

**AUDITED FINANCIAL STATEMENTS & OTHER DISCLOSURES AS AT 31st DECEMBER 2007**

PROFIT & LOSS ACCOUNT

|   | 31-12-07<br>Shs. 000 | 31-12-06<br>Shs. 000 |
|---|----------------------|----------------------|
| <b>INTEREST INCOME</b>                                |                      |                      |
| 1.1 Loans and advances                                | 2,512,419            | 1,435,666            |
| 1.2 Government securities                             | 545,508              | 103,075              |
| 1.3 Deposits and placements with banking institutions | 196,711              | 95,745               |
| 1.4 Other   | -                    | -                    |
| 1.5 Total Interest income                             | 3,254,638            | 1,634,486            |
| <b>INTEREST EXPENSES</b>                              |                      |                      |
| 2.1 Customer deposits                                 | 244,580              | 118,083              |
| 2.2 Deposits and placements from banking institutions | 2,630                | 5,959                |
| 2.3 Other Interest expense                            | 247,314              | 2,605                |
| 2.4 Total interest Expenses                           | 494,525              | 126,647              |
| <b>NET INTEREST INCOME</b>                            | 2,760,113            | 1,507,839            |
| <b>OTHER OPERATING INCOME</b>                         |                      |                      |
| 4.1 Fees and commissions income on loans & advances   | 883,253              | 366,120              |
| 4.2 Other Fees and commissions income                 | 1,948,878            | 1,430,193            |
| 4.3 Foreign exchange trading income                   | 147,376              | 23,294               |
| 4.4 Dividend Income                                   | -                    | -                    |
| 4.5 Other income                                      | 82,981               | 43,978               |
| 4.6 Total Non-Interest Income                         | 3,062,488            | 1,863,585            |
| <b>TOTAL OPERATING INCOME</b>                         | 5,822,601            | 3,371,424            |
| <b>OPERATING EXPENSES</b>                             |                      |                      |
| 6.1 Loan Loss Provision                               | (25,341)             | 133,134              |
| 6.2 Staff costs                                       | 1,453,471            | 942,957              |
| 6.3 Directors' emoluments                             | 16,094               | 15,695               |
| 6.4 Rental charges                                    | 181,867              | 102,283              |
| 6.5 Depreciation on property and equipment            | 357,508              | 242,551              |
| 6.6 Ammortisation charges                             | 65,673               | 37,324               |
| 6.7 Other operating expenses                          | 1,409,511            | 794,606              |
| 6.8 Total Operating Expenses                          | 3,458,783            | 2,268,551            |
| Profit/(loss) before tax and exceptional items        | 2,363,818            | 1,102,873            |
| Exceptional items                                     | 14,702               | -                    |
| Profit/(loss) after exceptional items                 | 2,378,520            | 1,102,873            |
| Current tax   | (454,278)            | (333,999)            |
| Deferred tax  | (33,959)             | (15,508)             |
| Profit / (loss) after tax and exceptional items       | 1,890,283            | 753,366              |
| Earnings per Share - Basic and diluted                | 6.88                 | 2.77                 |
| Dividends per Share                                   | 2.00                 | 2.00                 |

