Standard Chartered

Information Memorandum

Rights Issue 2012

STANDARD CHARTERED BANK KENYA LIMITED

INFORMATION MEMORANDUM

RENOUNCEABLE RIGHTS ISSUE OF 22,082,856 NEW ORDINARY SHARES AT AN OFFER PRICE OF KSHS 145 IN THE RATIO OF ONE (1) NEW ORDINARY SHARE FOR EVERY THIRTEEN (13) ORDINARY SHARES HELD

28 September 2012

LEAD TRANSACTION ADVISOR
Standard Chartered Securities (Kenya) Limited

LEAD SPONSORING STOCKBROKER
Standard Investment Bank

LEGAL ADVISOR
Mboya Wangong'u & Waiyaki Advocates

RECEIVING BANK
Standard Chartered Bank Kenya Limited

REPORTING ACCOUNTANT
KPMG Kenya

RECEIVING AGENT & DATA PROCESSING CONSULTANT
Image Registrars Limited

PUBLIC RELATIONS CONSULTANT
Hill + Knowlton

ADVERTISING CONSULTANT
McCann Kenya

SHARE REGISTRAR
Custody & Registrars Services Limited

Important Notice

This document is important and requires your attention.

When considering what action you should take in relation to the Rights Issue and the information contained in this document, it is advisable that you immediately consult your stockbroker, investment advisor, banker or other financial consultant.

If you have sold or transferred all your Ordinary Shares in Standard Chartered Bank Kenya Limited ("Standard Chartered" or the "Bank"), please forward this Information Memorandum and the Provisional Allotment Letter ("PAL") to the purchaser or transferee, or to the stockbroker or agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee.

The Information Memorandum contains information that is provided in compliance with the requirements of the Companies Act (Chapter 486 of the Laws of Kenya) ("the Companies Act") and the Capital Markets Act (Chapter 485A of the Laws of Kenya) ("The Capital Markets Act') as well as the rules and regulations thereunder. The Directors of Standard Chartered being the persons listed below and named in Section 13 of this Information Memorandum have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material respects, and there are no other material facts the omission of which would make any statement herein, whether of fact or opinion, misleading. All the Directors of Standard Chartered accept responsibility accordingly. The Directors of Standard Chartered are as follows:

Director		Position	Nationality	Business Address
Wilfred Kiboro	Independent	Chairman	Kenyan	P.O. Box 30003 – 00100, Nairobi
Richard M. Etemesi		Chief Executive Officer	Kenyan	P.O. Box 30003 – 00100, Nairobi
Michael C. Hart		Non-Executive Director	British	P.O. Box 30003 – 00100, Nairobi
Kariuki Ngari		Executive Director	Kenyan	P.O. Box 30003 – 00100, Nairobi
Chemutai Murgor		Executive Director	Kenyan	P.O. Box 30003 – 00100, Nairobi
Kaushik Shah	Independent	Non-Executive Director	British	P.O. Box 30003 – 00100, Nairobi
Patrick Obath	Independent	Non-Executive Director	Kenyan	P.O. Box 30003 – 00100, Nairobi
Les Baillie	Independent	Non-Executive Director	British	P.O. Box 30003 – 00100, Nairobi
Robin Bairstow		Executive Director	South African	P.O. Box 30003 – 00100, Nairobi
Anne Mutahi	Independent	Non-Executive Director	Kenyan	P.O. Box 30003 – 00100, Nairobi

A copy of this Information Memorandum and of the PAL together with the documents required by Section 43 of the Companies Act to be attached thereto, have been delivered to the Registrar of Companies at the Attorney General's Chambers in Nairobi for registration.

By virtue of the provisions of Section 40(6)(a) of the Companies Act (Cap 486), this Information Memorandum is not required to and may not contain all of the information prescribed by Section 40(1) of the said Act.

Section 15 and 16 of this Information Memorandum contains the Reporting Accountant's Report and Legal Opinion respectively, which constitutes statements purporting to be made by experts in terms of Section 42(1) of the Companies Act. The experts making the statements have not withdrawn their consent to the issue of the said Report and Opinion (as relevant) in the form and context in which they are included in the Information Memorandum.

The Capital Markets Authority ("CMA") has granted permission for the Rights Issue. As a matter of policy, the CMA does not assume responsibility for the correctness of any statements or opinions made or reports contained in this Information Memorandum. Approval of the Rights Issue and/or listing is not to be taken as an indication of the merits of the Issuer or the securities.

The Nairobi Securities Exchange ("NSE") has granted permission for the listing of the New Shares (hereinafter defined) on the Main Investment Market Segment of the Official List of the NSE. It is expected that admission of the New Shares will commence at 9.00 a.m. on 27 November 2012. The NSE assumes no responsibility for the correctness of any of the statements made or opinions or reports expressed in this Information Memorandum. Admission to the Official List is not to be taken as an indication of the merits of Standard Chartered or of the New Shares.

This Information Memorandum and the accompanying PAL are presented to you to enable you make an informed decision on the Offer. The procedure for acceptance and payment is set out in this Information Memorandum and the PAL.

The latest time and date for the acceptance and payment in full for the Rights provisionally allotted to you is 3.00 p.m. on 26 October 2012. After this time and date, any untaken Rights will lapse and will revert to the Board of Directors of Standard Chartered to allot in line with the allotment procedure set out in this Information Memorandum. The allotment procedure is fully subject to the existing regulatory requirements as set out by the Capital Markets Act and the Banking Act (Chapter 488 of the Laws of Kenya) ("the Banking Act").

Enquiries concerning this Information Memorandum or the PAL may be made to the Company Secretary of Standard Chartered or the Transaction Advisor whose contact details are set out in Sections 5 and 6 hereof.

Date: 28 September 2012

Contents

Section 1: About Standard Chartered

Standard Chartered PLC

Standard Chartered PLC together with its subsidiaries and subsidiary undertakings (the "Group") is a universal banking group headquartered in London and has operated for over 150 years in some of the world's most dynamic markets and earns more than 90 percent of its profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships with clients and customers has driven the Bank's growth in recent years. Standard Chartered PLC ordinary shares and preference shares are listed on the Official List and traded on the London Stock Exchange. Its ordinary shares are also listed on The Stock Exchange of Hong Kong Limited, and through Indian Depository Receipts on the Mumbai Stock Exchange and National Stock Exchange of India.

Consumer Banking

Standard Chartered PLC's Consumer Banking business serves the needs of Personal, Premium, SME, Islamic and Private Banking customers, offering a full suite of innovative products and services to meet their borrowing, wealth management and transacting needs. A customer focused approach enables a deeper understanding of customers' evolving needs and the provision of customised financial solutions.

Consumer Banking Strategy:

Consumer Banking's strategy is based on three pillars:

- Differentiated country business models with a focus on high value segments
- Distinctive customer focused value propositions
- Back to basics focus on cost, risk management and liquidity.

Key Business Advantages

- Deep local knowledge with over 150 years presence in key markets primarily in Asia, Africa and the Middle East
- Customer-focused approach to better meet customers' different financial needs
- Recognising and rewarding customers' total banking relationship
- International suite of innovative products with needs-based product bundles and advantaged pricing.

Wholesale Banking

Headquartered in Singapore and London, with a delivery footprint that spans its network, Standard Chartered PLC's Wholesale Banking business provides corporate and institutional clients with trade finance, cash management, securities services, foreign exchange, risk management, capital raising and corporate finance solutions.

The Wholesale Banking team is noted in the industry for its unmatched on-the-ground expertise, its relationship-focused approach to business and a solid track record of innovative, award-winning and client-centric solutions.

Wholesale Banking strategy:

- Become the core bank to more of the Group's clients
- Build scale in local markets and increase cross-border capabilities to better support clients in achieving their ambitions
- Maintain a strong balance sheet to support existing clients.

Key Business Advantages

- Focused business footprint – Asia, Africa, the Middle East
- Unwavering focus on depth of client relationships across the full range of product hierarchy
- Strong local bank franchise with pre-eminent cross-border capability
- International product quality capability
- Consistency and longevity of presence in markets.

Section 1: About Standard Chartered

Standard Chartered PLC (continued)

The Group's strategic intent	To be the world's best international bank, leading the way in Asia, Africa and the Middle East.
Our brand promise	Here for good, our brand promise, is a simple phrase with multiple meanings. We describe Here for good in the following manner. To be here for people - reflects our belief in developing long-term and deep relationships with our customers and clients, and with each other. To be here for progress - captures our belief in doing the right thing, in being a force for good, in making a positive contribution to the economies and societies in which we operate. To be here for the long run - attests to our financial performance, longevity and history.
Our strategic pillars **How we deliver**	**Clear geographic focus on Asia, Africa and the Middle East** We have an unequivocal focus on these fast growing economies in which we have, or can achieve, a clear competitive advantage supported by superior insight and deep local relationships. **Scale positions in significant local markets** We believe in combining global capabilities with local scale. This is becoming an ever-stronger competitive imperative in our markets. We want to be considered important to the banking system in our key geographies. **One Bank with two strong businesses actively reinforcing each other** We operate as One Bank with two major businesses, Wholesale Banking and Consumer Banking, working effectively together. **Customer and client relationships, rather than a product driven approach** We focus our capabilities around customer and client needs, rather than seeking a rapid return on products or building product silos. **Distinctive culture and values** Our unique culture and values are a source of significant advantage. They reassure customers and clients in a market where trust and ethics have re-emerged as critical, underpinning our One Bank approach, attracting talent to the Group, and strengthening our relationships with stakeholders, such as regulators and governments. **Conservative and disciplined on risk, capital and liquidity** We regard balance sheet strength as a cornerstone of our strategy, to build a sustainable business and to create confidence with our customers and clients through our ability to continue lending in times of scarce liquidity. **Organic growth the primary driver for our strategy and value creation** We believe that organic growth drives the greatest value creation for our shareholders. Where we cannot grow organically we explore acquisitions that reinforce our core strategy.

Section 1: About Standard Chartered

Standard Chartered Bank Kenya Limited

Standard Chartered Bank Kenya Limited ("Standard Chartered" or the "Bank") was established in 1911 with the first branch opened in Mombasa Treasury Square. Today, 101 years later, Standard Chartered is one of the leading Banks in Kenya, with an excellent franchise. It currently has a total of 33 branches spread across the country, 90 automated teller machines (ATMs) and 1,698 employees.

The Bank has local shareholdings of 26%, comprising about 32,000 Kenyans. It has remained a public quoted company on the Nairobi Securities Exchange since 1989.

Consumer Banking

Consumer Banking serves its customer base through a segmented strategic approach focusing on Premium Banking (Priority and Excel), SME and Personal Banking segments. Through this customer centric approach/strategy, the customers are able to access wealth management products such as Current accounts, Savings accounts, Fixed and Call Deposits as well as investment products. They are also able to access loan products such as unsecured loans, overdrafts, mortgages, business loans and business overdrafts. Other off-balance sheet products and services such as letters of credit, trade services and foreign exchange products are available to customers. Other services offered by consumer bank include mobile banking and internet banking.

Wholesale Banking

Wholesale Banking offers lending, trade and cash management in commercial banking. It also offers FX sales and trading, derivatives, options, structured trade finance, assets and liabilities management, syndication and fixed income.

Standard Chartered Kenya pioneered the introduction of MICR cheques to help fight fraud and is a leading member of the MICR project team, which is supervised by the Central Bank of Kenya.

Section 2: 2011 Business and Operational Highlights as at 31 December

Standard Chartered Bank Kenya Limited has consistently delivered record results through a difficult period for the global economy and banking industry

Financial Highlights

Operating income up 14% to

KShs 15,914m

2010: KShs13,903m

Profit before taxation up 7% to

KShs 8,255m

2010: KShs 7,682m

Loans and advances to customers up 59% to

KShs 96,098m

2010: KShs 60,337m

Deposits from customers up 22% to

KShs 122,323m

2010: KShs 100,504m

Shareholders' equity up 2% to

KShs 20,694m

2010: KShs 20,331m

Earnings per share up 6% to

KShs 19.75

2010: KShs 18.58

Non-financial Highlights

Employees

1,743

2010: 1,554

Branches

32

2010: 31

ATMs

90

2010: 85

Operational Highlights

Excellent financial performance in 2011 despite challenging external environment

Profitability driven by a focused strategy involving liquidity and capital management, credit risk management, cost control, efficiency and customer service

Business growth leveraged on our strong capital and liquidity position, with Core Tier 1 ratio of 12 percent

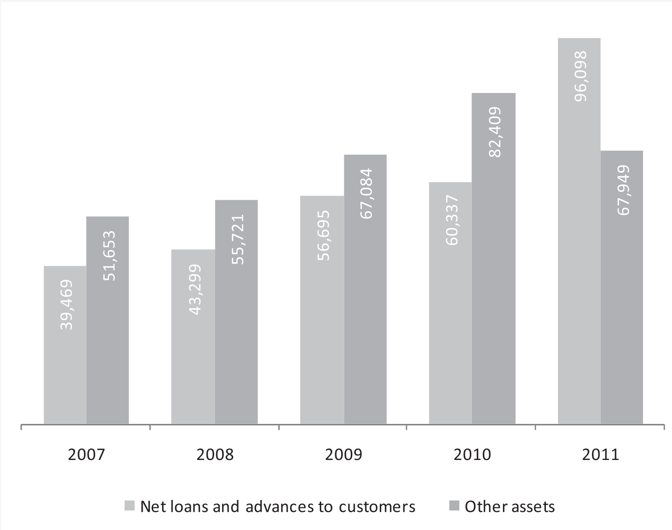
Reduction in non-performing loans as proportion of total loans from 2.0 percent in 2010 to 1.1 percent in 2011, one of the lowest in the Kenyan banking sector

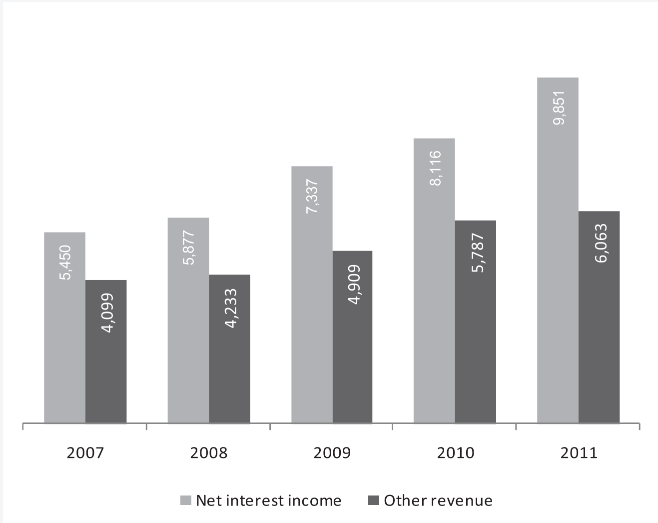
Tight control of the cost base and disciplined investment in both Consumer Banking and Wholesale Banking businesses leading to a cost to income ratio of 46% in 2011

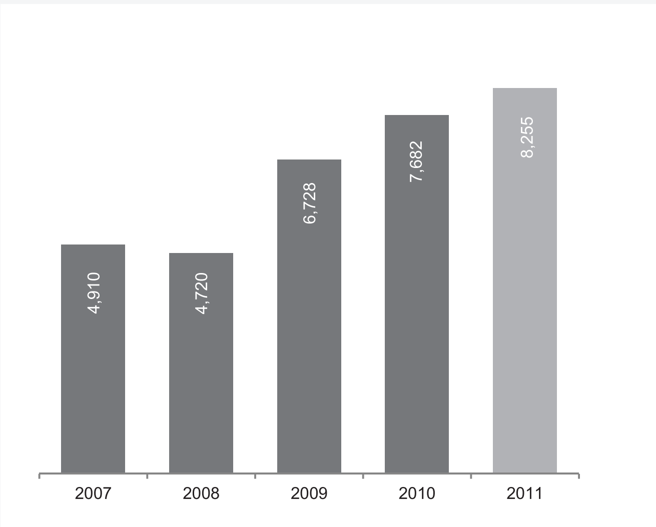
Continued community partnership and deepening of relationships with various stakeholders with KShs 88 million spent on corporate social responsibility activities in 2011

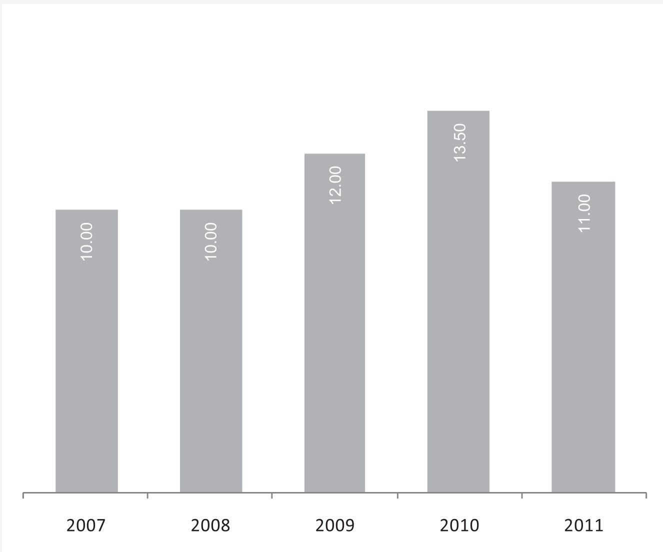
Section 2: 2011 Business and Operational Highlights as at 31 December

Five Year Performance Review









Section 3: Chairman's Statement

Dear Shareholder,

It is with pleasure that I present to you this Information Memorandum and the accompanying Provisional Allotment Letter ("PAL") on behalf of the Board of Directors of Standard Chartered Bank Kenya Limited in respect of the Bank's Rights Issue.

The Purpose of the Rights Issue

In June 2011, the Board of Directors approved the Bank's 2012 to 2015 strategy. The focus of this strategy is for the Bank to be a dominant player in its chosen market segments in Kenya.

Secondly, following the global financial crisis banks are witnessing significant changes to the international banking system and an increasingly stringent regulatory environment that will continue to constrain banks' ability to leverage their balance sheets. For instance, though not yet implemented in Kenya, Basel II and III will almost certainly see capital requirements for banks raised significantly.

