Annual Report and Accounts 2004

...ng the way in Asia, Africa and the Middle East

Standard Chartered

Strategic Highlights

- **2004 a very unique year for Standard Chartered**
- **Successfully reshaped the balance sheet**
- **Focus on growing lending to corporate and consumer banking customers**
- **Costs remained well controlled, rising by a modest 4%**
- **Non-performing loans ratio one of the lowest in the market at 8%**

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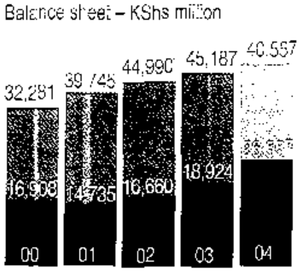
Balance sheet		Profit before taxation
KShs 26,557m Loans and advances to customers	KShs 40,557m All other assets	KShs 2,691m

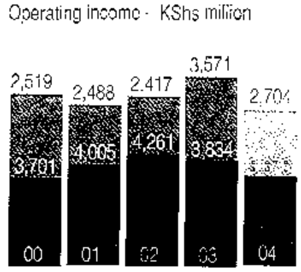
Net revenue		Dividend per share
KShs 3,676m Net interest income	KShs 2,704m Other revenue	KShs 6.50

Balance sheet – KShs million



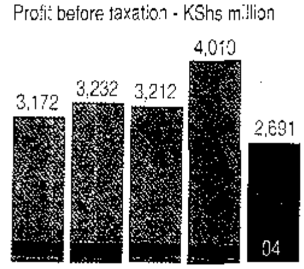
Loans and advances
Other assets

Operating income – KShs million

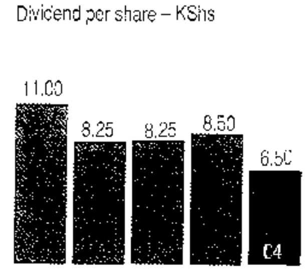


Net interest income
Other revenue

Profit before taxation - KShs million



Dividend per share – KShs



Chairman's Statement

2004 was a challenging year for the banking sector in Kenya. For most of the year, margins were squeezed as a result of the low interest rates prevailing in the economy and intense competition among the banks for good quality lending opportunities. Low levels of economic activity and slow GDP growth at around 2.6% placed additional pressure on many sectors of the economy.

KShs 2,691 million

Operating income
KShs 6,380 million

KShs 6.74

Recommended final dividend
KShs 2.10

During this difficult year, the Bank was also in the process of undertaking important changes to position itself to compete even more strongly in the future.

The actions that were taken to reshape the balance sheet were essential. We have by no means reached the end of our journey, but given the performance so far, we have every confidence that the strategy we are pursuing is the right one and one that has established a very strong foundation for the Bank's continued success in years to come.

Here are the financial highlights:

Financial Highlights

- Operating income fell 14% to KShs 6,380 million compared to KShs 7,405 million in 2003
- Profit before taxation fell 33% to stand at KShs 2,691 million
- Costs remained relatively flat at KShs 3,442 million
- Impairment losses on loans and advances rose from KShs 81 million to KShs 247 million
- Loans and advances grew by 40% to KShs 26,557 million
- Investments in government securities fell by 29% to KShs 24,060 million
- Customer deposits grew by 5% to KShs 56,585 million
- Non-performing loans ratio fell from 10.4% to 8.0%.

Dividend

The Board of Directors of Standard Chartered Bank Kenya Limited is recommending a final dividend of KShs 2.10 per share, bringing the total dividend to KShs 6.50 per share compared to KShs 8.50 per share in 2003.

The Board

In May 2004, we announced the appointment of Harris Mule and Kaushik Shah to the Board as non-executive directors. Harris is a well-known development economist. He was a long serving Permanent Secretary in the Ministry of Finance and Planning. Harris is currently the Vice Chancellor of Kenyatta University and Chairman of a number of development and business organisations. Kaushik is a respected industrialist and is currently the Chief Executive Officer of Mabati Rolling Mills Limited, which is one of Kenya's leading manufacturing companies.

During the year, Peter Sullivan resigned from the Board following his appointment as Chief Executive Officer of Standard Chartered Bank Hong Kong. I would like to thank Peter for his valued contribution.

I also wish to thank the Board of Directors for steering the Bank through a very difficult trading environment.

Community Partnership

There is no doubt that we have a responsibility to the communities we operate in. We in Standard Chartered are proud of the life-changing community projects that we continue to undertake in Kenya. In 2004, we contributed KShs 70 million to various community related activities across the country.

- We became the title sponsor of the Standard Chartered Nairobi Marathon in 2003. This event has become an enormous success and for the second time, in 2004, your Bank sponsored this Marathon, which is the only IAAF rated international marathon in Kenya. This is a high profile event and a great way to be part of the community. More than 10,000 runners participated in 2004. The event has now become a major calendar event in Kenya.

- We also embarked on a major construction project at the Salvation Army Thika High School for the Blind, which includes a new double-storey classroom block that will accommodate 80 students, two dormitories and a modern ablution block for girl students. The project will see enrolment of girls increase this year by 95% to 164 girl students, up from the current 84, whilst overall enrolment will rise 36% to 306 students from the current 225. In addition, your Bank had already sunk a borehole and donated a brand new 62-seater bus to the school. Our total contribution to the school is in excess of KShs 21.1 million. The building facilities will be handed over to the school shortly.

- I am also very proud that we were able to restore the sight of 167 children through cataract operations at the Kikuyu Hospital Eye Unit. This was well beyond our target of 150. I am equally proud of our support towards efforts aimed at eradicating trachoma in Northern Laikipia.

All of the above projects are linked to the Standard Chartered Group "Seeing is Believing" campaign whose aim is to restore sight to one million people around the world by 2006. You will hear more of this in 2005.

2004 has been the most challenging year for Standard Chartered Bank Kenya Limited since I became chairman. The fact that in this difficult year we have reshaped the business is a commendable achievement for which the Board and I extend our appreciation to our customers, shareholders and other business partners. Because of their valued support, we are confident that the foundation for a bright future has been laid.

Hannington Awori, EBS
Chairman

17 February 2005

Taarifa ya Mwenyekiti

Mwaka wa 2004 ulikuwa mwaka mgumu kwa sekta ya benki nchini Kenya. Kwa mwaka mzima, biashara yetu ilipungua kutokana na viwango vya chini vya riba vilivyokuweko katika shughuli za kiuchumi na mashindano makali miongoni mwa benki kwa nafasi bora za utoaji mikopo. Viwango vya chini vya shughuli za kiuchumi na kukua pole pole kwa pato la taifa kwa asilimia 2.6 kuliongezea shinikizo kwa sekta nyingi za kiuchumi.

Shilingi milioni 2,691

Mapato
Shilingi milioni 6,380

Shilingi 6.74

Mgao wa mwisho wa faida uliopendekezwa
Shilingi 2.10

Wakati wa mwaka huu mgumu, benki hii pia ilikuwa katika mpango wa kufanya mabadiliko muhimu ili kujiweka katika nafasi ya kushindana hata zaidi katika siku sijazo.

Hatua zilizochukuliwa za kurekebisha taarifa ya mali na madeni zilikuwa muhimu. Hatujafikia mwisho wa safari yetu, lakini kutokana na matokeo yetu hadi sasa, tuna kila sababu ya kuamini kwamba mbinu tunayofuatilia ndiyo ifaayo na ambayo imeanzisha msingi thabiti kwa kuendelea kufaulu kwa benki hii katika miaka ijayo.

Haya ndiyo maangazio ya kifedha:

Maangazio ya Kifedha

- Pato kwa ujumla lilipungua kwa asilimia 14 hadi shilingi milioni 6,380 ikilinganishwa na shilingi milioni 7,405 mwaka 2003
- Faida iliyopatikana kabla ya kutozwa kodi ilipungua kwa asilimia 33 hadi shilingi milioni 2,691
- Gharama ilibakia vile vile kwa kiasi cha shilingi milioni 3,442
- Kiwango cha pesa za kugharamia madeni yasiyolipwa kiliongezeka kutoka shilingi milioni 81 hadi shilingi milioni 247
- Mikopo na rubuni iliongezeka kwa asilimia 40 hadi shilingi milioni 26,557
- Uwekezaji wa hati za dhamana za serikali ulipungua kwa asilimia 29 hadi shilingi milioni 24,060
- Akiba za wateja ziliongezeka kwa asilimia 5 hadi shilingi milioni 56,585
- Mikopo isiyolipwa ilipungua kutoka asilimia 10.4 hadi asilimia 8.0.

Taarifa ya Mwenyekiti (yaendelea)

Mgao wa Faida

Halmashauri ya wakurugenzi wa Benki ya Standard Chartered Kenya Limited inapendekeza mgao wa mwisho wa faida wa shilingi 2.10 kwa kila hisa, na kuleta jumla ya mgao huo wa faida kuwa shilingi 6.50 kwa kila hisa ikilinganishwa na shilingi 8.50 kwa kila hisa mwaka wa 2003.

