



The right partner Annual Report and Accounts 2002

Standard
Chartered



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Key Highlights

- Steady results a reflection of our resilience
- Focus on costs whilst balancing risk and reward
- Robust credit process
- Top 100 Treasurers Poll unveiled
- Shared Service Centre goes live
- Greater contribution to communities
- 22 staff on secondment overseas
- 150th birthday in 2003

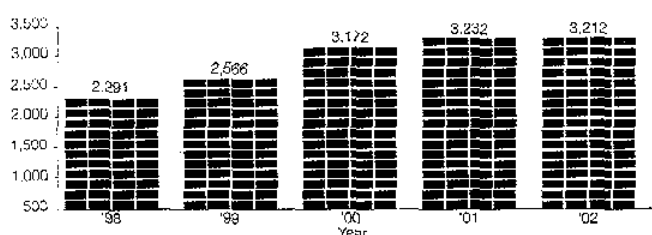
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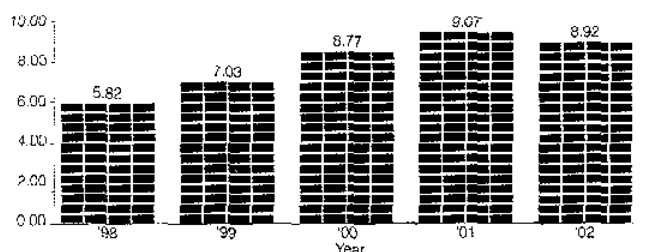
Financial Highlights

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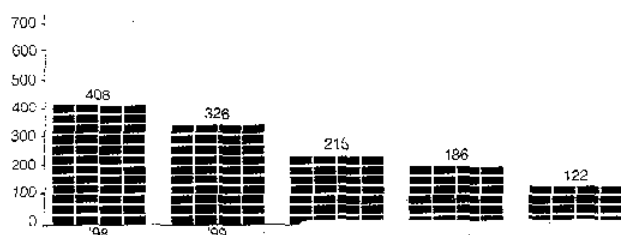
Profit before tax – KShs million



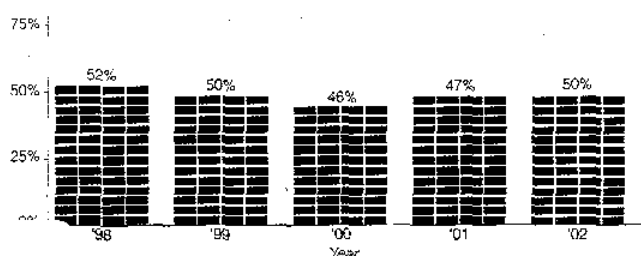
Earnings Per Share – KShs



Net debt charge – KShs million



Cost: Income Ratio – %



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Chairman's Statement

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During the year 2002 the poor local and global economies resulted in a very difficult trading environment for Standard Chartered Bank Kenya Limited. Nevertheless, the Bank made progress in establishing a performance driven organisation.

2002 Results

- Trading profit steady year on year at KShs 3.2 billion
- Dividends maintained at KShs 8.25 per share
- Earnings per share steady at KShs 8.92
- Customer deposits up 14.3% to KShs 51.5 billion
- Loans and advances to customers up 13.1% to KShs 16.7 billion
- Bad debt charge down 34% to KShs 122 million.

Business Environment

Liquidity in the banking sector remained high throughout 2002 as a result of few investment opportunities and a shortage of good lending proposals. Hence the interest rate on the 91 day T-bill remained low as this instrument was used to "mop up" excess liquidity in the

market. The T-bill rate averaged at 8.9% in 2002 compared to 12.7% in 2001. Towards the year-end, however, several corporate lending opportunities arose and your Bank was quick to seize these opportunities. This resulted in a 13.1% increase by year-end.

GDP in 2002 is estimated in the December 2002 Central Bank of Kenya Monthly Economic Review to have reached 0.7% down from 0.8% in 2001.

In general, 2002 saw an increase in agricultural output and a decline in the prices of food crops. Unfortunately the tea, coffee and horticultural sectors were affected by new international regulations surrounding labour practices and the use of farming chemicals. In addition, world prices for primary commodities have been falling as competition from other countries increased. On the positive side, tea volumes improved towards the end of the year and were more or less able to compensate for the decline in world tea prices. The liberalisation of the coffee sub-sector also saw the introduction of more competitive marketing practices. The favourable weather conditions in 2002 have greatly assisted the economy.

Tourism has been struggling and has suffered from the impact of insecurity and poor infrastructure.

Modest recovery has been seen in the manufacturing sector but we are still nowhere near the pre-2000 production levels. It is noteworthy that Kenya has been the biggest investor in Uganda and Tanzania in recent times as industrialists try to hedge their risks between the East African economies, and as a recognition of opportunities seen in these territories that were not available in Kenya.

During 2002, donor funding remained insignificant. The Central Bank

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Chairman's Statement (continued)

(Amendment) Act, 2000 is still in Court. The uncertainty surrounding this Act is not helping the stability of the banking sector in Kenya.

In the ordinary course of business, the company and its subsidiaries are defendants in various litigations and claims. Although there can be no assurances, we believe, based on the information currently available and legal advice, that the claims can be successfully defended and therefore no provision has been made in the financial statements. The time and costs associated with these matters have been of great concern to the management of your Bank.

General Elections were held in Kenya at the end of 2002 and NARC, a coalition of opposition parties, swept into power with an overwhelming mandate. The new Government has indicated that it is serious about addressing issues such as the revival of the economy, corruption, infrastructure, insecurity and donor funding.

Kenya has thus begun 2003 with great optimism and your Bank is well positioned to take advantage of the opportunities this portends.

Corporate Governance

In 2001, we introduced into our financial statements a statement on corporate governance for the first time. During 2002, we have continued to develop our responsiveness in this way. As stated last year many of the standards of corporate governance were already part of our committed values. The most significant development in the year is the establishment of a fully functional Board Audit Committee with specific responsibilities that are separated from the executive, in line with the recommendations of the Capital Markets Authority on Corporate Governance.

Community Partnership

As is highlighted in the Chief Executive's Review, the Bank is committed to contributing to the communities we operate in. Our initiatives in 2002 spanned the whole country and we intend in 2003 to enhance our role in this area.

Awards of Excellence

On other fronts, we are delighted to have received four excellence awards in 2002: the Financial Reporting Excellence Award from the Institute of Certified Public Accountants of Kenya (ICPAK) for the 2001 Annual Report and Accounts; the Public Relations Society of Kenya (PRSK) Excellence Award for the 2001 Annual Report and Accounts and the PRSK Excellence Award for HIV/AIDS *Staying Alive* Campaign in 2002. In addition, Nation Media Group and PricewaterhouseCoopers annual Survey voted your Bank the 5th Most Respected Company in East Africa.

Internally, our Call Centre, achieved international recognition with two of our managers at the centre winning global awards for the Best Call Centre Mystery Shopping Exercise conducted by the Group's Consumer Bank headquarters in Singapore.

The Board

We are happy to report that Mr. A. Christopher M. Low moved to India in January 2003 as the regional head.

Mr. Low greatly improved the Bank's performance in the 18 months that he headed the East African business. We wish him every success in his new role and thank him for the wonderful job that he did in Kenya.

Mr. Michael C. Hart has replaced Mr. Low. Mr Hart was appointed to the Board on 20 February 2003. He joined

Standard Chartered Bank Group in 1988. He had worked for the Bank in Wales, Singapore, London and Hong Kong before arriving in Kenya this year. Previous jobs have included Executive Director, Chartered Trust, Group Head of Operations, Group Head of Audit & Investigations, Programme Director ("Fit for Growth"), Integration Executive – Chase Acquisition, Group Head of Operations & Re-engineering and most recently Programme Director based in Hong Kong.

On 1 August 2002, Mr. Ravneet Chowdhury, our Head of Global Markets replaced Mr. Peter Mclean on the Board as an Executive Director. Mr. Mclean left the Board on 30 July 2002.

Conclusion

I wish to welcome Mr. Hart as the new Chief Executive Officer of Standard Chartered Bank Kenya Limited and to thank the staff, our customers and the communities in which we operate for their tremendous support.

Mr. Hannington Awori
Chairman

20 February 2003



Wakati wa kipindi cha mwaka wa 2002, hali mbaya ya kiuchumi hapa nchini na pia ulimwenguni ilisababisha mazingira magumu ya kibiashara kwa benki ya Standard Chartered Kenya Limited. Licha ya haya, benki hii imefanikiwa katika kubuni msingi thabiti wa utoaji huduma zake.

Matokeo ya mwaka 2002

- Faida ya kibiashara ya mwaka ilikuwa shilingi bilioni 3.2
- Migawo ya faida ililendelea kuwa shilingi 8.25 kwa kila hisa
- Mapato kwa kila hisa yalilendelea kuwa shilingi 8.92
- Akiba za wateja ziliongezeka kwa asilimia 14.3 na kufikisha shilingi bilioni 51.5
- Mikopo kwa wateja iliongezeka kwa asilimia 13.1 na kufikisha shilingi bilioni 16.7
- Mikopo isiyolipwa ilipungua kwa asilimia 34 na kufikisha shilingi milioni 122.

Mazingira ya Kibiashara

Benki ziliondelea kuweka pesa kwa Hati za dhamana mnamo mwaka wa 2002 kutokana na wawekezaji wachache waliojitokeza kuweka rasilimali na

kupungua kwa idadi ya waombaji mikopo kulikotokana na ukosefu wa mapendekezo bora ya utoaji mikopo. Hivyo basi kiwango cha riba kwa hati za dhamana za muda wa siku 91 kiliendelea kuwa cha chini kwani hati hizi zilitumiwa kuondoa kiasi kikubwa cha pesa katika soko. Kiwango cha hati hizo kilikuwa asilimia 8.9 mnamo mwaka wa 2002 ikilinganishwa na asilimia 12.7 hapo mwaka wa 2001. Kufikia mwisho wa mwaka huo nafasi kadhaa za uombaji mikopo zilipatikana na benki yenu ilichukua nafasi hizi haraka. Hii ilileta ongezeko la asilimia 13.1 kufikia mwisho wa mwaka.

Pato la jumla mnamo mwaka wa 2002 limeonyeshwa kwenye taarifa ya uchunguzi wa kiuchumi ya mwezi Desemba 2002 ya Benki Kuu ya Kenya kuwa asilimia 0.7 kutoka asilimia 0.8 mwaka wa 2001.

Kwa ujumla mwaka wa 2002 ulikuwa na ongezeko la bidhaa za kilimo na kupungua kwa bei ya mazao ya chakula. Kwa bahati mbaya sekta za majani chai, kahawa na mboga na matunda ziliathiriwa na sheria mpya za kimataifa zinazohusu shughuli za ufanyaji kazi na matumizi ya kemikali za ukulima. Hali hii imetokea wakati ambapo bei ya bidhaa za kimsingi imepungua huku mashindano kutoka nchi nyingine yakiongezeka. Kwa upande mzuri hata hivyo viwango vya majani chai vilimarika kufikia mwisho wa mwaka na kuweza kufidia kupungua kwa bei ya majani chai ulimwenguni. Kuwekwa huru kwa sekta ndogo ya kahawa pia kulileta mashindano zaidi katika soko la zao hilo.

Utalii ambayo ni sekta nyingine muhimu ya kiuchumi imekuwa ikikabiliwa na hali ya kutokuwa na usalama na miundo msingi duni.

Ufufuzi bora katika sekta ya utengenezaji bidhaa uliweza kufikiwa ingawa haukufikia viwango vya uzalishaji kabla ya mwaka wa 2000. Ni muhimu kwamba Kenya

Taarifa ya Mwenyekiti (yaendelea)

imekuwa mwekezaji mkubwa huko Uganda na Tanzania katika miaka ya hivi punde huku wenye viwanda wakijaribu kukabiliana na hatari zilizoko kati ya uchumi za eneo la Afrika Mashariki na kutambua nafasi zilizoko katika eneo hili ambazo hazipatikani hapa Kenya.

Katika mwaka wa 2002 masharti yaliyowekwa na wafadhili hayakutimizwa na hivyo basi mtiririko katika sekta hii ukapungua. Sheria ya marekebisha ya mwaka 2002 ya Benki Kuu bado iko mahakamani na hali isiyolelewa inayokumba sheria hii haisaidii kuthibiti sekta ya benki hapa Kenya.

Katika hali ya kawaida ya kibiashara, kampuni na matawi yake ni watetezi kwa madai mbali mbali ya malipo. Ingawa hakuwezi kuwa na hakikisho, tunaamini kwa kutegemea habari sahihi zinazopatikana na ushauri wa kisheria, madai yanaweza kufanikiwa kutetewa kwa hivyo basi hakuna hatua nyingine iliyohusishwa katika taarifa za kifedha. Muda na gharama zinazohusiana na maswala haya ndilo swala kuu linalojadiliwa na wasimamizi wa benki yenu.

Uchaguzi Mkuu ulifanywa hapa nchini mnamo mwisho wa mwaka 2002 na Chama cha NARC, kilichobuniwa na muungano wa upinzani kikapata ushindi mkubwa kwenye uchaguzi huo. Serikali mpya imeonyesha kwamba imejitolea kushughulikia maswala kama vile kufufuliwa kwa uchumi, kukabiliana na ufasadi, miundo msingi na kurejeshwa kwa misaada ya wafadhili.

Kenya imeanza mwaka wa 2003 kwa kuwa na matumaini makubwa na benki yenu iko na nafasi nzuri ya kuchukua fursa hii kwa ufufuzi wa uchumi.

Usimamizi wa kampuni

Mnamo mwaka wa 2001 tulianzisha katika taarifa zetu za kifedha, kwa mara ya kwanza, taarifa kuhusu usimamizi wa

kampuni. Katika mwaka wa 2002 tuliendelea kuimarisha mtindo wetu wa kushughulikia majukumu yetu kwa njia hii. Kama ilivyoelezwa mwaka uliopita vingi vya viwango vya usimamizi wa kampuni vilikuwa sehemu ya thamani ya kujitolea kwetu. Tukio muhimu zaidi mwaka huu ni kubuniwa kwa kamati kamili ya Halmashauri ya benki kuhusu ukaguzi wa hesabu za pesa, iliyopewa majukumu maalum ambayo ni tofauti na yale ya wasimamizi wakuu kuambatanana na mapendekezo ya Halmashauri ya usimamizi wa masoko ya hisa.