The Rights Issue is therefore intended to raise additional capital to enable us support our strategy as well as ensure that the Bank is in a sound position to meet any impending regulatory changes that may include increases in banks statutory capital requirements. In this regard, the Board believes the Rights Issue safeguards the Bank's ability to pursue the attractive opportunities we see for growth such as the increasing demand for loans and advances while also strengthening our capital ratios.

Future

Over the last five years, the Bank has demonstrated an impressive trend in growth and profitability. Profitability has risen year on year and in 2011 we announced a pre-tax profit of KShs 8.3 billion up by 7 percent from the previous year. The Bank's balance sheet has also grown from KShs 91.1 billion in 2007 to KShs 164.0 billion in 2011 reflecting increased business momentum and competitiveness. With additional capital, the Board is confident that the Bank will be in a position to deliver better performance in the coming years.

Rights Offer

The Bank now offers, by way of rights 22,082,856 new shares at KShs 145 each payable in full upon acceptance not later than 3:00 p.m. on 26 October 2012. The procedures for acceptance, payment, or renunciation of the Rights are contained in paragraphs 1.6, 1.9 and 1.8 of Section 9, Details of the Rights Issue of this Information Memorandum.

The Rights Issue will be on the basis of One (1) New Share for every Thirteen (13) Existing Shares held by each shareholder on the Register at 3:00 p.m. on 19 September 2012. The Offer is subject to, and in accordance with, the terms and conditions contained in this Information Memorandum, the PAL and the Bank's Memorandum and Articles of Association.

The New Shares will, when fully paid, rank pari passu in all respects with the Existing Shares. All rights attached to the Existing Shares with regard to voting, dividends, liquidation proceeds and pre-emption in future capital increases are set out in the Bank's Articles of Association and otherwise in accordance with provisions of the Companies Act.

Recommendation

Your Directors consider the Rights Issue to be in the best interest of Standard Chartered Bank Kenya Limited and its shareholders. The Board recommends that every shareholder exercises their Rights so as to increase their investment in the Bank.

Please read in full the Information Memorandum and PAL and take action within the timetable as detailed therein.

Yours sincerely,

Wilfred Kiboro
Chairman

Section 4: Directors Statement

We hereby declare that all information stated in the application for approval of the Rights Issue and the statements contained in this Information Memorandum are correct, and neither the Board of Directors' minutes, audit report or any other internal documents contain information which could distort the interpretation of this Information Memorandum.

Chairman signature
Wilfred Kiboro
Chairman

28 September 2012

CEO signature
Richard Etemesi
Managing Director
& Chief Executive Officer

Section 5: Corporate Information

REGISTERED OFFICE	**StandardChartered@Chiromo** 48 Westlands Road P.O. Box 30003 00100 Nairobi GPO
COMPANY SECRETARY	**Nancy Oginde** StandardChartered@Chiromo 48 Westlands Road P.O. Box 30003 00100 Nairobi GPO
AUDITORS	**KPMG Kenya** 16th Floor, Lonrho House Standard Street P.O. Box 40612 00100 Nairobi GPO
SHARE REGISTRAR	**Custody & Registrars Services Limited** 6th Floor, Bruce House Standard Street P.O. Box 8484 00100 Nairobi GPO
LAWYERS	**Mboya Wangong'u & Waiyaki Advocates** Lex Chambers Maji Mazuri Road, Lavington P.O. Box 74041 00200 Nairobi

Section 6: Advisors and Other Parties

LEAD TRANSACTION ADVISOR(1)	
Standard Chartered Securities (Kenya) Limited	**Contact Person:**
StandardChartered@Chiromo	**Wanjiku Mugane**
48 Westlands Road	Managing Director
P. O. Box 56179	+254 20 3291520/25 (tel)
00200 Nairobi	+254 20 3291616 (fax)
LEAD SPONSORING STOCKBROKER	
Standard Investment Bank Limited	**Contact Person:**
16th Floor, ICEA Building	**Job Kihumba**
Kenyatta Avenue	Executive Director, Investor Banking
P. O. Box 13714	+254 20 2220225 (tel)
00800 Nairobi	+254 20 2240297 (fax)
RECEIVING BANK(1)	
Standard Chartered Bank Kenya Limited	**Contact Person:**
StandardChartered@Chiromo	**Alan Gakobo**
48 Westlands Road	Transaction Banking
P. O. Box 30003	+254 20 3291014 (tel)
00100 Nairobi GPO	+254 20 2249277 (fax)
REPORTING ACCOUNTANT	
KPMG Kenya(2)	**Contact Person:**
16th Floor, Lonrho House	**Jacob Gathecha**
Standard Street	Partner
P.O. Box 40612	+254 20 280 6000 (tel)
00100 Nairobi GPO	+254 20 2215695 (fax)

(1) The Issuer, the Lead Transaction Advisor and the Receiving Bank are related parties. The Lead Transaction Advisor is a sister company of the Issuer while the Receiving Bank function is being carried out by the Issuer and all requisite intra company contracts have been executed. Rigorous controls and procedures have been put in place to ensure that all dealings between the parties are carried out at an arm's length basis including Chinese information walls, which are in place to restrict access and flow of information between staff members of the three parties. Chinese walls between the Bank and the Lead Transaction Advisor include:

1.1. All potential transactions are accessed and cleared by Control Room which also clears the Lead Transaction Advisor team members after ensuring there are no conflicts of interest.

1.2. The Lead Transaction Advisor's information is stored in a separate information system drive to ensure information is kept confidential.

1.3. The physical premises are segregated and walled off and are only accessible by the Lead Transaction Advisor team members via an electronic access card.

(2) Have been the Issuer's auditor for more than three years.

Section 6: Advisors and Other Parties

LEGAL ADVISOR

Mboya Wangong'u & Waiyaki Advocates	**Contact Person:**
Lex Chambers	**Peter M Waiyaki**
Maji Mazuri Road	Partner
Lavington	254 20 4348356/57/58/59/60 (tel)
P.O. Box 74041	254 20 4348351 (fax)
00200 Nairobi	

PUBLIC RELATIONS CONSULTANT

Hill + Knowlton	**Contact Person:**
Riverside Green Offices	**Alexander Doll**
Baobab Suite	Managing Director
1st Floor	+254 20 4440822/3/6/9/31 (tel)
Riverside Drive	+254 20 4440852 (fax)
P.O. Box 34537	
00100 Nairobi GPO	

ADVERTISING CONSULTANT

McCann Kenya	**Contact Person:**
The Chancery	**Shehzad Chaudhry**
1st Floor	Managing Director
Valley Road, Upper Hill	+ 254 (20) 2799000 (tel)
P. O. Box 34537	+254 (20) 2718772 (fax)
00100 Nairobi GPO	

RECEIVING AGENT AND DATA PROCESSING CONSULTANT

Image Registrars Limited	**Contact Person:**
Transnational Plaza	**Lawrence Kibet**
8th Floor	Director
Mama Ngina Street	+254 20 2230330 (tel)
P.O. Box 9287	+254 20 2212120 (fax)
00100 Nairobi GPO	

SHARE REGISTRAR

Custody & Registrars Services Limited	**Contact Person:**
Bruce House	**Kerry-Ann Makatiani**
6th Floor	Chief Executive Officer
Standard Street	+254 20 2230518 (tel)
P.O. Box 8484	+254 20 2211773 (fax)
00100 Nairobi GPO	

Section 7: Definitions

In this Information Memorandum:

"Accepted Rights"	Rights accepted by an Eligible Shareholder pursuant to a duly completed and signed Entitlement and Acceptance Form;
"Additional Shares"	New Shares applied for by an Eligible Shareholder in excess of his Entitlement;
"AGM"	Annual General Meeting;
"ALCO"	The Asset and Liability Committee;
"Allocation Policy"	The policy of allocating untaken Rights set out in Section 9 (Details of the Rights Issue) paragraph 1.7 of this Information Memorandum;
"AML"	Anti Money Laundering;
"Application Money"	The Subscription Price per New Share payable by Eligible Shareholders in accordance with the relevant Entitlement and Acceptance Form;
"ATM"	Automated Teller Machine;
"Authorised Agent"	The specific parties set out in Section 18 (Authorised Agents) of this Information Memorandum, being parties duly authorised by Standard Chartered to receive Entitlement and Acceptance Forms together with the Application Money;
"Banking Act"	The Banking Act Cap 488 of the Laws of Kenya and includes any Act replacing it;
"Capital Markets Legislation"	Refers to (a) the Capital Markets Act, Chapter 485A of the Laws of Kenya and all subsidiary legislation and rules and guidelines promulgated thereunder (b) the rules of the NSE and (c) any law applicable to capital markets in Kenya;
"CAGR"	Compounded Annual Growth Rate;
"CBK"	The Central Bank of Kenya;
"CBR"	Central Bank Rate;
"CDSC"	The Central Depository and Settlement Corporation Limited;
"CDS Account"	The Central Depository System operated at the NSE by the CDSC for the purpose of recording the deposit and dealing of immobilised securities;
"Companies Act"	The Companies Act Cap 486 of the Laws of Kenya;
"CORC"	The Country Operational Risk Committee;
"Cheque"	Refers to the cheques drawn on the account of an Authorised Agent and a Bankers cheque;
"Closing Date"	3.00 p.m. on 26 October 2012, being the last day for receipt of acceptances in respect of New Shares;
"CMA"	Capital Markets Authority established by the Capital Markets Act Cap 485A of the Laws of Kenya;
"CSR"	Corporate Social Responsibility;
"Directors" or "the Board of Directors"	The Board of Directors of Standard Chartered Bank Kenya Limited;
"EFT"	Electronic Funds Transfer;
"Eligible Shareholder"	A shareholder registered as holder of Existing Shares as of the Record Date;
"Entitlement"	The entitlement of New Shares of an Existing Shareholder (or purchaser of or Renouncee of Rights) pursuant to the Rights Issue at the Entitlement Ratio and the Subscription Price;
"Entitlement and Acceptance Form"	Where the context requires, the PAL and/or Form E and/or Form R;
"Entitlement Ratio"	One (1) New Share for every Thirteen (13) Existing Shares;
"Existing Share"	Ordinary shares of par value KShs 5.00 each of Standard Chartered Bank Limited and held by Eligible Shareholders as of the Record Date;
"FX"	Foreign Exchange;

Section 7: Definitions

"Form E"	A form submitted alone or in addition to PAL as the Shareholder's entitlement to the Rights purchased;
"Form R"	Additional form to the PAL that is to be completed by the Eligible Shareholder on renunciation of the Provisional Rights to a third party through direct renunciation;
"GDP"	Gross Domestic Product;
"Group"	Standard Chartered PLC's shares listed on the London and Hong Kong stock exchanges and its IDRs are listed on the Bombay and National Stock Exchanges of India;
"GIA"	Group Internal Audit;
"GoK" or the "Government"	Government of the Republic of Kenya;
"HR"	Human Resources;
"IDR"	International Depository Receipt;
"Information Memorandum"	This document, Information Memorandum dated and issued on 28 September 2012;
"IPO"	Initial Public Offer;
"IRA"	Insurance Regulatory Authority;
"Issuer"	Standard Chartered Bank Kenya Limited;
"KShs"	Kenyan Shillings, the lawful currency of the Republic of Kenya;
"Kenya"	The Republic of Kenya;
"MANCOM"	Management Committee;
"MICR"	Magnetic Ink Character Recognition;
"MIMS"	The Main Investment Market Segment of the NSE;
"New Shares"	The 22,082,856 new ordinary shares in the capital of Standard Chartered Bank Kenya Limited to be issued pursuant to the Rights Issue;
"NPL"	Non-performing loan;
"NSE"	The Nairobi Securities Exchange Limited;
"Offer"	The offer to subscribe for New Shares pursuant to and in accordance with this Information Memorandum;
"Ordinary Shares"	The ordinary shares of KShs 5.00 each in Standard Chartered Bank Kenya Limited;
"Offer Documents"	This Information Memorandum, PAL, Form E and Form R;
"PAL"	The Provisional Allotment Letter issued to Eligible Shareholders indicating an Eligible Shareholder's Entitlement and providing for full or partial acceptance in the form or substantially in the form set out in Appendix A;
"Provisional Rights"	The number of New Shares offered based on the entitlement ratio;
"RBA"	Retirement Benefits Authority;
"RCO"	Risk Control Owner;
"Record Date"	3.00 p.m. on 19 September 2012, being the date the register of Standard Chartered Bank Kenya Limited will be closed;
"Register"	The Share Register which the Issuer will procure to be maintained by the Registrar at a designated office;
"Registrar"	The share registrar appointed in connection with the Rights Issue whose name and address appear in Section 5 (Corporate Information);

Section 7: Definitions

"Renouncee"	Any person of at least 18 years of age as at the date of renunciation in whose favour Rights have been renounced in accordance with this Information Memorandum and the PAL;
"Rights"	The right to subscribe for New Shares under the terms of this Information Memorandum and the PAL;
"Rights Issue"	The issue of 22,082,856 New Shares by Standard Chartered Bank Kenya Limited by way of Rights as described in this Information Memorandum and the PAL;
"Rights Issue Documents"	Refers to (a) this Information Memorandum (b) the accompanying PAL and (c) any other written communication or notification made by Standard Chartered Bank Kenya Limited to Eligible Shareholders in connection with the Rights Issue;
"RTGS"	Real Time Gross Settlement;
"SME"	Small and Medium Enterprise;
"Standard Chartered", "the Bank" or 'the Company"	Standard Chartered Bank Kenya Limited and its subsidiaries identified in Section 12 (Company Overview);
"Subscription Price"	KShs 145 per New Share;
"Untaken Rights"	The aggregate of New Shares not subscribed for; howsoever that may occur; and
"VAR"	Value at Risk.

Section 8: Salient Features of the Rights Issue

1. Rights Issue Statistics

Subscription Price	KShs 145 per New Share
Total number of New Shares offered	Twenty two million, eighty two thousand, eight hundred and fifty six (22,082,856) ordinary shares of KShs 5.00 each, to rank pari passu in all respects with the existing ordinary shares in Standard Chartered Bank Kenya Limited
Total amount to be raised before expenses	KShs 3,202,014,120
Ratio of Entitlement	One New Share for every Thirteen Existing Shares Held

2. Rationale for the Rights Issue

This Rights Issue seeks to strengthen the capital base to support business growth in line with the Bank's strategic ambitions. The proceeds from the Rights Issue will enable the business to increase its risk weighted assets, enable support to individual clients through increasing the Bank's single borrower limit as well as supporting deposit acquisition.

An extract from the CBK Prudential Guideline for Institutions licensed under the Banking Act sets out the following minimum capital ratios. Unless a higher minimum ratio has been set by CBK for an individual institution, every institution shall, at all times, maintain**:**

(a) A core capital of not less than eight percent of total risk weighted assets plus risk weighted off-balance sheet items;

(b) A core capital of not less than eight percent of its total deposit liabilities; and

(c) A total capital of not less than twelve percent of its total risk weighted assets plus risk weighted off-balance sheet items.

The above ratios are subject to review and may be changed from time to time.

The table below sets out the current capital ratios for the Bank:

	Minimum	**30 Apr 12**	**31 Dec 11**	**31 Dec 10**
Core Capital to total deposits liabilities	8%	13%	12%	11%
Core Capital to total risk weighted assets	8%	13%	12%	14%
Total Capital to total risk weighted assets	12%	15%	14%	14%

The proceeds from the Rights Issue will ensure that the Bank is in a sound position to meet any impending regulatory changes that may include increases in the minimum capital that banks will be required to hold.

Section 8: Salient Features of the Rights Issue

3. Timetable of Principal Events

	Event	Date and Time
a	Record Date (Register closure date)	3.00 p.m. 19 September 2012
b	Distribution of Information Memorandum and PALs to Standard Chartered shareholders	29 September 2012
c	Uploading of Rights Entitlement to CDSC	8 October 2012
d	Offer opens and commencement of trading in Rights at the NSE	9.00 a.m. 9 October 2012
e	Last date for immobilisation of Provisional Rights	3.00 p.m. 15 October 2012
f	Last date for renunciation (by way of private transfer)	3.00 p.m. 15 October 2012
g	Last date for trading in Rights	3.00 p.m. 18 October 2012
h	Offer closes and the last date and time for acceptance and payment for the New Shares	3.00 p.m. 26 October 2012
i	Announcement of Rights Issue results	14 November 2012
j	Dispatch of Share Certificates via brokers and delivery of entitlement file to CDSC	22 November 2012
k	Dispatch of refund cheques via agents (applicable if applications are received in excess of the number of Untaken Rights)	22 November 2012
l	Date of listing and commencement of trading of New Shares at the NSE	9.00 a.m. 27 November 2012

4. Basis of Rights Issue Price

The Subscription Price has been determined from:

- Standard Chartered's trading history at the NSE;
- The Company's recent financial results;
- The intrinsic valuation assessment; and
- Standard Chartered's unique competitive strengths and focused strategic growth.

The Subscription Price of KShs 145 represents a discount of 31% of the closing price of Standard Chartered at the NSE on 10 September 2012 of KShs 210.

5. Shareholders' Resolutions Authorising the Increase of Share Capital and Rights Issue

EXTRACT OF THE MINUTES OF THE ANNUAL GENERAL MEETING ("AGM") OF THE MEMBERS OF THE COMPANY HELD AT SAFARI PARK HOTEL, NAIROBI ON THURSDAY, 24 MAY 2012 AT 11:30 A.M.

The members of Standard Chartered Bank Kenya Limited resolved THAT:

Min 8 / 2012: SPECIAL BUSINESS

(a) Increase of Authorised share capital of the company

The ordinary Authorised share capital of the Company be and is hereby increased from Kenya Shillings 1,500 million divided into 300 million ordinary shares of Kenya Shillings 5.00 each to Kenya Shillings 1,625 million divided into 325 million ordinary shares of Kenya Shillings 5.00 each by the creation of 25 million new ordinary shares of Kenya Shillings 5.00 each ranking pari passu in all respects with the existing ordinary shares in the capital of the Company.

This will bring the total Authorised share capital of the Company to Kenya Shillings 1,905 million made up of 325 million ordinary shares of Kenya Shillings 5.00 each and 56 million non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares of Kenya Shillings 5.00 each.

