296	22,296
Cash and Bank balance	564	564	2,038	2,038
Investments held to Maturity	20,711,249	20,711,249	17,954,915	17,954,915
Financial liabilities				
Creditors and accruals	4,554	4,554	10,644	10,644
Due to Related Party	13,030	13,030	14,519	14,519
Protected Deposits	-	-	20,719	20,719

The directors are of the opinion that the carrying value of financial instruments approximates their fair value.

18. RELATED PARTY TRANSACTIONS

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

(a) The Central Bank pays some operating expenses on behalf of the Board. These are fully reimbursed.

(b) The staff of the Board are contractually employees of the Central Bank but seconded to the Board. Salaries of these staff are met by the Central Bank and fully reimbursed by the Board. In the year, salaries paid to staff by the Central Bank amounted to KShs 87.74 million (2008: KShs 78.95 million).

(c) The Central Bank is also the sponsor of the Staff Pension Fund to which the Board contributes on behalf of employees seconded to it from the Central Bank. In the year, the Board's contribution to the fund amounted to KShs 3.7 million (2008: KShs 4.2 million).

(d) The Central Bank provides the Board with office space and charges it rent. The Board also reimburses maintenance costs incurred by the Central Bank on its behalf. In the year, rent and maintenance costs charged amounted to KShs 8.11 million (2008: KShs 8.09 million).

The balance at year-end on transactions with the Central Bank is shown in note 9.

19. CAPITAL MANAGEMENT

The primary objectives of the Board's capital management are to ensure that the Board maintains healthy capital ratios in order to support its business and to maximize the value for the insured depositors in member institutions. The Board manages its capital structure and makes adjustments to it, as per the requirements of the Banking Act. The total accumulated Fund as at 30 June 2009 was KShs 20.74 billion (2008: KShs 17.97 billion).

20. CONTIGENT LIABILITIES

Litigation

Mr. Ajay Shah filed a case in 2002 claiming general damages and special damages amounting to KShs 144 million against Trust Bank Limited (In Liquidation) and the Board on allegations of defamation and publication of malicious false statements. The suit is pending for hearing. No provision has been made in the financial statements because, in the opinion of the directors, the claim is unlikely to succeed.

21. COMPARATIVES

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

22. ESTABLISHMENT

Deposit Protection Fund Board is established in Kenya under the Banking Act and is domiciled in Kenya.

23. CURRENCY

These financial statements are presented in thousands of Kenya Shillings (KShs'000), and are rounded to the nearest KShs 1,000.

COMMERCIAL BANKS AND OTHER FINANCIAL INSTITUTIONS ASSESSED CONTRIBUTORS FOR THE YEAR ENDED 30 JUNE 2009

COMMERCIAL BANKS

SCHEDULE A

1 African Banking Corporation Limited
2 Bank of Africa Kenya Limited
3 Bank of Baroda Kenya Limited
4 Bank of India Limited
5 Barclays Bank of Kenya Limited
6 CFC Stanbic Bank Limited
7 Charterhouse Bank Limited
8 Chase Bank Limited
9 Citibank N.A.
10 City Finance Bank Limited
11 Commercial Bank of Africa Limited
12 Consolidated Bank of Kenya Limited
13 Co-operative Bank of Kenya Limited
14 Credit Bank Limited
15 Development Bank of Kenya Limited
16 Diamond Trust Bank of Kenya Limited
17 Dubai Bank Kenya Limited
18 Ecobank Kenya Limited
19 Equatorial Commercial Bank Limited
20 Equity Bank Limited
21 Family Bank Limited
22 Fidelity Commercial Bank Limited
23 Fina Bank Limited
24 First Community Bank Limited
25 Giro Commercial Bank Limited
26 Guardian Bank Limited
27 Gulf African Bank Limited
28 Habib Bank A.G. Zurich
29 Habib Bank Limited
30 Imperial Bank Limited
31 I & M Bank Limited
32 Kenya Commercial Bank Limited
33 K-Rep Bank Limited
34 Middle East Bank Kenya Limited
35 National Bank of Kenya Limited
36 NIC Bank Limited
37 Oriental Commercial Bank Limited
38 Paramount Universal Bank Limited
39 Prime Bank Limited
40 Southern Credit Banking Corporation Limited
41 Standard Chartered Bank of Kenya Limited
42 Transnational Bank Limited
43 Victoria Commercial Bank Limited