Halmashauri

Mnamo mwezi Mei mwaka 2004 tulitangaza kuteuliwa kwa Harris Mule na Kaushik Shah kujiunga na Halmashauri hii kama wakurugenzi wasio wafanyikazi. Harris, mtaalam wa kimaendeleo anayefahamika sana alihudumu kwa muda mrefu kama katibu katika wizara ya Fedha na Mipango. Kwa wakati huu ni Vice Chancellor wa Chuo Kikuu cha Kenyatta na Mwenyekiti wa mashirika kadhaa ya biashara na maendeleo. Kaushik ni mfanyibiashara wa viwanda anayeheshimika. Kwa wakati huu ndiye Mkurugenzi mkuu wa kampuni ya Mabati Rolling Mills Limited, ambayo ni moja ya kampuni kubwa za utengenezaji mabati hapa Kenya. Mwaka huo, Peter Sulivan alijiuzulu kutoka kwa Halmashauri hii kufuatia kuteuliwa kwake kuwa Mkurugenzi mkuu wa Benki ya Standard Chartered huko Hong Kong. Ningependa kuishukuru Halmashauri ya wakurugenzi kwa kuiendesha Benki hii kama ilivyo kupitia mazingira magumu ya kibiashara.

Ushirika wa Jamii

Hapana shaka kwamba tunajukumu kwa jamii tunayoihudumia. Sisi katika Benki ya Standard Chartered tunajivunia mchango tunaoendelea kutoa kwa jamii ya Kenya. Mnamo mwaka wa 2004, Benki ya Standard Chartered ilitoa mchango wa shilingi milioni 70 kwa jamii hapa nchini.

- Tulikuwa wadhamini wakuu wa mbio za Nairobi Marathon za Standard Chartered mwaka wa 2003. Tukio hili lilifaulu mno na kwa mara ya pili mwaka wa 2004, Benki yenu ilidhamini mbio hizi za Marathon ambazo ndizo pekee za shirikisho la kimataifa la riadha za kiwango cha kimataifa kufanywa nchini Kenya. Hili ni tukio kubwa na fursa kuu ya kuwa sehemu ya jamii. Zaidi ya wanariadha elfu 10 walishiriki kwenye mbio za mwaka wa 2004. Tukio hili sasa limekuwa la kila mwaka hapa Kenya.

- Pia tulianzisha mradi mkubwa wa kujenga shule ya upili ya kanisa la Jeshi la Wokovu kwa wasioona ya Thika, pamoja na jengo jipya la madarasa lenye orofa, litakalohudumia wanafunzi 80, mabweni mawili na jengo jingine la kisasa kwa wanafunzi wa kike, kuongeza idadi ya sasa ya wanafunzi 84, ilhali uandikishaji wanafunzi wapya utaongezeka hadi asilimia 36 na kufikia wanafunzi 306 kutoka idadi ya sasa ya wanafunzi 225. Vile vile, Benki yenu ilikuwa tayari imechimba kisima cha borehole na kutoa Basi jipya lenye viti 62 kwa shule hiyo. Mchango wetu wa ujumla kwa shule hii ni zaidi ya shilingi milioni 21.1. Jengo hilo litakabidhiwa shule hiyo hivi karibuni.

- Ni furaha yangu kuu pia kwamba tumeweza kusaidia kuwatibu watoto 167 kupitia upasuaji katika hospitali ya wagonjwa wa macho ya Kikuyu. Hii ilikuwa ni zaidi ya lengo letu la kuwatibu wagonjwa 150. Nina furaha pia kwa msaada wa juhudi zenye lengo la kuangamiza ugonjwa wa trachoma huko kaskazini mwa Laikipia.

Miradi yote ya hapo juu inahusiana na kampeini iitwayo 'Kuona ni Kuamini' ya kundi la kampuni ya Standard Chartered ambayo lengo lake kuu ni kuwatibu watu milioni moja wasioona kote Duniani kufikia mwaka wa 2006. Utasikia mengi ya haya katika mwaka wa 2005.

Mwaka wa 2004 umekuwa mgumu zaidi kwa Benki ya Standard Chartered Kenya tangu niwe Mwenyekiti. Ukweli kwamba katika mwaka huu mgumu tumefaulu kuirekebisha biashara yetu ni mafanikio yanayostahili pongezi ambapo Halmashauri yenu pamoja nami twatoa shukurani zetu kwa wateja wetu, wenyehisa na washirika wengine wa kibiashara. Kwa sababu ya msaada wao muhimu, tuna imani kwamba msingi wa hali nzuri ya siku zijazo umewekwa.

Hannington Awori, EBS
Mwenyekiti

17 Februari 2005

Chief Executive Officer's Report

2004 was a very unique year for Standard Chartered. At the beginning of the year, we announced plans to reshape the Bank's balance sheet away from an over dependence on investments in government securities to focus more on growing our lending to corporate and consumer customers. This was in line with our longer-term strategy to transform the Bank from what had traditionally been a savings bank to a modern retail and commercial bank.

Our 2005 priorities

- Continue to aggressively grow Consumer Banking assets
- Expand the Client Relationships business through focus on the large corporate sector and parastatals
- Introduce new and innovative products in Global Markets
- Accelerate growth in the SME sector
- Continue to manage costs through greater efficiencies in our processes and investment in technology.

I am pleased with the progress that we have achieved so far. As at December 2003, the Bank's lending to Government represented 53% of total assets. By December 2004, as a result of our focus on reshaping the business, this ratio had fallen to 36%. The change in our balance sheet was achieved primarily through a reduction in investment in government securities of KShs 9,734 million, and growth in loans and advances by KShs 7,633 million.

Nonetheless, this change had a marked impact on our 2004 revenues in two key areas:

- Income earned on government securities fell sharply due to plummeting yields and lower investment levels
- Capital gains amounting to KShs 624 million realised in 2003 on the portfolio of government bonds could not be repeated in 2004.

We believe that the action we took to reshape the balance sheet in the manner we did, and at the time we did, was and remains essential. It enabled a higher yield to be achieved on loans and advances to customers than otherwise would have been realised on investments in government securities. These actions have positioned the Bank extremely well.

I would now like to comment on our key business areas:

Wholesale Banking

We continued to build our Client Relationships business through wateja kupitia uzingatiaji wa sekta ya wateja wakubwa na mashirika ya serikali.

Kuanzisha uvumbuzi na bidhaa mpya katika masoko ya Dunia.

Kuharakisha ukuzaji wa sekta ya biashara ndogo ndogo na za kadri.

Kuendelea kusimamia vyema gharama kwa utendaji kazi bora katika mpango wetu na uwekezaji katika teknolojia.

kuirekebisha biashara yetu, kiwango hiki kilipungua hadi asilimia 36. Mabadiliko kwenye taarifa ya mali na madeni yalifikiwa kupitia kupunguzwa kwa uwekezaji wa hati za dhamana za serikali za shilingi milioni 9,734 na ongezeko la mikopo na rubuni la shilingi milioni 7,633.

Hata hivyo, mabadiliko haya yalikuwa na umuhimu mkubwa kwa mapato yetu mwaka wa 2004 katika sehemu mbili muhimu.

- Mapato yaliyopatikana kwa hati za dhamana za serikali yalipungua mno kutokana na kupungua kwa mapato na viwango vya chini vya uwekezaji.
- Mtaji wa jumla wa mapato ya shilingi milioni 624 uliopatikana mwaka wa 2003 kwa hati za dhamana za serikali za muda mrefu haukuweza kupatikana mwaka wa 2004.

Tunaamini kwamba hatua tulizochukua

Chief Executive Officer's Report (continued)

acquisition of quality corporate assets. As a result, loans and advances to corporate clients grew by 28%. At the same time, we continued to show strong growth in our liability balances, which increased by 12%. We also launched our Integrated Cash Management System (ICMS), which will now enable us provide end-to-end product solutions to our corporate clients and thereby grow our liability balances. However, our trade finance business was affected by the difficulties in the economy and as a result we saw a decline in both volumes and revenues compared to last year. We also saw good growth in our Financial Institutions and Development Organisations business as we continued to leverage on our global network to facilitate seamless service to our institutional clients.

Our Global Markets business performed well in 2004. The Kenya Shilling opened the year at levels of 76.0 to the US Dollar, depreciated to levels of 82.5 and corrected back to levels of 77.7 by the end of the year. However, revenues from foreign exchange trading grew strongly on the back of good position-taking in the local as well as in the major international currency markets, while forex sales remained flat in due to a decline in business volumes.

Interest rates on the 91-day T-bill began the year at around 1.5% and closed at 8.2%. However, for most of the year, they remained below 5%. This coupled with our decision to reduce our portfolio of treasury bills and bonds in order to free up liquidity for investment in corporate and consumer assets, had a marked impact on our revenues from our government securities portfolio.

With the economy expected to grow at best by 3% in 2005 and with interest rates of around 8% expected to remain stable, the Wholesale Bank's strategy is poised to cope with these new challenges.

Consumer Banking

We began 2004 with ambitious plans to reshape the Consumer Bank and I am very pleased to say that we made substantial progress. In February 2004 we launched the Auto Loan product followed shortly after in April 2004 by the re-launch of the unsecured loan product. Finally at our AGM on 20 May 2004 we launched the first fixed-rate mortgage product in Kenya. October 2004 saw the launch of the "All-in-One" account and in November 2004 we launched the unsecured loan product for professionals. With these new products, we have been successful in establishing our position in the retail lending market.

As a result, our loans and advances grew by a record 85% on the back of a great sales performance particularly in the unsecured and Small and Medium Enterprises (SME formerly known as Business Financial Services) segments.

We also put in place the necessary infrastructure to support these products, primarily risk, credit and sales support. We strengthened our credit department by putting in place new systems for the processing, approval, and monitoring of loans.