Section 8: Salient Features of the Rights Issue

(b) <u>Approval of Rights Issue</u>

The Directors are hereby Authorised and directed that up to 37 million ordinary shares of Kenya Shillings 5.00 each in the capital of the Company be offered subject to any required regulatory approvals at a price to be determined by the Directors to and amongst the holders of the issued ordinary shares of Kenya Shillings 5.00 each in the capital of the Company registered at the close of business on such date as shall be determined by the Directors and notified to the members through the press or otherwise in proportion to the Members' respective holdings in the issued share capital of the Company, subject to the Articles of Association of the Company, at such rate and upon such terms as the Directors shall think fit and that the Directors be and are hereby Authorised to issue such shares and pursue the listing of such shares upon issue on the Main Investment Market Segment of the Nairobi Securities Exchange and to do all such things as may be necessary to give effect to this resolution and to deal with fractions of shares in such a manner as they think fit subject to the Articles of Association of the Company.

6. Directors' Resolutions Authorising the Increase of Share Capital

Further to the deliberations by the Board of Directors on 17 April 2012 and the follow-up consultations, it was agreed that the Company requires to raise additional capital in order to meet its 2013 - 2015 Business Strategic Agenda and;

IT WAS HEREBY RESOLVED THAT:

Increase of Share Capital:

(a) "The Board recommend to the Annual General Meeting an increase of capital from KShs 1,500 million divided into 300 million ordinary shares of KShs 5.00 each to KShs 1,625 million divided into 325 million ordinary shares of KShs 5.00 by the creation of 25 million new ordinary shares of KShs 5.00 each ranking pari passu in all respects with the existing ordinary shares in the capital of the Company."

Rights Issue:

(b) "Subject to regulatory and shareholders' approval, the additional share capital be offered through a Rights Issue of up to 37 million shares at a price to be determined by the Directors to the existing shareholders AND such shares to be listed on the Main Investment Market Segment of the Nairobi Securities Exchange."

Authority to effect Resolutions:

(c) "The Chairman, CEO, Finance Director and Company Secretary are hereby Authorised to do all such things as may be necessary to give effect to this resolution on behalf of the Board."

7. Minimum Success

The Rights Issue is subject to a minimum subscription level of 73.88% or KShs 2,365,648,032. The Company's largest shareholder, Standard Chartered Holdings (Africa) B.V which has a combined ownership of 73.88% is expected to take up its Rights fully.

8. Share Price Trend

Performance of Standard Chartered Bank Kenya Limited at the NSE from March 2012 to July 2012			
Month	**Price in KShs**		**Weighted Average Price (KShs)**
	Low	**High**	
March 2012	163	178	172
April 2012	165	181	172
May 2012	165	180	173
June 2012	175	201	188
July 2012	189	201	196
August 2012	191	204	198
Six Month Weighted Average Price of Standard Chartered Bank Kenya Limited			**183**
Closing Price on 10 September 2012			**210**

Source: NSE, Lead Transaction Advisor

Section 8: Salient Features of the Rights Issue

9. Standard Chartered Bank Kenya Limited's Share Price vs NSE 20 Share Index

The chart below illustrates the performance of the Bank's share price against the NSE 20 Share Index.

Standard Chartered Bank Kenya Limited's Share Price Performance [1]

Source: Bloomberg, Standard Chartered Analysis
[1] Base = 140, Standard Chartered's closing price on 6 August 2007

Section 8: Salient Features of the Rights Issue

10. Pertinent Financial Data

a	Par Value of each share	KShs 5.00
b	Total number of issued and fully paid up shares before Rights Issue	Ordinary shares: 287,077,134 Preference shares: 56,000,000
c	Rights Issue Ratio	1 for 13
d	Number of new shares on offer under the Rights Issue	22,082,856
e	Subscription price per share	KShs 145
f	Fully paid up share capital of Standard Chartered Bank Kenya Limited before the Rights Issue	KShs 1,715,385,670
g	Net profit for the four month period ended 30 April 2012	KShs 3,078,875,000
h	Net profit for the year ended 31 December 2011	KShs 5,836,821,000
i	EPS for the four month period ended 30 April 2012	KShs 10.73
j	EPS for the year ended 31 December 2011	KShs 19.75
k	DPS for the year ended 31 December 2011	KShs 11.00
l	Net Asset Value per share for the year ended 31 December 2011	KShs 72.10
m	Implied historic P/E ratio based on the Offer Price and the EPS for the year ended 31 December 2011	7.3x
n	Market Capitalisation based on the closing price of KShs 210 at the NSE on 10 September 2012	KShs 60,286,197,930
o	Gross proceeds of the Offer	KShs 3,202,014,120
p	Approximate net proceeds of the Offer	KShs 3,059,682,120
q	Total number of issued and fully paid up shares after the Rights Issue assuming full subscription	309,159,990
r	Fully paid up share capital of Standard Chartered Bank Kenya Limited Post Rights Issue assuming full subscription (inclusive of share premium)	KShs 3,753,484,670
s	Post Rights Issue (Adjusted) EPS 2011 assuming full subscription	KShs 18.34

11. Acceptance and Application Procedures

Eligible Shareholders may take up all, some or none of their Rights. Eligible Shareholders wishing to take up all their Rights are required to observe the procedures set out in paragraph 1.6 (Acceptance Procedure) of Section 9 (Details of the Rights Issue).

Eligible Shareholders wishing to renounce some or all of their Rights are invited to follow the steps set out in paragraph 1.8 (Renunciation of Rights) of Section 9 (Details of the Rights Issue). Please note that Eligible Shareholders may renounce their Rights by way of private transfer or selling the same in accordance with the said paragraph.

Eligible Shareholders wishing to apply for Additional Shares must do so in the manner set out in paragraph 1.7 (Application for Additional Shares and Allocation Policy) of Section 9 (Details of the Rights Issue).

Section 9: Details of the Rights Issue

1. Terms of the Rights Issue

1.1 Offer for Subscription

1.1.1 Standard Chartered hereby offers to Eligible Shareholders, by way of Renounceable Rights, a total of twenty two million, eighty two thousand, eight hundred and fifty six (22,082,856) New Shares at the Subscription Price of KShs 145 per New Share payable in full on acceptance on the terms set out below. The New Shares will be duly listed on the NSE.

1.1.2 Persons who are not Eligible Shareholders as of the Record Date will not be entitled to participate in the Offer except as stipulated in paragraph 1.1.5 below.

1.1.3 The Rights Issue is on the basis of a ratio of One (1) New Share for every Thirteen (13) Existing Shares, being the Entitlement Ratio. The Entitlement Ratio, once declared, will not be altered.

1.1.4 The number of New Shares that an Eligible Shareholder is entitled to (i.e. your Entitlement or your number of Rights) is shown on the PAL.

1.1.5 Rights are renounceable and may be sold or transferred to third parties subject to the provisions of this Information Memorandum. Information on how Rights may be sold or transferred is set out in paragraph 1.8 below.

1.1.6 Eligible Shareholders may also, at their option, choose not to take any action at all and untaken Rights will be allocated by the Directors in accordance with the Allocation Policy.

1.2 Status of New Shares

The New Shares will rank pari passu in all respects with the Existing Shares including the right to receive in full all dividends and other distributions declared, made or paid in respect of Standard Chartered shares, for the financial year ending 31 December 2012. There are therefore no time limitations in respect of the right to dividend for the said financial year.

1.3 Opening and Closing Date of the Rights Issue

The Rights Issue will open at 9.00 am on 9 October 2012 and close on 26 October 2012. The New Shares will commence trading at 9.00 a.m on 27 November 2012.

1.4 Entitlement

1.4.1 Your Entitlement is shown on the accompanying PAL.

1.4.2 The number of New Shares offered to Eligible Shareholders has been calculated pro-rata on the basis of the Entitlement Ratio and no restrictions are placed on the number of Existing Shares to be held before your Entitlement accrues. However, mathematically, this might result in fractional entitlements to New Shares and in such an event, fractions will be rounded downwards to the nearest whole number. Kindly therefore note that where this occurs, the Eligible Shareholder will be allotted the number of New Shares after rounding down.

1.4.3 Fractions of New Shares that result from applying the Entitlement Ratio will form part of the Untaken Rights.

1.4.4 All Eligible Shareholders will be notified of their Rights by the Bank through the PAL. Eligible shareholders with CDS Accounts will have such accounts credited with the applicable Entitlement.

1.4.5 Investors who wish to become shareholders in Standard Chartered via this Rights Issue can purchase Rights being sold on the NSE by Eligible Shareholders. Such investors will be issued with a Form E (see below) from their Authorised Agent which requires to be duly completed, accepted and fully paid for as per the Acceptance Procedure below. These investors can apply for Additional Shares provided they take up their Entitlement in full.

1.4.6 Eligible Shareholders and other investors are required to note that if they wish to take any action other than (a) full acceptance of their Entitlement or (b) to allow their Entitlement to lapse in full are asked to note that the following documents may be required for the alternative actions as described below:

Form R	Form of Renunciation for Private Transfers to be used by Eligible Shareholders without CDS Accounts renouncing or transferring their Rights by way of private transfer and by Renouncees to take up their New Shares. Where applicable this form will be included in the envelope with the PAL and this Information Memorandum.
CDS Form 7	To be used in connection with a private transfer by Eligible Shareholders with CDS Accounts. This form may be collected from any Authorised Agent that is a member of the NSE.
Form Z	To be completed by Eligible Shareholders wishing to appoint a third party as their lawful attorney or agent to act on their behalf in connection with the Rights Issue. This form is included in the envelope, together with your PAL and this Information Memorandum.

Form E	Form of Entitlement for Purchased Rights to be used in the case of Rights purchased on the NSE by any person and issued in favour of such person, who may optionally apply for additional rights. This form will be sent to the Authorised Agent through whom the transaction was submitted.

1.5 Effect of not having a CDS Account

It is not mandatory for an Eligible Shareholder to open a CDS Account. However, without a CDS Account, Eligible Shareholders will not be able to trade their Rights on the NSE. Eligible Shareholders who do not have CDS Accounts but wish to open one are requested to submit duly completed and signed CDS Account opening forms, together with their PAL to the Authorised Agents to enable crediting of Entitlements to the newly opened accounts.

1.6 Acceptance Procedure

Acceptance of the Offer, once given is irrevocable. Full details of the procedure for acceptance and payment are set out below:-

1.6.1 Acceptance may only be communicated by submitting a duly completed Entitlement and Acceptance Form together with Application Money for the number of New Shares (including any Additional Shares) specified in the Entitlement and Acceptance Form on the terms set out in this Information Memorandum. The Entitlement and Acceptance Form must be signed so as to be binding.

1.6.2 If the Entitlement and Acceptance Form is not completed correctly, Standard Chartered may in its absolute discretion reject it or treat it as valid, and Standard Chartered's decision as to whether to accept or reject, or how to construe, amend or complete an Entitlement and Acceptance Form shall be final.

1.6.3 The Entitlement and Acceptance Form, once duly completed and signed, must be returned to the Receiving Agent/Data Processor through any Authorised Selling Agent, together with the Application Money for the number of New Shares. Payment of the Application Money by all Eligible Shareholders must be made as specified in paragraph 1.9.1 by 3.00 p.m. on 26 October 2012.

1.6.4 New Shares in respect of which duly completed and signed Entitlement and Authorised Forms together with the Application Money, paid in accordance with paragraph 1.6.3 above, which are not received by any of the Authorised Selling Agent by the dates and times stipulated in paragraph 1.6.3 above will be deemed not to have been duly subscribed for and any rights in connection with the same will have lapsed.

1.6.5 Eligible Shareholders who wish to take up their full Entitlement are required to duly complete the section entitled "Full Acceptance of New Shares" (PART 1A) as well as other relevant sections of the PAL. Eligible Shareholders wishing to accept only part of their Entitlement are required to duly complete the section of the PAL entitled "Partial Acceptance of New Shares" (PART 2) as well as other relevant sections of the PAL.

1.7 Application for Additional Shares and Allocation Policy

1.7.1 Eligible Shareholders who have taken up all their Entitlement may apply for Additional Shares by completing the section for Application for Additional Shares (PART 1B) on their Entitlement and Acceptance Form and signing and returning the duly completed and signed Entitlement and Acceptance Form together with the Application Money. These should be received by the Receiving Bank or the relevant Authorised Agent not later than 3.00 p.m. on 26 October 2012.

1.7.2 Additional Shares applied for by Eligible Shareholders will be allocated by the Board of Standard Chartered in accordance with the Allocation Policy to the extent only of Untaken Rights. Please note that payment in respect of any Additional Shares applied for and not allocated will be refunded in accordance with paragraph 1.10 and will be free of interest. There will be no changes once the basis of allocation has been announced.

1.7.3 The press announcement publishing the results of the Rights Issue will include the basis of allocation of any Additional Shares and will be published on 14 November 2012.

1.7.4 Further to paragraph 1.4.4 of this Section, if Standard Chartered Holdings (Africa) BV and Standard Chartered Africa Holdings Limited's subscription for this Offer results in an allotment that causes their cumulative shareholding to exceed 75 percent, such excess allotment will be scaled down and the shares re-allotted to local Kenyan investors in compliance with The Capital Markets (Foreign Investor) Regulations 2002. Pursuant to clause 1.12.2, if these shares are not re-allotted, they shall lapse.

1.7.5 If any person applies for Additional Shares which might trigger the regulatory restrictions and obligations set out in paragraph 1.14 (Regulatory Restrictions) of this Section, the Directors reserve the right, at their sole discretion, not to allocate any Additional Shares to any such person unless all required regulatory approvals are duly obtained and attached with the PAL before 3.00 p.m. on 26 October 2012.

1.7.6 Eligible Shareholders wishing to take up Additional Shares are required to duly complete the section entitled "Application for Additional Shares" (PART 1B) as well as other relevant sections of the PAL.

Section 9: Details of the Rights Issue

1.8 Renunciation of Rights

The Rights are renounceable. Accordingly, Eligible Shareholders may elect to (a) give up their Rights in full or in part or (b) transfer their rights in full or in part (c) sell their Rights in full or in part, all in accordance with the procedures set out below.

1.8.1 Renunciation by way of Trading in the Rights

(a) The Rights constitute a security in the form of an option and are tradable on the NSE for a value but only by Eligible Shareholders with CDS Accounts. The Rights shall be listed under the MIMS.

(b) Eligible Shareholders will be notified of their Rights through the PAL.

(c) In addition, Eligible Shareholders with CDS Accounts will have such accounts credited with their Rights.

(d) Only Eligible Shareholders with CDS Accounts will be permitted to trade in Rights. In such an event, Eligible Shareholders who wish to renounce some or all of their Rights in this way may instruct any Authorised Agent to dispose off any or all of such Rights by way of sale on the NSE.

(e) Eligible Shareholders without CDS Accounts who wish to trade in Rights in this way must first open CDS Accounts and immobilise such Rights prior to trading and must duly complete the section entitled "Immobilisation for trading in the Rights" (PART 3) as well as other relevant sections of the PAL. The CDS Account opening forms may be obtained from any Authorised Agent. Eligible Shareholders who wish to immobilise their PAL for purposes of trading in Rights must ensure they do so before 15 October 2012.

(f) Rights may be traded on the NSE from 9 October 2012 to 18 October 2012.

(g) Please note that trading of Rights on the NSE will attract a brokerage commission plus other statutory costs payable by the seller and buyer of such Rights.

(h) The CMA and NSE have approved the trading of the Rights.

1.8.2 Renunciation by way of Private Transfer

(a) Eligible Shareholders wishing to transfer their Rights to a particular Renouncee may do so by way of private transfer, subject to (a) Section 31 of the Capital Markets Act (b) Regulations 57 to 61 of the Capital Markets (Licensing Requirements) General (Amendment) Regulations 2002 and (c) Rule 31 of the Central Depository Rules, 2004. Regulation 57 allows a transfer, inter alia, of Rights by an Eligible Shareholder to a close relation in the form of a gift. In such a case, any Authorised Agent, being a stockbroker, is required to assess, endorse and submit to the NSE a written application for such a transfer with the required information and supporting documents stating the reason for the proposed private transfer. A close relation means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, son-in-law, daughter-in-law, mother-in-law, brother-in-law, sister-in-law, grandchild or spouse of a grandchild.

(i) In order to effect a private transfer, an Eligible Shareholder must duly complete a CDS Form 7 (in the case of Eligible Shareholders with CDS Accounts), while those Eligible Shareholders without CDS Accounts may renounce their shares by way of FORM R. Eligible Shareholders who have CDS Accounts may only transfer Rights in favour of a Renouncee with a CDS Account.

(b) The last date and time for renunciation by way of private transfer is 3.00 p.m. on 15 October 2012.

(c) Eligible Shareholders are advised to contact any Authorised Agent for the purposes of effecting the renunciation by way of private transfer.

(d) If an Eligible Shareholder accepts some of his Rights and renounces the remainder by way of private transfer in the manner specified in this paragraph 1.8.2 (Renunciation by way of Private Transfer), and where such renunciation is done via CDS Form 7 such an Eligible Shareholder shall be required to submit the Entitlement and Acceptance Form in addition to the resulting FORM E, both duly completed and signed and accompanied with the Application Money in connection with the Accepted Rights to the Receiving Bank or the relevant Authorised Agent not later than 3.00 p.m. on 15 October 2012. Eligible Shareholders without CDS Accounts who wish to accept a partial number of rights and renounce the remainder by way of private transfer, or who wish to renounce to more than one person are advised to immobilise their Rights as set out in paragraph 1.8.1 (e) above.

1.8.3 Renunciation by declining

Eligible Shareholders who wish to decline their Rights need not do anything. Any Rights not taken up by such Eligible Shareholders will form part of the Untaken Rights.

Section 9: Details of the Rights Issue

1.8.4 Restriction on Renunciation of Rights

(a) Paragraph 1.14 (Regulatory Restrictions) of this Section sets out certain regulatory restrictions and obligations that may be relevant to any Eligible Shareholder or Renouncee.