Ushirika wa jamii

Kama ilivyoangaziwa katika taarifa ya Afisa mkuu, benki hii imejitolea kuchangia jamii tunayoihudumia. Juhudi zetu katika mwaka wa 2002 zilisambazwa kote nchini na tunanua kuimarisha jukumu letu hili katika mwaka wa 2003.

Tuzo za huduma bora

Tuna furaha kwa kupokea tuzo nne za huduma bora mnamo mwaka wa 2002: Tuzo la Huduma bora za kifedha kutoka kwa Taasisi ya Umma ya uhasibu nchini ICPAK kwa taarifa ya kila mwaka na uhasibu ya mwaka 2001; ile la kutoka Chama cha Uhusiano mwema wa umma nchini PRSK, na ile la kampeni ya kukabiliana na ugonjwa hatari wa ukimwi la "Endelea kuishi" la mwaka wa 2002. Vile vile kampuni ya Nation Media Group na ile ya PricewaterhouseCoopers zilichagua kampuni yenu kuwa kampuni ya tano inayoheshimika sana katika eneo la Afrika Mashariki. Katika kampuni, kituo chetu cha utoaji huduma kilitambuliwa kimataifa huku Mameneja wetu wawili katika kituo hicho wakipokea tuzo kwa kuwa kituo bora zaidi kilichotoa huduma kwa shughuli za ununuzi zilizofanywa na makao makuu ya shughuli za wateja ya benki hii, zilizofanywa huko Singapore.

Halmashauri

Tuna furaha kuwaeleza kwamba Bwana A. Christopher M. Low amehamishwa hadi nchini India kuwa Mkuu wa benki hii

katika eneo hilo kuanzia mwezi Januari mwaka wa 2003. Bwana Low alileta maendeleo makubwa katika muda wa miezi 18 ambayo amekuwa mkuu wa benki hii katika Afrika Mashariki. Tunamtakia mafanikio katika wajibu wake mpya na tunamshukuru kwa kazi nzuri aliyofanya hapa Kenya.

Bwana Michael C. Hart amechukua mahali pa Bwana Low. Bwana Hart aliteuliwa kwenye Halmashauri hii mnamo tarehe 20 mwezi Februari mwaka wa 2003. Alijiunga na Benki ya Standard Chartered mnamo mwaka wa 1988. Alifanya kazi na Benki hii huko Wales, Singapore, London na Hong Kong kabla ya kuwasili hapa Kenya mwaka huu.

Kazi alizofanya hapo awali ni pamoja na kuwa Mkurugenzi Mkuu, Mdamini wa benki, Mkuu wa Shughuli za Benki, Mkuu wa shughuli za ukaguzi wa hesabu za pesa na uchunguzi, Mkuu shughuli za ununuzi na Mkurugenzi wa miradi ya benki huko Hong Kong.

Mnamo tarehe 1 Agosti mwaka wa 2002, Bwana Ravneet Chowdhury ambaye ni Mkuu wa shughuli za masoko ya fedha alichukua mahali pa Bwana Peter McLean kwenye Halmashauri yetu kama Mkurugenzi. Bwana McLean alijiuzulu kutoka kwa Halmashauri hii mnamo tarehe 30 mwezi Julai mwaka wa 2002.

Mwisho

Mwisho nina furaha kumkaribisha Bwana Michael Hart kama Mkurugenzi mkuu mpya wa Benki ya Standard Chartered na tunamshukuru wafanyikazi wateja wetu na jamii tunayoihudumia kwa misaada wao mkubwa.

Bw. Hannington Awori
Mwenyekiti

20 Februari 2003

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Chief Executive's Review



We are very pleased with our 2002 results. I am privileged to be part of a great team that was able to not only grow the business, but also to maintain a well structured balance sheet under difficult market conditions.

Some of you may already have read in the Central Bank of Kenya's Monthly Economic Review for December 2002 that the un-audited pretax profits of banks in Kenya as at 31 October 2002 decreased by 25%. This compares to Standard Chartered Bank Kenya's steady performance of maintaining year on year profits in a difficult trading environment.

The same Review also indicated that the banking sector's loans and advances increased by 1%, while deposits rose by 6.7% during the same period. Again, Standard Chartered Bank Kenya's

increase was 13.1% and 14.3% respectively.

As a consequence of declining interest rates, our total interest income fell from KShs 5.4 billion in 2001 to KShs 5.2 billion in 2002, a 4% drop. The weighted average effective interest rate on loans and advances to customers in 2002 was 14% compared to 15.4% in 2001.

Therefore, in order to protect our margins, we focused on managing the cost of funds as well as ensuring that we achieved the right balance between risk and reward.

This careful balance sheet management enabled us to maintain our net interest income year on year.

We are pleased to state that non-funded income rose by 4%, from KShs 2.5 billion in 2001 to KShs 2.6 billion in 2002.

Foreign exchange income was a significant contributor to this improvement. This was achieved even though there was very little volatility in the Kenya shilling throughout 2002, except perhaps in the last quarter of the year.

Costs rose from KShs 3.1 billion to KShs 3.3 billion, an increase of 9%. Salary and occupancy costs remained relatively flat year on year.

There were two reasons for this increase in costs: significant legal fees that were paid and provided for in the 2002 numbers as were charges levied by our head office for provision of technical advisory services and support.

In the past our Group head office has not levied these charges. However, as our business becomes more technology driven, we require this support for the major development and operational re-engineering projects that we undertake. Furthermore, it is a major

Chief Executive's Review (continued)

objective of our Group head office to ensure that best practice is transferred between operating units. The Shared Service Centre located in Nairobi is only one such project in this regard.

Let me share with you some of the activities that contributed to our strong performance.

In our Corporate and Institutions division, we continued to strive for service excellence and product innovation. On both counts, we believe we exceeded customer expectations, by introducing a new regional e-payment capability as well as releasing our latest Internet based delivery channel – Web bank. Combined with a focus on sales, this enabled us to win banking mandates from a number of well-known household names.

Our robust credit control process remains at the core of our business, and explains our bad debt provisions and non-performing loan ratio of 6.7%, down from 10% as at the end of 2001.

I am happy to say that our Global Markets business introduced a number of new products, including high yield deposits, interest rate swaps and currency swaps, all of which maintained Standard Chartered's leadership position in this market. In addition, we unveiled the Top 100 Treasurers Poll last year, the first in the region. I am confident that this quarterly poll will develop into a creative and effective tool for maximising awareness of financial markets in East Africa.

Our Consumer bank business successfully launched the *Flexilink* account, which enabled the Bank to convert thousands of customers to a technology based account management system. We are pleased that this move increased our ATM transaction volumes and improved efficiencies at our

branches, thereby reducing costs. The move also provides our customers with an efficient service at a lower cost.

You will recall that in 2002, we successfully launched our refreshed brand. We have since finalised plans to re-brand our branches in 2003, in line with our Group brand implementation plan. This re-branding clearly supports our objective of being the 'Right Partner' for all our customers.

Another successful initiative was the Shared Service Centre we introduced in 2001 and became operational last year. We are happy to report that we have now hubbed in Zambia, Uganda and Tanzania. We have also made use of advanced technology but have taken the hub and spoke model much farther than many organisations. The Shared Service Centre incorporates not only the technical hubbing, but also all the key operational processes within the Bank. As with all new systems, we did experience some processing challenges. Whilst the technology infrastructure supported our business well, we did not initially achieve the required level of stability. This caused us to moderately reschedule our implementation plan. As a result, I am happy to report that Botswana was hubbed into Nairobi in February 2003. We are confident that this centre will deliver the important results we have targeted.

Let me take this opportunity to talk about other areas where we have done well. Contributing to the communities we operate in is a key priority for Standard Chartered Bank Kenya. In 2002, we implemented a highly successful Community Partnership Fund for Africa (CPFA) project. Twenty-seven communities have benefited from posho mills made available from Standard Chartered's donation of KShs 12 million. We believe this is a practical self-reliance

project that the Bank has initiated to address the rising levels of poverty in Kenya. A clean water access project is underway and boreholes are currently being drilled.

In addition, Standard Chartered rehabilitated the Kisumu Fish Market and joined hands with the Nairobi Central Business District Association (NCBDA) to refurbish the Kenyatta Avenue Courtyard. We are also proud to report that the staff of Standard Chartered Bank planted 4,200 trees during our clean and green week observed in October last year.

You will be aware of our involvement in the HIV/AIDS education campaign. The successful roll out of HIV *Staying Alive* campaign to our staff and their families demonstrates our commitment to their well being. Indeed, the Bank was selected to sit on the Kenya Private Sector Business Council (KPSBC) on HIV/AIDS.

This year, we will extend our community partnership even farther by sponsoring the first internationally rated Marathon in Nairobi. Teams are currently busy looking at the logistics of staging the event and you will be hearing more from us in this respect. We expect to see you there!

Standard Chartered is well known for its first class work-force and during the year, we continued to move our top talent into key roles. We also engaged our staff in a wide range of activities and empowered them to find solutions to some of the service and operational issues that faced the Bank. This has enabled us to drive our business to greater levels of success. Indeed, we remain committed to attracting, developing and rewarding excellent people. We are proud to have posted a record 22 Kenyans on secondment overseas to gain international experience. In addition, the Bank was able to implement 62

Chief Executive's Review (continued)

cross-business moves within the Bank between 2000 and 2002.

2003 is Standard Chartered Group's 150th birthday. We will be celebrating this very special occasion right across our network, including here in Kenya. The Bank has been serving the community here for 91 years and we are proud to be part of the Standard Chartered Bank family, with its strong heritage and international franchise. We intend to take time to thank our staff, customers and the communities in which we work, for their wonderful support. You will hear more on this in the course of 2003.

As you know, Mr. A. Christopher M. Low, former Area General Manager for East Africa and the Chief Executive Officer for Kenya moved to India in January 2003 and I have taken over from him. Mr. Low did an excellent job and has left behind a business in very good shape. I am actually no stranger to Kenya as I was here in the 90's driving the bank-wide Centralisation project that saw Standard Chartered Bank take the lead in banking technology in Kenya. I am delighted to be part of this excellent business.

We at Standard Chartered look forward to better economic conditions for our

business in the years ahead. This outlook is underpinned by the determined approach of the new government in addressing issues around corruption, the judicial process, security and infrastructure. We are confident that Standard Chartered will continue to maintain its strong track record in this exciting environment.

Michael C. Hart

Area General Manager – East Africa, and
Chief Executive Officer – Kenya

20 February 2003

Taarifa ya Mkurugenzi Mkuu



asilimia 1 ilhali akiba zikaongezeka kwa asilimia 6.7 wakati wa kipindi hicho. Vile vile benki ya Standard Chartered ilipata ongezeko la asilimia 13.1 na asilimia 14.3 kwa shughuli zake wakati wa kipindi hicho.

Kutokana na kupungua kwa viwango vya riba, jumla ya faida ya pato letu ilipungua kutoka shilingi bilioni 5.4 mnamo mwaka wa 2001 hadi shilingi bilioni 5.2 mnamo mwaka wa 2002 na kuonyesha upungufu wa asilimia 4. Kiwango wastani cha riba kwa mikopo ya wateja mnamo mwaka wa 2002, kilifikia asilimia 14 ikilinganishwa na asilimia 15.4 mwaka wa 2001.

Ili kuweza kulinda viwango hivi, tulizingatia kusimamia gharama za pesa na vile vile kuhakikisha kwamba tumefikia uwiano sahihi kati ya hatari na tuzo.

Stakabadhi hii ya usimamizi wa pesa iliyotayarishwa kwa uangalifu zaidi ulituwezesha kudumisha mapato ya faida yetu ya mwisho mwaka hadi mwaka.

Tunaridhishwa na matokeo yetu ya mwaka wa 2002. Nina furaha kuwa mmoja wa kundi kuu ambalo limeweza sio tu kukuza biashara bali pia kudumisha vyema stakabadhi ya usimamizi wa pesa chini masharti magumu katika soko.

Baadhi yenu tayari mumesoma taarifa ya uchunguzi wa kiuchumi ya kila mwezi ya mwezi Desemba mwaka wa 2002, ya Benki Kuu ya Kenya kwamba faida iliyopatikana kabla ya ukaguzi wa hesabu za pesa kwa sekta ya benki hapa Kenya kufikia tarehe 31 mwezi Oktoba mwaka 2002, ilipungua kwa asilimia 25. Hii inalinganishwa na matokeo bora ya benki ya Standard Chartered ya kudumisha faida mwaka hadi mwaka wakati wa mazingira magumu ya kibiashara.

Taarifa hiyo pia inaonyesha kwamba mikopo ya sekta ya benki iliongezeka kwa

Tuna furaha kusema kwamba mapato ambayo hayakufadhiliwa yaliongezeka kwa asilimia 4 kutoka shilingi bilioni 2.5 mwaka wa 2001 hadi shilingi bilioni 2.6 mwaka wa 2002. Mapato ya ubadilishanaji pesa za kigeni yalichangia kuimarika huko. Haya yalifikiwa ingawa thamani ya shilingi ya Kenya haikupungua sana katika mwaka wa 2002 isipokuwa wakati wa robo ya mwisho ya mwaka huo.

Gharama ziliongezeka kutoka shilingi bilioni 3.1 hadi shilingi bilioni 3.3 ikiwa ongezeko la asilimia 9. Mishahara na gharama nyingine za kampuni haikubadilika wakati wa kipindi hicho.