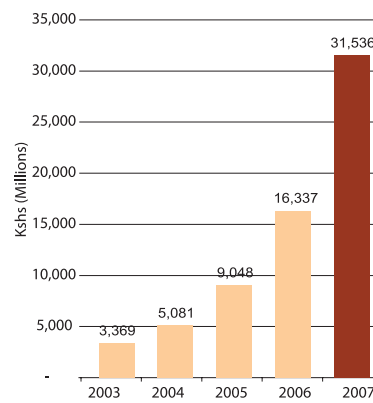
BALANCE SHEET

|   | 31-12-07<br>Shs. 000 | 31-12-06<br>Shs. 000 |
|---|----------------------|----------------------|
| <b>II BALANCE SHEET</b>                                       |                      |                      |
| <b>A. ASSETS</b>  |                      |                      |
| 1. Cash (both Local & foreign)                                | 3,015,005            | 1,545,393            |
| 2. Balances due from central Bank of Kenya                    | 2,138,352            | 922,669              |
| 3. Kenya Government securities                                | 13,542,935           | 1,650,653            |
| 4. Foreign Currency Treasury Bills and Bonds                  | -                    | -                    |
| 5. Deposits and balances due from banking institutions        | 4,105,148            | 1,786,425            |
| 6. Deposits and balances due from banking institutions abroad | 2,786,245            | 459,152              |
| 7. Government and other securities held for dealing purposes  | -                    | -                    |
| 8. Tax recoverable  | -                    | -                    |
| 9. Loans and advances to customers (net)                      | 21,836,435           | 10,929,581           |
| 10. Investment securities                                     | -                    | -                    |
| 11. Balances due from group companies                         | -                    | -                    |
| 12. Investments in associates                                 | 441,830              | -                    |
| 13. Investments in subsidiary companies                       | -                    | -                    |
| 14. Investments in joint ventures                             | -                    | -                    |
| 15. Investment properties                                     | 11,269               | 11,269               |
| 16. Property and equipment                                    | 2,602,876            | 1,465,301            |
| 17. Prepaid lease rentals                                     | 4,153                | 4,162                |
| 18. Intangible assets   | 224,342              | 161,153              |
| 19. Deferred tax asset  | -                    | -                    |
| 20. Retirement benefit asset                                  | -                    | -                    |
| 21. Other assets  | 2,420,657            | 1,088,726            |
| 22. TOTAL ASSETS  | 53,129,246           | 20,024,484           |
| <b>B. LIABILITIES</b>   |                      |                      |
| 23. Balances due to Central Bank of Kenya                     | -                    | -                    |
| 24. Customer deposits   | 31,535,515           | 16,336,729           |
| 25. Deposits and balances due to Local banking institutions   | -                    | -                    |
| 26. Deposits and balances due to Foreign banking institutions | 53,321               | -                    |
| 27. Other money market deposits                               | -                    | -                    |
| 28. Borrowed funds  | 4,521,390            | 485,450              |
| 29. Balances due to group companies                           | -                    | -                    |
| 30. Tax payable   | 209,036              | 147,031              |
| 31. Dividends payable   | -                    | -                    |
| 32. Deferred tax liability                                    | 44,876               | 10,917               |
| 33. Retirement benefit liability                              | -                    | -                    |
| 34. Other liabilities   | 1,848,440            | 843,364              |
| 35. TOTAL LIABILITIES   | 38,212,578           | 17,823,491           |
| <b>C. SHAREHOLDERS' FUNDS</b>                                 |                      |                      |
| 36. Paid up/Assigned capital                                  | 1,811,050            | 452,823              |
| 37. Share premium/ (discount)                                 | 10,543,037           | 480,362              |
| 38. Revaluation reserve                                       | 12,216               | 1,204                |
| 39. Retained earnings/ Accumulated losses                     | 1,754,072            | 1,085,475            |
| 40. Statutory Loan Loss reserve                               | 252,906              | -                    |
| 41. Proposed dividends  | 543,387              | 181,129              |
| 43. TOTAL SHAREHOLDERS' FUNDS                                 | 14,916,668           | 2,200,993            |
| 44. TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS                 | 53,129,246           | 20,024,484           |