Costs

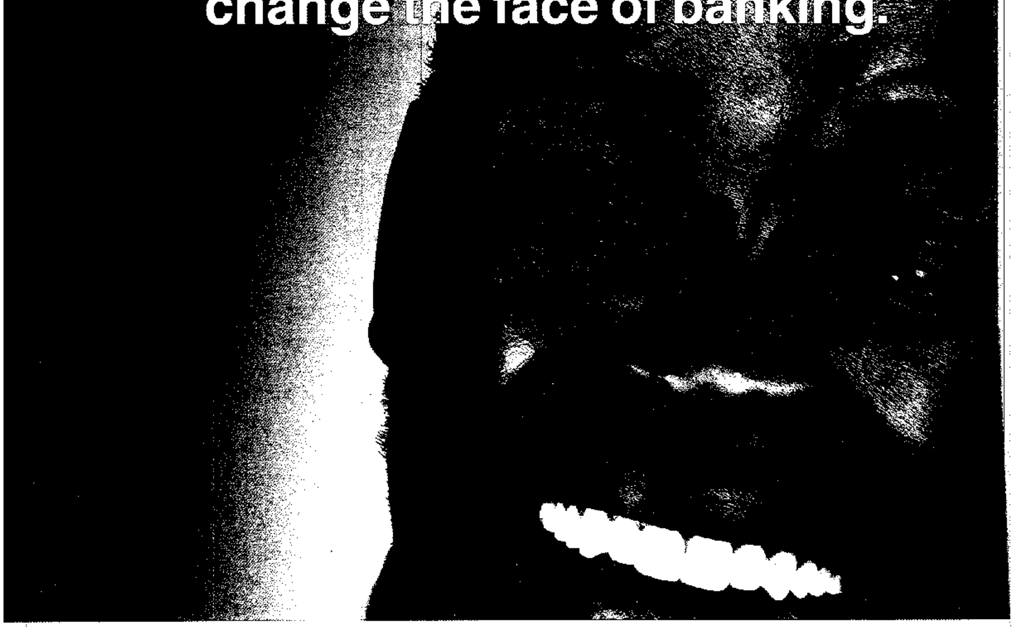
The Bank's operating costs remained well controlled. Total costs rose by a modest 4% even after funding the investments mentioned above. This was also significantly below the rate of inflation of around 11%.

Impairment losses on loans and advances

We are extremely pleased with the management of our non-performing loan portfolio in 2004. The non-performing loan portfolio remains among the lowest in the market at KShs 2,192 million, which is 8.0% of gross loans and advances as compared to KShs 2,092 million in 2003, which was 10.4%. The impairment losses on loans and advances increased from KShs 81 million in 2003 to KShs 247 million in 2004, which was broadly in line with the growth in our loans and advances.

Shared Service Centre

In 2004, the Shared Service Centre (SSC) located in Nairobi to serve the East and Southern African countries completed its extensive reorganisation. As a result, the SSC recorded an improvement in the overall



Pay one flat rate of KSh 750 and we'll drop our charges. That means we've dropped charges on

- Standing orders
- Local and foreign telegraphic transfers
- ATM charges
- Travellers cheques
- Cheque books
- Commissions on the purchase and sale of foreign currency notes
- You'll get a FREE International Debit card
- And one FREE local and foreign currency bankers cheque per month And if you don't feel that the new tariff works for you, you're under no obligation to change. It's time to laugh all the way to the bank. Call us today.

Call 3209 3900
0733 335511 or 0722 203666
www.standardchartered.com/ke

standardisation of processes.

Customer Service

In 2004, we launched 'Outserve' to all staff and the journey to 'Delighting our customers with the quality of our Service' began. Mechanisms have been put in place to drive culture change and ensure there is a complete shift in the way staff view and deliver service to our customers. Outserve covers all departments including the Bank's support functions and the momentum has been increased this year to enhance Standard Chartered Bank's 'Customer Experience'.

- Continue to aggressively grow Consumer Banking assets
- Expand the Client Relationships business through focus on the large corporate sector and parastatals
- Introduce new and innovative products in Global Markets
- Accelerate growth in the SME sector
- Continue to manage costs through greater efficiencies in our processes and investment in technology.

proud of the progress our team has made so far in delivering the strategy to transform the Bank. No doubt there is still much to be done but I am confident that we have the people, the products and the processes to deliver strong growth in the future.

Michael C. Hart
General Manager, East Africa
and Chief Executive Officer, Kenya

17 February 2005

Board of Directors

1 2 3 4

1 **Hannington H. O. Awori**
Chairman
Appointed to the Board on 23 November 1987 and became Chairman on 1 May 1996. He also chairs the Boards of well-known companies including Nation Media Group, Syngenta East Africa Limited, among others. Hannington is also a director of Mabati Rolling Mills Limited, Phoenix of East Africa Assurance Limited and Private Sector Corporate Governance Board.

2 **Michael C. Hart**
General Manager, East Africa and Chief Executive Officer, Kenya.
Appointed to the Board on 20 February 2003 and became General Manager East Africa and Chief Executive Officer Kenya in January 2003. He was previously Group Head of Audit and Investigations, Head of International Consumer Finance in Asia Pacific and Group Head of Operations.

3 **Sheila M. M'Mbijjewe**
Executive Director
Appointed to the Board on 24 May 1999. She is responsible for Consumer Banking and was previously the Finance Director. She also worked as Finance Director at Stagecoach, Director of Finance at PriceWaterHouse and a Consultant Administrator at Dr. Barnados Children's Home.

4 **David G. Njoroge**
Non-Executive Director
Appointed to the Board on 30 August 1996. He is a director of Tropical Farm Management Kenya Limited, Combrok Limited, Giwa Holdings Limited, Mahugu Farm Limited and Great Rift Valley (Green Park) Limited.

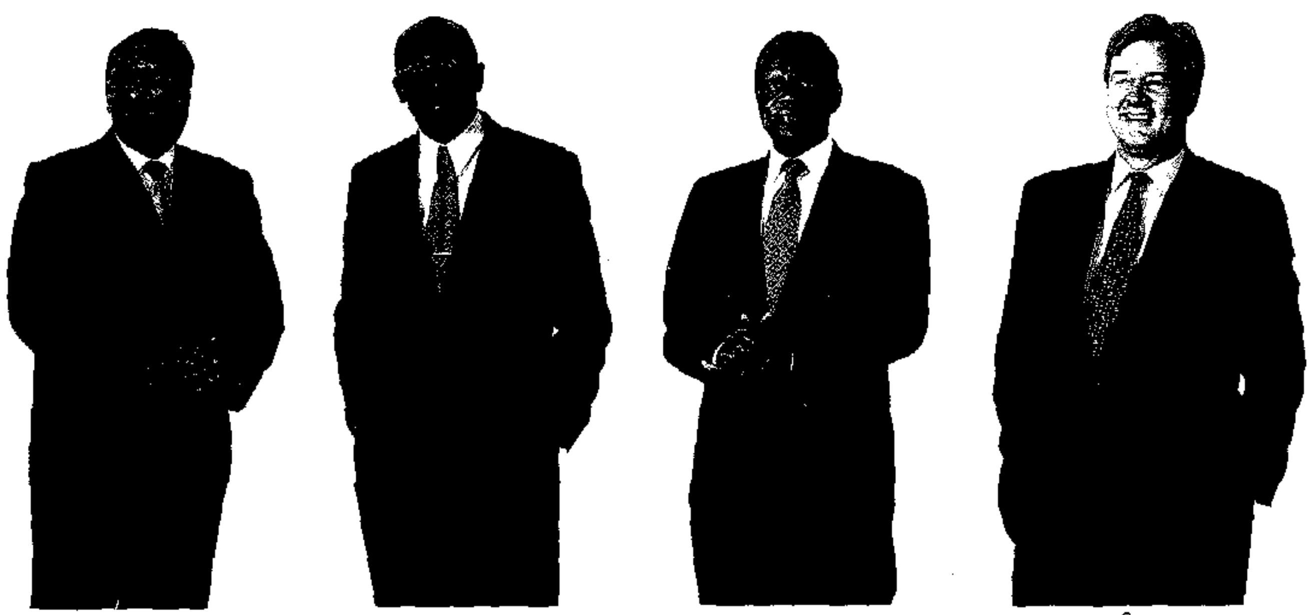
Board of Directors (continued)

5 **Kaushik Shah**
Non-Executive Director
Appointed to the Board on 19 February 2004.
He is currently the Chief Executive Officer of Mabati Rolling Mills Limited. He also chairs the Kenya Association of Manufacturer's Metal and Allied Sector Committee as well as the Trade Promotion Committee. He also sits on the Board of Bahari Forwarders Limited, Bahari Insurance Brokers Limited and Mwanzi Road Developers Limited.

6 **Richard M. Etemesi**
Executive Director, Finance and Strategy
Appointed Executive Director, Finance and Strategy on 19 February 2004. He has previously worked in senior management positions in the Bank in Kenya and Zambia. Most recently he served as Managing Director of Standard Chartered Bank Uganda Limited.

7 **Denis D. Afande**
Non-Executive Director
Appointed to the Board on 1 August 2000. For many years Denis was a career diplomat, served in various positions including Ambassador to the United States of America and United Nations, Geneva. He also served as Permanent Secretary (Ministries of Home Affairs and Health). He is currently the Chairman of Undugu Society of Kenya and a member of several other charitable organisations.