(b) Please note that any renunciation by way of trading of Rights through NSE or by way of private transfer of Rights in accordance with paragraph 1.8.1 (Renunciation by way of Trading in Rights) and paragraph 1.8.2 (Renunciation by way of Private Transfer) of this Section is only permitted if such renunciation does not trigger the said regulatory restrictions and obligations.

1.9 Application Money

1.9.1 Payment for the New Shares shall be made by way of Cash Deposit to account number **99015XXXXX [where XXXXX refers to the PAL No.]** or in the form of a banker's cheque payable to "**SCB Kenya Rights Issue-PAL No XXXXX**" or by RTGS (for values that are KShs 1,000,000 and above) made payable to "**SCB Kenya Rights Issue**" account number **99015XXXXX [where XXXXX refers to the PAL No.]**. Payment may also be made by stockbrokers on behalf of Eligible Shareholders (Global Payment System or GPS). Banker's cheques for each PAL must be in Kenya Shillings and drawn on a licensed commercial bank that is a member of the Central Bank of Kenya Clearing House, and should be made payable to "**SCB Kenya Rights Issue-PAL No XXXXX**" and be crossed "**A/C Payee Only**". Each banker's cheque received by the Receiving Bank will be deposited immediately for collection. For Direct Payments made by way of RTGS, contact your Authorised Agent for remittance details. Please note that no interest will be payable by Standard Chartered on money received.

Any Eligible Shareholders applying for any Shares may provide an Irrevocable Bank Guarantee ("IBG") in the form stipulated in Appendix B to this Information Memorandum, for the full amount of the Shares, provided that such application is for a value of KShs 1,000,000 and above. Such bank guarantee must be authenticated by the guaranteeing bank via a SWIFT message sent to Standard Chartered Bank Kenya Limited before 3.00 p.m. 26 October 2012. The Eligible Shareholder must attach the letter of guarantee to the PAL at the time of submission by 3.00 p.m. on 26 October 2012. The IBG expiry date should be no earlier than on 16 November 2012.

1.9.2 Payments made in accordance with paragraph 1.9.1 above will, upon receipt by Standard Chartered of the relevant amount in cleared funds, constitute acceptance of the Rights Issue upon the terms and conditions set out in this Information Memorandum and in the Entitlement and Acceptance Form.

1.9.3 Eligible Shareholders with CDS Accounts are required to pay the Subscription Price per New Share in accordance with the Entitlement and Acceptance Form plus a separate fee of KShs 30.00 payable directly to their Authorised Agents in accordance with the Central Depositories (Regulation of Central Depositories)(Amendment) Rules, 2008.

1.10 Refunds

No interest will be paid on any Application Monies to any Eligible Shareholder or other person taking the Rights. Interest, if any, earned on Application Monies is payable to the CMA Investor Compensation Fund in accordance with CMA regulations. Refunds in respect of applications for additional shares, where the allotted value is less than that applied for shall be in the form of refund cheques or by way of EFT by Standard Chartered (where an Eligible Shareholder has provided accurate EFT details to the CDSC via their broker). Applicants who have not provided EFT information via the CDSC will not be eligible to a refund by EFT. Standard Chartered will begin refunds to Eligible Shareholders from 22 November 2012. Eligible Shareholders are required to choose their preferred option of refund: (a) by EFT, or (b) collected by the Eligible Shareholder from the relevant Authorised Agent (as designated by the Eligible Shareholder on the PAL for that purpose) against proof of identity. Neither Standard Chartered nor any Authorised Agent will be responsible for any refund not received. Where a Lender (hereinafter defined) has advanced money to an investor to subscribe for New Shares, refunds will be made to or for the account of such Lender as the case may be.

1.11 New Shares

1.11.1 Eligible Shareholders and their Renouncees with CDS Accounts who comply with the procedures for acceptance as set out in this Information Memorandum, will receive their New Shares in electronic form by way of credit to their respective CDS Accounts. It is the responsibility of Eligible Shareholders and Renouncees to ensure that their CDS Account details set out in the Entitlement and Acceptance Form are correct.

1.11.2 Eligible Shareholders without a CDS Account who comply with the procedures for acceptance as set out in this Information Memorandum, will receive their New Shares in certificate form to be delivered through their Authorised Agent. Trading of the New Shares may only take place if the Eligible Shareholder has a CDS Account.

1.11.3 New Shares will be admitted on the MIMS on 27 November 2012 with dealings of New Shares commencing on the same date.

Section 9: Details of the Rights Issue

1.12 Untaken Rights and Allocation Policy

1.12.1 All Eligible Shareholders who apply for their New Shares in full shall receive the full number of New Shares indicated in their PAL. New Shares not taken up shall form the Untaken Rights. The Untaken Rights may be allocated as Additional Shares in accordance with the Allocation Policy set out in this paragraph to Eligible Shareholders who duly submit applications for Additional Shares in accordance with paragraph 1.7 (Application for Additional Shares and Allocation Policy) of this Section.

1.12.2 Any Rights not taken up of the Untaken Rights may be allocated by the Board on a pro-rata basis and if not so allotted, will lapse. In event of any allocation being made to an entity pursuant to the Board's discretionary powers under this clause and which shall result in that entity becoming a significant shareholder of the Company, the Company shall make disclosures of the nature stipulated under Regulation 61(1)(a) of the Capital Markets (Licensing Requirements)(General) Regulations, 2002.

1.13 Foreign Investors

1.13.1 The Capital Markets (Foreign Investors) Regulations, 2002 (as amended) ("the Foreign Investor Regulations") provide that "a foreign investor" ("Foreign Investor") is any person who is not a local investor. A "local investor" is defined to mean (a) an individual being a natural person who is a citizen of an East African Community Partner State or (b) a body corporate being a company incorporated under the Companies Act of Kenya or such other similar statute or an East African Community Partner State in which the citizen or the Government of an East African Community Partner State have beneficial interest in 100 percent of its ordinary shares or any other body corporate established or incorporated in an East African Community Partner State under the provisions of any written law. An East African Community Partner State means States that are members of the East African Community.

1.13.2 Foreign Investors wishing to apply for New Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to, and pay any issue, transfer or other taxes due in such territory. Before applying for and purchasing New Shares, foreign investors are advised to consult their own professional advisors as to whether they require any governmental or other approvals or need to observe any applicable legal or regulatory requirements.

1.13.3 The Foreign Investor Regulations require not less than 25 percent (as amended by Legal Notice No. 29 of 2008) of the ordinary shares in listed companies be reserved for local investors.

1.13.4 This Information Memorandum and accompanying PAL do not, and are not intended to, constitute an offer for the New Shares in any place outside Kenya or in any circumstances where such offer or solicitation is not authorised or is unlawful. In that regard, this Information Memorandum and accompanying PAL may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances where such offer or solicitation is not authorised or is unlawful. The distribution of this Information Memorandum and the accompanying PAL outside of Kenya may be restricted by law and persons who come into possession of this Information Memorandum and the accompanying PAL should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. Any such recipient must not treat this Information Memorandum and accompanying PAL as constituting an offer to him, unless in the relevant jurisdiction, such invitation or offer could be made lawfully to him without contravention of any unfulfilled registration or legal requirements. Without limitation, neither this Information Memorandum nor the accompanying PAL may be sent or passed or otherwise distributed outside Kenya.

1.13.5 In particular, the Rights Issue has not been, and will not be, registered under the United States Securities Act, 1933 or the securities laws of any state in the United States of America and is not being made in the United States of America or to persons resident in the United States of America. Without limitation, neither this Information Memorandum nor the accompanying PAL may be sent or otherwise distributed to investors in the United States of America.

1.13.6 Eligible Shareholders with a registered address in Kenya holding Existing Shares on behalf of persons who are resident in a jurisdiction outside Kenya are responsible for ensuring that taking up New Shares under the Rights Issue does not breach securities laws in that other jurisdiction. The return of a duly completed Entitlement and Acceptance Form in accordance with this Information Memorandum will not be deemed as a representation that there has been no breach of such laws.

1.14 Regulatory Restrictions

Eligible Shareholders are requested to note that Standard Chartered is subject to the provisions of the Banking Act and the Capital Markets Legislation, Notable, for purposes of the Rights Issue are the provisions summarised below. Eligible Shareholders are required to seek their own advice in connection with these matters. Kindly note that the Directors may take the said provisions into account when determining the allocation of any Untaken Rights to applicants for Additional Shares.

Section 9: Details of the Rights Issue

1.14.1 Section 9A(2) of the Banking Act precludes any person from becoming a "significant shareholder", being a person, other than the Government of Kenya or a public entity who holds directly or indirectly or otherwise has a beneficial interest in more than five percent of the share capital of a bank, financial institution or mortgage finance company, unless such person has been certified by the Central Bank of Kenya as a fit and proper person.

1.14.2 Section 13(1) of the Banking Act prohibits particular classes of persons from owning, directly or indirectly, or otherwise having a beneficial interest in more than 25 percent of the share capital in a bank, financial institution or mortgage finance company.

1.14.3 The Capital Markets (Take-Overs and Mergers) Regulations, 2002, oblige the observance of certain procedures if any person takes up Rights which would result in that person "acquiring effective control" of a listed company.

1.15 Tax Implications

1.15.1 Eligible Shareholders interested in participating in the Rights Issue should consult their tax advisor of any possible tax implication connected with the Rights Issue. Therefore, Standard Chartered and the Directors consider it inappropriate to provide detailed advice in respect of taxation consequences in connection with the Rights Issue save for what is expressly set out in this Information Memorandum.

1.15.2 Neither Standard Chartered nor any of the Directors or any of Standard Chartered's officers or advisors accept any liability for any taxation implications of Eligible Shareholders in connection with the Rights Issue.

1.15.3 Local investors are subject to withholding tax on dividends at the rate of five (5) percent. Foreign Investors will be subject to a withholding tax rate of ten (10) percent.

1.16 Expenses of the Rights Issue

Expense	KShs '000
Transaction Advisor Costs(1)	40,858
Sponsoring Stockbroker	1,740
Legal Costs	2,320
Reporting Accountants' Costs	8,990
Placing Commission(2)	48,030
CMA Approval Fees	8,000
NSE Admission Fees	250
Printing, Postage and other Disbursements	9,812
PR and Advertising Costs	5,727
Data Processing and Registrar Costs, and other Miscellaneous Costs	6,000
Receiving Bank	Nil
Capital Markets Investor Compensation Fund(3)	10,605
Total	**142,332**

The expenses are indicative.

(1) A success fee of 1.1 percent of the value of the successful applicants is payable to the Transaction Advisor.

(2) A maximum possible commission of 1.50 percent is payable to Members of the NSE (Subject to a minimum of KShs 100.00) on the value of each successful application.

(3) An interest rate is chargeable on the issue proceeds payable to the Investor Compensation Fund. This interest rate is computed as the average of the Central Bank of Kenya inter-bank overnight lending rate for the period between the closing date of the Offer and the date of dispatch of share certificates or crediting of accounts. An interbank overnight lending rate of 5.27% per annum has been used to estimate this amount and is likely to be different from the actual rate that will be used.

2. Governing Law

The Rights Issue Documents and any contract resulting from the acceptance of an application to purchase the New Shares shall be governed by and construed in accordance with the Laws of Kenya and it shall be a term of each such contract that the parties thereto and all other interested parties submit to the exclusive jurisdiction of the Courts of Kenya.

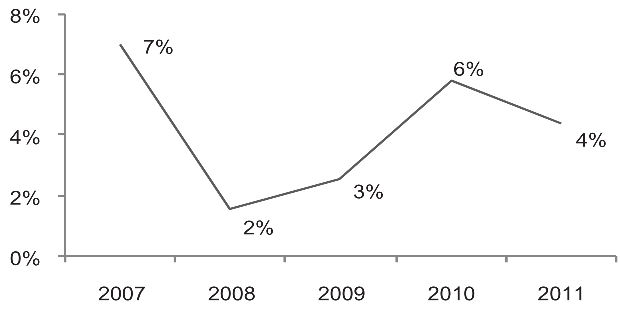
Section 10: Economic Review

1. Overview of 2011 Economic Performance

1.1 Real Growth Rate (GDP)

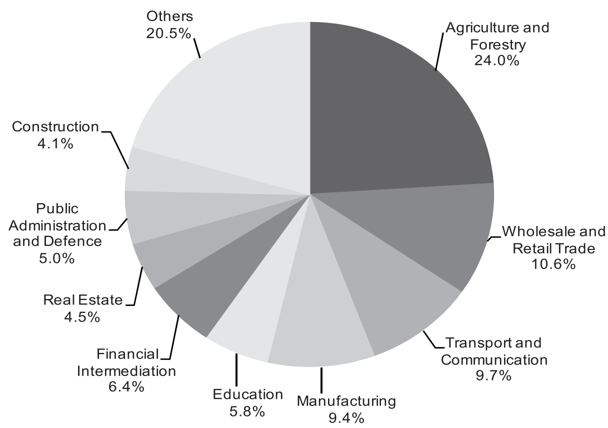
- Kenya's GDP expanded by 4.4% in 2011, which was lower than 2010's growth of 5.8%. High oil and food prices as well as unfavourable weather conditions in some parts of the country were the major causes that restrained growth during the year.
- Instability in the foreign exchange market experienced during the second half of 2011 further exacerbated the situation by suppressing economic activities.
- The key sectors contributing to GDP were agriculture, trade, manufacturing, transport and communication.
- Agriculture sector performance declined from 6.4% growth in 2010 to 1.5% in 2011 mainly due to unfavourable weather, high cost of agricultural inputs and a weak shilling coupled with high inflation.
- Transport, Storage and Communications sector was characterised by improved performance driven by the mobile telephony market segment, which registered a growth of 25.7% in subscriber base to 25.3 million subscribers by June 2011.
- The manufacturing sector registered a poor performance with growth at only 3.3% mainly due to increased prices of primary inputs, soaring cost of fuel and a weak Kenya shilling, which lowered the demand for locally manufactured products.
- Future outlook will be determined by political developments in 2012/2013 but there are indications that economic activities across all sectors seem fundamentally resilient to the increased political campaigns.
- Projected lower global oil prices are likely to have a positive contagion effect on the local economy leading to lower input prices and reduced inflation. However, high prevailing interest rates if persistent, may lead to constrained credit to the productive sector and impact negatively on the economy.

Real GDP Growth Rate



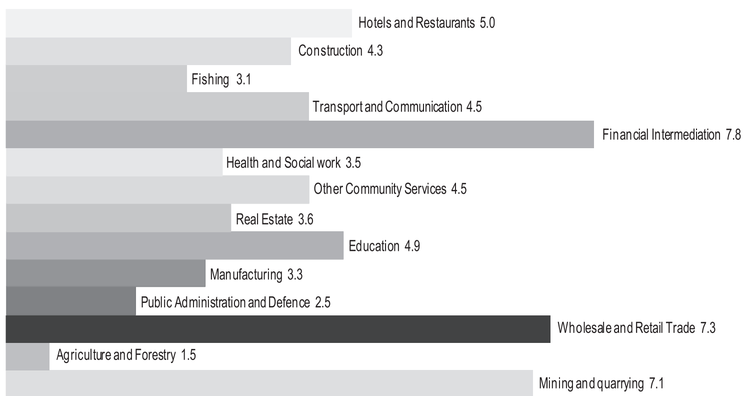
Source: Economic Survey 2012

2011 Percentage Contribution to GDP



Source: Economic Survey 2012

2011 Percentage Growth



Source: Economic Survey 2012

Section 10: Economic Review

1.2 Performance of Key Sectors

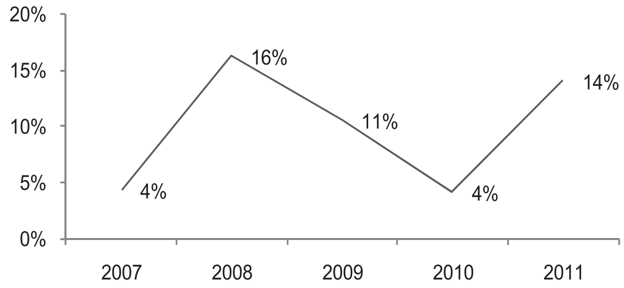
Sector	
Agriculture	– Decline in growth from 6.4% to 1.5% due to unfavourable weather, high cost of inputs and a weakened Kenya Shilling. – Remained the leading contributor to 2011 GDP, accounting for 24%.
Tourism	– Improved performance in Hotels and Restaurants with growth of 5.0% in 2011 compared to 4.2% in 2010 resulting in growth in tourism earnings by 33%. – High tourist arrivals, increased conference activities and the depreciation of the Kenya Shilling were the key contributors to the improved performance.
Transport, Storage & Communication	– 4.5% growth in 2011 from 5.9% in 2010 attributed to expansion in mobile telephony and developments in the road, water and rail transport sub sectors. – The recovery of the tourism industry continues to play a large role in boosting growth in this sector through increased passenger and freight traffic.
Financial Sector	– Slowed growth of 7.8% in 2011 from 9% in 2010 mainly due to a number of challenges among them persistent high inflation and volatility of the Kenya Shilling. – Sector will be crucial in the mobilisation of funds to implement Vision 2030 flagship projects and to fulfil the key goal of financial penetration.
Manufacturing	– Slower growth in 2011 at 3.3% compared to 4.5% in 2010 due to increased prices of primary inputs, weakened Kenya Shilling and high fuel costs. – Sector remains crucial in the realisation of the Vision 2030 goals and reforms to address sector challenges.

Section 10: Economic Review

1.3 Inflation

- The overall inflation rate increased from 4.1% in 2010 to 14% in 2011 mainly due to a sharp increase in food and oil prices.
- The rise in oil prices emanated from supply disruption associated with political unrest in some of the oil producing countries, while the increase in food prices resulted mainly from weather related supply constraints and rise in global commodity prices.
- The depreciation of the Kenya Shilling against major world currencies further accelerated the prices of imported products.
- Fluctuations in international crude oil prices and volatility in the Kenya Shilling exchange rate are expected to continue being a key determinant of the country's inflation.
- The Kenya Shilling exchange rate is expected to continue being a key determinant of the country's inflation.