Kuna sababu mbili za ongezeko hili la gharama: malipo ya kisheria yaliyotolewa mwaka wa 2002 pamoja na malipo ya ofisi yetu kuu kwa huduma za ushauri wa

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Taarifa ya Mkurugenzi Mkuu (yaendelea)

Kiufundi na msaada mwingine uliotolewa. Wakati uliopita ofisi yetu kuu ilikuwa haijatoa malipo kama haya. Hata hivyo kwa vile biashara yetu sasa inazingatia zaidi teknolojia, tunahitaji msaada huu kwa maendeleo makubwa na kuanza upya kutekeleza miradi tuliyoanzisha. Vile vile ni lengo la ofisi yetu kuu kuhakikisha utendaji kazi kwa njia bora unastawishwa kati ya idara zetu za utendaji kazi. Kituo cha ushirikishi wa huduma kilichoko hapa Nairobi ndio mradi mfano wa aina hiyo.

Wacha nigusie kuhusu shughuli zilizochangia matokeo yetu bora.

Katika kitengo chetu cha shughuli za kampuni na zile za taasisi, tuliendelea kujitahidi kutoa huduma bora na kuvumbua bidhaa mpya.

Tunaamini kuwa tulitimiza matarajio ya wateja kwa kuanzisha mtindo mpya wa malipo na vile vile kutumia mfumo wa utoaji huduma kwa njia ya mtandao wa Internet kwenye benki yetu. Kwa kuzingatia mbinu bora za uuzaji, tuliweza kuongoza kwa kupata idhini ya kuhudumia wateja kadhaa maarufu katika jamii.

Mpango wetu mkuu wa usimamizi wa mikopo uliendelea kuwa hatua muhimu ya biashara yetu na ndiyo sababu ya kupungua kwa kiwango cha mikopo isiyolipwa ya asilimia 6.7 kutoka kiwango cha asilimia 10 mwisho wa mwaka 2001.

Ninafuraha kusema kwamba biashara ya masoko yetu ya fedha ilianzisha bidhaa mpya zikiwemo akiba za mapato ya juu, na viwango nafuu vya riba na pesa, ambavyo viliwezesha benki ya Standard Chartered kuongoza katika soko hili. Tuliianzisha chaguo la orodha ya Waweka hazina 100 bora mwaka uliopita, kwa mara ya kwanza katika eneo hili. Nina imani kwamba orodha hii ambayo huchaguliwa baada ya kila robo mwaka, itaendelea na kubuni hatua muhimu za

kuleta ufahamu wa masoko ya kifedha katika Afrika Mashariki.

Benki yetu ambayo shughuli yake muhimu ni kuwahudumia wateja ilifaulu kuanzisha akaunti ya 'Flexilink' ambayo iliwezesha benki hii kuwawezesha maelfu ya wateja kutumia teknolojia ya mtindo mwafaka wa usimamizi wa akaunti. Tunafuraha kwamba hatua hii iliongeza viwango vya wateja wetu wanaotumia kadi za kutolea akiba zao za pesa yaani ATM na kuboresha utendaji katika matawi yetu na hivyo basi kupunguza gharama. Hatua hii pia inawapa wateja wetu huduma bora kwa gharama ndogo.

Mtakumbuka kwamba katika mwaka wa 2002, tulifaulu kuanzisha bidhaa yetu mpya. Tumekamilisha mipango ya kuweka upya matangazo kwenye matawi yetu katika mwaka wa 2003, kuambatana na mpango wa utekelezaji wa kuitangaza upya kampuni. Hatua hii inaunga mkono lengo letu la "kuwa mshirika halisi" kwa wateja wetu wote.

Juhudi nyingine zilizofaulu ni zile za kubuni kituo cha ushirikishi wa huduma kilichoanzishwa mwaka wa 2001 na kuanza kutumika mwaka uliopita. Tunafuraha kuripoti kwamba sasa tumeziunganisha Zambia, Uganda na Tanzania. Tumetumia teknolojia ya hali ya juu katika kitengo hiki na hata kupiga hatua kubwa tukilinganishwa na mashirika mengine mengi. Kituo hiki cha ushirikishi kinahusisha sio tu ushirikishi wa kiufundi bali pia mipango yote muhimu ya uendeshaji shughuli katika benki hii. Kama ilivyo katika taratibu zote mpya, tulikabiliwa na majukumu ya utayarishaji. Ingawa biashara yetu ilisaidiwa na miundo msingi ya teknolojia, hatukufika kiwango kilichohitajika cha uthabiti. Hali hii ilisababisha tupange upya utekelezaji wa mpango wetu. Nina furaha kuripoti kwamba Botswana iliunganishwa na Nairobi mwezi wa Februari 2003. Tuna imani kwamba kituo hiki kitatoa matokeo

muhimu tunayotarajia.

Wacha nichukue nafasi hii nizingumzie kuhusu sehemu ambazo tumefanya vyema. Mchango wetu kwa jamii tunazohudumia, ndilo lengo kuu la benki ya Standard Chartered Kenya. Mnamo mwaka wa 2002 tulitekeleza mradi uliofaulu wa Ushirikishi wa Jamii ya Afrika, CPFA. Jamii 27 zilinnufaika kutokana na mashine za kusaga unga za 'Posho mills' zilizopatikana kutokana na mchango wa benki ya Standard Chartered wa shilingi milioni 12. Tunaamini kuwa huu ni mradi wa kuweza kujitegemea ambao benki hii imeuanzisha kukabiliana na viwango vya juu vya umaskini hapa Kenya. Mradi wa kupata maji safi unaendelea na visima kwa wakati huu vinachimbwa. Vile vile, benki ya Standard Chartered ilirekebisha soko la samaki la Kisumu na kushirikiana na Chama cha wenye biashara kati kati mwa jiji la Nairobi, NCBD, kukarabati eneo la kurembesha barabara ya Kenyatta Avenue. Pia tunajivunia kutangaza kwamba wafanyikazi wa benki ya Standard Chartered walipanda miche 4,200 ya miti wakati wa shughuli yetu ya usafi na udumishaji mazingira iliyofanywa mwezi Oktoba mwaka uliopita.

Utafahamu kwamba tumejhusisha na kampeni ya kuelimisha umma kuhusu hatari ya ugonjwa wa ukimwi. Wito wa kampeni hii wa 'Endelea kuishi' kwa wafanyikazi wetu na jamii zao unadhihirisha kujitolea kwetu kujali maslahi yao. Benki hii ilichaguliwa kuwa mwakilishi wa kibiashara kwenye baraza la kukabiliana na ugonjwa wa ukimwi, KPSBC.

Mwaka huu, tutaendelea ushirika wetu kwa jamii hata zaidi kwa kudhamini mashindano ya kwanza ya kimataifa ya mbio za nyika yaani 'marathon' hapa Nairobi. Makundi ya wanaohusika tayari yanatafuta njia za kuandaa mipango ya kufanya tukio hili na mtasikia zaidi kutoka

Taarifa ya Mkurugenzi Mkuu (yaendelea)

kwetu kuhusu shindano hili. Tunatarajia kukutana wakati huo.

Benki ya Standard Chartered inafahamika kwa wafanyikazi wake wenye ujuzi wa hali ya juu na mwaka uliopita tuliendelea kuimarisha talanta yetu katika majukumu muhimu. Pia tuliwahusisha wafanyikazi wetu katika shughuli mbali mbali na kuwawezesha kutafuta suluhisho kwa baadhi ya huduma na maswala ya uendeshaji shughuli yanayokabili benki hii. Hii imetuwzesha kuendeleza biashara yetu hadi viwango vya juu zaidi vya mafanikio. Kwa kweli tunaendelea kuvutia, kuendeleza na kuwatuza watu wanaofanya vyema. Tunajivunia kuwapeleka Wakenya 22 kwa mafunzo zaidi huko ng'ambo ili wapate tajiriba za kimataifa. Pia benki hii imeweza kutekeleza hatua 62 za ushirikiano katika idara zetu tofauti kati ya mwaka 2000 na mwaka wa 2002. Mwaka wa 2003 ni wa kuadhimisha miaka 150 tangu benki ya Standard Chartered ilipobuniwa. Tutasherehekea shughuli hii muhimu

katika mtandao wetu wa benki hii ikiwa ni pamoja na hapa Kenya. Benki hii imehudumia jamii kwa miaka 91 na tunajivunia kuwa sehemu ya familia ya benki ya Standard Chartered, ikiwa na turathi thabiti na kupata idhini ya kimataifa ya kuuza bidhaa zake na utoaji huduma. Tunanua kuwa na muda wa kuwashukuru wafanyikazi wetu, wateja na jamii tunayohudumia kwa msaada wao mkubwa. Mtasikia zaidi kuhusu mambo haya katika muda wa mwaka wa 2003.

Kama mnavyofahamu Bwana A. Christopher M. Low aliyekuwa Meneja Mkuu wa benki hii katika eneo la Africa Mashariki na pia Afisa Mkuu wa benki hii hapa Kenya aliamishwa hadi nchini India mnamo mwezi Januari mwaka wa 2003 na sasa nimechukua mahala pake. Bwana Low alifanya kazi nzuri na ameiacha biashara ya benki hii katika hali nzuri. Mimi kwa kweli si mgeni hapa Kenya kwani nilikuwa hapa miaka ya tisini kusimamia mradi wa ustawishaji huduma

za benki ulio iwezesha benki ya Standard Chartered kuongoza katika teknolojia ya benki hapa Kenya. Nina furaha kuwa sehemu ya ustawishaji huu uliofaulu vyema.

Sisi katika benki ya Standard Chartered tunatazamia kwamba kutakuwa na hali nzuri ya kiuchumi kwa biashara yetu katika miaka ijayo. Mtazamo huu unadhihirishwa na kujitolea kwa serikali mpya katika kushughulikia maswala ya ufasadi, mipango ya idara ya sheria, usalama na miundo msingi. Tunaamini kwamba benki ya Standard Chartered itaendelea kudumisha rekodi yake nzuri na thabiti katika mazingira yaliyoko.

Michael C. Hart

Meneja mkuu wa benki — Africa Mashariki na Afisa mkuu wa benki hii hapa nchini

20 Februari 2003

150 years
with you

2003 is Standard Chartered's 150th birthday. This will be a time when we pause in our tracks to "flashback" at our exciting history, and to look forward to another 150 years into the future.

Around the world, we have a fantastic franchise. We want to continue being known for our leadership in all our chosen markets, as we already are here in Kenya.

Although the Group will be 150 years old, in Kenya it opened its first branch on 1 January 1911 at what is now known as Treasury Square in Mombasa, followed a year later with the opening of a second branch in Nairobi on a site opposite Woolworth's House at the junction of Kenyatta Avenue and Kimathi Street which today houses Nakumatt Supermarket. At this time, Mombasa was Kenya's foremost trading centre and the Bank's head office would be located there for the next 19 years.

Today, Standard Chartered boasts an excellent franchise in Kenya. It has 29 branches spread across the country, 57 Automated Teller Machines (ATMs) and 1,100 staff, all linked through satellite communication.

During the course of 2003, we will take time to thank our shareholders, employees, customers and the communities in which we operate for their tremendous contribution and support.

Mombasa 1920

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Report of the Directors for the year ended 31 December 2002

The directors submit their report together with the audited financial statements for the year ended 31 December 2002 in accordance with Section 22 of the Banking Act and Section 157 of the Companies Act which discloses the state of affairs of the Group and Company.

1. Activities

The Group is engaged in the business of banking and provision of related services and is licensed under the Banking Act.

2. Results

The results for the year are set out on page 21.

3. Dividends

A first interim dividend of KShs 2.20 per ordinary share of KShs 5.00 each and a second interim dividend of KShs 2.20 per ordinary share of KShs 5.00 each were paid on 16 September 2002 and 20 December 2002 respectively. The directors have resolved to recommend to the members at the forthcoming Annual

General Meeting a final dividend for the year of KShs 3.85 per ordinary share of KShs 5.00 each, to be paid on or after 30 May 2003 to shareholders registered on the company's register at the close of business on 24 March 2003. The register of members will remain closed on 25 March 2003. The total dividend recommended for the year is therefore KShs 8.25 (2001 – KShs 8.25).

4. Directors

The directors who served during the year are set out on pages 14 and 15.

- (a) In accordance with the Articles of Association, Mr. D.D. Afande retires by rotation and being eligible, offers himself for re-election.
- (b) Mr. H.H.O. Awori retires in accordance with the Company's Articles of Association Section 100(2), but Special Notice under Section 186(5) of the Companies Act has been received for his re-appointment for a period of two years.

5. Auditors

The auditors, KPMG Kenya, who changed their name from KPMG Peat Marwick, have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act and subject to Section 24(1) of the Banking Act.

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 20 February 2003.

BY ORDER OF THE BOARD

N.N. Oginde
Secretary

20 February 2003

Statement on Corporate Governance

Corporate governance deals with the way companies are led and managed, the role of the Board of directors and a framework of internal controls. The Board of Standard Chartered Bank Kenya Limited is committed to proper standards of corporate governance and confirms that the company has complied with the provisions of our regulators including the Central Bank of Kenya, the Capital Markets Authority and the Nairobi Stock Exchange.

Directors

The full Board meets at least four times a year, and has a formal schedule of matters reserved for it. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day to day business to the Chief Executive Officer. It however retains responsibility for establishing and maintaining the Bank's overall internal control of financial, operational and compliance issues and monitoring the performance of the executive management.

Four out of the nine members of the Board are non-executive and all directors are subject to periodic reappointment in accordance with the company's Articles of Association. On appointment, each director receives information about the Bank and is advised of the legal, regulatory and other obligations of a director of a listed company. They have access to the Company Secretary, who is

responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with.

Directors' Remuneration

The remuneration of all directors is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate. Information on the compensation received and the dealings of the directors with the Bank are included in the annual report in notes 7 and 36 on pages 29 and 43 respectively.

Accountability and Audit

The Audit Committee chaired by Mr D.G. Njoroge, a non-executive director receives reports on the findings of the Internal Audit and Frauds and Investigations departments which audit business operations and the internal control environment. It also receives input and reports from the external auditors. In addition, the Committee regularly reviews and considers changes to improve the Bank's security, internal control and risk management processes.