MORTGAGE FINANCE INSTITUTIONS

1. Housing Finance Company of Kenya Limited
2. S & L Kenya Limited

MICROFINANCE INSTITUTION

1. Faulu Kenya Limited

Appendix I

Member banking institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
1	African Banking Corporation Ltd P.O Box 46452-00100 Nairobi Tel 2223922 *www.abcthebank.com*	9	Ashraf Savani Shamaz Savani Nanalal P. Sheth Richard Omwela Joseph K. Muiruri	Chairman Executive Non-Executive Non Executive Non-Executive	Deloitte & Touche
2	Bank of Africa (K) Ltd P.O. Box 69562-00400 Nairobi Tel 3275000 *www.boakenya.com*	8	Paul Derreumaux Kwame Ahadzi Jean-Geo Pastouret Vincent de Brouwer Jonathan Aballo A. Randrianasolo Davinder Sikand Shakir M.Merali (Alt) Ben Zwinkels	Chairman Managing Director Dy.Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
3	Bank of Baroda (K) Ltd. P.O. Box 30033-00100 Nairobi. Tel 248402 / 226416 *barodabk-ho@kenyaweb.com*	8	V. Santhanaraman Arun Shrivastava Dipankar Mookerjee Joseph K. Muiruri Milan R. Shah Ramamoorthy Ravi	Chairman Managing Director Non-Executive Non-Executive Non-Executive Executive	PKF Kenya
4	Bank of India Ltd. P.O. Box 30246-00100 Nairobi. Tel 221414 -1 6 *ceboinrb@futurenet.co.ke*	4	Dr M. P. Chandaria Hon. John Kariuki Allan N. Ngugi	Local Advisory Committee Local Advisory Committee Local Advisory Committee	PKF Kenya
5	Barclays Bank of Kenya Limited. P.O. Box 30120-00100 Nairobi. Tel 313405 / 313364 *www.barclays.com*	121	Francis O. Okello Adan Mohammed Nick Mbuvi P. A. Chemng'orem Rose Ogega Jane. W. Karuku Brown Ondego	Chairman Managing Director Executive Director Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
6	CFC Stanbic Bank P.O. Box 72833-00200 Nairobi Tel 3638000 / 3268000 *www.cfcstanbicbank.co.ke*	15	Dr Joseph B. Wanjui Michael L. du Toit Kitili Mbathi C. Wanjiru Mwangi Jeremiah G.Kiereini Jane P. Babsa Fred N.Ojiambo Gayling R.May Edward W. Njoroge	Chairman Managing Director Executive Executive Non- Executive Non Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
7	Charterhouse Bank Ltd. P.O. Box 43252-00100 Nairobi Tel 242246 - 53 *info@charterhouse-bank.com* (Under CBK statutory management)	10	Mehraz Ehsani Sanjay R. Shah Manjunath W. Prabhu Hamed Ehsani Atul K. Shah Manoj R. Shah	Chairman Managing Director Executive Non-Executive Non-Executive Non-Executive	KPMG Kenya
8	Chase Bank (K) Ltd. P.O. Box 66049-00800 Nairobi. Tel 2774000 / 4454803/4/6/8 *www.chasebankkenya.co.ke*	8	Zafrullah Khan Duncan Kabui Gichu Osman Murgian James M. Gachui Rafiq Shariff Anthony F. Gross	Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
9	Citibank N.A. P.O. Box 30711-00100 Nairobi Tel 2754000 *www.citibank.com*	2	Ademola Ayeyemi Nathan Njoroge Rose Agutu Joyce-Ann Wainaina Esther Ngaine Ignatius Chicha Hilda Mucuha Asim Rana Wycliffe Osso Nicholas Kamere	Executive Executive. Executive Executive Executive Executive Executive Executive Executive Executive	KPMG Kenya
10	City Finance Bank Ltd. P.O. Box 22741-00400 Nairobi Tel 2210338 / 9 *info@cityfinancebank.co.ke*	1	Ingrid Munro (Mrs) Richard Njoba Chege Gitura Lars – Olof Hellgren Mutuma Marangu Suzanne Muthaura (Ms.)	Chairperson Non- Executive Non-Executive Non-executive Non-Executive Non-Executive	Deloitte & Touche
11	Commercial Bank of Africa Kenya Ltd P.O. Box 30437-00100 Nairobi Tel 2884000 *www.cba.co.ke*	12 Branches 1 Agency	M.H. da Gama Rose Isaac O. Awuondo Michael O. Bristow John A. M. Docherty John S. Armitage Muhoho Kenyatta	Chairman Managing Director Executive Director Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers

Bank	Branch Network	Directors' Names	Status	Approved Auditors
12 Consolidated Bank of Kenya Ltd. P.O. Box 51133-00200 Nairobi Tel 340551 /340836 *www.consolidated-bank.com*	11 Branches 1 Agency	Eunice Kagane (Ms.) David N. Wachira Alex Kazongo Shellomith Boboti (Mrs) Alloys B.Ayako Cleopa K. Mailu Julius Mutua	Chairperson Executive Director Non-Executive Non-Executive Non-Executive Non Executive Non Executive	Deloitte & Touche
13 Co-operative Bank of Kenya Ltd. P.O. Box 48231-00100 Nairobi Tel 3276100 *www.co-opbank.co.ke*	61	Stanley .C. Muchiri Julius Riungu Gideon Muriuki Julius K. Sitienei Maj (Rtd) G.Wakasyaka Macloud Malonza Wilfred Ongoro Richard L. Kimanthi John K. Murugu Fredrick Odhiambo Rose K. Kimani (Mrs) Donald K Kibera	Chairman Vice Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
14 Credit Bank Ltd. P.O. Box 61064-00200 Nairobi Tel 2222300 / 2222317 *Info@creditbankltd.co.ke*	4	Hon. Simeon Nyachae Rabindra N. Patnaik Grace W. Nyachae(Mrs) Ketan Morjaria R. V. Karia M. M. Mwendwa	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
15 Development Bank of Kenya Ltd. P.O. Box 30483-00100 Nairobi Tel 340401 / 2 / 3 *dbk@devbank.com*	1	Prof. H.K. Mengech Prof J. H. Kimura Kungu Gatabaki Z. G. Mbugua I.C.D.C. PS-Treasury	Chairman Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Kenya
16 Diamond Trust Bank Kenya Ltd. P.O. Box 61711-00200 Nairobi Tel 2849000 *www.dtbafrica.com*	21	Mahmood Manji Nasim Devji (Mrs) Nizar Juma Mwaghazi Mwachofi Amin Merali Abdul Samji Nauman Dar Kabir Hyderally	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
17 Dubai Bank (K) Ltd. P.O. Box 11129-00400 Nairobi Tel 311114/09/23/24/82 *dbk@dubaibank.co.ke*	4	Hassan Zubeidi Mayank Sharma Prof.A. El-Bussaidy Harakhchand D.Shah Dr.W. Hassan Nandwa Ali Bashir Sheikh	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
18	Ecobank Kenya Ltd. P.O Box 49584-00100 Nairobi Tel 2883000 / 249633 *www.ecobank.com*	16	Peter T. Kanyago Anthony A. Okpanachi Michael O. Monari Simon Mauncho Gina-Din Kariuki (Mrs) Albert K. Essien Rajesh L. Pandit Dhruv L. Pandit Surinder P. Kapila(Mrs) Charles O. Ogalo	Chairman Managing Director Executive Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
19	Equatorial Commercial Bank Ltd. P.O. Box 52467-00200 Nairobi Tel 2710455	4	Dan Ameyo Peter Harris M.H. Da Gama-Rose Akif H. Butt Martin Ernest	Chairman Managing Director Non-Executive Non-Executive Non-Executive	KPMG Kenya
20	Equity Bank Ltd. P.O. Box 75104-00200 Nairobi Tel 2736617 / 20 /24 *www.equitybank.co.ke*	108	Peter Kahara Munga Dr. James N. Mwangi Benson I. Wairegi Fredrick M. Muchoki Julius K. Kipngetich Babatunde T. Soyoye Dr. Ezekiel Alembi Ernest Nzovu Temitope O. Lawani Prof. Shem Migot Adhola	Chairman Managing Director Non Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
21	Family Bank Ltd. P.O. Box 74145-00200 Nairobi Tel 318173 / 318940 /2 *www.familybank.co.ke*	45	Titus Kiondo Muya Mark Keriri Muya Charles N. Muchai Prof. Kabiru Kinyanjui Dr. James M. Njau Prof. David K. Some	Chairman Executive Non-Executive Non-Executive Non-Executive Non-Executive	Wachira Irungu & Associates
22	Fidelity Commercial Bank Ltd. P.O. Box 34886-00100 Nairobi Tel 2242348 /2244187 *www.fidelitybank.co.ke*	6	James Birnie Rana Sengupta Sultan Khimji Kabir Khimji Amir Khimji Tom Diju Owuor Esther Muchemi (Mrs) Karim Khimji (Alt)	Chairman Managing Director Executive Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive (Alt)	Deloitte & Touche
23	Fina Bank Ltd. P.O. Box 20613-00200 Nairobi Tel 3284000 *www.finabank.com*	12	Dhanji H. Chandaria Robert Warlow Nalinkumar Narshi Shah Ramesh Kumar Patel Robert Francis Binyon Hanish D. Chandaria Steve Omende Mainda Macharia Njeru	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers

Bank	Branch Network	Directors' Names	Status	Approved Auditors
24 First Community Bank P.O.Box 26219- 00100 Nairobi, Kenya Tel 2843000 www.firstcommunitybank.co.ke	11	Hassan Varvani	Chairman	Price Waterhouse Coopers
		Nathif Jama Adam	Executive	
		A. M. Abdullahi	Non-Executive	
		Abdikadir M.Hussein	Non-Executive	
		Abdullatiff Essajee	Non-Executive	
		Ameir Nahdi	Non-Executive	
25 Giro Commercial Bank Ltd P.O. Box 46739-00100 Nairobi Tel 340537 / 2216005	6	C. J. Gidoomal	Chairman	Deloitte & Touche
		T. K. Krishnan	Managing Director	
		B. K. Patel	Executive	
		P. J. Gidoomal	Non-Executive	
		Carey M. Ngini	Non-Executive	
26 Guardian Bank. P.O. Box 67681-00200 Nairobi Tel 8560548 / 8561411 viewpark@ guardian-bank.com	5	Magan Chandaria	Chairman	KPMG Kenya
		Vasant K. Shetty	Managing Director	
		Mahesh Chandaria	Non-Executive	
		Raj Sahi	Non-Executive	
		Shantilal Shah	Non-Executive	
		Hetul Chandaria	Non- Executive	
27 Gulf African Bank Ltd P.O.Box 43683-00100 Nairobi Tel 2718608 / 9	6	Suleiman S. S. Shahbal	Chairman	KPMG Kenya
		Ahmed A. Mazrui	Non-Executive	
		David L. Jackson	Non-Executive	
		John Frank Amato	Non-Executive	
		Ahmed Said Bajaber	Non-Executive	
		Ahmed M. A. Al Abri	Non-Executive	
		Dr Michael M. Gondwe	Non-Executive	
		Andrew P. Bainbridge	Non-Executive	
28 Habib Bank AG Zurich P.O. Box 30584-00100 Nairobi Tel 341172 / 6 / 7 habibbank@wananchi.com	4	Iqbal A. Allawala	Local Committee	KPMG Kenya
		N. A. Mohammed	Local Committee	
		M.A. Hussain	Local Committee	
		Zarir Somjee	Local Committee	
		Mohammed Arif	Local Committee	
		Iqbal H.Somani	Local committee	
		Syed Asad Mustafa (Alt)	Local Committee	
		Syed M. Nadeem(Alt)	Local Committee	
29 Habib Bank Ltd. P.O. Box 43157-00100 Nairobi Tel 2222786 hblro@hblafrica.com	3	Imran Bukhari	Country Manager	KPMG Kenya
		Haseeb Ali	Local Mgt Committee	
		Patrick M. Mwangi	Local Mgt Committee	
		Wajid Ali Shah	Local Mgt Committee	
		Said Omar	Local Mgt Committee	
		Raveda Shah	Local Mgt Committee	
		Grishon Mativo	Local Mgt Committee	
30 Imperial Bank Ltd. P.O. Box 44905-00100 Nairobi Tel 2719617 / 8 / 9 Info@imperialbank.co.ke	11	Alnashir Popat	Chairman	PKF Kenya
		A. Janmohamed	Managing Director	
		Anwar Hajee	Non-Executive	
		Jinit Shah	Non-Executive	
		Vishnu Dhutia	Non-Executive	
		Mukesh Kumar Patel	Non-Executive	
		Hanif M. A. Somji	Non-Executive	