OTHER DISCLOSURES

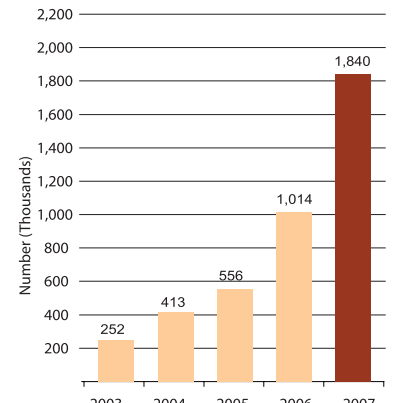
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|--|------------|------------|
| <b>III. Other disclosures</b>                            |            |            |
| <b>I) NON PERFORMING LOANS AND ADVANCES</b>              |            |            |
| a) Gross non performing loans and advances               | 1,197,938  | 794,817    |
| Less   |            |            |
| b) Interest in suspense                                  | 209,134    | 227,035    |
| c) Total Non-Performing loans and advances (a-b)         | 988,804    | 567,782    |
| Less   |            |            |
| d) Loan loss provision                                   | 205,758    | 154,660    |
| e) Net non-performing loans(c-d)                         | 783,046    | 413,122    |
| f) Discounted value of securities                        | 783,046    | 413,122    |
| g) Net NPLs Exposure (e-f)                               | -          | -          |
| <b>2) INSIDER LOANS AND ADVANCES</b>                     |            |            |
| a) Directors, shareholders and associates                | 147,967    | 183,633    |
| b) Employees   | 444,375    | 242,618    |
| c) Total insider Loans and Advances and other Facilities | 592,342    | 426,251    |
| <b>3) OFF BALANCE SHEET ITEMS</b>                        |            |            |
| a) Letter of Credit, guarantees, acceptances             | 2,758,326  | 1,835,577  |
| b) Other contingent Liabilities                          | 8,517      | 9,741      |
| c) Total contingent Liabilities                          | 2,766,843  | 1,845,318  |
| <b>4) CAPITAL STRENGTH</b>                               |            |            |
| a) Core Capital  | 13,666,329 | 2,200,993  |
| b) Minimum statutory capital                             | 250,000    | 250,000    |
| c) Excess/ (deficiency)                                  | 13,416,329 | 1,950,993  |
| d) Supplementary capital                                 | 3,961,096  | -          |
| e) Total Capital (a+d)                                   | 17,627,424 | 2,200,993  |
| f) Total Risk Weighted Assets                            | 29,918,983 | 15,887,216 |
| g) Core Capital/ Total Deposit Liabilities               | 43%        | 13%        |
| h) Minimum statutory ratio                               | 8%         | 8%         |
| i) Excess / (deficiency) (g-h)                           | 35%        | 5%         |
| j) Core Capital/ Total Risk Weighted Assets              | 46%        | 14%        |
| k) Minimum statutory Ratio                               | 8%         | 8%         |
| l) Excess / (deficiency) (j-k)                           | 38%        | 6%         |
| m) Total Capital/ Total Risk Weighted assets             | 59%        | 14%        |
| n) Minimum statutory Ratio                               | 12%        | 12%        |
| o) Excess / (deficiency) (m-n)                           | 47%        | 2%         |
| <b>5) LIQUIDITY</b>                                      |            |            |
| a) Liquidity Ratio                                       | 77%        | 38%        |
| b) Minimum statutory Ratio                               | 20%        | 20%        |
| c) Excess / (deficiency) (a-b)                           | 57%        | 18%        |

**Growth in Customer Deposits**



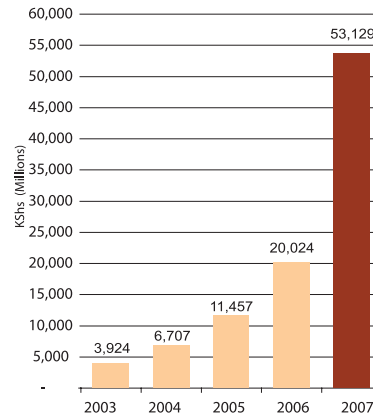
Customer deposits grew by KShs 15 billion representing a growth of 93% to reach KShs 31.54 billion from KShs 16.34 billion in 2006.

**Growth in Customer Numbers**



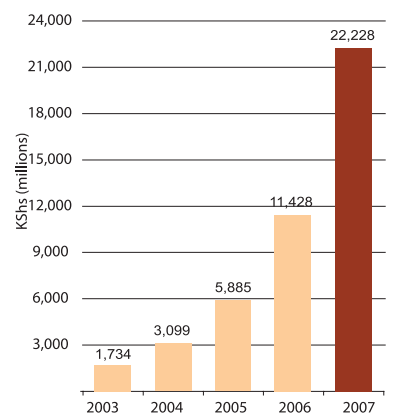
The Bank continued to increase its outreach, managing to acquire an additional 825,858 accounts. This represents growth of 81% compared to 1,014,474 accounts at the beginning of the year.