Average Annual Inflation

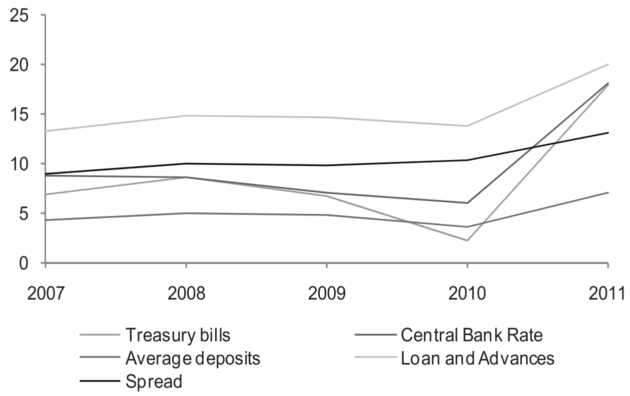


Source: Economic Survey 2012

1.4 Interest Rates

- All interest rates rose significantly in 2011:
  - 91 - dayTreasury bills rate rose from 2.3% in December 2010 to 17.9% in December 2011.
  - CBR rate rose from 6% in December 2010 to 18% in December 2011.
  - Interest on loans rose from 13.9% to 20.2%.
  - Interest on deposits rose from 3.6% to 7.0%.
- The considerable rise in nominal interest rates over the second half of 2011 is attributable to the raising of CBR rates. The increase in CBR rates was aimed at raising the cost of borrowing thereby reducing domestic credit and consequently stabilising domestic prices.
- In response to the high CBRs as well as hedging against inflationary effects, commercial banks increased lending rates and consequently interest rate spread increased from 10.3% in 2010 to 13.05% in 2011.

Weighted Average Interest Rates



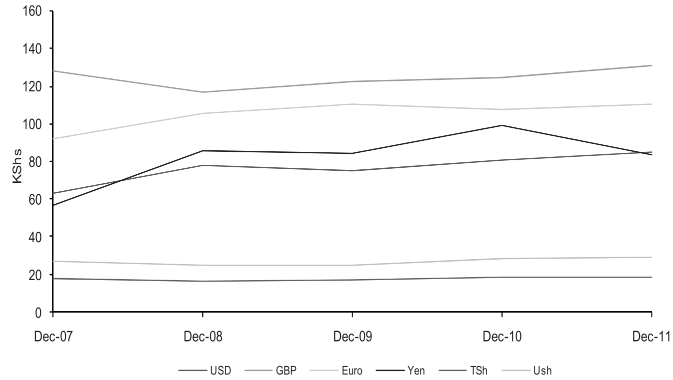
Source: Central Bank Website

Section 10: Economic Review

1.5 Exchange Rates

- The Kenya Shilling depreciated against major currencies throughout 2011:
  - USD: 80.75 in December 2010 to 85.07 in December 2011.
  - GBP: 124.77 in December 2010 to 131.12 in December 2011.
  - Euro: 107.63 in December 2010 to 110.06 in December 2011.
- The depreciation of the Kenya Shilling was largely driven by an increasing import bill due to infrastructure projects and by the Euro zone debt crisis and political events in the Middle East and North Africa that caused an increase in global oil prices and resulting high inflation.

Exchange Rates [1]

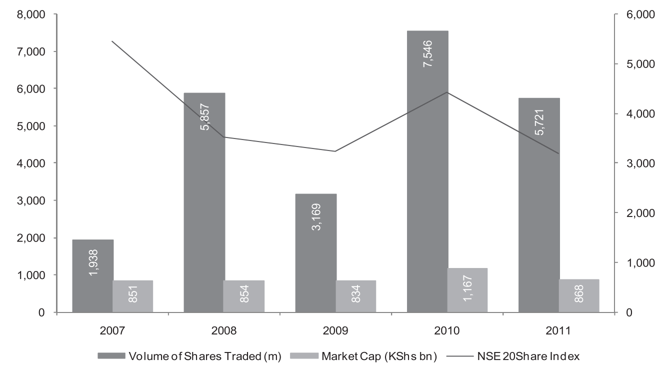


Source: Central Bank Website
[1] Closing exchange rates

1.6 The Capital Markets

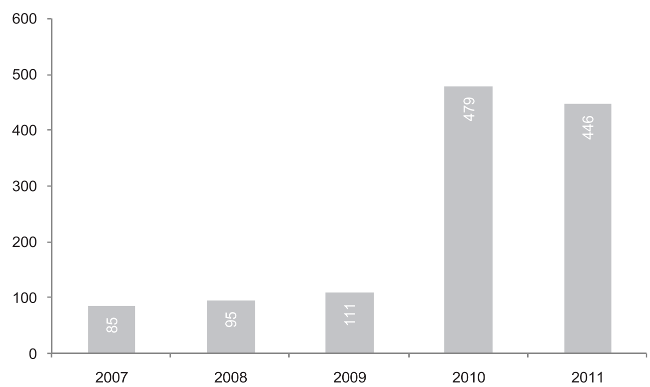
- Both primary and secondary markets registered declining performance in 2011.
- The NSE 12-month market turnover decreased by 28.2%, while the NSE 20-Share Index decreased by 27.7% in 2011. Market capitalisation decreased by 25.6% while the number of shares traded also decreased by 24% in 2011.
- In 2011, one IPO was issued by British American Insurance Company with a 60% subscription rate.
- Bond turnover declined by 6.9% in 2011 with only one issue in the primary corporate bond market compared to eight corporate bonds issued in 2010.
- The decline in performance of the capital markets in 2011 was largely caused by reduced economic growth. There was also a shift of investors from equities to fixed deposits, treasury bills and treasury bonds, which are considered lower risk assets and had attractive yields in 2011.

Equity Market Performance



Source: Economic Survey 2012

Total Bond Turnover (KShs bn)



Source: Economic Survey 2012

Section 10: Economic Review

2. Economic Outlook[1]

Kenya's economy is expected to grow in line with 2011, with Real GDP growth for 2012 projected at between 3.5% and 4.5%

- Political developments leading up to elections in March 2013 will influence economic growth. However, economic activities across all sectors are currently seemingly unaffected by the increased political campaigns and re-alignments.
- Evolution of prices of oil and food, weather patterns and interest rates are likely to be the dominant determinants of growth in 2012.
- Agricultural output in 2012 is expected to decline on the back of depressed rainfall during the first quarter of 2012 and severe frost that affected many tea growing regions leading to lower output of tea.
- Projections for Brent crude oil prices suggest lower international oil prices. On the assumption of lower oil and food prices, inflation is likely to slow down in 2012. However the current high interest rates, if persistent, could lead to constrained credit to the productive sector and therefore impact negatively on the economy.
- Government expenditure is likely to rise more rapidly on account of the implementation of the new constitution and sustained infrastructure projects currently being undertaken.
- The oil discovery in Turkana is not expected to bring any substantial immediate economic benefits in 2012 but such benefits should be expected to begin flowing in the medium term.
- World real GDP growth is projected to slow from 3.8% in 2011 to 3.4% in 2012. Growths in Europe and the UK, major importers of Kenya's agricultural produce, are projected to slow substantially indicating possibility of suppressed external demand.
- It is against this background that economic growth is likely to be subdued at between 3.5% and 4.5% in 2012.

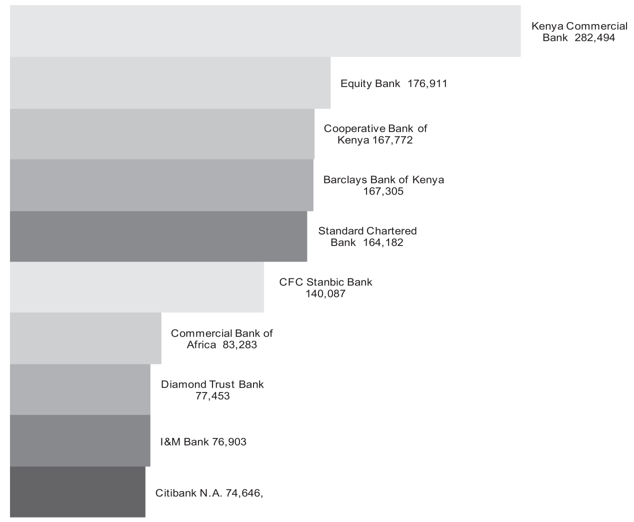
(1) – Economic Survey 2012

Section 11: Banking Sector Overview

1. Introduction

- As at December 2011, Kenya's banking sector was composed of:
  - 43 commercial banks;
  - One mortgage finance company;
  - Four representative offices of foreign banks;
  - Six deposit taking micro-finance institutions;
  - 118 forex bureaus; and
  - Two credit reference bureaus.
- The top six banks had a total asset base of approximately KShs 1.1 trillion, representing 54.6% of total assets in the banking sector.

Total Net Assets as at 2011 (KShs bn)

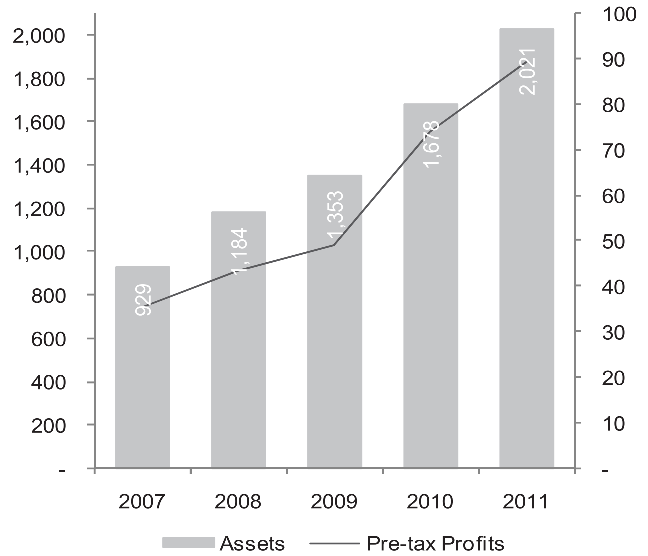


Source: Central Bank Annual Supervision Report 2012

2. Banking Sector Performance

- The Kenyan banking sector remained resilient in 2011 despite a challenging macro-economic environment.
- The sector recorded a 20.5% growth in pre-tax profits during 2011 while total assets grew by 20.4% in the same period.
- The strong capitalisation levels seen in the banking sector were as a result of retention of profits and additional capital injections.

Total Assets and Pre-tax Profit (KShs m)



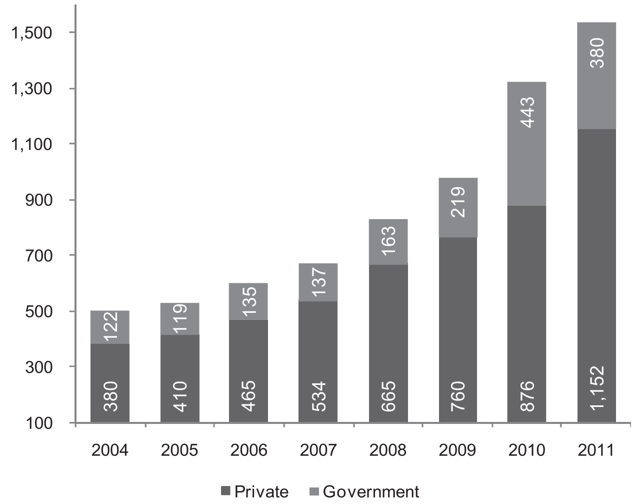
Source: Central Bank Annual Supervision Report 2012

Section 11: Banking Sector Overview

Banking Sector Performance (continued)

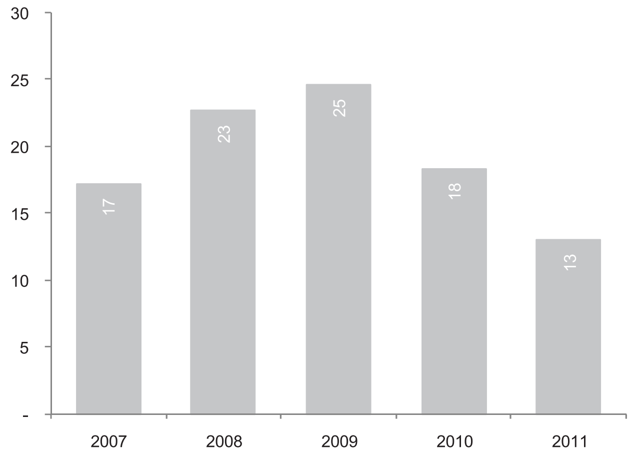
- Net loans and advances grew by 31.4% in 2011 with 72% of the sector's loans being advanced to personal, trade, manufacturing and real estate sectors.
- However investment in Government securities declined by 14.2% in 2011 likely due to low interest rates on government securities during the first half of 2011 compared to lending rates.
- The key source of funding in the banking sector, mainly customer deposits grew by 20% in 2011 mainly supported by branch expansion and receipts from exports. The increased deposits enhanced the banks capacity to extend credit to various economic sectors.
- Asset quality improved with the net non-performing loans ratio declining to 1.2% in 2011 against 2.1% in 2010. This improvement is partly attributed to the risk management programs implemented by the financial institutions, which enhanced credit appraisal and administration standards.

Total Domestic Sector Credit (KShs bn)



Source: Central Bank Annual Supervision Report 2012

Non-performing Loans (KShs bn)



Source: Central Bank Annual Supervision Report 2012

Section 11: Banking Sector Overview

3. Banking Sector Reforms

Proposed measures aimed at enhancing supervision of the financial services sector to provide stability.

i. Tightening regulation

- CBK to implement coordinated supervision of banks with cross border operations and will entail information sharing and coordination with other regulators in the region.
- Amendment of the Banking Act to introduce the concept of a “banking group” and “non-operating holding company”, which will be allowed to own more than 25% of a bank’s share capital, subject to CBK’s written approval.
- Supervisory procedures to be extended to monitor activities of agents, while banks will now also become liable for the acts and omissions of their agents. While this is aimed at protecting customers, it is likely to lead to increased costs of the agency banking model.
- Amendment of the Proceeds of Crime and Anti Money Laundering Act to include transactions under other financial sector players, including the insurance and capital market sectors.

ii. Convergence of financial services

- Amendment to the Banking Act to expand the scope of banking business to include incidental financial services that can be offered by banks subject to review and approval by the CBK.
- Establishment of a consolidated financial sector regulatory framework bringing together the CMA, IRA and RBA.

iii. Revised Prudential Guidelines

- CBK has released revised prudential guidelines to the banking industry for consultation. The Prudential Guideline on capital adequacy has proposals that borrow heavily from the Basel II and Basel III frameworks including the introduction of a capital conservation buffer of 2.5% above current minimum capital adequacy ratios. In addition, a capital charge to cover operational and market risks will be required to be added on to minimum capital adequacy ratios. This will lead to increased capital requirements across the banking sector. It is anticipated that the CBK will give the banking sector an adequate time frame to comply with the enhanced capital requirements.

Section 12: Company Overview

1. Company Profile

1.1 Introduction

Standard Chartered Bank Kenya Limited was established in 1911 with the first branch opened in Mombasa Treasury Square.

Today, 101 years later, Standard Chartered Bank is one of the leading Banks in Kenya, with an excellent franchise. It has a total of 33 branches spread across the country, 90 automated teller machines (ATMs) and 1,698 employees.

Standard Chartered Bank Kenya Limited has local shareholding of about 26%, comprising about 32,000 shareholders. It has remained a public quoted company on the Nairobi Securities Exchange since 1989.

Our capital, deposit base, and lending portfolio is reported in Kenya Shillings, and we offer a variety of local and foreign currency accounts, both deposit and loan, to our customers. We have a diversified portfolio cutting across select sectors that include business services, manufacturing, wholesale and retail trade, transport and communication, real estate, agriculture, energy and water.

Further underpinning its importance, Standard Chartered Bank Kenya Limited hosts the regional Shared Service Centre supporting the Bank's technology operations in Uganda, Tanzania, Zambia and Botswana and South Africa on a real time basis.

1.2 Milestones

- Standard Chartered Bank was the first Kenyan Bank to be awarded the ISO 9002 certification in technology systems;
- Standard Chartered Bank opened the first ATM in Kenya and first Automated Banking Centre for 24-hour convenience;
- First utility bill payment and satellite television payment over ATM;
- First to introduce Priority Banking facilities in Kenya for more affluent customers;
- First to launch International Photo Debit Card;
- First to introduce unsecured Personal Loan;
- First to launch Mobile Top-Up scheme; and
- First to launch Banking Business Solutions for corporate customers.

1.3 Awards in Excellence

- Green Building Recognition Award - March 2012;
- Second position Best Bank in Kenya 2012 - Think Business Banking Awards;
- Financial Reporting Excellence Award - (2011, 2010, 2008, 2002 & 2001);
- Best Bank in Kenya 2011 - Think Business Banking Awards;
- Best Bank in Kenya 2010 - Euromoney Awards for Excellence;
- Best Bank in Kenya 2010 - Think Business Banking Awards;
- 2010 Award Winner - Great Work Place (Gallup);
- Corporate Citizenship Award 2009 - Financial Reporting Excellence Awards;
- East Africa Most Respected Financial Institution (2003, 2005, 2006) - Nation Media Group and PriceWaterhouseCoopers;
- Corporate of the Year Bank 2005 - Market Intelligence;
- Silver Prix for Most Promising New Product 2005 (Kenya's Fixed Rate Home Loan) Grand Prix Gold Award 2005 - IFS/Deloitte Financial Innovation Awards; and
- Best Internet Bank (2007 & 2008) - Global Finance Magazine.

1.4 Sustainability

"**Here for good is about our commitment to our customers, our communities, and ourselves. It is us at our best.**"
As a leading international bank, we recognise the importance of helping to re-invigorate growth by supporting our clients across Africa, Asia and the Middle East in new and improved ways of doing business, as well as helping address some of the most pressing social and environmental challenges.

In order to contribute to the sustainability of our business we need to take responsibility in the markets in which we live and work by helping to create healthy and economically vibrant communities. Our commitment to sustainability means continuing to focus on building a sustainable business as a bank. This means, creating value for our shareholders, supporting our

Section 12: Company Overview

customers, contributing to the economy as a whole, and being a force for good in the communities in which we live and work. ‘Here for good’, our brand promise sums up who we are and what we stand for. Our aspiration is to be here for people, here for progress and here for the long run.