Bank	Branch Network	Directors' Names	Status	Approved Auditors
31 I &M Bank Ltd. P.O. Box 30238-00100 Nairobi Tel 2711994-8 www.imbank.com	13	S. B. R. Shah Sarit S. Raja Shah Michael J. Karanja Sachit S. Shah Eric Munene Kimani Ghislain DE Valon Dr. Evans O. Kidero Mugo Kibati M. Soundararajan	Non-Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Kenya
32 Kenya Commercial Bank Ltd. P.O. Box 48400-00100 Nairobi Tel 3270000 www.kcb.co.ke	185	Peter W. Muthoka Joseph K. Kinyua Catherine Kimura (Mrs) C. A. Kola (Mrs) S. N. Shah Susan N. Omanga (Mrs) Eng. J. M. Ndeto J. I. Adongo Prof.Peter K. Kimuyu Martin Oduor- Otieno Samuel N. Kimani	Chairman Non- Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Executive Executive	Ernst & Young
33 K-Rep Bank Ltd P.O. Box 25363-00603 Nairobi Tel 3906000 www.k-repbank.com	29	Bethuel Kiplagat Kimanthi Mutua Leon Smith (Alt) Mwenda Thiribi Frank Streppel (Alt) Alin Muhammed Eme Essien George W.Okado	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche
34 Middle East Bank Kenya Ltd. P.O. Box 47387-00100 Nairobi Tel 2723120 ho@mebkenya.com	2	A. A. K. Esmail Philip Ilako Sakwa J. Bunyasi Anil Raja Nancy N. Kaminchia	Chairman Executive Non-Executive Non-Executive Non-Executive	Price Waterhouse Coopers
35 National Bank of Kenya Ltd. P.O. Box 72866-00200 Nairobi Tel 2828000 / 2226471 www.nationalbank.co.ke	28 Branches 13 Agencies	M.E.G. Muhindi R.M. Marambii A.C. Juma Peter W. D. Ngumi Dr Jeniffer N. Riria F.L. Atwoli PS-Treasury NSSF Isaiah M. Mworia A. N. Ismail	Chairman Managing Director Non Executive Non Executive Non Executive Non Executive Non Executive Non-Executive Executive (Fin. Dir) Executive (HR &Adm)	Deloitte & Touche
36 NIC Bank Ltd P.O. Box 44599-00100 Nairobi Tel 2888000 www.nic-bank.com	12 Branches	James P. M. Ndegwa James W. Macharia Alan J. Dodd Fred M. Mbiru I. Ocholla-Wilson (Mrs) George A. Maina Michael L. Somen Andrew S. M. Ndegwa Francis N. Mwanzia	Chairman Managing Director Executive Director Non-Executive Non-Executive Non-Executive Non-Executive Non- Executive Non-Executive	Deloitte & Touche