Going concern

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

Internal controls

The Board has a collective responsibility

for the establishment and maintenance of a system of internal control that provides reasonable assurance of effective and efficient operations. However, it recognises that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board attaches great importance to maintaining a strong control environment and the Group's system of internal controls includes the assessment of non-financial risks and controls. The Board has reviewed the Bank's internal control policies and procedures and is satisfied that appropriate procedures are in place. The Board also reviewed the level of bad and doubtful debt provisioning as at 31 December 2002 and is satisfied with their adequacy to cover the credit risk exposure.

The Bank ensures that there are written policies and procedures to identify and manage risk including operational risk, balance sheet management, market and credit risk on an ongoing basis.

The Bank's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The business performance of the Bank is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are

Report of the Independent Auditors to the Members of Standard Chartered Bank Kenya Limited

We have audited the financial statements set out on pages 21 to 43 which have been prepared on the basis of the accounting policies set out in Note 1. 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 and to provide a reasonable basis for our opinion. The balance sheet of the company is in agreement with the books of account.

Respective responsibilities of directors and independent auditors

As stated on page 19, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

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

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the

state of the financial affairs of the company and of the group at 31 December 2002 and of the results and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and comply with the requirements of the Companies Act.

KPMG Kenya
Certified Public Accountants
P.O. Box 40612
00100 Nairobi GPO.

20 February 2003

Consolidated Profit and Loss Account for the year ended 31 December 2002

	Note	2002 KShs '000	2001 Restated KShs '000
Interest income	3	5,171,132	5,381,175
Interest expense	4	(1,079,710)	(1,375,858)
Net interest income		4,091,422	4,005,317
Provision for losses on loans and advances	14 (b)	(122,387)	(185,589)
Net interest income after provision for losses on loans and advances		3,969,035	3,819,728
Non interest income	5	2,586,130	2,487,655
Non interest expenses	6	(3,343,157)	(3,075,689)
Profit before taxation	7	3,212,008	3,231,694
Income tax expense	8	(1,005,881)	(988,612)
Profit attributable to shareholders		2,206,127	2,243,082
Basic and diluted earnings per share – (KShs)	9	8.92	9.07
Dividends per share – (KShs)	10	8.25	8.25

The notes set out on pages 27 to 43 form an integral part of these financial statements.

Consolidated Balance Sheet at 31 December 2002

	Note	2002 KShs '000	2001 Restated KShs '000
ASSETS			
Cash and balances with Central Bank of Kenya	11	5,834,997	4,918,539
Investments in Government securities	12	27,953,810	26,425,364
Deposits and balances due from banking institutions	13	555,144	418,996
Loans and advances to customers	14	16,660,187	14,735,042
Amounts due from Group companies	15	6,979,654	4,177,915
Other assets	17	1,896,747	1,835,369
Prepaid operating lease rentals	18	119,197	121,343
Property and equipment	19	1,543,166	1,501,073
Tax recoverable		47,005	46,250
Defined benefit asset	20	8,831	43,831
Deferred tax asset	21	51,390	52,977
TOTAL ASSETS		61,650,128	54,276,699
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits and balances due to banking institutions	22	609,322	162,143
Customers' deposits	23	51,509,159	45,059,430
Amounts due to Group companies	15	1,314,126	1,640,102
Other liabilities	24	2,525,576	1,795,707
		55,958,183	48,657,382
Shareholders' equity			
Share capital	25	1,236,217	1,236,217
Revaluation reserves		129,478	128,167
Proposed dividends		951,887	1,050,785
Retained earnings		3,374,363	3,204,148
		5,691,945	5,619,317
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		61,650,128	54,276,699

The financial statements set out on pages 21 to 43 were approved by the Board of Directors on 20 February 2003 and were signed on its behalf by:

Director H.H.O. Awori

Director S.M. M'Mbijewe

Director M.C. Hart

Secretary N.N. Oginde

The notes set out on pages 27 to 43 form an integral part of these financial statements.

Company Balance Sheet at 31 December 2002

		2002	2001
	Note	KShs '000	Restated KShs '000
ASSETS			
Cash and balances with Central Bank of Kenya	11	5,834,997	4,918,539
Investments in Government securities	12	27,953,810	26,425,364
Deposits and balances due from banking institutions	13	555,144	418,996
Loans and advances to customers	14	16,660,187	14,735,042
Amounts due from Group companies	15	6,979,654	4,177,915
Investment in subsidiaries	16	140,243	140,243
Other assets	17	1,898,977	1,831,606
Prepaid operating lease rentals	18	119,197	121,343
Property and equipment	19	1,543,166	1,501,073
Tax recoverable		40,026	37,785
Defined benefit asset	20	8,831	43,831
Deferred tax asset	21	42,167	45,732
TOTAL ASSETS		61,776,399	54,397,469
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits and balances due to banking institutions	22	609,322	162,143
Customers' deposits	23	51,505,563	45,056,954
Amounts due to Group companies	15	1,314,126	1,640,102
Amounts due to subsidiaries		204,807	204,310
Other liabilities	24	2,524,184	1,792,216
		56,158,002	48,855,725
Shareholders' equity			
Share capital	25	1,236,217	1,236,217
Revaluation reserves		129,478	128,167
Proposed dividends		951,887	1,050,785
Retained earnings		3,300,815	3,126,575
		5,618,397	5,541,744
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		61,776,399	54,397,469

The financial statements set out on pages 21 to 43 were approved by the Board of Directors on 20 February 2003 and were signed on its behalf by:

Director	H.H.O. Awori	Director	S.M. M'Mbijewe
Director	M.C. Hart	Secretary	N.N. Oginde

The notes set out on pages 27 to 43 form an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2002

	Note	2002 KShs '000	2001 Restated KShs '000
Net cash inflow/(outflow) from operating activities	29 (a)	3,167,137	(2,535,555)
Cash flows from investing activities			
Purchase of property and equipment		(294,285)	(402,702)
Proceeds from sale of property and equipment		2,150	13,279
Proceeds from sale of prepaid operating lease rentals		1,811	7,069
Net cash outflow from investing activities		(290,324)	(382,354)
Cash flows from financing activities			
Dividends paid			
– Final		(1,050,785)	(1,631,807)
– Interim		(1,087,872)	(988,974)
Net cash outflow from financing activities		(2,138,657)	(2,620,781)
Increase/(decrease) in cash and cash equivalents		738,156	(5,538,690)
Cash and cash equivalents at 1 January		15,410,795	20,949,485
Cash and cash equivalents at 31 December	29 (b)	16,148,951	15,410,795

The notes set out on pages 27 to 43 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 31 December 2002

	Share capital KShs '000	Revaluation reserves KShs '000	Proposed dividends KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2001 – As previously reported	1,236,217	320,293	1,631,807	2,997,651	6,185,968
Reversal of revaluation surplus on leasehold land (Note 18)	–	(243,056)	–	–	(243,056)
Amortisation charge on leasehold land relating to prior periods (Note 18)	–	–	–	(14,175)	(14,175)
Adjustment to prior years' deferred tax relating to revaluation surplus on leasehold land (Note 21)	–	68,279	–	–	68,279
At 1 January 2001 – As restated	1,236,217	145,516	1,631,807	2,983,476	5,997,016
Realised on sale of property net of deferred tax	–	(15,595)	–	15,595	–
Net profit for the year	–	–	–	2,243,082	2,243,082
Excess depreciation transfer net of deferred tax	–	(1,754)	–	1,754	–
Proposed dividends – Interim	–	–	988,974	(988,974)	–
– Final	–	–	1,050,785	(1,050,785)	–
Dividends paid – Final 2000	–	–	(1,631,807)	–	(1,631,807)
– Interim 2001	–	–	(988,974)	–	(988,974)
At 31 December 2001	1,236,217	128,167	1,050,785	3,204,148	5,619,317
At 1 January 2002	1,236,217	128,167	1,050,785	3,204,148	5,619,317
Realised on sale of property net of deferred tax	–	(1,208)	–	1,208	–
Revaluation surplus net of deferred tax	–	5,158	–	–	5,158
Net profit for the year	–	–	–	2,206,127	2,206,127
Excess depreciation transfer net of deferred tax	–	(2,639)	–	2,639	–
Proposed dividends – Interim	–	–	1,087,872	(1,087,872)	–
– Final	–	–	951,887	(951,887)	–
Dividends paid – Final 2001	–	–	(1,050,785)	–	(1,050,785)
– Interim 2002	–	–	(1,087,872)	–	(1,087,872)
At 31 December 2002	1,236,217	129,478	951,887	3,374,363	5,691,945

The notes set out on pages 27 to 43 form an integral part of these financial statements.

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Company Statement of Changes in Equity for the year ended 31 December 2002

	Share capital KShs '000	Revaluation reserves KShs '000	Proposed dividends KShs '000	Retained earnings KShs '000	Total KShs '000
At 1 January 2001 – As previously reported	1,236,217	320,293	1,631,807	2,933,599	6,121,916
Reversal of revaluation surplus on leasehold land (Note 18)	–	(243,056)	–	–	(243,056)
Amortisation charge on leasehold land relating to prior periods (Note 18)	–	–	–	(14,175)	(14,175)
Adjustment to prior years' deferred tax relating to revaluation surplus on leasehold land (Note 21)	–	68,279	–	–	68,279
At 1 January 2001 – As restated	1,236,217	145,516	1,631,807	2,919,424	5,932,964
Realised on sale of property net of deferred tax	–	(15,595)	–	15,595	–
Net profit for the year	–	–	–	2,229,561	2,229,561
Excess depreciation transfer net of deferred tax	–	(1,754)	–	1,754	–
Proposed dividends – Interim	–	–	988,974	(988,974)	–
– Final	–	–	1,050,785	(1,050,785)	–
Dividends paid – Final 2000	–	–	(1,631,807)	–	(1,631,807)
– Interim 2001	–	–	(988,974)	–	(988,974)
At 31 December 2001	1,236,217	128,167	1,050,785	3,126,575	5,541,744
At 1 January 2002	1,236,217	128,167	1,050,785	3,126,575	5,541,744
Realised on sale of property net of deferred tax	–	(1,208)	–	1,208	–
Revaluation surplus net of deferred tax	–	5,158	–	–	5,158
Net profit for the year	–	–	–	2,210,152	2,210,152
Excess depreciation transfer net of deferred tax	–	(2,639)	–	2,639	–
Proposed dividends – Interim	–	–	1,087,872	(1,087,872)	–
– Final	–	–	951,887	(951,887)	–
Dividends paid – Final 2001	–	–	(1,050,785)	–	(1,050,785)
– Interim 2002	–	–	(1,087,872)	–	(1,087,872)
At 31 December 2002	1,236,217	129,478	951,887	3,300,815	5,618,397

The notes set out on pages 27 to 43 form an integral part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 31 December 2002

1 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below:

(a) Basis of preparation

(i) The financial statements set out on pages 21 to 43 have been prepared under the historical cost basis of accounting modified by the inclusion of certain property and equipment on a revalued basis.

(ii) The financial statements have been prepared in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board.

(b) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and its subsidiaries for the year ended 31 December 2002. These subsidiaries are shown in Note 16.

All inter-company balances and transactions are eliminated on consolidation.

(c) Income recognition

Income is recognised on an accrual basis. When an account becomes non-performing, interest is suspended until it is realised.

(i) Net interest income

Interest income and expense is recognised in the profit and loss account as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortisation of any discount or premium or other differences between the initial carrying amount of an

interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(ii) Fee and commission income

Fee and commission income arises from financial services provided by the Group including cash management services, brokerage services, investment advice and financial planning, investment banking services, project and structured trade finance transactions and asset management services.

Fee and commission income is recognised when the corresponding service is provided.

(d) Financial instruments

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. Financial instruments held by the Group include balances with Central Bank of Kenya, loans and advances, investments in government securities, balances with banks, deposits, derivatives and group balances.

In accordance with International Financial Reporting Standard No. 39, management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial instruments are appropriately classified.

All financial instruments with the exception of trading instruments are recognised on the date they are transferred to the Group. At that date, they are recognised at cost, including transaction costs. Subsequent to initial recognition, such instruments are stated at amortised cost. Amortised cost is calculated using

the effective interest rate method. The amortisation and accretion of premiums and discounts is included in interest income.

Financial instruments held for trading are those that the Group principally holds for the purpose of short-term profit taking. These include derivative instruments as described in Note 32. These are recognised on the date the Group commits to acquire the instruments. Trading instruments are initially recognised at cost, including transaction costs.

Subsequent to initial recognition, trading instruments are stated at fair value. Where the fair value cannot be reliably measured, the assets are stated at cost less impairment losses. Changes in fair value are recognised in the profit and loss account.

(e) Impairment

The carrying amounts of the Group's financial assets and property and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and an impairment loss is recognised in the profit and loss account whenever the carrying amount of an asset exceeds its recoverable amount.

(f) Provision for losses on loans and advances

Specific provisions for doubtful debts are held in respect of loans and advances. Provisions, based on periodic appraisals of the advances portfolio, made in relation to identified risk on loans and advances, reflect an estimate of loss expected and are charged to the profit and loss account.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2002

In addition, a general provision is made based on the directors' assessment of the inherent risk in the loans and advances portfolio.

Loans and advances considered uncollectable are written off after all the necessary legal procedures to recover the amounts are exhausted.

(g) Property and equipment

Freehold land and buildings and buildings on leasehold land are included in the financial statements at their historical cost or amount of any subsequent valuation. With effect from 1 January 2002, leasehold land is now accounted for as prepaid operating lease rentals (Note 18).

Freehold land is not depreciated.

Depreciation is calculated on a straight line basis to write off the cost or revalued amount of property and equipment using the following rates:-

Fixtures and fittings	10%
Equipment	10%
Computers	30 - 33%

Buildings on leasehold land are depreciated over the remaining period of the lease. Buildings on freehold land are depreciated over fifty years.

Excess depreciation is the difference between the depreciation charge for the year based on the revalued amount and the original cost of the related property and equipment. On an annual basis, the amount relating to the excess depreciation is transferred from revaluation reserves to retained earnings to recognise the use of the property and equipment.

(h) Operating leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as

operating leases.

Payments made under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease.