8 **Alan J. Dodd**
Executive Director
Appointed to the Board on 30 July 1998. He is responsible for the Outserve programme in Kenya. He was previously responsible for the Shared Service Centre (SSC). He has also worked in various positions within the Group in Botswana, Bahrain, Seychelles, Hong Kong, Oman and Brunei.



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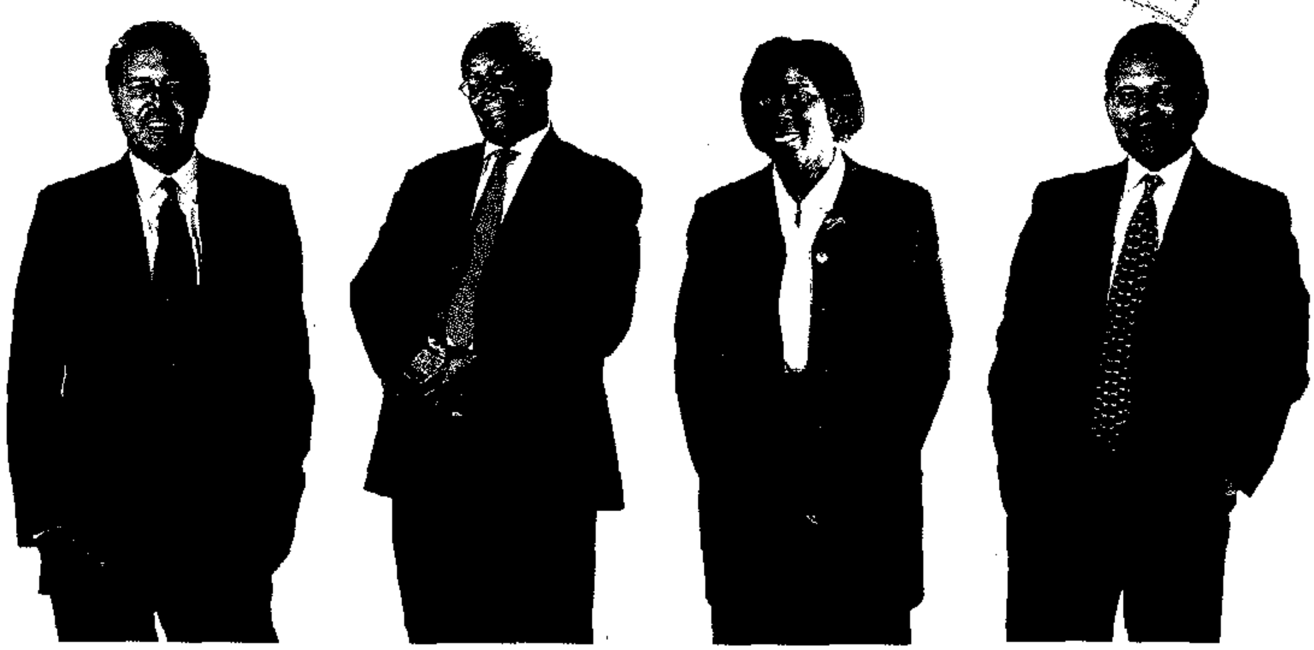
Board of Directors (continued)

9 **Peter N. Simpson**
Executive Director
Appointed to the Board on 24 July 2003. He is responsible for Client Relationships. He previously worked as Executive Director, Client Relationships, Tanzania; Project Coordinator for acquisition of Thai Bank; Head of Client Relationships, Thailand and Account Relationship Manager, Hong Kong.

10 **Harris Mule**
Non-Executive Director
Appointed to the Board on 20 May 2004. He is an experienced development economist and policy analyst. Harris is the Chancellor of Kenyatta University. Previous appointments include Permanent Secretary, Ministry of Finance and Economic Planning and Assistant President of the International Fund for Agricultural Development. He also sits on the Boards of a number of organisations including British American Tobacco Kenya Limited and Gatsby Charitable Trust, among many other reputable organisations.

11 **Nancy N. Oginde**
Head of Legal & Compliance
Appointed on 1 March 1999 as secretary to the Board. She served the Bank in various capacities before her appointment. She is an Advocate of the High Court and had served as a Resident Magistrate before joining the Bank.

12 **Ravneet Chowdhury**
Executive Director
Appointed to the Board on 1 August 2002. He is Executive Director, Global Markets in Kenya. He joined Standard Chartered Bank Group in 1994 and worked for the Bank in India and Botswana before his posting to Kenya in 2000.



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The Board and Statutory Information

Directors

H.H.O. Awori	Chairman
M.C. Hart*	Chief Executive Officer
D.G. Njoroge	
P.D. Sullivan**	(Resigned on 17 February 2005)
A.J. Dodd*	
S.M. M'Mbijjewe	
D.D. Afande	
R. Chowdhury***	
P.N. Simpson*	
R.M. Etemesi	
K. Shah	
H. Mule	(Appointed 20 May 2004)

* British
** Australian
*** Indian

Audit Committee

D.G. Njoroge	Chairman
D.D. Afande	
H. Mule	
R.M. Etemesi	
P. Gitau	
N.N. Oginde	Secretary

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.

Statement on Cfrectors

,ıe year ended 31 December 2004

The directors are happy to submit their report together with the audited financial statements for the year ended 31 December 2004 in accordance with Section 22 of the Banking Act and Section 157 of the Kenyan 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 22.

3 **Dividends**
The Board has resolved to recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend for the year of KShs 2.10 for every ordinary share of KShs 5.00. Two interim dividends of KShs 2.20 each were paid in September and December 2004.

The total dividend therefore, is KShs 6.50 (2003 – KShs 8.50).

The dividend will be payable to the shareholders registered on the Company's Register at the close of business on 18 March 2005 and will be paid on or after 31 May 2005. The Register will remain closed on 31 March 2005 for the preparation of dividend warrants.

4 **Directors**
The directors who served during the year are set out on pages 13 to 16.

Mr. D.D. Afande, Mr. A.J. Dodd and Mrs S.M. M'Mbijjewe retire from office by rotation and will offer themselves for re-election at the forthcoming Annual General Meeting in accordance with Article 96(1) of the Memorandum and Articles of Association.

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 Kenyan Companies Act has been received for his re-appointment for a period of one year.

5 **Auditors**
The auditors, KPMG Kenya, have indicated their willingness to continue in office in accordance with Section 159(2) of the Kenyan Companies Act and subject to Section 24(1) of the Banking Act.

6 **Approval of financial statements**
The financial statements were approved by the Board of directors on 17 February 2005.

BY ORDER OF THE BOARD

N.N. Oginde
Secretary

17 February 2005

Consolidated Income Statement
for the year ended 31 December 2004

	Notes	2004 KShs '000	2003 KShs '000
Interest income	3	**4,019,127**	4,424,623
Interest expense	4	**(343,094)**	(590,143)
NET INTEREST INCOME		**3,676,033**	3,834,480
Net fees and commissions income		**2,040,212**	2,210,546
Foreign exchange trading income		**704,989**	709,688
(Losses)/gains from investment securities	5	**(71,625)**	640,213
Other operating income		**30,651**	10,113
OPERATING INCOME		**6,380,260**	7,405,040
Impairment losses on loans and advances	14(b)	**(247,160)**	(80,689)
Operating expenses	6	**(3,442,115)**	(3,314,397)
PROFIT BEFORE TAXATION	7	**2,690,985**	4,009,954
Income tax expense	8	**(858,338)**	(1,221,237)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9	**1,832,647**	2,788,717
Basic and diluted earnings per share—(KShs)	9	**6.74**	10.25
Dividend per share—(KShs)	10	**6.50**	8.50

The notes set out on pages 28 to 44 form an integral part of these financial statements.

..irectors
..ie year ended 31 December 2004

The directors are happy to submit their report together with the audited financial statements for the year ended 31 December 2004 in accordance with Section 22 of the Banking Act and Section 157 of the Kenyan 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 22.

3 **Dividends**
The Board has resolved to recommend to the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend for the year of KShs 2.10 for every ordinary share of KShs 5.00. Two interim dividends of KShs 2.20 each were paid in September and December 2004.

The total dividend therefore, is KShs 6.50 (2003 – KShs 8.50).

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

6 **Approval of financial statements**
The financial statements were approved by the Board of directors on 17 February 2005.

BY ORDER OF THE BOARD

N.N. Oginde
Secretary

17 February 2005

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 regularly, 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, compliance and governance 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.

The directors have a range of skills and experience and each brings an independent judgement and considerable knowledge to the Board's discussions.

Five out of the eleven members of the Board are non-executive and all directors are subject to periodic re-appointment in accordance with the company's Articles of Association. On appointment, each director receives information about the Bank and is advised of the legal, regulatory and other obligations of a director of a listed company. All of the directors 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 35 on pages 30 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 and external audits and on action taken in response to these. In addition, the Committee regularly reviews and reports to the Board on the effectiveness of the Bank's system of internal controls 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 controls that provides reasonable assurance of effective and efficient operations. However, it recognises that any system of internal controls 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 Bank'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 2004 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. This ensures that there are written policies and procedures to identify and manage risk including operational risk, country risk, liquidity risk, regulatory risk, legal risk, reputational risk, market risk and credit risk. 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 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 the segregation of duties, the regular reconciliation of accounts and the 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 communications with all shareholders. The Annual General Meeting (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 as provided for in the Kenyan Companies Act.