**Growth in Total Assets**



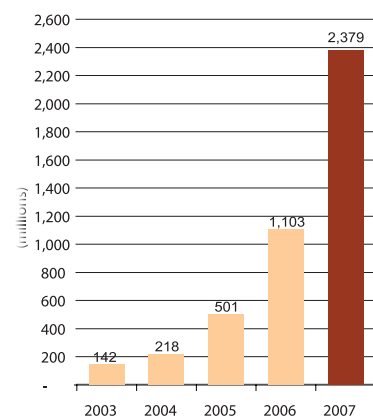
The balance sheet grew by 166% to close at KShs 53.13 billion compared to KShs 20.02 billion as at Dec-06.

**Growth in Gross Loan Portfolio**



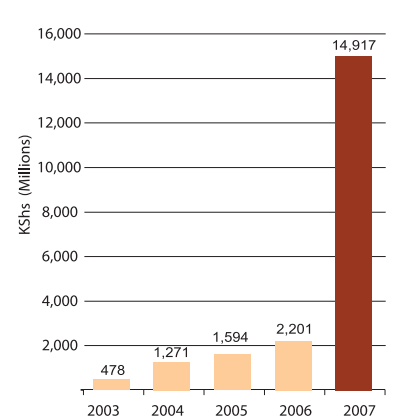
The Gross loan portfolio grew by 95% to close at KShs 22.23 billion up from KShs 11.43 billion in year 2006. Despite the growth, asset quality expressed as a ratio of non performing loans to gross loans improved from 6.95% in 2006 to close at 5.39%.

**Growth in Profit Before Tax**



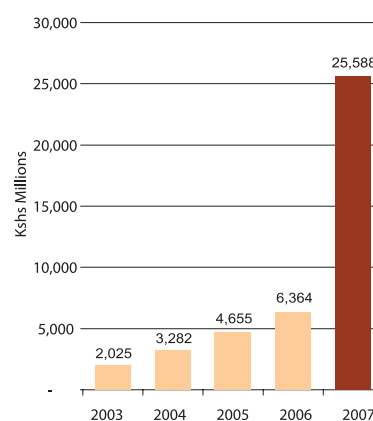
The cumulative 12 months pre-tax profit grew by 116% to close at KShs 2.38 billion up from KShs 1.10 billion reported last year.

**Growth in Shareholders Funds**



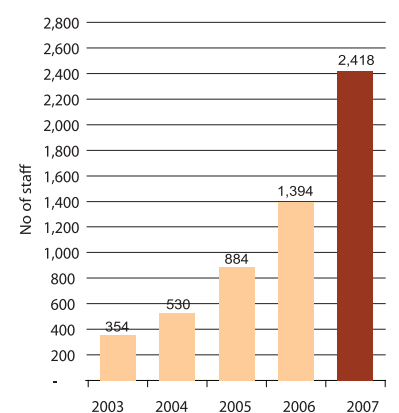
Total shareholders funds closed at KShs 14.92 billion. The Bank's capital strength expressed as a ratio of total capital to total risk weighted assets closed at 59% compared to the statutory minimum of 12%.

**Growth in Liquid Assets**



The bank's liquidity (cash and cash equivalent) closed the year at a high of KShs 25.6 billion or 77% against statutory minimum of 20%.

**Growth in Staff Numbers**



To support the enhanced operations the Bank recruited an additional 1,024 staff in various capacities during the year.

The above profit and loss account and balance sheet are extracts of the financial statements audited by Ernst & Young. A full set of the financial statements will be available from our registered offices after approval by members at the AGM.

SIGNED: JAMES N. MWANGI  
CHIEF EXECUTIVE OFFICER

SIGNED: PETER K. MUNGA  
CHAIRMAN