Bank	Branch Network	Directors' Names	Status	Approved Auditors
37 Oriental Commercial Bank Ltd P.O. Box 44080-00100 Nairobi Tel 2228461 / 2 *Info@oriental bank.co.ke*	4	Shantilal V. Shah Raminder B. Singh Prabhulal J. Shah Girish K. Patel Nalinkumar M. Shah Jitendrakumar C. Patel	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive	RSM Ashvir
38 Paramount Universal Bank Limited P.O. Box 14001-00800 Nairobi Tel 4449266 /7 /8 *www.paramountbank.co.ke*	4	Bahadur Alibhai Ayaz A.Merali Anwarali N.Padany Noorez Padamshi	Chairman Chief Executive Non-Executive Non-Executive	Deloitte & Touche
39 Prime Bank Ltd. P.O. Box 43825-00100 Nairobi Tel 4203000 / 4203116 *headoffice@primebank.co. ke*	11	R. C. Kantaria Bharat Jani Amar Kantaria R. N. Kantaria David Hutchinson J. N. Mungai V. N. Ponda A. Abdalla S. K. Shah	Chairman Chief Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	Ernst & Young
40 Southern Credit Banking Corp. Ltd. P.O. Box 11666-00400 Nairobi. Tel 2220948 / 2220939 *www.southerncredit.co.ke*	9	Jeffery C. Bamford Akbar K. Kurji Richard Kemoli Muthoni Kuria (Mrs) Jones Nzomo	Chairman Ag. Managing Director Non-Executive Non-Executive Non-Executive	RSM Ashvir
41 Standard Chartered Bank (K) Ltd. P.O Box 30003-00100 Nairobi. Tel 3293000 Fax 2214086 *www.standardchartered.com*	32	Wilfred Kiboro Richard Etemesi Chemutai Murgor (Ms.) Kariuki Ngari Azeem Rahim Harris Mule Kaushik Shah Anne Mutahi (Mrs) Michael C. Hart David Godwin	Chairman MD & Chief Executive Executive Executive Executive Non-Executive Non-Executive Non-Executive Non-Executive Non-Executive	KPMG Kenya
42 Trans-National Bank Ltd. P.O. Box 34353-00100 Nairobi Tel 2224235 / 6 *info@tnbl.co.ke*	11	Michael K. Cherwon Dhirendra K. Rana Andre DeSimone Peter Kemei John Kenduiwo Hilary Tororey	Chairman Chief Executive Non-Executive Non-Executive Non-Executive Non-Executive	Deloitte & Touche

Bank	Branch Network	Directors' Names	Status	Approved Auditors
43 Victoria Commercial Bank Ltd. P.O. Box 41114 -00100 Nairobi. Tel 2719499 / 2719814/5 victoria@vicbank.com	1	Kanji.D. Pattni Yogesh .K. Pattni Silvano O. Kola Kalapi P. Jani Rajan P. Jani (Alt) Ketaki D. Sheth (Mrs)	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non- Executive	Price Waterhouse Coopers

Appendix II

Member non - banking financial institutions, directors and approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
1	Housing Finance Company of (K) Ltd. P.O. Box 30088-00100 Nairobi Tel 317474 / 3262000 *www.housing.co.ke*	10	Kung'u Gatabaki Frank M Ireri David R Ansell Peter Munga Benson Wairegi Naftali O.Mogere Beatrice Sabana (Ms.)	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non- Executive	KPMG Kenya
2	S & L Kenya Ltd P.O. Box 45129-00100 Nairobi Tel 344203 / 251328 *savloan@kcb.co.ke*	8	Joshua S. Muiru Caroline W.Kariuki Martin Oduor-Otieno Peter M. Munyiri Peter W. Muthoka Susan N. Omanga(Mrs)	Chairman Managing Director Executive Executive Non-Executive Non-Executive	Ernst & Young

Member, deposit taking microfinance institution, directors & approved external auditors

	Bank	Branch Network	Directors' Names	Status	Approved Auditors
1	Faulu Kenya Ltd. P.O. Box 30088-00100 Nairobi Tel 3877290-3 / 7, 3872183 / 4 *www.faulukenya.com*	2 Branches 89 Marketing Offices	Ken Wathome Lydia Koros Terry Davidson Eric Kimani Ken Ikiara George A. Maina Beverley Nuthu Keith Wright Mwikali Muthiani	Chairman Managing Director Non-Executive Non-Executive Non-Executive Non-Executive Non- Executive Non-Executive Non- Executive	Deloitte & Touche