Statement of Directors' Responsibilities

The Kenyan 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 that 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 and in the manner required by the Kenyan 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:	R.M. Etemesi

Date: 17 February 2005

Report of the Independent Auditors

to the Members of Standard Chartered Bank Kenya Limited

We have audited the financial statements set out on pages 22 to 44 for the year ended 31 December 2004. 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. 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 20, the directors are responsible for the preparation of financial statements that give a true and fair view of the state of affairs of the group and the company and of the group's operating results. Our responsibility is to express an opinion on the financial statements based on our audit.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by the directors, as well as evaluating 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 group and company's financial position at 31 December 2004 and of the group's operating results and cash flows for the year then ended and comply with International Financial Reporting Standards and the Kenyan Companies Act.

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

17 February 2005

Consolidated Income Statement

for the year ended 31 December 2004

	Notes	**2004 KShs '000**	2003 KShs '000
Interest income	3	**4,019,127**	4,424,623
Interest expense	4	**(343,094)**	(590,143)
NET INTEREST INCOME		**3,676,033**	3,834,480
Net fees and commissions income		**2,040,212**	2,210,546
Foreign exchange trading income		**704,989**	709,688
(Losses)/gains from investment securities	5	**(71,625)**	640,213
Other operating income		**30,651**	10,113
OPERATING INCOME		**6,380,260**	7,405,040
Impairment losses on loans and advances	14(b)	**(247,160)**	(80,689)
Operating expenses	6	**(3,442,115)**	(3,314,397)
PROFIT BEFORE TAXATION	7	**2,690,985**	4,009,954
Income tax expense	8	**(858,338)**	(1,221,237)
PROFIT ATTRIBUTABLE TO SHAREHOLDERS	9	**1,832,647**	2,788,717
Basic and diluted earnings per share — (KShs)	9	**6.74**	10.25
Dividend per share — (KShs)	10	**6.50**	8.50

The notes set out on pages 28 to 44 form an integral part of these financial statements.

Consolidated Balance Sheet

at 31 December 2004

ASSETS	Notes	2004 KShs '000	2003 KShs '000
Cash and balances with Central Bank of Kenya	11	**6,635,485**	4,384,668
Investments in government securities	12	**24,059,724**	33,793,530
Deposits and balances due from banking institutions	13	**449,347**	304,537
Loans and advances to customers	14 (a)	**26,556,708**	18,924,314
Amounts due from Group companies	15	**6,303,206**	3,055,292
Other assets	17	**1,771,450**	2,019,173
Prepaid operating lease rentals	18	**114,863**	117,155
Property and equipment	19	**1,040,214**	1,426,931
Tax recoverable		**75,120**	–
Defined benefit asset	20	**7,833**	–
Deferred tax asset	21 (a)	**99,977**	85,758
TOTAL ASSETS		**67,113,927**	64,111,358
LIABILITIES AND SHAREHOLDERS EQUITY			
Liabilities			
Deposits and balances due to banking institutions	22	**199,934**	584,454
Customers' deposits	23	**56,585,485**	53,773,073
Amounts due to Group companies	15	**1,193,216**	1,030,444
Defined benefit liability	20	**—**	26,169
Other liabilities	24	**3,072,098**	1,752,144
Tax payable		**—**	140,442
Dividends payable		**—**	363,729
		61,050,733	57,670,455
Shareholders equity			
Share capital	25	**1,359,839**	1,236,217
Revaluation reserves		**121,999**	126,888
General provision (statutory reserve)		**105,288**	–
Retained earnings		**3,904,936**	4,064,101
Proposed dividends		**571,132**	1,013,697
		6,063,194	6,440,903
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY		**67,113,927**	64,111,358

The financial statements set out on pages 22 to 44 were approved by the Board of Directors on 17 February 2005 and were signed on its behalf by:

Director	H.H.O. Awori	Director	R.M. Etemesi
Director	M.C. Hart	Secretary	N.N. Oginde

The notes set out on pages 28 to 44 form an integral part of these financial statements.

Company Balance Sheet

[illegible]

ASSETS	Notes	2004 KShs '000	2003 KShs '000
Cash and balances with Central Bank of Kenya	11	6,635,485	4,384,668
Investments in government securities	12	24,059,724	33,793,530
Deposits and balances due from banking institutions	13	449,347	304,537
Loans and advances to customers	14 (a)	26,556,708	18,924,314
Amounts due from Group companies	15	6,303,206	3,055,292
Investment in subsidiaries	16	140,243	140,243
Other assets	17	1,770,921	2,018,649
Prepaid operating lease rentals	18	114,863	117,155
Property and equipment	19	1,040,214	1,426,931
Tax recoverable		67,495	–
Defined benefit asset	20	7,833	–
Deferred tax asset	21 (b)	89,725	75,304
TOTAL ASSETS		67,235,764	64,240,623
LIABILITIES AND SHAREHOLDERS' EQUITY			
Liabilities			
Deposits and balances due to banking institutions	22	199,934	584,454
Customers' deposits	23	56,585,485	53,769,477
Amounts due to Group companies	15	1,193,216	1,030,444
Amounts due to subsidiaries		200,307	200,628
Defined benefit liability	20	—	26,169
Other liabilities	24	3,067,030	1,750,751
Tax payable		—	146,998
Dividends payable		—	363,729
		61,245,972	57,872,650
Shareholders' equity			
Share capital	25	1,359,839	1,236,217
Revaluation reserves		121,999	126,888
General provision (statutory reserve)		105,288	–
Retained earnings		3,831,534	3,991,171
Proposed dividends		571,132	1,013,697
		5,989,792	6,367,973
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		67,235,764	64,240,623

The financial statements set out on pages 22 to 44 were approved by the Board of Directors on 17 February 2005 and were signed on its behalf by:

Director	H.H.O. Awori	Director	R.M. Etemesi
Director	M.C. Hart	Secretary	N.N. Oginde

The notes set out on pages 28 to 44 form an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2004

	Notes	2004 KShs '000	2003 KShs '000
Net cash (outflow)/inflow from operating activities	29 (a)	(1,854,139)	821,313
Cash flows from investing activities			
Purchase of property and equipment		(25,877)	(250,310)
Proceeds from sale of property and equipment		4,179	798
Proceeds from sale of prepaid operating lease rentals		18,506	–
Net cash outflow from investing activities		(3,192)	(249,512)
Cash flows from financing activities			
Dividends paid			
– Final 2003/2002		(1,013,697)	(951,887)
– Interim 2003		(363,729)	–
– Interim 2004/2003		(1,196,659)	(724,143)
Net cash outflow from financing activities		(2,574,085)	(1,676,030)
Decrease in cash and cash equivalents		(4,431,416)	(1,104,229)
Cash and cash equivalents at 1 January		15,044,722	16,148,951
Cash and cash equivalents at 31 December	29 (b)	10,613,306	15,044,722

The notes set out on pages 28 to 44 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital KShs '000	Revaluation reserves KShs '000	General provision (statutory reserve) KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2003	1,236,217	129,478	–	3,374,363	951,887	5,691,945
Net profit for the year	–	–	–	2,788,717	–	2,788,717
Excess depreciation transfer net of deferred tax	–	(2,590)	–	2,590	–	–
Proposed final dividends	–	–	–	(1,013,697)	1,013,697	–
Dividends paid and payable						
– Final 2002	–	–	–	–	(951,887)	(951,887)
– Interim 2003	–	–	–	(1,087,872)	–	(1,087,872)
At 31 December 2003	**1,236,217**	**126,888**	**–**	**4,064,101**	**1,013,697**	**6,440,903**
At 1 January 2004	1,236,217	126,888	–	4,064,101	1,013,697	6,440,903
Net profit for the year	–	–	–	1,832,647	–	1,832,647
Realised on sale of property net of deferred tax	–	(2,334)	–	2,334	–	–
Excess depreciation transfer net of deferred tax	–	(2,555)	–	2,555	–	–
Bonus shares issued	123,622	–	–	(123,622)	–	–
Transfer to statutory reserve	–	–	105,288	(105,288)	–	–
Proposed final dividends	–	–	–	(571,132)	571,132	–
Dividends paid and payable						
– Final 2003	–	–	–	–	(1,013,697)	(1,013,697)
– Interim 2004	–	–	–	(1,196,659)	–	(1,196,659)
At 31 December 2004	**1,359,839**	**121,999**	**105,288**	**3,904,936**	**571,132**	**6,063,194**

The notes set out on pages 28 to 44 form an integral part of these financial statements.

Company Statement of Changes in Equity

for the year ended 31 December 2004

	Share capital KShs '000	Revaluation reserves KShs '000	General provision (statutory reserve) KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2003	1,236,217	129,478	–	3,300,815	951,887	5,618,397
Net profit for the year	–	–	–	2,789,335	–	2,789,335
Excess depreciation transfer net of deferred tax	–	(2,590)	–	2,590	–	–
Proposed final dividends	–	–	–	(1,013,697)	1,013,697	–
Dividends paid and payable						
– Final 2002	–	–	–	–	(951,887)	(951,887)
– Interim 2003	–	–	–	(1,087,872)	–	(1,087,872)
At 31 December 2003	**1,236,217**	**126,888**	–	**3,991,171**	**1,013,697**	**6,367,973**
At 1 January 2004	1,236,217	126,888	–	3,991,171	1,013,697	6,367,973
Net profit for the year	–	–	–	1,832,175	–	1,832,175
Realised on sale of property net of deferred tax	–	(2,334)	–	2,334	–	–
Excess depreciation transfer net of deferred tax	–	(2,555)	–	2,555	–	–
Bonus shares issued	123,622	–	–	(123,622)	–	–
Transfer to statutory reserve	–	–	105,288	(105,288)	–	–
Proposed final dividends	–	–	–	(571,132)	571,132	–
Dividends paid and payable						
– Final 2003	–	–	–	–	(1,013,697)	(1,013,697)
– Interim 2004	–	–	–	(1,196,659)	–	(1,196,659)
At 31 December 2004	**1,359,839**	**121,999**	**105,288**	**3,831,534**	**571,132**	**5,989,792**

The notes set out on pages 28 to 44 form an integral part of these financial statements.