With effect from 1 January 2002, all leasehold land previously reported under property and equipment has been reclassified to prepaid operating lease rentals (Note 18).

(i) Transactions in foreign currencies

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

(j) Taxation

Tax on the profit or loss for the year comprises current tax and the movement on the deferred tax account. Current tax is provided on the results in the year as shown in the accounts adjusted in accordance with tax legislation.

Deferred tax is provided using the balance sheet liability method on all temporary differences between the carrying amounts for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is computed using the currently enacted tax rates.

(k) Employee benefits

The Group's employees are eligible for retirement benefits under a defined contribution scheme. Pensioners and deferred pensioners existing at 31 December 1998 are eligible for retirement benefits under a defined benefit scheme.

For the defined benefit scheme, the pension costs are assessed using the unit credit method. Under this method, the cost of providing pensions is charged to the profit and loss account so as to spread the regular cost over the lives of pensioners in accordance with the advice of qualified actuaries who carry out a full valuation of the scheme every three years. The pension obligation is measured as the present value of the estimated future cash outflows using interest rates on Government securities.

Contributions to the defined contribution scheme are charged to the profit and loss account as incurred. Any difference between the charge to the profit and loss account and the contributions payable is recorded in the balance sheet as other receivables or payables.

(l) Cash and cash equivalents

Cash and cash equivalents include cash balances on hand, balances deposited with the Central Bank of Kenya, net of Cash Reserve Ratio (CRR), net balances with banking institutions and investments with maturities of three months or less from the date of acquisition.

(m) Dividends

Dividends are recognised as a liability in the period in which they are declared. Proposed dividends are disclosed as a separate component of equity.

(n) Comparatives

Where necessary, comparative figures have been adjusted to take into account the effect of adjustments relating to changes in accounting for leasehold land (Note 18).

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

2 BUSINESS SEGMENTS

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

3 INTEREST INCOME

	2002 KShs '000	2001 KShs '000
Loans and advances to customers	1,800,731	2,075,370
Treasury bonds	1,955,249	811,799
Treasury bills	1,284,062	2,165,291
Deposits and balances due from banking institutions	131,090	328,715
	5,171,132	5,381,175

4 INTEREST EXPENSE

Customers' deposits	910,774	1,272,558
Deposits and balances due to banking institutions	168,936	103,300
	1,079,710	1,375,858

5 NON INTEREST INCOME

Fee and commission income	1,964,566	1,973,380
Income from foreign exchange dealing	608,327	507,314
Other operating income	13,237	6,961
	2,586,130	2,487,655

6 NON INTEREST EXPENSES

Salaries and employee benefits	1,606,214	1,621,582
Occupancy expenses	65,405	59,501
Deposit Protection Fund	63,980	55,801
Other expenses	1,607,558	1,338,805
	3,343,157	3,075,689

The following items are included within salaries and employee benefits:

Retirement benefit costs:

- Group's defined benefit scheme	35,000	2,000
- Group's defined contribution scheme	128,595	121,360
- Parent company's scheme	8,303	22,521
- Other schemes	832	832
	172,730	146,713

The number of employees at the year end was:

Management	No. 490	No. 435
Unionisable	532	648
	1,022	1,083

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	2002 KShs '000	2001 KShs '000
Depreciation	240,845	245,564
Directors' emoluments	2,830	2,858
- Fees	64,451	66,020
- Other	4,935	4,700
Auditors' remuneration	4,880	5,238
Loss on sale of property and equipment	2,078	2,186
Amortisation of prepaid operating lease rentals	12,759	-
Deficit on revaluation of property	-	-

And after crediting:

Profit on sale of prepaid operating lease rentals	1,743	6,859
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Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

	2002	2001
	KShs '000	KShs '000
8 INCOME TAX EXPENSE		
Current year's tax at 30%	1,007,578	990,480
Over-provision in prior years	—	(381)
Deferred tax credit	(1,697)	(1,487)
Income tax expense	1,005,881	988,612

The tax on the group's profit differs from the theoretical amount using the basic tax rate as follows:

Accounting profit before taxation	3,212,008	3,231,694
Computed tax using the applicable corporation tax rate at 30%	963,602	969,508
Non-deductible costs and non-taxable income	42,279	19,485
Over-provision in prior years	—	(381)
Income tax expense	1,005,881	988,612

	2002	2001
9 BASIC AND DILUTED EARNINGS PER SHARE		
The calculation of basic earnings per share is based on:		
Profit attributable to shareholders (KShs '000)	2,206,127	2,243,082
Number of ordinary shares outstanding during the year (thousands)	247,243	247,243
Basic earnings per share (KShs)	8.92	9.07

There were no potentially dilutive shares outstanding at 31 December 2002 and 2001.

10 DIVIDENDS PER SHARE

Dividends per share is calculated on dividends of KShs 2,039,758,578 (2001 – KShs 2,039,758,578) and on the number of shares in issue at the respective balance sheet dates of 247,243,464 (2001 – 247,243,464).

11 CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	2002		2001	
	Group	Company	Group	Company
	KShs '000	KShs '000	KShs '000	KShs '000
Cash on hand	1,784,460	1,784,460	1,300,547	1,300,547
Balances with Central Bank of Kenya – Cash Reserve Ratio (CRR)	4,050,537	4,050,537	3,617,992	3,617,992
	5,834,997	5,834,997	4,918,539	4,918,539

The Cash Reserve Ratio is non-interest earning and is based on the value of deposits as adjusted for Central Bank of Kenya requirements.

At 31 December 2002, the Cash Reserve Ratio requirement was 10% of eligible deposits (2001 – 10%). These funds are not available to finance the Bank's day to day operations.

12 INVESTMENTS IN GOVERNMENT SECURITIES

	2002		2001	
	Group	Company	Group	Company
	KShs '000	KShs '000	KShs '000	KShs '000
Treasury bonds				
Due within 90 days	1,237,573	1,237,573	2,220,067	2,220,067
Due after 90 days and within 1 year	4,558,133	4,558,133	1,303,526	1,303,526
Due after 1 year	12,270,200	12,270,200	9,063,268	9,063,268
	18,065,906	18,065,906	12,586,861	12,586,861
Treasury bills				
Due within 90 days	9,887,904	9,887,904	13,838,503	13,838,503
	27,953,810	27,953,810	26,425,364	26,425,364

The weighted average effective interest rate on Treasury bonds at 31 December 2002 was 11.20% (2001 – 11.80%) and on Treasury bills was 8.50% (2001 – 12.64 %). Treasury bills under repurchase agreements amounted to KShs 1,744,085,000 (2001 – KShs 2,685,064,000).

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

13 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Due within 90 days	555,144	555,144	418,996	418,996

The weighted average effective interest rate on deposits and balances due from banking institutions at 31 December 2002 was 8.60% (2001 – 11.80%).

14 LOANS AND ADVANCES TO CUSTOMERS

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
(a) Classification				
Overdrafts	7,129,802	7,129,802	6,907,987	6,907,987
Loans	10,151,064	10,151,064	8,179,846	8,179,846
Bill discounting	421,613	421,613	634,100	634,100
Gross loans and advances	17,702,479	17,702,479	15,721,933	15,721,933
Less: provision for bad and doubtful debts and interest in suspense	(1,042,292)	(1,042,292)	(986,891)	(986,891)
Net loans and advances	16,660,187	16,660,187	14,735,042	14,735,042
Repayable on demand	9,054,259	9,054,259	8,819,220	8,819,220
Less than 3 months	3,584,457	3,584,457	3,831,329	3,831,329
3 months to 1 year	293,457	293,457	418,227	418,227
1 to 5 years	4,674,405	4,674,405	2,344,638	2,344,638
5 to 10 years	22,905	22,905	251,767	251,767
Over 10 years	72,996	72,996	56,752	56,752
Gross loans and advances	17,702,479	17,702,479	15,721,933	15,721,933

(b) Provision for bad and doubtful debts and interest in suspense

	Interest in suspense KShs '000	Specific bad debt provision KShs '000	General bad debt provision KShs '000	Total KShs '000
At 1 January 2002	615,764	248,753	122,374	986,891
Amounts written off during the year	(155,881)	(105,672)	–	(261,553)
Interest suspended during the year	220,208	–	–	220,208
Interest in suspense written back during the year	(25,641)	–	–	(25,641)
Provisions written back during the year	–	(21,043)	–	(21,043)
New provisions in the year	–	109,491	33,939	143,430
At 31 December 2002	654,450	231,529	156,313	1,042,292

The weighted average effective interest rate on loans and advances to customers at 31 December 2002 was 14.00 % (2001 – 15.41%).

(c) Non performing loans and advances to customers

Loans and advances to customers include amounts totalling KShs 1,167,420,000 (2001 – KShs 1,352,295,000) net of specific bad debt provisions and interest in suspense on which interest is not being accrued as they have been classified as non-performing. These loans and advances have been written down to their recoverable amounts.

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

15 GROUP COMPANY BALANCES

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Amounts due from Group companies	6,979,654	6,979,654	4,177,915	4,177,915
Amounts due to Group companies	1,314,126	1,314,126	1,640,102	1,640,102

The weighted average effective interest rate at 31 December 2002 on amounts due from Group companies was 2.60% (2001 – 2.40%) and on amounts due to Group companies was 10.80% (2001 – 8.13%).

16 INVESTMENT IN SUBSIDIARIES

The following subsidiaries are wholly owned by the Bank:

		2002 KShs '000	2001 KShs '000
Company:	Status		
Standard Chartered Investment Services Limited	Active	20,000	20,000
Standard Chartered Financial Services Limited	Dormant	120,241	120,241
Standard Chartered Kenya Nominees Limited	Dormant	2	2
		140,243	140,243

The interest in the above undertakings is carried at cost. All the subsidiaries are incorporated in Kenya.

17 OTHER ASSETS

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Uncleared effects	1,488,477	1,488,477	1,544,387	1,542,764
Prepayments	99,752	99,752	120,592	120,592
Other receivables	308,518	310,748	170,390	168,250
	1,896,747	1,898,977	1,835,369	1,831,606

18 PREPAID OPERATING LEASE RENTALS – GROUP AND COMPANY

Leases of land have been classified as operating leases whereas in previous years, such leases were classified as finance leases. This follows clarification received during the year from the International Accounting Standards Board (IASB) and the Institute of Certified Public Accountants of Kenya (ICPAK).

Previously, leasehold land was carried at revalued amounts. Following the clarification, the revaluation surplus relating to leasehold land has been reversed and the historical book value of leasehold land has been reclassified from property and equipment to prepaid operating lease rentals.

The effect of this change is detailed below:

	2002 KShs '000	2001 KShs '000
Cost		
Carrying value at 1 January	137,704	380,970
Reversal of related revaluation surplus	–	(243,056)
At 1 January – As restated	137,704	137,914
Disposals	(68)	(210)
At 31 December	137,636	137,704
Amortisation		
At 1 January	16,361	14,175
Charge for the year	2,078	2,186
At 31 December	18,439	16,361
Net book value		
At 31 December	119,197	121,343

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

19 PROPERTY AND EQUIPMENT – GROUP AND COMPANY

	Freehold land and buildings KShs '000	Buildings on leasehold land KShs '000	Fixtures, fittings and equipment KShs '000	Work in progress KShs '000	Total KShs '000
Cost or valuation:					
At 1 January 2002 – As previously reported	80,000	969,053	1,794,083	280,280	3,123,416
Reversal of leasehold land disposed of in 2001	–	10,250	–	–	10,250
Reclassification of leasehold land (Note 18)	–	(380,970)	–	–	(380,970)
At 1 January 2002 – As restated	80,000	598,333	1,794,083	280,280	2,752,696
Additions	–	–	–	294,285	294,285
Transfers	–	–	562,149	(562,149)	–
Disposals	–	(1,900)	(10,472)	–	(12,372)
Deficit on revaluation	–	(54,883)	–	–	(54,883)
At 31 December 2002	80,000	541,550	2,345,760	12,416	2,979,726
Depreciation:					
At 1 January 2002	1,700	28,241	1,221,682	–	1,251,623
Charge for the year	863	23,777	216,205	–	240,845
On disposals	–	(98)	(5,244)	–	(5,342)
Depreciation written back on revaluation	(2,338)	(48,228)	–	–	(50,566)
At 31 December 2002	225	3,692	1,432,643	–	1,436,560
Net book value:					
At 31 December 2002	79,775	537,858	913,117	12,416	1,543,166
At 31 December 2001	78,300	570,092	572,401	280,280	1,501,073

Land and buildings were revalued on an open market basis by Lloyd Masika Limited, a firm of professional valuers as at 30 September 2002. The book values of the properties were adjusted to the revaluations, and the resulting surplus, net of deferred tax, was credited to the revaluation reserve. If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2002 KShs '000	2001 Restated KShs '000
Cost	520,118	520,198
Accumulated depreciation	(45,904)	(25,037)
Net book value	474,214	495,161

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Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

20 DEFINED BENEFIT ASSET – GROUP AND COMPANY

Standard Chartered Bank Kenya Limited operates a defined contribution scheme for all full time permanent employees, and a defined benefit scheme for pensioners and deferred pensioners prior to 1 January 1999.

Prior to 1 January 1999, the Bank operated a non-contributory defined benefit scheme. At 31 December 1998, all full time permanent employees converted to the defined contribution scheme.

Employees who became members on or after 1 January 1999 are entitled to benefits under the defined contribution scheme. The defined benefit scheme remains only for the pensioners and deferred pensioners prior to 1 January 1999.

The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels. The benefits provided by the defined contribution scheme are determined by accumulated contributions and returns on investments.

Both schemes are governed by the Retirement Benefits Act, 1997. This requires that an actuarial valuation be carried out at least every three years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2000. However, reviews were done by the actuary for the years ended 31 December 2002 and 2001. The reviews were consistent with previous valuations performed using the unit credit method.