Our approach to building a sustainable business goes beyond CSR. It is core to our business - adopting an integrated view of how we do business that considers sound economic practices, good governance, and environmental and social impacts.

Our approach to sustainability focuses both on continuing to manage our core banking practices responsibly and on the seven specific areas which are at the heart of our sustainability strategy. These are:

- **Protecting the environment:** As a Bank, our aim is to be a force for good, and to make a positive contribution to the wellbeing of the global natural environment. We are committed to building a sustainable business over the long term and are trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity.

- **Community investment**: Sustainability is one of the main forces shaping human and economic activity in the 21st century. Doing business that delivers long term shareholder value and contributes to the success of the communities in which we operate is core to our strategy and supports our ‘Here for good’ brand promise. We work closely with key stakeholders to achieve our sustainability goals. We also empower our staff to help tackle the challenges we face in our markets, from environmental degradation to ill health.

- **Responsible selling and marketing:** At Standard Chartered, our approach to selling and marketing is guided by our brand promise ‘Here for good’. Our brand promise helps define the Bank’s culture and values and creates the foundation to embed the United Kingdom Financial Services Authority’s principle of Treating Customers Fairly in our interactions with customers and clients. We are committed to treating our customers fairly in setting high standards for employee training, product development, marketing and sales as well as after-sales service processes and managing customer complaints. We want to ensure that we are transparent in our dealings with our customers and that we offer them the right products and advice.

- **Tackling financial crime**: Standard Chartered Bank is vigilant to the financial crime risk that can arise from internal and external sources, including in our dealings with customers and other stakeholders and which may involve people, processes and systems of the Bank. Financial Crime Risk (FCR) Unit within our Compliance Department is tasked exclusively with the responsibility for mitigating and managing all financial crime risk the Bank faces. We have a broad and strong range of measures in place to monitor, control and mitigate this risk. Controls to prevent, detect and mitigate this risk are embedded in our systems, policies, procedures and processes and across a wide range of the Bank’s activities and operations.

- **Access to finance**: The Bank’s microfinance portfolio continues to grow with a huge focus on the three areas namely: Microfinance institutions (MFI’s), technical assistance and SME banking. In Kenya, SMEs contribute between 70% and 80% of the country’s GDP, making the sector a key driver of our economy. The significance of SMEs to cross border trade is huge because many of the SMEs function as essential suppliers to larger exporting firms.

  At Standard Chartered Bank, we are committed to the development of SMEs. Our international footprint combined with our deep-rooted local knowledge places us at a vantage point when it comes to recognising the unique challenges faced by these companies. On the back of our strategy to offer best-in-class banking solutions to our chosen market segments, Standard Chartered Bank strengthened its SME proposition in 2011 to enable the Bank deliver our vision of being the World’s Best International Consumer Bank in each of our chosen markets and segments.

- **Promoting sustainable finance:** The decisions we make as to who or what we finance have a potential impact on people and the environment. Our approach is to work with our clients to ensure that the business we support is sustainable.

- **Great Place to work:** To improve engagement and the productivity of employees, the Bank embedded scorecards for frontline employees in Consumer Banking. These tools clarify what is expected of the employees while measuring their performance. As a result, we have seen improved productivity and high participation of employees in incentive schemes. Human Resources has continued to improve the way it serves employees and line managers by introducing both manager and employee self services. This enabled the Bank to automate most HR transactions and place them at the forefront of employees thereby freeing up the HR staff to provide more value add services to the businesses.

2. Licensing

Standard Chartered is incorporated as a limited company in Kenya under the Kenyan Companies Act, and is domiciled in Kenya. Standard Chartered is licensed as a bank under the Banking Act and has all other requisite licenses for all its businesses.

Section 12: Company Overview

3. Capital Structure as of 30 April 2012

3.1 Major Shareholders

Major Shareholders	Number of ordinary shares held	% Ordinary Shareholding	Number of preference shares held	% Preference Shareholding
Standard Chartered Holdings (Africa) BV	212,070,025	73.87	56,000,000	100.00
Kabarak Limited	2,949,748	1.03	-	-
National Social Security Fund Board of Trustees	1,882,538	0.66	-	-
National Social Security Fund	1,454,871	0.51	-	-
Standard Chartered Africa Holdings Limited	1,306,800	0.46	-	-
Standard Chartered Nominees Limited A/C 9230	1,075,997	0.37	-	-
Standard Chartered Nominees Limited A/C 9389	1,015,058	0.35	-	-
Kenya Commercial Bank Nominee A/C 769G	967,943	0.34	-	-
Old Mutual Life Assurance Company Limited	827,803	0.29	-	-
Standard Chartered Nominees Limited A/C1256B	706,761	0.25	-	-
Total	**224,257,544**	**78.13**	**56,000,000**	**100.00**

3.2 Shareholders' Profile

Shareholders' Profile	Number of Shareholders	Number of ordinary shares held	% of Issued Share Capital
Local Individual Investors	30,672	34,751,485	12.11
Local Institutional Investors	1,176	37,038,067	12.90
Foreign Individual Investors	86	195,448	0.07
Foreign Institutional Investors	28	215,092,134	74.92
Total	**31,962**	**287,077,134**	**100.00**

3.3 Range of Shareholding

Share Range	Shareholders	Number of ordinary shares	% Shareholding
1 to 500	9,568	1,919,616	0.67
501 – 5,000	21,449	26,409,829	9.20
5,001 – 10,000	398	2,812,549	0.98
10,001 – 100,000	455	13,311,337	4.64
100,001 – 1,000,000	85	20,868,766	7.27
1,000,001 and Above	7	221,755,037	77.24
Total	**31,962**	**287,077,134**	**100.00**

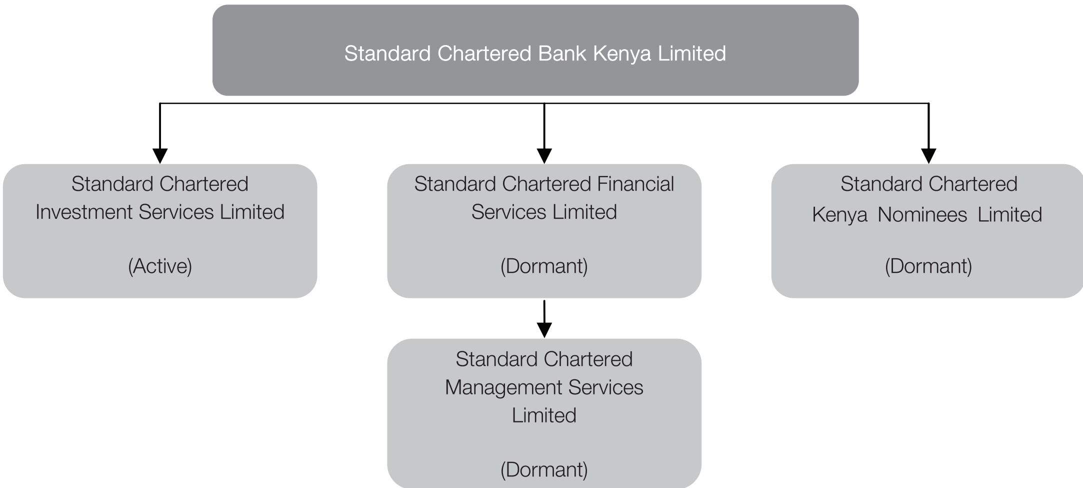
The issued and fully paid share capital of the Company consists of 287,077,134 ordinary shares of KShs 5.00 each and 56,000,000 non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares of KShs 5.00 each.

The Company currently has 37,922,866 ordinary shares which are un-issued, and which may be allotted by the directors under the Rights Issue.

Section 12: Company Overview

Standard Chartered Bank Kenya Limited and its Subsidiaries

The following subsidiaries are wholly owned by the Company:



4. Standard Chartered Bank Kenya Limited Business Units and Organisation Structure

The Bank has two core business divisions: – Wholesale Banking and Consumer Banking. These two businesses are supported by the functions of Technology & Operations, Finance, Human Resources, Corporate Affairs, Compliance and Assurance, Legal and General Management.

The Origination and Client Coverage business, which is part of Standard Chartered's Wholesale Banking business, is mainly handled out of the major cities in Kenya, Nairobi, Mombasa, Kisumu and in Eldoret Town. Consumer Banking has a network of 33 branches and 90 ATMs across Kenya's major cities and towns.

5. Product and Service Range

5.1 Consumer Banking

Consumer Banking serves its customer base through a segmented strategic approach focusing on Priority and International Banking, SME Banking, Preferred Banking, and Personal Banking segments. A customer-focused approach enables a deeper understanding of customers' evolving needs and in providing customised financial solutions. We offer a full suite of innovative products and services to meet their borrowing, wealth management and transacting needs.

5.2 Wholesale Banking

Wholesale Banking Kenya has established itself as the dominant player in Kenyan cross border business. We maintain the momentum in the domestic franchise, through deepening relationships with existing clients, establishing new customer relationships and delighting our clients with our service and solutions. We continue to invest in our transaction banking delivery platform Straight to Bank (S2B) providing regular enhancements and have ensured the seamless integration of the Custody Business.

Section 12: Company Overview

6. Consolidated Financial Results

6.1 Consolidated Statement of Comprehensive Income

	30-Apr-12 KShs '000	31-Dec-11 KShs '000	31-Dec-10 KShs '000	31-Dec-09 KShs '000	31-Dec-08 KShs '000	31-Dec-07 KShs '000
Interest income	6,421,437	12,011,253	9,777,689	9,347,475	7,445,466	6,977,075
Interest expense	(1,722,534)	(2,159,959)	(1,662,125)	(2,010,197)	(1,568,347)	(1,527,460)
Net interest income	**4,698,903**	**9,851,294**	**8,115,564**	**7,337,278**	**5,877,119**	**5,449,615**
Fee and commission income	1,152,488	3,613,182	2,687,887	2,424,706	2,232,359	2,224,576
Fee and commission expense	(89,112)	(210,746)	(57,131)	(42,492)	(75,596)	(138,775)
Net fee and commission income	**1,063,376**	**3,402,436**	**2,630,756**	**2,382,214**	**2,156,763**	**2,085,801**
Net trading income	1,476,367	2,246,685	1,973,690	2,128,392	2,058,143	1,532,306
Other operating income	65,369	413,096	1,182,719	398,548	18,045	481,677
OPERATING INCOME	**7,304,015**	**15,913,511**	**13,902,729**	**12,246,432**	**10,110,070**	**9,549,399**
Staff costs	(1,572,250)	(3,736,746)	(3,394,945)	(2,840,833)	(2,998,390)	(2,586,318)
Premises and equipment costs	(206,863)	(733,730)	(523,988)	(539,964)	(538,344)	(449,375)
General administrative expenses	(647,033)	(2,064,022)	(1,667,318)	(1,364,669)	(1,263,592)	(1,228,761)
Depreciation and amortisation	(302,241)	(711,139)	(302,273)	(297,583)	(224,581)	(168,738)
OPERATING EXPENSES	**(2,728,387)**	**(7,245,637)**	**(5,888,524)**	**(5,043,049)**	**(5,024,907)**	**(4,433,192)**
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES AND TAXATION	**4,575,628**	**8,667,874**	**8,014,205**	**7,203,383**	**5,085,163**	**5,116,207**
Net impairment losses on loans and advances	(175,513)	(412,739)	(332,321)	(474,936)	(365,349)	(206,019)
PROFIT BEFORE TAXATION	**4,400,115**	**8,255,135**	**7,681,884**	**6,728,447**	**4,719,814**	**4,910,188**
INCOME TAX EXPENSE	**(1,321,240)**	**(2,418,314)**	**(2,305,693)**	**(1,995,693)**	**(1,469,001)**	**(1,440,311)**
NET PROFIT FOR THE PERIOD/YEAR	**3,078,875**	**5,836,821**	**5,376,191**	**4,732,754**	**3,250,813**	**3,469,877**
OTHER COMPREHENSIVE INCOME/(LOSS)						
Change in fair value of available-for-sale investments	1,554,550	(4,616,524)	355,953	838,732	26,470	(58,313)
Deferred tax on change in fair value of available-for-sale investments	(466,365)	1,372,529	(94,358)	(265,510)	5,950	17,494
Revaluation surplus	-	401,412	-	-	262,877	-
Deferred tax on revaluation surplus	-	(104,614)	-	-	(75,173)	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR	**1,088,185**	**(2,947,197)**	**261,595**	**573,222**	**220,124**	**(40,819)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR	**4,167,060**	**2,889,624**	**5,637,786**	**5,305,976**	**3,470,937**	**3,429,058**
BASIC AND DILUTED EARNINGS PER SHARE – (KShs)	**10.73**	**19.75**	**18.58**	**16.45**	**11.34**	**12.14**
DIVIDEND PER SHARE – (KShs)	**-**	**11.00**	**13.50**	**12.00**	**10.00**	**10.00**

Section 12: Company Overview

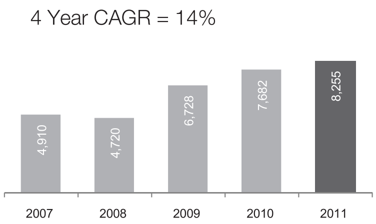
6.2 Consolidated Statement of Financial Position

	30-Apr-12	31-Dec-11	31-Dec-10	Restated 31-Dec-09	31-Dec-08	31-Dec-07
	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
ASSETS						
Cash and balances with Central Bank of Kenya	11,300,676	12,005,054	8,210,822	7,728,872	7,380,062	7,546,063
Government and other securities held for trading	2,285,319	41,222	3,271,603	2,326,700	1,615,561	2,397,721
Derivative financial instruments	404,535	384,809	283,036	70,040	2,013,917	2,197,918
Loans and advances to banks	6,492,256	2,542,427	3,243,868	1,492,177	1,379,889	199,972
Loans and advances to customers	100,393,855	96,097,823	60,336,829	56,694,876	43,298,819	39,468,522
Investment securities	31,106,008	25,012,421	52,161,984	43,473,479	22,273,708	24,848,586
Amounts due from group companies	9,825,151	16,678,067	5,208,201	7,384,694	15,683,293	7,572,774
Tax recoverable	-	-	-	-	41,751	-
Non-current asset held for sale	51,528	57,724	334,770	-	-	-
Property and equipment	3,991,918	4,055,767	3,341,337	2,343,765	1,512,616	1,055,033
Intangible assets	4,240,279	4,373,307	4,739,681	3,302	6,604	3,778
Prepaid operating lease rentals	262,990	107,042	110,513	204,449	209,079	213,695
Deferred tax asset	-	327,104	-	80,616	274,858	230,952
Other assets	2,386,685	2,363,857	1,503,605	1,976,002	3,329,414	5,386,928
TOTAL ASSETS	**172,741,200**	**164,046,624**	**142,746,249**	**123,778,972**	**99,019,571**	**91,121,942**
LIABILITIES AND SHAREHOLDERS' EQUITY						
Liabilities						
Deposits from banks	6,410,074	7,738,987	4,212,680	10,532,297	2,806,333	79,159
Deposits from customers	126,422,277	122,323,049	100,504,065	86,773,652	76,898,456	73,840,563
Derivative financial instruments	757,181	822,806	285,491	242,930	3,696,116	1,821,594
Amounts due to group companies	9,023,932	8,183,214	10,397,957	7,846,663	138,264	526,238
Tax payable	684,225	108,172	36,247	309,423	-	316,061
Deferred tax liability	53,390	-	1,098,526	-	-	-
Retirement benefit obligations	26,000	49,000	165,076	121,413	135,007	45,300
Other liabilities	4,480,924	4,126,940	5,715,085	3,960,439	3,846,588	3,577,019
TOTAL LIABILITIES	**147,858,003**	**143,352,168**	**122,415,127**	**109,786,817**	**87,520,764**	**80,205,934**
Shareholders' equity						
Share capital	1,715,386	1,715,386	1,715,386	1,639,839	1,639,839	1,639,839
Share premium	4,836,258	4,836,258	4,836,258	2,520,000	2,520,000	2,520,000
Capital contribution reserve	1,911,364	1,889,683	1,891,127	74,590	-	-
Revaluation reserve	549,155	551,300	304,363	316,641	329,787	148,413
Fair value reserve	(1,227,919)	(2,316,104)	927,891	666,296	93,074	60,654
Statutory credit risk reserve	419,706	452,010	259,155	179,070	191,336	194,650
Retained earnings	13,353,399	10,240,075	7,872,096	6,607,254	5,280,702	4,907,923
Proposed dividends	3,325,848	3,325,848	2,524,846	1,988,465	1,444,069	1,444,529
TOTAL SHAREHOLDERS' EQUITY	**24,883,197**	**20,694,456**	**20,331,122**	**13,992,155**	**11,498,807**	**10,916,008**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**172,741,200**	**164,046,624**	**142,746,249**	**123,778,972**	**99,019,571**	**91,121,942**

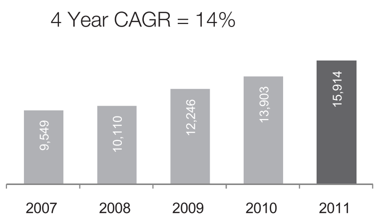
Section 12: Company Overview

7. Historical Financial Results (2007 – 2011) (KShs million)

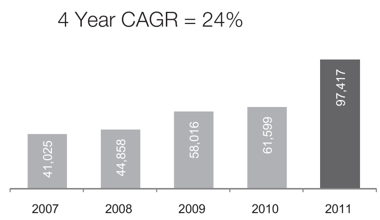
Profit Before Tax



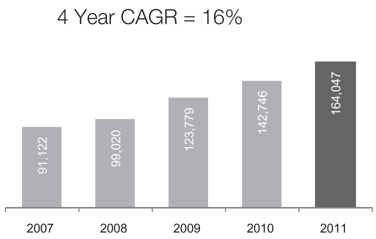
Operating Income



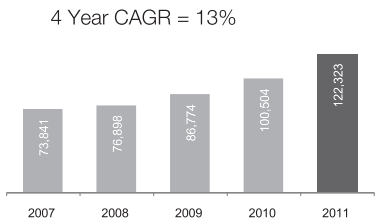
Loans and Advances to Customers (Gross)



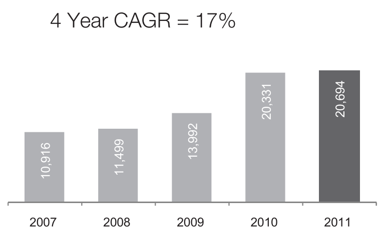
Total Assets



Total Customer Deposits



Total Shareholders' Equity



8. Key Statutory Ratios (2007 – 2011)

	CBK Minimum Requirement	2007	2008	2009	2010	2011
Core Capital to Deposits	8%	12%	12%	12%	11%	12%
Core Capital to Total Risk Weighted Assets	8%	16%	16%	14%	14%	12%
Total Capital to Total Risk Weighted Assets	12%	17%	16%	14%	14%	14%

Source: Standard Chartered Bank Kenya Limited Annual Reports

Section 13: Corporate Governance, Board of Directors and Senior Management

1. 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 upholding high standards of corporate governance. The Board of Directors has complied with the Corporate Governance Guidelines for listed companies save for the Board composition of the Nomination Committee. The next Board meeting is scheduled for 2 November 2012 with one of the agenda items being the appointment of more independent and non executive board members to sit on this committee so as to be compliant with the Corporate Governance Guidelines for listed companies.