	2004	2003
3 INTEREST INCOME	**KShs '000**	KShs '000
Loans and advances to customers	**2,074,050**	1,618,444
Treasury bonds	**1,576,283**	2,079,602
Treasury bills	**264,249**	660,897
Deposits and balances due from banking institutions	**104,545**	65,680
	4,019,127	4,424,623
4 INTEREST EXPENSE		
Customers' deposits	**276,208**	498,521
Deposits and balances due to banking institutions	**66,886**	91,622
	343,094	590,143
5 (LOSSES)/GAINS FROM INVESTMENT SECURITIES		
(Decrease)/increase in fair value of investment securities held at fair value	**(16,305)**	16,102
Net (loss)/gain on disposal of investment securities	**(55,320)**	624,111
	(71,625)	640,213
6 OPERATING EXPENSES		
Salaries and employee benefits	**1,578,040**	1,461,392
Occupancy expenses	**64,657**	62,392
Deposit Protection Fund	**78,661**	71,378
Other expenses	**1,720,757**	1,719,235
	3,442,115	3,314,397
The following items are included within salaries and employee benefits:		
Retirement benefit costs:		
– Group's defined benefit scheme	**(34,002)**	35,000
– Group's defined contribution scheme	**144,781**	134,032
– Parent company's scheme	**12,240**	11,678
– Other schemes	**933**	878
	123,952	181,588
The number of employees at the year end was:	**No**	No
Management	**516**	508
Unionisable	**495**	487
	1,011	995
7 PROFIT BEFORE TAXATION	**2004**	2003
Profit before taxation is arrived after charging:	**KShs '000**	KShs '000
Depreciation	**339,210**	366,544
Impairment loss on property	**70,000**	–
Directors' emoluments – Fees	**3,265**	2,814
– Other	**121,554**	103,393
Auditors' remuneration	**5,859**	5,418
Amortisation of prepaid operating lease rentals	**2,039**	2,042
And after crediting:		
Profit on sale of prepaid operating lease rentals	**18,253**	–
Profit on sale of property and equipment	**795**	797

8 INCOME TAX EXPENSE	2004 KShs '000	2003 KShs '000
Current year's tax at 30%	872,557	1,255,605
Deferred tax credit (Note 21(a))	(14,219)	(34,368)
Income tax expense	858,338	1,221,237
The tax on the Group's profit differs from the theoretical amount using the basic tax rate as follows:		
Accounting profit before taxation	2,690,985	4,009,954
Computed tax using the applicable corporation tax rate at 30%	807,296	1,202,986
Non-deductible costs and non-taxable income	51,042	18,251
Income tax expense	858,338	1,221,237

9 BASIC AND DILUTED EARNINGS PER SHARE	2004	2003
The calculation of basic earnings per share is based on:		
Profit attributable to shareholders (KShs '000)	1,832,647	2,788,717
Number of ordinary shares outstanding during the year (thousands) – 2003 restated	271,968	271,968
Basic earnings per share (KShs) – 2003 restated	6.74	10.25

There were no potentially dilutive shares outstanding at 31 December 2004 and 2003.

10 DIVIDEND PER SHARE
Dividend per share is calculated on dividends of KShs 1,767,790,772 (2003 – KShs 2,101,569,444) and on the number of shares in issue at the respective balance sheet dates of 271,967,811 (2003 – 247,243,464).

11 CASH AND BALANCES WITH CENTRAL BANK OF KENYA	2004	2003
Group and Company	KShs '000	KShs '000
Cash on hand	1,016,560	1,314,100
Balances with Central Bank of Kenya – Cash Reserve Ratio	3,574,854	3,130,925
– Other	2,044,071	(60,357)
	6,635,485	4,384,668

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 2004, the Cash Reserve Ratio requirement was 6.00% of all deposits (2003 – 6.00%). These funds are not available to finance the Bank's day to day operations.

12 INVESTMENTS IN GOVERNMENT SECURITIES
Group and Company

Held to maturity	2004	2003
Treasury bonds	KShs '000	KShs '000
Due within 90 days	671	–
Due after 90 days and within 1 year	239,131	240,578
Due after 1 year	—	239,700
	239,802	480,278
Held for trading		
Treasury bonds	—	1,853,620
Originated loans and receivables		
Treasury bonds		
Due within 90 days	4,880,032	442,393
Due after 90 days and within 1 year	1,292,084	3,928,642
Due after 1 year	13,141,312	11,944,370
	19,313,428	16,315,405
Treasury bills		
Due within 90 days	4,506,494	11,461,594
Due after 90 days	—	3,682,633
	4,506,494	15,144,227
	24,059,724	33,793,530

The weighted average effective interest rate on treasury bonds at 31 December 2004 was 8.80% (2003 – 7.98%) and on treasury bills was 3.40% (2003 – 1.89%). There were no treasury bills under repurchase agreements in 2004 and 2003.

21 DEFERRED TAX ASSET (continued)

(b) Company

Asset/(liability)	At 1 January 2004 KShs '000	Credit to the income statement KShs '000	At 31 December 2004 KShs '000
Property and equipment	53,726	32,077	85,803
Portfolio impairment provision	53,950	(9,551)	44,399
Revaluation surplus	(40,222)	2,095	(38,127)
Defined benefit	7,850	(10,200)	(2,350)
	75,304	**14,421**	**89,725**

22 DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

Group and Company

	2004 KShs '000	2003 KShs '000
Payable within 90 days	199,934	584,454

The weighted effective interest rate on deposits and balances due to banking institutions at 31 December 2004 was 11.55% (2003 – 3.65%).

23 CUSTOMERS' DEPOSITS

	2004		2003	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
From Government and parastatals				
Payable on demand	3,990,064	3,990,064	4,201,946	4,201,946
From private sector and individuals				
Payable on demand	40,279,338	40,279,338	39,032,541	39,028,945
Payable within 3 months or less	10,785,450	10,785,450	9,697,010	9,697,010
Payable after 3 months	1,530,633	1,530,633	841,576	841,576
	56,585,485	56,585,485	53,773,073	53,769,477

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2004 was 0.19% (2003 – 0.54%).

24 OTHER LIABILITIES

	2004		2003	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Bills payable	2,237,903	2,237,903	540,721	540,721
Other accounts payable	834,195	829,127	1,211,423	1,210,030
	3,072,098	3,067,030	1,752,144	1,750,751

25 SHARE CAPITAL

Authorised

The authorised share capital of the Company at 31 December 2004 was KShs 1,645 million (2003: KShs 1,240 million) made up of 273 million (2003: 248 million) ordinary shares of KShs 5.00 each and 56 million (2003: Nil) non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares of KShs 5.00 each.

Issued and fully paid	Number of ordinary shares	Number of preference shares	Total KShs '000
At 1 January 2004	247,243,464	–	1,236,217
Issue of bonus shares	24,724,347	–	123,622
At 31 December 2004	**271,967,811**	**–**	**1,359,839**

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 Company. The holders of preference shares are not entitled to receive notice of, or attend, or vote at annual and other general meetings of the Company. The preference shares yield a rate of return of 6% per annum on the issue price of KShs 50.00.

On 20 May 2004, a bonus issue of one share for every ten held was made by capitalising KShs 123,621,735 from retained earnings and a total of 24,724,347 ordinary shares of KShs 5.00 each were issued.