The defined benefit assets at 31 December 2002 and 2001 were as follows:

	2002 KShs '000	2001 KShs '000
Fair value of plan assets	517,929	684,494
Present value of funded obligations	(913,000)	(987,000)
Present value of unfunded obligations	(395,071)	(302,506)
Unrecognised actuarial losses	403,902	346,337
Defined benefit asset at 31 December	8,831	43,831

The net charge recognised in the profit and loss account is as follows:

Interest cost	107,000	273,000
Expected return on plan assets	(76,000)	(271,000)
Amortisation of unrecognised actuarial losses	4,000	–
	35,000	2,000

The actuarial review was pegged to the average yields prevailing on treasury bills in 2002 of 12% (2001 – 12%). The other actuarial assumptions used in arriving at the above review are:

	2002 % pa	2001 % pa
Discount rate	12	12
Expected return on assets	12	12
Future pension increases	3	3

The pension plan assets include ordinary shares issued by the Bank with a fair value of KShs 46,514,196 (2001 – KShs 35,260,763).

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2002

21 DEFERRED TAX ASSET

The net deferred tax assets/(liabilities) at 31 December 2002 and 2001 are attributable to the following:

GROUP

Asset/(Liability)	At 1 January 2002 – As previously reported KShs '000	Prior year adjustment – recognised in equity KShs '000	At 1 January 2002 – As restated KShs '000	Recognised in equity KShs '000	Credit/(debit) to profit and loss account KShs '000	At 31 December 2002 KShs '000
Tax losses in subsidiaries	7,245	–	7,245	–	1,978	9,223
Property and equipment	58,857	–	58,857	–	(19,602)	39,255
General provisions	36,712	–	36,712	–	10,182	46,894
Revaluation surplus	(104,966)	68,279	(36,687)	(3,284)	(1,361)	(41,332)
Defined benefit asset	(13,150)	–	(13,150)	–	10,500	(2,650)
	(15,302)	68,279	52,977	(3,284)	1,697	51,390

COMPANY

Asset/(Liability)						
Property and equipment	58,857	–	58,857	–	(19,602)	39,255
General provisions	36,712	–	36,712	–	10,182	46,894
Revaluation surplus	(104,966)	68,279	(36,687)	(3,284)	(1,361)	(41,332)
Defined benefit asset	(13,150)	–	(13,150)	–	10,500	(2,650)
	(22,547)	68,279	45,732	(3,284)	(281)	42,167

22 DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Payable within 90 days	609,322	609,322	162,143	162,143

The weighted effective interest rate on deposits and balances due to banking institutions at 31 December 2002 was 4.80% (2001 – 8.00 %).

23 CUSTOMERS' DEPOSITS

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
From Government and parastatals				
Payable on demand	921,243	921,243	1,130,337	1,130,337
From private sector and individuals				
Payable on demand	35,580,692	35,577,096	34,365,944	34,363,468
Payable within 3 months or less	14,112,178	14,112,178	9,394,534	9,394,534
Payable after 3 months	895,046	895,046	168,615	168,615
	51,509,159	51,505,563	45,059,430	45,056,954

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2002 was 2.03% (2001 – 4.10 %).

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

24 OTHER LIABILITIES

	2002		2001	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Bills payable	1,307,175	1,307,175	622,580	622,580
Other accounts payable	1,218,401	1,217,009	1,173,127	1,169,636
	2,525,576	2,524,184	1,795,707	1,792,216

25 SHARE CAPITAL

	2002 KShs '000	2001 KShs '000
Authorised		
248,000,000 ordinary shares of KShs 5.00 each	1,240,000	1,240,000
Issued and fully paid		
247,243,464 ordinary shares of KShs 5.00 each	1,236,217	1,236,217

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at annual and other general meetings of the Bank.

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

26 INTEREST RATE RISK

The Bank is exposed to various risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The table below summarises the exposure to interest rate risks. Included in the table are the Bank's assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

All figures are in thousands of Kenya Shillings (KSh's'000).

ASSETS	Up to 3 months	3 - 6 months	6 - 12 months	1 - 3 years	Over 3 years	Non-interest bearing	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	-	5,834,997	5,834,997
Investments in Government securities	12,763,527	3,420,883	4,137,200	4,632,200	3,000,000	-	27,953,810
Deposits and balances due from banking institutions	555,144	-	-	-	-	-	555,144
Loans and advances to customers	15,649,080	-	-	-	-	-	16,660,187
Amounts due from Group companies	6,979,654	-	-	-	-	-	6,979,654
Other assets	-	-	-	-	-	-	-
Prepaid operating lease rentals	-	-	-	-	-	1,896,747	1,896,747
Property and equipment	-	-	-	-	-	119,197	119,197
Tax recoverable	-	-	-	-	-	1,543,166	1,543,166
Defined benefit asset	-	-	-	-	-	47,005	47,005
Deferred tax asset	-	-	-	-	-	8,831	8,831
	-	-	-	-	-	51,390	51,390
At 31 December 2002	35,947,405	3,420,883	4,137,200	4,632,200	3,000,000	10,512,440	61,650,128
EQUITY AND LIABILITIES							
Deposits and balances due to banking institutions	609,322	-	-	-	-	-	609,322
Customers' deposits	31,982,139	801,523	86,456	7,067	-	18,631,974	51,509,159
Amounts due to Group companies	1,314,126	-	-	-	-	-	1,314,126
Other liabilities	-	-	-	-	-	2,525,576	2,525,576
Total shareholders' equity	-	-	-	-	-	5,691,945	5,691,945
At 31 December 2002	33,905,587	801,523	86,456	7,067	-	26,849,495	61,650,128
INTEREST RATE SENSITIVITY - 2002	2,041,818	2,619,360	4,050,744	4,626,133	3,000,000	(16,337,055)	-
At 31 December 2001							
ASSETS							
Cash and balances with Central Bank of Kenya	38,196,084	135,578	175,783	32,729	5,987,222	9,749,303	54,276,699
Investments in Government securities	33,775,134	131,900	34,897	1,143	675	20,332,950	54,276,699
Deposits and balances due from banking institutions	-	-	-	-	-	-	-
Loans and advances to customers	-	-	-	-	-	-	-
Amounts due from Group companies	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-
Prepaid operating lease rentals	-	-	-	-	-	-	-
Property and equipment	-	-	-	-	-	-	-
Tax recoverable	-	-	-	-	-	-	-
Defined benefit asset	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	-	-
At 31 December 2001	4,420,950	3,678	140,886	31,586	5,986,547	(10,583,647)	-
INTEREST RATE SENSITIVITY - 2001	4,420,950	3,678	140,886	31,586	5,986,547	(10,583,647)	-

Customer deposits upto three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

The Group's operations are subject to the risks of interest rate fluctuations to the extent that the interest earning assets (including investments) and interest bearing liabilities mature or reprice at different times or in differing amounts. Risk management activities are aimed at optimising net interest income, given market interest rates levels consistent with the Group's business strategies.

The Group does not have any significant interest rate risk exposures.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2002

27 LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2002 to the contractual maturity date.

All figures are in thousands of Kenya Shillings (KSh's'000).

	Up to 3 months	3-6 months	6-12 months	1-3 years	Over 3 years	Total
ASSETS						
Cash and balances with Central Bank of Kenya	5,834,997	-	-	-	-	5,834,997
Investments in Government securities	11,125,477	215,433	4,342,700	9,270,200	3,000,000	27,953,810
Deposits and balances due from banking institutions	555,144	-	-	-	-	555,144
Loans and advances to customers	11,596,424	94,968	198,489	2,415,823	2,354,483	16,660,187
Amounts due from Group companies	6,979,654	-	-	-	-	6,979,654
Other assets	1,896,747	-	-	-	-	1,896,747
Prepaid operating lease rentals	-	-	-	-	119,197	119,197
Property and equipment	-	-	-	-	1,543,166	1,543,166
Tax recoverable	-	47,005	-	-	-	47,005
Deferred benefit asset	-	-	-	-	8,831	8,831
Deferred tax asset	-	-	-	-	51,390	51,390
At 31 December 2002	37,998,443	357,406	4,541,189	11,686,023	7,077,067	61,650,128
EQUITY AND LIABILITIES						
Deposits and balances due to banking institutions	609,322	-	-	-	-	609,322
Customers' deposits	50,614,113	801,523	86,456	7,067	-	51,509,159
Amounts due to Group companies	1,314,126	-	-	-	-	1,314,126
Other liabilities	2,525,576	-	-	-	-	2,525,576
Total shareholders' equity	-	951,887	-	-	4,740,058	5,691,945
At 31 December 2002	55,063,137	1,753,410	86,456	7,067	4,740,058	61,650,128
NET LIQUIDITY GAP - 2002	(17,074,694)	(1,396,004)	4,454,733	11,678,956	2,337,009	-
At 31 December 2001						
ASSETS						
Equity and liabilities	39,073,047	401,282	1,366,711	7,187,787	6,247,682	54,276,699
	48,468,767	1,182,685	34,897	1,143	4,569,207	54,276,699
NET LIQUIDITY GAP - 2001	(9,415,720)	(781,393)	1,331,814	7,186,644	1,678,655	-

Customer deposits upto three months represent current, savings and call deposit account balances, which past experience has shown to be stable and of a long term nature.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2002

27 LIQUIDITY RISK (continued)

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both the risk of being unable to fund assets at appropriate maturities and rates and the risk of being unable to liquidate an asset at a reasonable price and in an appropriate timeframe.

The Group has access to a diverse funding base. Funds are raised using a broad range of instruments including deposits, other liabilities evidenced by paper and share capital. This enhances funding flexibility, limits dependence on any one source of funds and generally lowers the cost of funds. The Group strives to maintain a balance between continuity of funding and flexibility through the use of liabilities with a range of maturities. The Group continually assesses liquidity risk by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall Group strategy.

In addition, the Group holds a portfolio of liquid assets as part of its liquidity risk management strategy.

28 CURRENCY RISK

The Group operates wholly within Kenya and its assets and liabilities are carried in the local currency. The Group maintains trade with the main shareholder and other correspondent banks. The various foreign currencies to which the Bank is exposed at 31 December 2002 are summarised below:-

All figures are in thousands of Kenya Shillings (KShs '000)

	USD	GBP	EURO	Other	Total
ASSETS					
Deposits and balances due from banking institutions	38,750	—	—	100,834	139,584
Loans and advances to customers	4,761,197	11,750	141,113	751,418	5,665,478
Amounts due from Group companies	4,673,250	456,939	693,768	119,117	5,943,074
Other assets	380,413	28,491	68,271	18,892	496,067
At 31 December 2002	9,853,610	497,180	903,152	990,261	12,244,203
LIABILITIES					
Deposits and balances due to banking institutions	23,250	—	—	183,949	207,199
Customers' deposits	8,646,214	332,204	797,565	80,965	9,856,948
Amounts due to Group companies	479,804	36,877	—	559,776	1,076,457
Other liabilities	942,794	127,812	112,701	162,956	1,346,263
At 31 December 2002	10,092,062	496,893	910,266	987,646	12,486,867
Net balance sheet position	(238,452)	287	(7,114)	2,615	(242,664)
Net notional off balance sheet position	(492)	(55)	(93)	(63)	(703)
Overall net position – 2002	(238,944)	232	(7,207)	2,552	(243,367)
Overall net position – 2001	311,692	(1,335)	947	10,846	322,150

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

29 NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit before taxation to net cash inflow/(outflow) from operating activities

	2002	2001
	KShs '000	KShs '000
Profit before taxation	3,212,008	3,231,694
Depreciation	240,845	245,564
Loss on sale of property and equipment	4,880	5,238
Profit on sale of prepaid operating lease rentals	(1,743)	(6,859)
Amortisation of prepaid operating lease rentals	2,078	2,186
Deficit on revaluation of property	12,759	—
Defined benefit asset	35,000	2,000
(Increase)/decrease in operating assets		
Balances with Central Bank of Kenya		
— Cash Reserve Ratio (CRR)	(432,545)	(437,900)
Treasury bills under repurchase agreements	940,979	(1,796,991)
Investments in treasury bonds	(5,479,045)	(9,617,221)
Kenya Government stock	—	10,000
Loans and advances to customers	(1,925,145)	2,173,333
Other assets	(61,378)	(171,651)
Increase/(decrease) in operating liabilities		
Customers' deposits	6,449,729	5,747,823
Deposits and balances due to banking institutions	447,179	(1,201,895)
Other liabilities	729,869	344,775
Cash flows from operating activities	4,175,470	(1,469,904)
Income taxes paid	(1,008,333)	(1,065,651)
Net cash inflow/(outflow) from operating activities	3,167,137	(2,535,555)

(b) Analysis of the balance of cash and cash equivalents

Cash on hand (Note 11)	1,784,460	1,300,547
Deposits and balances due from banking institutions	555,144	418,996
Amounts due from Group companies	6,979,654	4,177,915
Amounts due to Group companies	(1,314,126)	(1,640,102)
Treasury bills (Note 12)	8,143,819	11,153,439
	16,148,951	15,410,795

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

30 OFF BALANCE SHEET CONTINGENCIES AND COMMITMENTS – GROUP AND COMPANY

In the ordinary course of business, the Group conducts business involving guarantees, acceptances and performance bonds. These facilities are offset by corresponding obligations of third parties. At the year end, the contingencies were as follows:

	2002 KShs '000	2001 KShs '000
Guarantees and standby letters of credit	3,841,246	3,790,394
Letters of credit, acceptances and other documentary credits	4,254,458	3,037,349
Performance bonds and warranties	51,169	50,497
	8,146,873	6,878,240
Commitments were as follows:		
Forward foreign exchange contracts	2,132,643	3,952,610

Nature of contingent liabilities

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

Letters of credit commit the bank to make payment to third parties, on production of documents, which are subsequently reimbursed by customers.

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The bank expects most acceptances to be presented, and reimbursement by the customer is almost immediate.

Forward foreign exchange contracts are commitments to either purchase or sell a designated financial instrument at a specified future date for a specified price and may be settled in cash or another financial asset.

31 CREDIT RISK MANAGEMENT

The Group has policies and procedures for managing credit risk. These include ensuring that counterparties operate within the set limits and are of good credit standing.

The credit risk is managed on a regular basis to minimise potential credit exposure and financial loss.