2. The Board

The Board provides leadership through oversight, review and guidance whilst setting the strategic direction. It is the primary decision-making body for all matters considered as material to the Company. The Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

There is a good working relationship between the non-executive and executive directors, characterised by a healthy level of challenge and debate. The executive team ensures that the non-executive directors receive comprehensive reports on the economic and competitive landscape. The non-executive directors have access to information and management staff at all levels.

3. Board Composition

Currently, the Board comprises of ten members; the Chairman, four executive directors and five non-executive directors. All the non-executive directors including the Chairman are independent. We believe that the Board has a good mix of skills and experience to drive the business forward whilst maintaining a tight control on risk management and good governance.

All directors are subject to periodic re-appointment in accordance with the Company's Articles of Association. On appointment, the directors receive an induction covering the Company's business and operations and an appreciation of the key risk areas.

4. Board Committees

The Board has five Committees with specific delegated authorities. Each committee is responsible for the review and oversight of the activities within its defined terms of reference.

4.1 Board Audit Committee

The Committee's mandate is to review the financial condition of the Company and receive reports on the findings of the internal and external auditors. The Committee tracks the actions on audit findings. The Committee regularly reviews and reports to the Board on the effectiveness of the Company's system of internal control. The Board members who sit on this committee are Kaushik Shah - Chair, Anne Mutahi, Les Baillie, Patrick Obath and Chemutai Murgor.

4.2 Board Risk Committee

The Board has delegated authority to the Board Risk Committee to oversee the management of all risks of the Company including operational risk, country risk, credit risk, liquidity risk, market risk, regulatory risk, legal risk, reputational risk and compliance risk. The Board members who sit on this committee are Anne Mutahi - Chair, Les Baillie, Michael Hart, Patrick Obath, Richard Etemesi, Kariuki Ngari, Robin Bairstow and Chemutai Murgor.

4.3 Board Nomination, Evaluation and Remuneration Committee

The Committee's mandate is to review regularly the structure, size and composition of the Board, make recommendations to the Board on suitable candidates to fill Board vacancies, conduct, review and recommend the remuneration of the non-executive directors. The Board members who sit on this committee are Wilfred Kiboro - Chair and Richard Etemesi.

4.4 Asset and Liability Committee ("ALCO")

The Committee is charged with the responsibility of ensuring the effective implementation of balance sheet management policies, receive and review reports on liquidity, market risk and capital management and to review the deposit and asset pricing strategies in line with market fundamentals and regulatory guidelines. The Board members who sit on this committee are Richard Etemesi, Chemutai Murgor, Kariuki Ngari and Robin Bairstow.

4.5 Management Committee ("MANCOM")

The Management Committee is the link between the Board and management. The Committee assists the Chief Executive Officer in giving overall direction to the Company. The Committee is responsible for the day-to-day running of the Company and the implementation of operational plans and the annual budgets. It is also responsible for the periodic review of operations, strategic plans, ALCO strategies, credit proposals, identification and management of key risks and opportunities. The Committee also reviews and approves all employees' management policies. The Board members who sit on this committee are Richard Etemesi, Kariuki Ngari, Robin Bairstow and Chemutai Murgor.

5. Directors' Shareholding

One director holds 2,438 shares of the Company. The other directors do not hold any shares of the Company.

Section 13: Corporate Governance, Board of Directors and Senior Management

6. Conflicts of Interest

All directors are under a duty to avoid conflicts of interest. This entails not engaging, directly or indirectly in any business that competes or conflicts with the Company's business. The Company has established a robust process requiring directors to disclose proposed outside business interests before they are entered into. Any potential or actual conflicts of interest are reported to the Company Secretary.

7. Relations with Shareholders

The Board recognises the importance of good communications with all shareholders. This is done through the Annual General Meeting as well as the published annual report together with the periodic quarterly, half-yearly and full-year results.

The Board has engaged the services of a professional Registrar to allow for quick responses to all shareholder queries and smooth transfer of shares.

8. Board of Directors

Wilfred Kiboro Chairman	Appointed to the Board on 2 April 2007 and became Chairman on 28 May 2009. He is a vastly experienced manager who is highly regarded due to his enviable track record in the Kenyan corporate scene. He is the Chairman of the Board of Nation Media Group. Previous appointments include Managing Director of Rank Xerox Kenya, Managing Director of Nation Newspapers and Group Chief Executive Officer of Nation Media Group. Age 67.
Richard M. Etemesi Managing Director and Chief Executive Officer	Appointed to the Board on 19 February 2004. Appointed as Managing Director and Chief Executive Officer on 1 November 2006. Immediately prior to this, he was the Executive Director in charge of Finance and Strategy. He previously held senior management positions in the Bank in Kenya and Zambia as well as being the Managing Director of Standard Chartered Bank Uganda Limited. Age 49.
Michael C. Hart Non-Executive Director	Appointed to the Board on 20 February 2003. He is the Vice Chairman for Standard Chartered Bank in Africa. His previous senior appointments include Chief Executive Officer, Standard Chartered Africa, Managing Director, Standard Chartered Bank Kenya Limited, Group Head of Audit and Investigations, Group Head of Operations and Head of International Consumer Finance in Asia Pacific. Age 60.
Kariuki Ngari Executive Director, Consumer Banking	Appointed to the Board on 24 February 2009. He joined the Bank in January 2009 and is in charge of Consumer Banking. He has wide experience in Consumer Banking. Before his appointment to the Board of Standard Chartered Bank Kenya Limited, he was the Consumer Banking Director at Barclays Bank of Kenya Limited and prior to that the Head of Retail Performance. He also worked for Standard Chartered Bank Kenya Limited in various capacities before he left for Barclays in 2001. Age 45.
Chemutai Murgor Executive Director, Finance & Chief Finance Officer	Appointed to the Board on 1 March 2007. She has been with the Bank for 11 years. She was appointed as Finance Director in March 2007. She has wide experience in finance having worked previously as the Head of Finance as well as Head of Business Finance. She has also held senior positions at Deloitte & Touche both in Kenya and the United Kingdom. Age 42.
Kaushik Shah Non-Executive Director	Appointed to the Board on 19 February 2004. He is the Regional Chief Executive Officer, Horn of Africa for Safal Group and is responsible for Mabati Rolling Mills Ltd and Safal Mitek Ltd in Kenya, as well as Ethiopian Steel Plc and Safintra Djibouti Ltd. He is a member of the Kenya Association of Manufacturers Trade Promotion Committee. He sits on the Boards of various companies including Bahari Forwarders Ltd, Bahari Insurance Brokers Ltd and Safintra Investments Ltd, SA. Age 59.
Les Baillie Non-Executive Director	Appointed to the Board on 5 August 2010. He is a professional financial manager with over 20 years experience at Director level with a broad range of companies within the mobile industry in the UK and Kenya. Previous senior appointments include Chief Financial Officer of Safaricom Limited and Chief Investor Relations Officer at Safaricom Limited. Age 57.
Anne Mutahi Non-Executive Director	Appointed to the Board on 24 February 2009. She has vast experience in the financial sector having worked for various financial institutions including Middle East Bank, ABN AMRO Bank, Citibank and Jitegemee Trust Limited where she recently served as the Chief Executive Officer. Age 51.
Patrick Obath Non-Executive Director	Appointed to the Board on 24 January 2012. He has vast experience in change management, strategy, financial management and controls, turnarounds, governance and business risk. He is well versed in health, safety and environment management systems and processes. He is the

Section 13: Corporate Governance, Board of Directors and Senior Management

Chairman of the Kenya Private Sector Alliance (KEPSA) and a director at East African Business Council, Africa Alliance Capital and Kenya Power. He is a Managing Consultant at Eduardo and Associates. Previous appointments include Managing Director at Shell East Africa. Age 57.

Robin Bairstow
Executive Director Origination & Client Coverage

Appointed to the Board on 24 January 2012. He has been with the Bank for 9 years and his immediate previous appointment was Director Origination & Client Coverage, Zambia. He has wide experience in corporate finance and banking spanning over 21 years. Prior to joining Standard Chartered Bank, Robin worked with Citibank NA South Africa, BOE Bank Limited, ABSA Bank Limited and Nedbank. Age 46.

9. Management Committee

Richard M. Etemesi
Chief Executive Officer

He has been with the Bank for 20 years. He was appointed Chief Executive Officer in November 2006 and Area General Manager for East Africa in February 2008. Before then he was the Executive Director, Finance and Strategy. He has previously worked in senior management positions in the Bank in Kenya and Zambia as well as being the Managing Director of Standard Chartered Bank Uganda Limited.

Kariuki Ngari
Head, Consumer Banking

He joined the Bank in January 2009 and is in charge of Consumer Banking in East Africa. He has wide experience in Consumer Banking having worked with Barclays Bank of Kenya Limited as the Consumer Banking Director and prior to that the Head of Retail Performance. He also worked for Standard Chartered Bank Kenya Limited in various capacities before he left for Barclays in 2001.

Chemutai Murgor
Chief Finance Officer

She has been with the Bank for 11 years. She has a wide experience in finance having worked previously as the Head of Finance as well as Head of Business Finance. She has also held various senior positions at Deloitte & Touche both in Kenya and the United Kingdom.

Robin Bairstow
Head, Origination & Client Coverage

He has been with the Bank for 9 years and has held various positions within the Bank. He has over 21 years in the financial sector. Prior to joining Standard Chartered Bank, he worked with Citibank NA South Africa, BOE Bank Limited, ABSA Bank Limited and Nedbank.

George Akello
Chief Risk Officer

He has been with the Bank for 14 years. He has held several risk management roles including Group Audit, Credit Officer for Wholesale Banking and Regional Head of Consumer Banking Credit, East Africa where he was involved in the review of the Bank's business and operations across Africa and Asia.

Grace Tibihikirra Makoko
Head Financial Markets

She was appointed Area Head of Financial Markets East Africa in November 2011. Prior to this, she was Head of Global Markets Standard Chartered Bank Uganda, a post she held since April 2007. Grace joined the Bank straight from University in December 1995 as a contract staff in Credit Risk Control and has risen through the organisation.

Paul Sagnia
Chief Information Officer

He has been with the Bank for 32 years. He has held various positions within Consumer Banking, Operations and Information Technology. He has worked for the Bank in the Gambia, Uganda, Tanzania, Zimbabwe, Botswana, Ghana, Cote D'Ivore and Cameroon. He played a pivotal role as Executive Director, Business Technology during the setting up of the Bank's Cote D'Ivore franchise in 2000.

Nancy N. Oginde
Head, Legal

She has been with the Bank for 20 years. She was appointed Head of Legal and Compliance in 1999. 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.

Annie Kigira-Kinuthia
Head, Corporate Affairs

She joined the Bank in 2007. She is the Regional Head of Corporate Affairs and the Africa Head for Brand and Sponsorship. She has over 16 years of experience in corporate affairs having worked at Equity Bank, World Vision Kenya and Unga Group in senior positions.

Samuel Gitwekere
Senior Credit Officer

He joined the Bank in October 2011 from Barclays Bank PLC Dubai where he was the Corporate Credit Director for Barclays Africa. Sam has held various roles at Barclays Bank Kenya Limited including Regional Director, Barclays Business Support and Corporate Recoveries and Senior Corporate Manager/Industry Head.

Reuben Mbindu
Head, Human Resources

He has been with the Bank for over 16 years, holding management positions in Corporate Affairs and Human Resources. He has a wealth of experience and knowledge of the Bank having worked in London, Hong Kong, Zambia, Tanzania and South Africa. Prior to his current role, he was the Head of Corporate Affairs.

Section 14: Risk Factors

Overview of the Risk Management Framework

Risk is the potential for an adverse impact on the interests of the Bank. This impact (or outcome) can often be reduced to direct financial loss, resulting in earnings volatility or in an extreme scenario in financial distress. The impact may also take other non-financial forms which adversely affect the future earnings generating capacity of the Bank. Our assessment of risk is a function of the probability of adverse events of varying severity and the extent of the Bank's exposure to such events. Our gross risk exposure is a function of the business we have chosen to participate in and which we have retained. The risk controls and mitigants we have in place (including our infrastructure and people) reduce the potential for loss.

The combined effects of our gross risk exposures and our controls and mitigants determine our residual exposure to adverse events that may arise. Risk capacity is the absolute limit imposed by regulators on the amount of residual risk the Bank is allowed to undertake, given its capital and liquidity resources. Risk appetite is the amount of residual risk that the Bank is willing to take in pursuit of its strategic goals.

The Bank adds value to customers and generates returns for shareholders by taking and managing risk in line with strategy and within risk appetite. Risk management is the set of end-to-end activities through which we make risk taking decisions and we control and optimise the risk-return profile of the Bank. It is a bank-wide activity and starts right at the front-line. The management of risk lies at the heart of our business, as a central role of a bank is to "warehouse" risk by extending credit to selected clients and to provide products which enable clients to off-lay their price and liquidity risks to the bank. Effective risk management is a central part of the financial and operational management of the Bank and fundamental to our ability to generate profits consistently and maximise the interests of our shareholders and other stakeholders.

1. Risk Management Principles

The Bank adheres to basic Risk Management Principles which are embedded in and inform the approach for managing risks. These comprise statements of intent that describe our approach to the management of risk and the risk culture that the Bank wishes to sustain:

a) Balancing risk and return

(i) we take risk in line with the requirements of stakeholders;

(ii) we take risk within our risk appetite, consistent with our approved strategy; and

(iii) we avoid taking risks which have a material probability of causing financial distress to the Bank or its clients or customers.

b) Responsibility

(i) we take individual responsibility to ensure risk-taking is disciplined and focused, particularly within our area of authority; and

(ii) we take account of our social responsibilities and our commitments to customers in taking risk to produce a return.

c) Accountability

(i) we only take risk within agreed authorities and where there is appropriate infrastructure and resource; and

(ii) we make sure risk-taking is transparent, controlled and reported.

d) Anticipation

(i) we anticipate material future risks and ensure awareness of all known risk.

e) Competitive Advantage

(i) we seek competitive advantage through efficient and effective risk management and control.

2. Risk Management Approach

Risk management is the set of end-to-end activities through which we control and optimise the risk-return profile of the Bank. It is a bank-wide activity. Our risk management approach can usefully be grouped into six inter-dependent risk management process categories:

Plan	Set risk appetite in line with strategic objectives;
Inform	Identify, measure and monitor all material risks;
Control	Set parameters to keep our risk profile within risk appetite;
Originate	Structure and book transactions;
Optimise	Balance risk and return to best effect; and
Communicate	Influence, interpret and demonstrate compliance with external stakeholder requirements relating to risk management.

3. Risk Management Responsibility

To ensure the effectiveness of risk management processes in maintaining the risk profile of the Bank within Risk Appetite, we maintain three 'lines of defence'.

Section 14: Risk Factors

- The First Line of defence is that all employees are required to ensure the effective management of risks within the scope of their direct organisational responsibilities. 'First Line' risk management responsibilities are an integral part of every individual's responsibilities and every general management role.
- The Second Line of defence comprises the Risk Control Owners ("RCOs"), supported by their respective control functions and the Assurance function. RCOs are responsible for ensuring that the residual risks within the scope of their responsibilities remain within appetite. The Second Line is independent of the origination, trading and sales functions to ensure that the necessary balance and perspective is brought to risk/return decisions. The Assurance and Country Internal Audit function also falls in this second line of defence that ensures the First Line is adhering to the risk management control requirements.
- The Third Line of defence comprises the independent assurance provided by the Group Internal Audit ("GIA") function. GIA provides independent assurance of the effectiveness of the overall risk control processes, incorporating the First and Second Lines of Defence.

4. Risk Factors

Investing in the securities of any entity entails some investment risks. In considering the purchase of Standard Chartered's ordinary shares offered under this Rights Issue, prospective investors should carefully consider the following potential risks, including any other relevant information contained in this Information Memorandum. Greater detail of how specific risks are managed is also provided in the Reporting Accountant's Report, Section 15 of this Information Memorandum.

4.1 General Risks

4.1.1 Political Risk

Potential political unrest is a risk to the operations of any bank or business operating in Kenya including Standard Chartered as it could adversely impact the economy and the demand for credit and banking services. However, Kenya has successfully conducted peaceful elections since independence except for the 2007/2008 period where the country experienced some unrest due to disputes surrounding the elections. We believe the country has put that episode in the past and is now back on its peaceful track. The democratic process prevailing in the country and the support from the international community for Kenya's political system reduces the risk of significant political unrest. While the Bank has systems, controls and procedures designed to mitigate political risk, there can be no assurance that any adverse political events will not have a negative impact on the Bank's business.

4.1.2 Economic Risk

The operational results, income and growth of assets by Standard Chartered may depend to an extent on the stability of Kenya's macro economy. The Bank like all entities operating within the borders of Kenya is exposed to macro economic risks associated with the country. The Bank's management team has put in place a robust business strategy, systems and procedures to minimise the Bank's exposure to adverse economic conditions; however, this cannot provide an assurance that adverse economic conditions will not hamper the Bank's performance.