The top ten shareholders at 31 December 2004 were:

	Name	Number of shares	%
1	Standard Chartered Holdings (Africa) BV	200,751,336	73.81
2	Kabarak Limited	2,793,192	1.03
3	Barclays (Kenya) Nominees Limited – A/C 1256	1,900,000	0.70
4	National Social Security Fund – Board of Trustees	1,756,227	0.65
5	Kenya Commercial Bank Nominees Limited – A/C 744	1,680,149	0.62
6	Standard Chartered Africa Holdings Limited	1,306,800	0.48
7	Barclays (Kenya) Nominees Limited – A/C 1853	1,152,710	0.42
8	Old Mutual Life Assurance Company Limited	1,058,805	0.39
9	Kenya Commercial Bank – A/C 769G	983,477	0.36
10	Old Mutual Life Assurance Company Limited	813,430	0.30

Notes to the Consolidated Financial Statements (continued)

for the year ended 31 December 2004

26 INTEREST RATE RISK

The Bank is exposed to various risks associated with the effect 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 (KShs '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	–	–	–	–	–	6,635,485	6,635,485
Investments in government securities	11,170,470	989,522	258,420	8,924,282	2,717,030	–	24,059,724
Deposits and balances due from banking institutions	449,347	–	–	–	–	–	449,347
Loans and advances to customers	25,031,353	–	–	8,750	140,262	1,376,343	26,556,708
Amounts due from Group companies	6,303,206	–	–	–	–	–	6,303,206
Other assets	–	–	–	–	–	1,771,450	1,771,450
Prepaid operating lease rentals	–	–	–	–	–	114,863	114,863
Property and equipment	–	–	–	–	–	1,040,214	1,040,214
Tax recoverable	–	–	–	–	–	75,120	75,120
Defined benefit asset	–	–	–	–	–	7,833	7,833
Deferred tax asset	–	–	–	–	–	99,977	99,977
At 31 December 2004	42,954,376	989,522	258,420	8,933,032	2,857,292	11,121,285	67,113,927
EQUITY AND LIABILITIES							
Deposits and balances due to banking institutions	199,934	–	–	–	–	–	199,934
Customers' deposits	32,552,556	588,165	855,986	86,482	–	22,502,296	56,585,485
Amounts due to Group companies	1,193,216	–	–	–	–	–	1,193,216
Other liabilities	–	–	–	–	–	3,072,098	3,072,098
Shareholders' equity	–	–	–	–	–	6,063,194	6,063,194
At 31 December 2004	33,945,706	588,165	855,986	86,482	–	31,637,588	67,113,927
INTEREST RATE SENSITIVITY – 2004	9,008,670	401,357	(597,566)	8,846,550	2,857,292	(20,516,303)	–
At 31 December 2003							
ASSETS	38,718,795	4,314,523	768,310	5,682,242	5,472,397	9,155,091	64,111,358
EQUITY AND LIABILITIES	35,696,678	703,867	105,357	32,352	–	27,573,104	64,111,358
INTEREST RATE SENSITIVITY – 2003	3,022,117	3,610,656	662,953	5,649,890	5,472,397	(18,418,013)	–

Customer deposits up to 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 rate 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 2004

27 LIQUIDITY RISK

The table below analyses assets and liabilities into relevant maturity groupings based on the remaining period at 31 December 2004 to the contractual maturity date.

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

ASSETS	Up to 3 months	3 – 6 months	6 – 12 months	1 – 3 years	Over 3 years	Total
Cash and balances with Central Bank of Kenya	6,538,005	37,156	54,074	5,446	804	6,635,485
Investments in government securities	9,387,197	748,480	782,735	10,424,282	2,717,030	24,059,724
Deposits and balances due from banking institutions	449,347	–	–	–	–	449,347
Loans and advances to customers	13,203,884	1,417,351	402,387	6,010,869	5,522,217	26,556,708
Amounts due from Group companies	6,303,206	–	–	–	–	6,303,206
Other assets	1,771,450	–	–	–	–	1,771,450
Prepaid operating lease rentals	–	–	–	–	114,863	114,863
Property and equipment	–	–	–	–	1,040,214	1,040,214
Tax recoverable	–	75,120	–	–	–	75,120
Defined benefit asset	–	–	–	–	7,833	7,833
Deferred tax asset	–	–	–	–	99,977	99,977
At 31 December 2004	37,653,089	2,278,107	1,239,196	16,440,597	9,502,938	67,113,927
EQUITY AND LIABILITIES						
Deposits and balances due to banking institutions	199,934	–	–	–	–	199,934
Customers' deposits	55,054,852	588,165	855,986	86,482	–	56,585,485
Amounts due to Group companies	1,193,216	–	–	–	–	1,193,216
Other liabilities	3,072,098	–	–	–	–	3,072,098
Shareholders' equity	–	571,132	–	–	5,492,062	6,063,194
At 31 December 2004	59,520,100	1,159,297	855,986	86,482	5,492,062	67,113,927
NET LIQUIDITY GAP – 2004	(21,867,011)	1,118,810	383,210	16,354,115	4,010,876	–
At 31 December 2003						
ASSETS	31,700,926	6,353,684	3,337,434	10,762,986	11,956,328	64,111,358
EQUITY AND LIABILITIES	56,662,268	1,858,006	105,357	32,352	5,453,375	64,111,358
NET LIQUIDITY GAP – 2003	(24,961,342)	4,495,678	3,232,077	10,730,634	6,502,953	–

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

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:

	2004 KShs '000	2003 KShs '000
Guarantees and standby letters of credit	5,747,155	3,849,336
Letters of credit, acceptances and other documentary credits	4,722,047	4,194,652
Performance bonds and warranties	55,706	59,159
	10,524,908	8,103,147
Commitments were as follows:		
Forward foreign exchange contracts	3,355,044	2,304,087

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 FINANCIAL 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.

B. Trading activities

The Group manages its trading activities by 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.

32 FINANCIAL RISK MANAGEMENT DISCLOSURES (continued)

(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.

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 was a defendant in a legal suit filed by a former customer. The High Court of the Republic of Kenya entered a judgement in favour of the customer in 2002. The judgement against the Bank was restricted to whether or not the Bank was at fault.

The Bank had appealed against the ruling in the Court of Appeal of the Republic of Kenya and a ruling in favour of the Bank was delivered on 19 November 2004.

34 ASSETS PLEDGED AS SECURITY

As at 31 December 2004, there were no assets pledged by the Bank to secure liabilities and there were no secured bank liabilities.

35 RELATED PARTY TRANSACTIONS

In the ordinary course of business, transactions are entered into with Standard Chartered PLC, the ultimate holding company and other companies related to Standard Chartered Bank 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 arm's length with Standard Chartered Kenya Pension Fund (SCKPF). At 31 December 2004, deposits from SCKPF amounted to KShs 12,319,417 (2003 – KShs 26,586,828).

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

Group and company	2004 KShs '000	2003 KShs '000
Loans and advances to directors, employees and associates		
At start of the year	489,559	402,247
Amounts advanced during the year	311,352	290,572
Amounts repaid during the year	(111,884)	(203,260)
At end of year	**689,027**	489,559

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

Notes

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 26, May 2005 at the Intercontinental Hotel, at 11.00 a.m.

or any adjournment thereof.

As witness my/our hand/hands this day of ____ 2005

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. 24 May 2005, 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 tano za asubuhi Mei 26 2005 Intercontinental Hotel, na wakati wa ahirisho lolote litakalotokea baadaye, kama

shahidi siku hii: ____ 2005

Sahihi: ____

Muhimu:

1. Hii fomu ya uwakilishi lazima irudishwe kwa afisi ya Barclays Advisory and Registrar Services Limited, Bank House, Moi Avenue, kabla ya Jumanne sa tisa alasiri 24 May 2005. Mwanahisa/wanahisa watakaowasilisha 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.

8 INCOME TAX EXPENSE	2004 KShs '000	2003 KShs '000
Current year's tax at 30%	872,557	1,255,605
Deferred tax credit (Note 21(a))	(14,219)	(34,368)
Income tax expense	858,338	1,221,237
The tax on the Group's profit differs from the theoretical amount using the basic tax rate as follows:		
Accounting profit before taxation	2,690,985	4,009,954
Computed tax using the applicable corporation tax rate at 30%	807,296	1,202,986
Non-deductible costs and non-taxable income	51,042	18,251
Income tax expense	858,338	1,221,237

9 BASIC AND DILUTED EARNINGS PER SHARE	2004	2003
The calculation of basic earnings per share is based on:		
Profit attributable to shareholders (KShs '000)	1,832,647	2,788,717
Number of ordinary shares outstanding during the year (thousands) – 2003 restated	271,968	271,968
Basic earnings per share (KShs) – 2003 restated	6.74	10.25

There were no potentially dilutive shares outstanding at 31 December 2004 and 2003.

10 DIVIDEND PER SHARE

Dividend per share is calculated on dividends of KShs 1,767,790,772 (2003 – KShs 2,101,569,444) and on the number of shares in issue at the respective balance sheet dates of 271,967,811 (2003 – 247,243,464).

11 CASH AND BALANCES WITH CENTRAL BANK OF KENYA	2004	2003
Group and Company	KShs '000	KShs '000
Cash on hand	1,016,560	1,314,100
Balances with Central Bank of Kenya – Cash Reserve Ratio	3,574,854	3,130,925
– Other	2,044,071	(60,357)
	6,635,485	4,384,668

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 2004, the Cash Reserve Ratio requirement was 6.00% of all deposits (2003 – 6.00%). These funds are not available to finance the Bank's day to day operations.

12 INVESTMENTS IN GOVERNMENT SECURITIES

Group and Company

Held to maturity	2004	2003
Treasury bonds	KShs '000	KShs '000
Due within 90 days	671	–
Due after 90 days and within 1 year	239,131	240,578
Due after 1 year	—	239,700
	239,802	480,278
Held for trading		
Treasury bonds	—	1,853,620
Originated loans and receivables		
Treasury bonds		
Due within 90 days	4,880,032	442,393
Due after 90 days and within 1 year	1,292,084	3,928,642
Due after 1 year	13,141,312	11,944,370
	19,313,428	16,315,405
Treasury bills		
Due within 90 days	4,506,494	11,461,594
Due after 90 days	—	3,682,633
	4,506,494	15,144,227
	24,059,724	33,793,530

The weighted average effective interest rate on treasury bonds at 31 December 2004 was 8.80% (2003 – 7.98%) and on treasury bills was 3.40% (2003 – 1.89%). There were no treasury bills under repurchase agreements in 2004 and 2003.