32 RISK MANAGEMENT DISCLOSURES

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk in respect of derivative financial instruments. The most important types of financial risk to which the Group is exposed to are liquidity risk as detailed in Note 27, credit risk and market risk. Market risk includes interest rate risk and currency risk as detailed in Notes 26 and 28 respectively.

A. Derivative financial instruments

The Group enters into forward foreign exchange contracts for trading and risk management purposes.

Forward foreign exchange contracts are commitments to either purchase or sell a designated financial instrument at a specified future date for a specified price and may be settled in cash or another financial asset. Forward contracts result in credit exposure to the counterparty and exposure to market risk based on changes in market prices relative to contracted amounts.

B. Trading activities

The Group manages its trading activities by the type of risk involved and on the basis of the categories of trading instruments held.

(i) Credit risk

The Group's credit exposure from financial instruments held for trading purposes at the balance sheet date is represented by the fair value of instruments with a positive fair value at that date, as recorded on the balance sheet. Notional amounts disclosed in the notes to the financial statements do not represent the amounts to be exchanged by the parties to derivatives and do not measure the Group's exposure to credit or market risks. The amounts to be exchanged are based on the terms of the derivatives.

The risk that counterparties to trading instruments might default on their obligations is monitored on an ongoing basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Group deals with counterparties of good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral.

Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

Notes to the Consolidated Financial Statements (continued) for the year ended 31 December 2002

(ii) Market risk

All trading instruments are subject to market risk, the risk that future changes in market conditions may make an instrument less valuable or more onerous. The instruments are recognised at fair value, and all changes in market conditions directly affect net trading income.

The Group manages its use of trading instruments in response to changing market conditions. Exposure to market risk is formally managed in accordance with risk limits set by senior management by buying or selling instruments or entering into offsetting positions.

33 OTHER CONTINGENT LIABILITIES

In the ordinary course of business, the Bank and its subsidiaries are defendants in various litigations and claims. Although there can be no assurances, the directors believe, based on the information currently available and legal advice, that the claims can be successfully defended and therefore no provision has been made in the financial statements.

Two of the significant claims are described below:-

One of the Bank's subsidiaries, Standard Chartered Financial Services Limited, is a litigant in a case in which a former customer was awarded damages amounting to KShs 251 million by the Court of Appeal of the Republic of Kenya.

The directors, having considered the award and obtained appropriate legal advice, have challenged the ruling of the Court of Appeal of the Republic of Kenya at the Common Market for East and Southern Africa (COMESA) Court of Justice based in Lusaka.

At an initial hearing, the COMESA court ruled, among others, that no execution should be levied in respect of the award granted by the Court of Appeal of the Republic of Kenya, pending the final determination of the case.

The Bank is also a defendant in a legal suit filed by a former customer. During the year, the High Court of the Republic of Kenya entered a judgement in favour of the customer. The judgement against the Bank was restricted to whether or not the Bank was at fault. The determination of the value of any claim arising has not yet been determined by the High Court of the Republic of Kenya.

The Bank has appealed against the ruling in the Court of Appeal of the Republic of Kenya and the appeal is yet to be heard and determined.

34 THE CENTRAL BANK OF KENYA (AMENDMENT) ACT, 2000

The Central Bank of Kenya (Amendment) Act, 2000 received assent on 6 August 2001. Subsequent to that date, the Kenya Bankers Association filed a constitutional application at the High Court of Kenya. The Court delivered its Judgement on 24 January 2002.

A Decree to confirm the Judgement was extracted on 22 February 2002. Subsequently, the Attorney General filed an application to have the Decree varied. A Consent Order to vary the Decree was granted but was never extracted. This was then challenged by the Central Bank of Kenya and the Kenya Bankers Association. The matter has not been determined to date and as such the Act continues to be inoperative.

The Directors have taken legal opinion, which confirms that the Act is unoperational for 2002 and therefore has no impact on the results for the year.

35 ASSETS PLEDGED AS SECURITY

As at 31 December 2002, there were no assets pledged by the Bank to secure liabilities and there were no secured bank liabilities.

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2002

36 RELATED PARTY TRANSACTIONS

In the normal course of business, transactions are entered into with Standard Chartered PLC, the ultimate holding company and other companies related to Standard Chartered Kenya Limited through common shareholding or common directorships. The relevant balances are shown in Note 15. These transactions are at arm's length.

The parent company also provides technical support and consultancy services which are charged at market rates.

The Bank also entered into transactions at arms length with Standard Chartered Kenya Pension Fund (SCKPF). At 31 December 2002, deposits from SCKPF amounted to KShs 25,088,173 (2001 – KShs 73,252,946).

Included in loans and advances to customers are the following amounts:

Group and company:	2002 KShs '000	2001 KShs '000
Loans and advances to directors, employees and associates		
At start of the year	347,389	446,486
Amounts advanced during the year	227,596	94,509
Amounts repaid during the year	(172,738)	(193,606)
At end of the year	402,247	347,389

The above loans and advances were given on commercial terms and conditions.

37 CAPITAL COMMITMENTS — GROUP AND COMPANY

Authorised and contracted for	5,000	39,413
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38 FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES – GROUP AND COMPANY

The Group's future annual rental commitments under operating leases are as follows:-

	2002		2001	
	Premises KShs '000	Equipment KShs '000	Premises KShs '000	Equipment KShs '000
Annual rentals on operating leases expiring:				
Within 1 year	47,743	–	42,000	–
Between 1 and 5 years	15,447	22,294	19,339	22,294
	63,190	22,294	61,339	22,294

The majority of leases relating to premises are subject to rent escalations.

39 INCORPORATION

The Bank is incorporated as a limited company in Kenya under the Companies Act.

40 HOLDING COMPANY

The ultimate holding company of Standard Chartered Bank Kenya Limited is Standard Chartered PLC, a company incorporated in Great Britain.

41 CURRENCY

These financial statements are expressed in Kenya Shillings (KShs).

Notice of the Annual General Meeting to the Members of Standard Chartered Bank Kenya Limited

Notice is hereby given that the seventeenth Annual General Meeting of the Company will be held at the Intercontinental Hotel Nairobi on Thursday 22 May 2003 at 3 p.m. for the following purposes:

1. To receive and consider the report of the Directors and statement of accounts and balance sheet of the Company for the year ended 31 December 2002 with the Auditors' report thereon.
2. To confirm the payment of two interim dividends of KShs 2.20 each on 16 September 2002 and 20 December 2002 and to approve the payment of a final dividend of KShs 3.85 for each ordinary share of KShs 5.00 on the issued Share Capital of the Company in respect of the year ended 31 December 2002.
3. To elect Mr. D.D. Afande, a Director retiring by rotation, who being eligible, offers himself for re-election.
4. To pass the following Ordinary Resolutions:-

(a) Extension of Chairman's term

Special Notice pursuant to Sections 142 and 186(5) of the Companies Act having been received by the Company, of the intention to move a resolution that Mr. H.H.O. Awori continues in office as a Director of the Company for a period of two years notwithstanding his having attained the age of 70 years, to consider and if thought fit, pass the following resolution as an Ordinary Resolution.

"That pursuant to Section 186(5) of the Companies Act Mr. H.H.O. Awori who has attained the age of 70 years continues in office as a Director of the Company for a period of two years notwithstanding his having attained such age".

(b) Amendment of Article 25 of the Memorandum of Articles of Association on transfer of shares by inserting the following words at the end of the Article.

Provided that:-

- i. "The provisions of the Central Depositories Act 2000 as amended or modified from time to time shall apply to the Company to the extent that any securities of the Company are in part or in whole immobilised or dematerialised or are required by the regulations or rules issued under the Central Depositories Act to be immobilised or dematerialised in part or in whole, as the case may be. Any provisions of these articles that are inconsistent with the Central Depositories Act or any regulations or rules issued or made pursuant thereto shall be deemed to be modified to the extent of such inconsistencies in their application to such securities. For the purposes of these Articles of Association, immobilisation and dematerialisation shall be construed in the same way as they are construed in the Central Depositories Act."
 - ii. "Where any securities of the Company are forfeited pursuant to these Articles of Association after being immobilised or dematerialised, the Company shall be entitled to transfer such securities to a securities account designated by the Directors for this purpose."
5. To authorise the Board to fix the Directors' remuneration.
 6. To note continuance in office of KPMG Kenya as Auditors in accordance with section 159 (2) of the Companies Act and to authorise the Directors to fix their remuneration.

By the order of the Board

N.N. Oginde

Company Secretary

P.O. Box 30003, 00100 Nairobi GPO.

20 February 2003

Note:

A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote on his/her behalf.

A proxy need not be a member of the company.

A Form of Proxy is provided in this report. Shareholders unable to attend the meeting are requested to complete the proxy form and return it so as to reach the office of the Registrar, Barclays Advisory and Registrar Services Limited not later than 3 p.m. on 20 May 2003.

Notes

Notes

10/10/10

Form of Proxy

I/we: _____

being a member/members of Standard Chartered Bank Kenya Limited hereby appoint:

of (address): _____

or failing him/her: _____

of (address): _____

and failing him/her the Chairman of the meeting to be my/our proxy, to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Thursday 22 May 2003 at the Intercontinental Hotel, at 3 p.m. or any adjournment thereof.

As witness my/our hand/hands this day of _____ 2003

Signed: _____

Note:

1. The completed Form of Proxy by members must be either lodged at the offices of the Company or the Share Registrar's office, Bank House, Moi Avenue, Nairobi or to be posted so as to reach Barclays Advisory and Registrar Services Limited, P.O Box 30120, not later than 3 p.m. 20 May 2003, failing which it shall be invalid.
2. In case of a Corporation, the proxy must be under its common seal.

Mimi/sisi: _____

kama mwanahisa/wanahisa wa Standard Chartered Bank Kenya Limited nateua/tunateua

wa (anwani): _____

Na akikosa yeye: _____

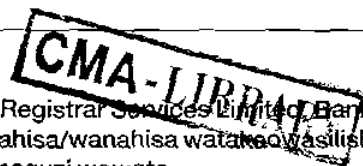
wa (anwani): _____

Na akikosa yeye Mwenyekiti wa Mkutano kama Mwakilishi wangu/wetu wa kunipigia/kutupigia kura na kwa niaba yangu/yetu kwenye mkutano wa kila mwaka wa kampuni utakaofanywa Alhamisi saa tisa alasiri Mei 22, 2003 Intercontinental Hotel, na wakati wa ahirisho lolote litakalotokea baadaye, kama shahidi siku hii: _____ 2003.

Sahihii: _____

Muhimu:

1. Hii fomu ya uwakilishi lazima irudishwe kwa afisi ya Barclays Advisory and Registrar Services Limited, Bank House, Moi Avenue, kabla ya Jumanne saa tisa alasiri Mei 20, 2003. Mwanahisa/wanahisa watako vasilisha fomu hii baada ya saa tisa, hataruhusiwa/wataruhusiwa kushiriki katika uchaguzi wowote.
2. Ikiwa mteuzi ni Shirika, fomu hii ya uwakilishi lazima ifungwe kwa lakiri.



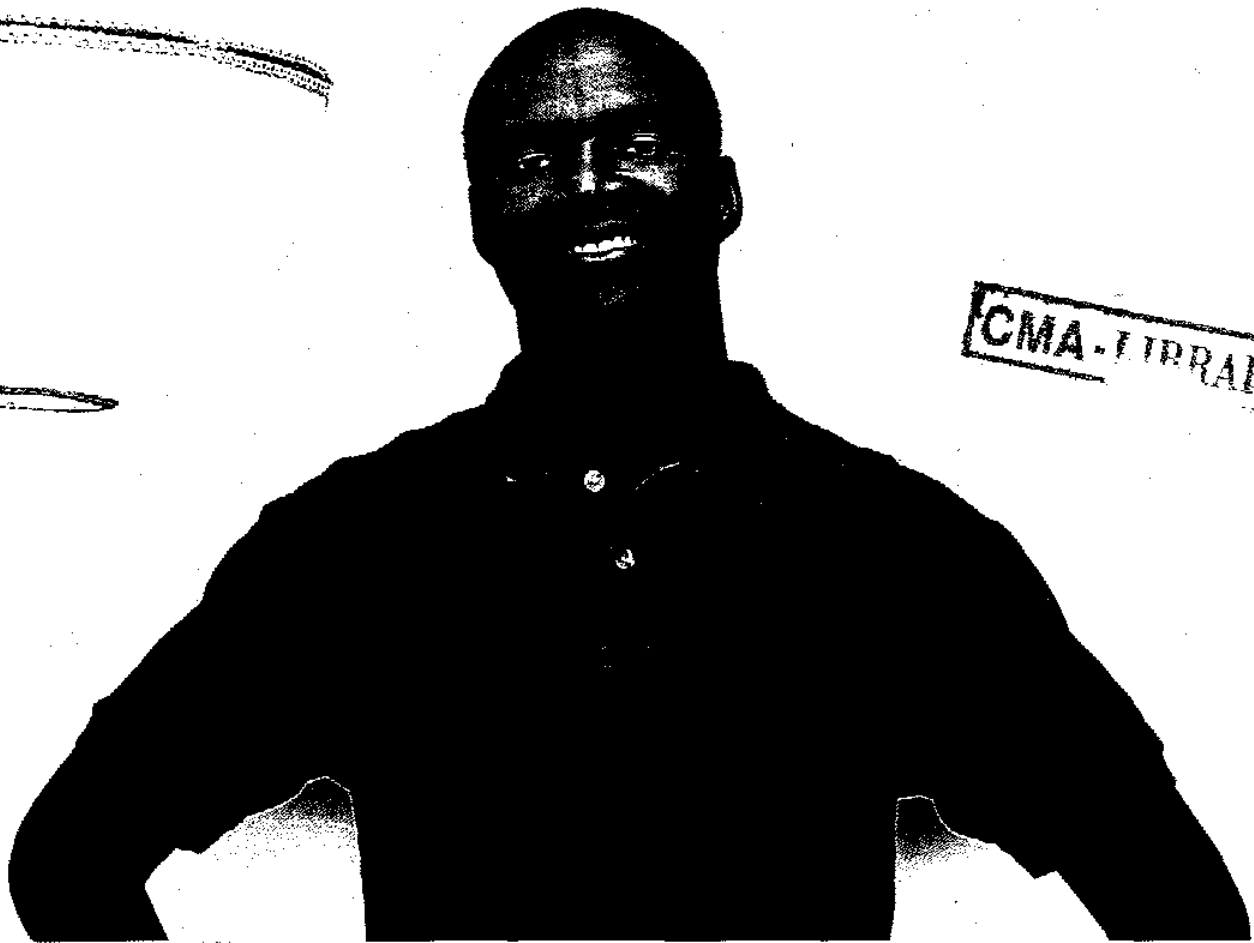
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Board of Directors



Hannington H. O. Awori
Chairman

Appointed to the Board on 23 November 1987 and became Chairman on 1 May 1996. He is also Chairman of Nation Media Group and several other companies within the East African Region.