13 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS
Group and Company

	2004 KShs '000	2003 KShs '000
Due within 90 days	**449,347**	304,537

The weighted average effective interest rate on deposits and balances due from banking institutions at 31 December 2004 was 8.81% (2003 – 0.64%).

14 LOANS AND ADVANCES TO CUSTOMERS
Group and Company

	2004 KShs '000	2003 KShs '000
(a) Classification		
Overdrafts	**7,381,922**	6,124,508
Loans	**19,425,258**	12,948,703
Bills discounted	**713,098**	1,001,192
Gross loans and advances	**27,520,278**	20,074,403
Less: impairment losses on loans and advances	**(963,570)**	(1,150,089)
Net loans and advances	**26,556,708**	18,924,314
Repayable on demand	**10,346,067**	8,547,834
Less than 3 months	**3,742,907**	2,635,524
3 months to 1 year	**1,830,433**	1,839,265
1 to 5 years	**9,786,200**	6,585,813
5 to 10 years	**1,403,796**	215,860
Over 10 years	**410,875**	250,107
Gross loans and advances	**27,520,278**	20,074,403

(b) Impairment losses on loans and advances

	Impairment losses KShs '000	Portfolio impairment provision KShs '000	Total KShs '000
At 1 January 2004	970,262	179,827	1,150,089
Provisions/(releases) during the year	295,473	(31,831)	263,642
Amounts written off during the year	(334,360)	–	(334,360)
Amounts released to interest income	(115,801)	–	(115,801)
At 31 December 2004	**815,574**	**147,996**	**963,570**
Provisions/(releases) during the year	295,473	(31,831)	263,642
Amounts recovered during the year	(16,482)	–	(16,482)
Net charge to the income statement	**278,991**	**(31,831)**	**247,160**

The weighted average effective interest rate on loans and advances to customers at 31 December 2004 was 9.53% (2003 – 7.97%).

(c) Impaired loans and advances
Loans and advances include amounts totalling KShs 2,191,917,000 (2003 – KShs 2,091,668,000) which have been classified as impaired. These loans have been written down to their recoverable amounts.

(d) Loans and advances concentration by sector	2004 KShs '000	2003 KShs '000
Business services	**1,501,384**	810,069
Manufacturing	**4,262,791**	4,003,975
Wholesale and retail trade	**8,425,264**	7,286,708
Transport and communication	**3,232,300**	1,734,886
Real estate	**126,447**	66,154
Others	**9,972,092**	6,172,611
	27,520,278	20,074,403

15 GROUP COMPANY BALANCES

Group and Company

	2004 KShs '000	2003 KShs '000
Amounts due from Group companies	6,303,206	3,055,292
Amounts due to Group companies	1,193,216	1,030,444

The weighted average effective interest rate at 31 December 2004 on amounts due from Group companies was 1.94% (2003 – 1.12%) and on amounts due to Group companies was 5.95% (2003 – 12.18%).

16 INVESTMENT IN SUBSIDIARIES

The following subsidiaries are wholly owned by the Bank:

Company:	Status	2004 KShs '000	2003 KShs '000
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

Standard Chartered Financial Services Limited owns 100% of Standard Chartered Management Services Limited which is also dormant.

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

17 OTHER ASSETS

	2004		2003	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Uncleared effects	1,335,749	1,336,824	1,549,644	1,550,725
Prepayments	129,480	129,480	112,899	112,899
Other receivables	306,221	304,617	356,630	355,025
	1,771,450	1,770,921	2,019,173	2,018,649

18 PREPAID OPERATING LEASE RENTALS

Group and Company

	2004 KShs '000	2003 KShs '000
Cost		
At 1 January	137,636	137,636
Disposals	(273)	–
At 31 December	137,363	137,636
Amortisation		
At 1 January	20,481	18,439
Charge for the year	2,039	2,042
Disposals	(20)	–
At 31 December	22,500	20,481
Net carrying amount at 31 December	114,863	117,155

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	Motor vehicles KShs '000	Work in progress KShs '000	Total KShs '000
Cost or valuation						
At 1 January 2004	80,000	541,550	2,472,759	6,183	28,226	3,128,718
Additions	–	–	–	–	25,877	25,877
Transfers	–	–	40,098	–	(40,098)	–
Disposals	–	(3,500)	–	–	–	(3,500)
At 31 December 2004	**80,000**	**538,050**	**2,512,857**	**6,183**	**14,005**	**3,151,095**
Depreciation and impairment loss						
At 1 January 2004	1,125	18,486	1,680,759	1,417	–	1,701,787
Charge for the year	900	14,727	322,037	1,546	–	339,210
On disposals	–	(116)	–	–	–	(116)
Impairment loss	–	70,000	–	–	–	70,000
At 31 December 2004	**2,025**	**103,097**	**2,002,796**	**2,963**	**—**	**2,110,881**
Net book value						
At 31 December 2004	**77,975**	**434,953**	**510,061**	**3,220**	**14,005**	**1,040,214**
At 31 December 2003	**78,875**	**523,064**	**792,000**	**4,766**	**28,226**	**1,426,931**

During the year, the carrying value of the Head Office building, Stanbank House, was evaluated in view of its location in the Central Business District. Based on this assessment, the carrying amount of this building was written down by KShs 70 million to reflect the estimated recoverable amount.

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:

	2004 KShs '000	2003 KShs '000
Cost	520,064	520,118
Accumulated depreciation	(69,987)	(57,895)
Net book value	450,077	462,223

20 DEFINED BENEFIT ASSET/(LIABILITY)
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 who existed as at 31 December 1998.

The benefits provided by the defined benefit scheme are based on a formula taking into account years of service and remuneration levels, whilst 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 2003.

However, the Bank's actuary did a review for the year ended 31 December 2004. The review was consistent with previous valuations performed using the unit credit method.

20 DEFINED BENEFIT ASSET/(LIABILITY) - (continued)
Group and Company

The amount included in the balance sheet arising from the Group's obligation in respect of the defined benefit scheme is as follows:

	2004 KShs '000	2003 KShs '000
Fair value of plan assets	674,073	629,398
Present value of funded obligations	(941,000)	(900,000)
Present value of unfunded obligations	(266,927)	(270,602)
Unrecognised actuarial losses	274,760	244,433
Defined benefit asset/(liability) as at 31 December	7,833	(26,169)

The net (credit)/charge recognised is the income statement is as follows:

	2004	2003
Interest cost	68,000	100,000
Expected return on plan assets	(96,000)	(67,000)
Amortisation of unrecognised actuarial (losses)/gains	(6,002)	2,000
Total included in staff costs	(34,002)	35,000

The principal actuarial assumptions used for the reviews are as follows:

	2004 % pa	2003 % pa
Discount rate	12	8
Expected return on plan assets	12	8
Future pension increases	3	3

The pension plan assets include ordinary shares issued by the Bank with a fair value of KShs 41,137,668 (2003 – KShs 133,743,739).

The movement in the asset/(liability) recognised in the balance sheet is as follows:

	2004 KShs '000	2003 KShs '000
At 1 January	(26,169)	8,831
Credit/(charge) to the income statement	34,002	(35,000)
At 31 December	7,833	(26,169)

21 DEFERRED TAX ASSET
The net deferred tax assets at 31 December 2004 and 2003 are attributable to the following:

(a) Group

Asset/(liability)	At 1 January 2004 KShs '000	Credit to the income statement KShs '000	At 31 December 2004 KShs '000
Tax losses in subsidiaries	10,454	(202)	10,252
Property and equipment	53,726	32,077	85,803
Portfolio impairment provision	53,950	(9,551)	44,399
Revaluation surplus	(40,222)	2,095	(38,127)
Defined benefit	7,850	(10,200)	(2,350)
	85,758	**14,219**	**99,977**

21 DEFERRED TAX ASSET (continued)

(b) Company

Asset/(liability)	At 1 January 2004 KShs '000	Credit to the income statement KShs '000	At 31 December 2004 KShs '000
Property and equipment	53,726	32,077	85,803
Portfolio impairment provision	53,950	(9,551)	44,399
Revaluation surplus	(40,222)	2,095	(38,127)
Defined benefit	7,850	(10,200)	(2,350)
	75,304	**14,421**	**89,725**

22 DEPOSITS AND BALANCES DUE TO BANKING INSTITUTIONS

Group and Company

	2004 KShs '000	2003 KShs '000
Payable within 90 days	**199,934**	584,454

The weighted effective interest rate on deposits and balances due to banking institutions at 31 December 2004 was 11.55% (2003 – 3.65%).

23 CUSTOMERS' DEPOSITS

	2004		2003	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
From Government and parastatals				
Payable on demand	**3,990,064**	**3,990,064**	4,201,946	4,201,946
From private sector and individuals				
Payable on demand	**40,279,338**	**40,279,338**	39,032,541	39,028,945
Payable within 3 months or less	**10,785,450**	**10,785,450**	9,697,010	9,697,010
Payable after 3 months	**1,530,633**	**1,530,633**	841,576	841,576
	56,585,485	**56,585,485**	53,773,073	53,769,477

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2004 was 0.19% (2003 – 0.54%).

24 OTHER LIABILITIES

	2004		2003	
	Group KShs '000	Company KShs '000	Group KShs '000	Company KShs '000
Bills payable	**2,237,903**	**2,237,903**	540,721	540,721
Other accounts payable	**834,195**	**829,127**	1,211,423	1,210,030
	3,072,098	**3,067,030**	1,752,144	1,750,751