Michael C. Hart
Chief Executive Officer

Appointed to the Board on 20 February 2003 and has replaced Mr. A. Christopher M. Low. He joined Standard Chartered Bank Group in 1988. He had worked for the Bank in Wales, Singapore, London and Hong Kong before arriving in Kenya this year. Previous jobs have included Executive Director, Chartered Trust, Group Head of Operations, Group Head of Audit & Investigations, Programme Director ("Fit for Growth"), Integration Executive — Chase acquisition, Group Head of Operations & Re-engineering and most recently Programme Director based in Hong Kong.



Ambassador Denis D. Afande
Non-Executive Director

Appointed to the Board on 1 August 2000. He was for many years a career diplomat, serving in various countries such as the United States of America and at the United Nations office in Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). He is Chairman of Kenya Power & Lighting Company Limited.



Peter D. Sullivan
Non-Executive Director

Appointed to the Board on 17 November 2001. He is Chief Executive Officer of Standard Chartered Bank Africa Region, Chief Executive Officer of Grindlays Bank, Director of Standard Chartered Bank Ghana Limited and Director, Standard Chartered Bank Zimbabwe. He previously worked with Citibank Group and was the Captain of the Australian International Rugby Team in the 70's.



Sheila M. M'Mbijewe
Executive Director

Appointed to the Board on 24 May 1999. She is responsible for Finance. She previously worked as Finance Director at Stagecoach, Director of Finance at PricewaterhouseCoopers and a Consultant Administrator at Dr. Barnados Childrens' Home. She is also a Director of the Capital Markets Authority (CMA).



Alan J. Dodd
Executive Director

Appointed to the Board on 30 July 1998. He is responsible for Corporate and Institutions Banking. He has been with the Group for 25 years and has worked in Botswana, Bahrain, Seychelles, Hong Kong, Oman and Brunei.



Jeremy E. H. Awori
Executive Director

Appointed to the Board on 1 July 2001. He is responsible for Consumer Banking and in the last five years managed branch operations and Service Quality. Before joining the Bank, he worked for Boots the Chemist, UK in various roles and as Business Consultant in Canada upon completion of an MBA degree.



David G. Njoroge
Non-Executive Director

Appointed to the Board on 30 August 1996. He is a director of Combrot Limited. He is also the Chairman of the Bank's Audit Committee.



Nancy N. Oginde
Company Secretary

Appointed on 1 March 1999. She is secretary to the Board and Head of Legal & Compliance.



Ravneet Chowdhury
Executive Director

Appointed to the Board on 1 August 2002. He joined Standard Chartered Bank Group in 1994 and worked for the Bank in India and Botswana before being posted to Kenya in 2000. He has been Area Manager, Global Markets and also Head of Global Markets, Kenya. Previous appointments include Manager, Capital Markets in American Express Bank and Area Manager, Treasury in ABN Amro Bank, New Delhi.

The Board and Statutory Information

Directors

H.H.O. Awori	Chairman
M.C. Hart*	Managing Director (Appointed on 20 February 2003)
A.C.M. Low*	Managing Director (Resigned on 12 February 2003)
D.G. Njoroge	
P.D. Sullivan**	
A.J. Dodd*	
S.M. M'Mbijjewe	
P.G. Mclean**	(Resigned on 30 July 2002)
D.D. Afande	
J.E.H. Awori	
R. Chowdhury***	(Appointed on 1 August 2002)

* British

** Australian

*** Indian

Audit Committee

D.G. Njoroge	Chairman
D.D. Afande	
G. Akello	(Stepped down on 17 July 2002)
P. Gitau	(Appointed on 1 July 2002)
N.N. Oginde	

Secretary

N.N. Oginde
Stanbank House
Moi Avenue
P.O. Box 30003
00100 Nairobi GPO.

Auditors

KPMG Kenya
16th Floor, Lonrho House
Standard Street
P.O. Box 40612
00100 Nairobi GPO.

Registered Office

Stanbank House,
Moi Avenue
P.O. Box 30003
00100 Nairobi GPO.

Registrars and Transfer Office

Barclays Advisory and Registrar Services Limited
Bank House, Moi Avenue
P.O. Box 30120
00100 Nairobi GPO.

Report of the Directors for the year ended 31 December 2002

The directors submit their report together with the audited financial statements for the year ended 31 December 2002 in accordance with Section 22 of the Banking Act and Section 157 of the Companies Act which discloses the state of affairs of the Group and Company.

1. Activities

The Group is engaged in the business of banking and provision of related services and is licensed under the Banking Act.

2. Results

The results for the year are set out on page 21.

3. Dividends

A first interim dividend of KShs 2.20 per ordinary share of KShs 5.00 each and a second interim dividend of KShs 2.20 per ordinary share of KShs 5.00 each were paid on 16 September 2002 and 20 December 2002 respectively. The directors have resolved to recommend to the members at the forthcoming Annual

General Meeting a final dividend for the year of KShs 3.85 per ordinary share of KShs 5.00 each, to be paid on or after 30 May 2003 to shareholders registered on the company's register at the close of business on 24 March 2003. The register of members will remain closed on 25 March 2003. The total dividend recommended for the year is therefore KShs 8.25 (2001 – KShs 8.25).

4. Directors

The directors who served during the year are set out on pages 14 and 15.

- (a) In accordance with the Articles of Association, Mr. D.D. Afande retires by rotation and being eligible, offers himself for re-election.
- (b) Mr. H.H.O. Awori retires in accordance with the Company's Articles of Association Section 100(2), but Special Notice under Section 186(5) of the Companies Act has been received for his re-appointment for a period of two years.

5. Auditors

The auditors, KPMG Kenya, who changed their name from KPMG Peat Marwick, have indicated their willingness to continue in office in accordance with Section 159(2) of the Companies Act and subject to Section 24(1) of the Banking Act.

6. Approval of financial statements

The financial statements were approved at a meeting of the directors held on 20 February 2003.

BY ORDER OF THE BOARD

N.N. Oginde
Secretary

20 February 2003

Statement on Corporate Governance

Corporate governance deals with the way companies are led and managed, the role of the Board of directors and a framework of internal controls. The Board of Standard Chartered Bank Kenya Limited is committed to proper standards of corporate governance and confirms that the company has complied with the provisions of our regulators including the Central Bank of Kenya, the Capital Markets Authority and the Nairobi Stock Exchange.

Directors

The full Board meets at least four times a year, and has a formal schedule of matters reserved for it. The directors are given appropriate and timely information so that they can maintain full and effective control over strategic, financial, operational and compliance issues.

Except for direction and guidance on general policy, the Board has delegated authority for the conduct of day to day business to the Chief Executive Officer. It however retains responsibility for establishing and maintaining the Bank's overall internal control of financial, operational and compliance issues and monitoring the performance of the executive management.

Four out of the nine members of the Board are non-executive and all directors are subject to periodic reappointment in accordance with the company's Articles of Association. On appointment, each director receives information about the Bank and is advised of the legal, regulatory and other obligations of a director of a listed company. They have access to the Company Secretary, who is

responsible for ensuring that Board procedures are followed and that applicable laws and regulations are complied with.

Directors' Remuneration

The remuneration of all directors is subject to regular monitoring to ensure that levels of remuneration and compensation are appropriate. Information on the compensation received and the dealings of the directors with the Bank are included in the annual report in notes 7 and 36 on pages 29 and 43 respectively.

Accountability and Audit

The Audit Committee chaired by Mr D.G. Njoroge, a non-executive director receives reports on the findings of the Internal Audit and Frauds and Investigations departments which audit business operations and the internal control environment. It also receives input and reports from the external auditors. In addition, the Committee regularly reviews and considers changes to improve the Bank's security, internal control and risk management processes.

Going concern

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

Internal controls

The Board has a collective responsibility

for the establishment and maintenance of a system of internal control that provides reasonable assurance of effective and efficient operations. However, it recognises that any system of internal control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Board attaches great importance to maintaining a strong control environment and the Group's system of internal controls includes the assessment of non-financial risks and controls. The Board has reviewed the Bank's internal control policies and procedures and is satisfied that appropriate procedures are in place. The Board also reviewed the level of bad and doubtful debt provisioning as at 31 December 2002 and is satisfied with their adequacy to cover the credit risk exposure.

The Bank ensures that there are written policies and procedures to identify and manage risk including operational risk, balance sheet management, market and credit risk on an ongoing basis.

The Bank's business is conducted within a developed control framework, underpinned by policy statements, written procedures and control manuals. The Board has established a management structure, which clearly defines roles, responsibilities and reporting lines. Delegated authorities are documented and communicated.

The business performance of the Bank is reported regularly to its management and the Board. Performance trends, forecasts as well as actual performance against budgets and prior periods are

Statement on Corporate Governance (continued)

closely monitored. Financial information is prepared using appropriate accounting policies, which are applied consistently. Operational procedures and controls have been established to facilitate complete, accurate and timely processing of transactions and the safeguarding of assets. These controls also include segregation of duties, regular reconciliation of accounts and valuation of assets and positions.

The Board has approved a Code of Conduct, which sets out the Bank's core values relating to the lawful and ethical

conduct of business. All employees have a copy of this Code of Conduct and are expected to observe high standards of integrity and fair dealing in relation to customers, staff and regulators in the communities in which the Bank operates. This forms part of a Bank compliance structure, which sets policies and standards for compliance with rules, regulations and legal requirements.

Relations with Shareholders

The Board recognises the importance of good communication with all

shareholders. The AGM as well as the published annual reports are used as an opportunity to communicate with all shareholders. The Bank will always give shareholders the 21 days notice of the AGM required by the Companies Act.

Stakeholder analysis – 2002

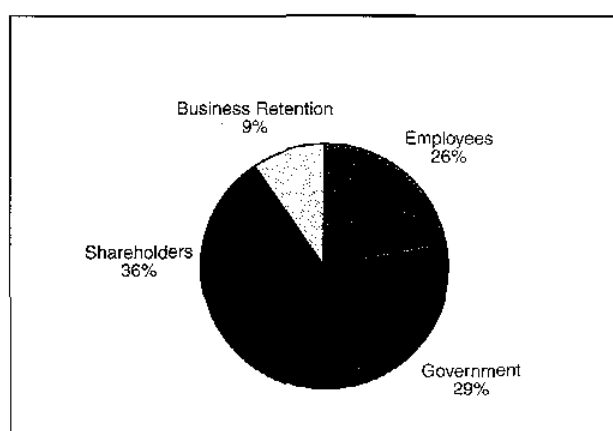
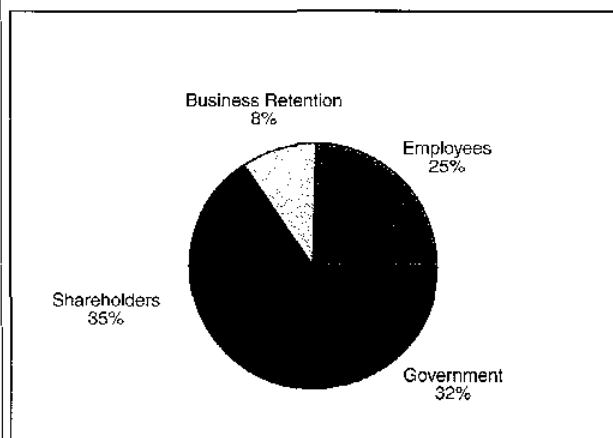
Stakeholder share of earnings – KShs million

Employees	1,269
Government	1,633
Shareholders	1,827
Business Retention	407
	5,136

Stakeholder analysis – 2001

Stakeholder share of earnings – KShs million

Employees	1,334
Government	1,505
Shareholders	1,854
Business Retention	449
	5,142



Statement of Directors' Responsibilities

The Companies 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 group and the company as at the end of the financial year and of the operating results of the group for that year. It also requires directors to ensure the group and the company keep proper accounting records which disclose with reasonable accuracy the financial position of the group and the company. They are also responsible for safeguarding the assets of the group.

The directors accept responsibility for the 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 promulgated by the International Accounting Standards Board and in the manner required by the Companies Act. The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and company and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the company and its subsidiaries will not remain a

going concern for at least the next twelve months from the date of this statement.

Director: H.H.O. Awori

Director: M.C. Hart

Director: S.M. M'Mbijewe

Date: 20 February 2003

Report of the Independent Auditors to the Members of Standard Chartered Bank Kenya Limited

We have audited the financial statements set out on pages 21 to 43 which have been prepared on the basis of the accounting policies set out in Note 1. 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 and to provide a reasonable basis for our opinion. The balance sheet of the company is in agreement with the books of account.

Respective responsibilities of directors and independent auditors

As stated on page 19, the directors are responsible for the preparation of financial statements which give a true and fair view of the state of affairs of the company and the group and of the operating results of the group. Our responsibility is to express an independent opinion on the financial statements based on our audit and to report our opinion to you.

Basis of opinion

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

Opinion

In our opinion, proper books of account have been kept and the financial statements give a true and fair view of the

state of the financial affairs of the company and of the group at 31 December 2002 and of the results and cash flows of the group for the year then ended in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and comply with the requirements of the Companies Act.

KPMG Kenya
Certified Public Accountants
P.O. Box 40612
00100 Nairobi GPO.

20 February 2003