4.1.3 Standard Chartered's Share Liquidity

Standard Chartered's shares are listed on the NSE. However, it is possible that there could be inadequate liquidity in the Bank's shares on the NSE at certain periods, meaning that investors may not be able to sell or buy shares of the Bank whenever they want to and at their desired price.

4.1.4 Dilution

An investor's holdings in Standard Chartered will be diluted if that investor does not participate fully in the Offer and consequently additional shares are offered to other investors.

5. Industry Specific Risks

Standard Chartered as a commercial bank manages financial assets and liabilities of customers as well as its own assets and liabilities. These expose it to risks specific to the banking industry including the following:

- Credit Risk - Potential for loss due to failure of counterparty to meet its obligations to pay the Bank in accordance with agreed terms of loans extended to them;
- Liquidity Risk - Potential that the Bank does not have sufficient liquid financial resources available to meet its obligations as they fall due, or can access these financial resources only at excessive cost;
- Market Risk - Potential for loss of earnings or economic value due to adverse changes in financial market rates or prices; and
- Operational Risk - Potential for loss arising from the failure of people, process or technology or the impact of external events.

The Bank has put in place policies, procedures and reporting systems, which help it to manage and mitigate its exposure to these types of risks as elaborated below. The Bank is also actively supervised by the CBK, which ensures that deposit protection plans are in place and that the Bank is managed in the interest of all its stakeholders.

Section 14: Risk Factors

5.1 Credit Risk

The Bank takes on exposure to credit risk which is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's loans and advances to customers and other banks and investment securities.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees.

The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Also the origination of the credit risk and the approval are segregated to ensure independent judgment of the level of risk taken and to ensure its alignment with the Bank's risk appetite and risk limits.

The credit risk management is an ongoing process throughout the loan and advances duration. Credit managers have a number of tools and techniques which they use to manage the risk. They perform ongoing monitoring and use regular internal risk management reports which contain information on key environmental and economic trends across major portfolios, industry sectors and performance of the specific customer loan repayments to assess and mitigate any identified risks through early interventions. Account plans are re-evaluated and remedial actions are agreed with the counterparties and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement, exit of the account or immediate movement of the account into the control specialist recovery units.

5.2 Liquidity Risk

Liquidity risk is the risk that the Bank either does not have sufficient resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at excessive cost. The Bank's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank manages liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.

ALCO is responsible for ensuring that the Bank is self-sufficient and is able to meet all its obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Bank policy and maintaining a liquidity crisis contingency plan.

5.3 Market Risk

The Bank recognises market risk as the risk of loss arising from changes in market prices and rates. The Bank's exposure to market risk arises principally from customer-driven transactions. The objective of the Bank's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements. The primary categories of market risk for the Bank are:

– Interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
– Currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options; and
– Commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals etc.

Overall responsibility for managing market risk is vested in ALCO, who approve the Bank's market risk appetite taking into account the market volatility, the range of traded products and asset classes, business volumes and transaction sizes. ALCO uses various tools, policies and procedures to manage the market risk to within the appetite levels set for the business. These include setting Value at Risk ("VaR"), stress loss limits for market risk, sensitivity analysis, and stress testing to ensure the risk exposure remains within the Bank's risk appetite. It is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both the trading and non-trading books of the Bank.

5.4 Operational Risk

The Bank actively seeks to ensure that the risks it takes directly or indirectly as part of its business are managed effectively within approved risk appetite. Operational risks are inherent in the Bank's business and can arise from inadequate or failed processes, systems, human error, fraud or external events that interrupt normal business operations and can cause financial impact which can in some instances be very material.

The Bank recognises the potential implications of operational risk and has proactively implemented policies, procedures and controls to ensure that its business and stakeholders' interests are secure. The Bank seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks. In addition, the Bank has in place insurance policies to partly cover the risk of fraudulent practice and other insurable risks it faces.

Compliance with operational risk policies and procedures is the responsibility of all managers. We have in place a Country Operational Risk Committee (“CORC”), a committee that has governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk. Below that we have Business and Functional Operational Risk Committees which similarly monitor and manage all operational risks arising in each specific business unit and department of the Bank.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This is supported by the development of overall Group standards for the management of operational risk in areas such as compliance with regulatory requirements, ethical and business standards, training and professional development, documentation of controls and procedures and requirements for the reconciliation and monitoring of transactions amongst others.

5.5 Compliance and Regulatory Risk

Compliance and Regulatory risk includes the risk of non-compliance with regulatory requirements. The Bank has in place a Compliance function which is responsible for establishing and maintaining an appropriate framework of Bank compliance policies and procedures that ensures the Bank at all times remains compliant with all relevant laws, regulations and market standards. Compliance with such policies and procedures is the responsibility of all managers and is embedded in the processes and procedures of conducting the Bank’s business.

5.6 Legal Risk

Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Bank, failure to protect the title to and ability to control the rights to assets of the Bank (including intellectual property rights), changes in the law, or jurisdictional risk. The Bank manages legal risk through the legal function, Legal Risk policies and procedures and effective use of its internal and external lawyers.

5.7 Reputational Risk

Reputational risk is the risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted. Reputational risks arise as a result of poor management of problems occurring in one or more of the primary banking risk areas (Credit, Market, Operational risk areas) and/or from social, ethical or environmental risk issues. All members of staff have a responsibility for maintaining the Bank’s reputation. The Bank manages reputational risk through the Reputational Risk Committee which identifies potential sources of reputational risk and puts in place control measures to prevent these risks.

Section 15: Reporting Accountant's Report

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1 Reporting Accountant's Report

The Directors
Standard Chartered Bank Kenya Limited
StandardChartered@Chiromo
48 Westlands Road
P.O Box 30003
00100 Nairobi GPO

28 September 2012

We have examined the consolidated audited financial statements of Standard Chartered Bank Kenya Limited ("the Bank") and its subsidiaries, Standard Chartered Investment Services Limited, Standard Chartered Kenya Nominees Limited and Standard Chartered Financial Services Limited (collectively referred to as "the Group") for the five years ended 31 December 2011 and for the four month period ended 30 April 2012 as set out on pages 50 to 125.

The directors of the Group are responsible for the preparation of the Information Memorandum and all the information contained therein and for the financial statements and financial information to which this Accountants' Report relates and from which it has been prepared.

Our responsibility is to review the financial information summarised and set out in our report from the audited financial statements. We have acted as auditors of the Group for the five years ended 31 December 2011 and the four month period ended 30 April 2012. For each of the relevant years/period, we issued unqualified audit reports.

The audited financial statements for the four month period ended 30 April 2012 were approved by the Board of Directors on 12 July 2012.

The financial information set out below is based on the audited financial statements of the Group for each of the five years ended 31 December 2011 and the four month period ended 30 April 2012 after representing financial information following any changes in accounting standards to ensure consistency in all the years presented in this report. No adjustments thereof have been reported.

We are not aware of any material items not mentioned in the Information Memorandum regarding the Rights Issue at the Nairobi Securities Exchange, which could influence the evaluation by the investors of the assets, liabilities and financial position of the Group.

The financial statements have been prepared on the basis of the accounting policies set out in section 2 below. For all the accounting periods dealt with in this report, the financial statements have, in all material respects, been prepared in accordance with the International Financial Reporting Standards.

We consent to the inclusion of this report in the Information Memorandum to be issued in the form and context in which it appears.

Opinion

In our view, the financial information set out on pages 50 to 125 gives, for purposes of the Information Memorandum, a true and fair view of the state of affairs of the Group as at the dates stated and of the results for the years/period then ended.

Yours faithfully

KPMG Kenya
Certified Public Accountants
P.O Box 40612
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Section 15: Reporting Accountant’s Report

Basis of preparation and accounting policies

2.1 Statement of compliance
The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and the Kenyan Companies Act.

2.2 Basis of measurement
The consolidated financial statements set out on pages 50 to 125 have been prepared on the historical cost basis of accounting except for the following:

- derivative financial instruments are measured at fair value;
- financial instruments at fair value through profit or loss are measured at fair value;
- available-for-sale financial assets are measured at fair value;
- the liability for defined benefit obligations is recognised as the present value of the defined benefit obligation less the net total of the plan assets, plus unrecognised actuarial gains, less unrecognised past service costs and unrecognised actuarial losses subject to IFRIC 14 restrictions; and
- land and buildings are measured at revalued amounts.

2.3 Functional and presentation currency
These consolidated financial statements are presented in Kenya Shillings (KShs), which is the Group’s functional currency, the currency of primary economic environment in which the entity operates. Except as otherwise indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

2.4 Use of estimates and judgments
The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and assumptions are based on the Directors’ best knowledge of current events, actions, historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

In particular, information about significant areas of estimation and critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in Note 8.

2.5 Change in accounting policy
(a) Accounting for share based payments
In June 2009, the International Accounting Standards Board (IASB) issued an amendment to IFRS 2 Share
Based Payments (2009) to clarify requirements for classification, recognition and measurement of group share based payment transactions. The amendments were applicable retrospectively to annual periods beginning on or after 1 January 2010.

As indicated in Note 2.6(r)(ii), the Group’s employees participate in a number of share based payment schemes operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries.

In 2010, the Group applied the amendments to IFRS 2. As a result of the amendments, the Group measures all share based payment transactions as equity-settled (these were previously accounted for as cash-settled) and recognised the contribution as an increase in equity from Standard Chartered PLC. The change in accounting policy was applied retrospectively.

The rationale is that the structure for any share options granted within the Standard Chartered Group is that employees of a subsidiary or branch of Standard Chartered PLC are granted shares or the equivalent value of shares in Standard Chartered PLC. Therefore, the obligation to the employees of the subsidiary rests with Standard Chartered PLC and not with the subsidiary. However, the subsidiary continues to receive the service from the employee with no corresponding obligation. Therefore, the service received is recognised as an expense with a corresponding increase in equity.

2.6 Significant accounting policies
The principal accounting policies adopted in the preparation of these consolidated financial statements have been applied consistently across the Group entities and to all periods presented in these financial statements.

(a) Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries for all the financial periods covered in this document.

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly and indirectly, to govern the financial and operating activities of the subsidiaries so as to obtain benefits from the activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date control ceases.

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The financial statements have been prepared using uniform accounting policies for like transactions and other events in similar circumstances.

(b) Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

Transaction costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

The accounting policy on recognition of goodwill is as disclosed in Note 2.6(n) (ii).

(c) Transactions in foreign currencies
Transactions in foreign currencies of Group entities during the year are converted into the respective functional currencies at rates prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the exchange rates ruling at the reporting date. The resulting differences from conversion are recognised in profit or loss in the year in which they arise.

Non monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the transaction date.

(d) Income recognition
Income is derived substantially, from banking business and related activities and comprises net interest income, net fee and commission income and net trading income.

For available-for-sale assets and financial assets and financial liabilities held at amortised cost, interest income and interest expense is recognised in profit or loss using the effective interest rate method.

Gains and losses arising from changes in the fair value of financial assets and financial liabilities at fair value through profit or loss, as well as any interest receivable or payable, is included in profit or loss in the period in which they arise.

Gains and losses arising from changes in the fair value of available-for-sale financial assets, other than foreign exchange gains or losses from monetary items, are recognised in other comprehensive income, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

The detailed policies on the specific categories of income recognised in the Group's financial statements are as further described below;

(i) Net interest income
Interest income and expense on available-for-sale assets and financial assets or financial liabilities held at amortised cost is recognised in profit or loss using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and allocating interest income or interest expense over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or financial liability or, when appropriate, a shorter period, to the carrying amount of the financial asset or financial liability.
The effective interest rate is established on initial recognition of the financial asset and financial liability and is not revised subsequently. When calculating the effective interest rate, the Group estimates the cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received, between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other discounts and premiums. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

(ii) Fee and commission income
Fee and commission income and expenses that are integral to the effective interest rate of a financial asset or financial liability are included in the measurement of the effective interest rate.
Other fee and commission income, including account servicing fees, sales commissions, custody fees and syndication fees are generally recognised on an accrual basis when the service has been provided. Loan syndication fees are recognised as revenue when the syndication has been completed and the Group has retained no part of the loan package for itself, or retained a part at the same effective interest rate for the other participants. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts as the related services are performed, usually in a time-apportionable basis.

Other fee and commission expenses relate mainly to transaction and service fees, which are expensed as the services are received.

(iii) Net trading income
Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences.

(iv) Dividends
Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Dividends are reflected as a component of net trading income, or other operating income based on the underlying classification of the equity instrument.

(e) Income tax expense
Income tax expense comprises current and change in deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, or other comprehensive income, in which case it is recognised in equity, or in other comprehensive income.
Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except differences relating to the initial recognition of assets or liabilities in a transaction that is not a business combination and which affects neither accounting nor taxable profit. Deferred tax is not recognised on the initial recognition of goodwill as well as differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied on the temporary differences when they reverse, based on tax laws that have been enacted or substantively enacted at the reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets and they relate to income taxes levied by the same tax authority on the same taxable entity or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

(f) Financial assets and financial liabilities

(i) Recognition
The Group initially recognises cash, amounts due from/due to group companies, loans and advances, deposits, debt securities and subordinated liabilities on the date they are originated. All other financial assets and financial liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised on the trade date at which the group becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value plus (for an item not subsequently measured at fair value through profit or loss) transaction costs that are directly attributable to its acquisition or issue.

(ii) Derecognition
The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised from the statement of financial position. Transfers of assets with retention of all or substantially all risks and rewards include, for example, securities lending and repurchase transactions.
If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the Group obtaining a new financial asset or assuming a new financial liability, the Group recognises the new financial asset or financial liability at fair value.

Where a financial asset is derecognised in its entirety, the difference between the carrying amount and the sum of the consideration received together with any gain or loss previously recognised in other comprehensive income, is recognised in profit or loss.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting of financial assets and financial liabilities
Financial assets and financial liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRSs, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

(iv) Fair value of financial instruments
Fair value is the amount for which an asset could be exchanged or liability settled between knowledgeable willing parties in an arm's length transaction on the measurement date.

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method, comparison to similar instruments for which market observable prices exist, and valuation models. The Group uses widely recognised valuation models for determining the fair value of common and simpler financial instruments like options, interest rate and currency swaps. For these financial instruments, inputs into models are market observable.

For more complex instruments, the Group uses proprietary models, which are usually developed from recognised valuation models. Some or all of the inputs into these models may not be market observable, and are derived from market prices or rates or are estimated based on assumptions.

When entering into a transaction, the financial instrument is recognised initially at the transaction price, which is the best indicator of fair value, although the value obtained from the valuation model may differ from the transaction price.

This initial difference, usually an increase, in fair value indicated by valuation techniques is recognised in profit or loss depending on the individual facts and circumstances of each transaction and not later than when the market data becomes observable.

The value produced by a model or other valuation techniques is adjusted to allow for a number of factors as appropriate, because valuation techniques cannot appropriately reflect all factors market participants take into account when entering into a transaction. Valuation adjustments are recorded to allow for model risks, bid-ask spreads, liquidity risks, as well as other factors. Management believes that these valuation adjustments are necessary and appropriate to fairly state financial instruments carried at fair value on the statement of financial position.

(v) Amortised cost measurement

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

(vi) Identification and measurement of impairment of financial assets

At each reporting date, the Group assesses whether there is objective evidence that a financial asset not measured at fair value through profit or loss is impaired.

Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the assets, and that the loss event has an impact on the future cash flows on the assets that can be estimated reliably.

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together financial assets (measured at amortised cost) with similar risk characteristics.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the Group. In addition, for an investment in an equity security, which is classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

In assessing collective impairment, the Group uses statistical modelling of historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical modelling. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

Impairment losses on available-for-sale investment securities are recognised by transferring the difference between the amortised acquisition cost and current fair value out of other comprehensive income to profit or loss. When a subsequent event causes the amount of impairment loss on an available-for-sale debt security to decrease, the impairment loss is reversed through profit or loss.

However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised directly in other comprehensive income. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

(g) Cash and cash equivalents

Cash and cash equivalents comprise balances with less than three months maturity from the date of acquisition, including: notes and coins on hand, unrestricted balances deposited with the Central Bank of Kenya and highly liquid assets, subject to insignificant risk of changes in their fair value.

Cash and cash equivalents are measured at amortised cost in the statement of financial position.

(h) Trading assets and liabilities

Trading assets and liabilities are those that the Group principally holds for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking.

Trading assets and liabilities are subsequently measured at fair value in the statement of financial position with transaction costs recognised in profit or loss. All changes in fair value are recognised as part of net trading income in profit or loss. Trading assets and liabilities are not reclassified subsequent to their initial recognition.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market and that the Group does not intend to sell immediately or in the near term. They arise when the Group provides money directly to borrowers, other than those created with the intention of short-term profit taking. They are recognised at the date they are transferred to the Group.

Subsequent to initial recognition, these are measured at amortised cost, which is the present value of the expected future cash flows, discounted at the instrument's original effective interest rate. Loan origination fees together with related direct costs are treated as part of the cost of the transaction.

Amortised cost is calculated using the effective interest method. The amortisation and accretion of premiums and discounts is included in interest income.

(j) Investment securities
Investment securities are initially measured at fair value plus, in case of investment securities not measured at fair value through profit or loss, incremental direct transaction costs and subsequently accounted for depending on their classification either as held-to-maturity, fair value through profit or loss or available-for-sale.

The various categories that the Group classifies its financial assets are as further described below:

(i) Held-to-maturity
These are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The sale of a significant amount of held-to-maturity assets not close to their maturity would taint the entire category leading to reclassification as available-for-sale and prevent the Group from reclassifying investment securities as held-to-maturity for the current and the following two financial years.

However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the Group has collected substantially all of the asset's original principal; and
- sales or reclassifications attributable to non-recurring isolated events beyond the Group's control that could not have been reasonably anticipated.

Held-to-maturity investments are carried at amortised cost using the effective interest method.

(ii) Available-for-sale
Financial assets that are not classified as another category of financial assets, held by the Group are classified as available-for-sale and are initially recognised at fair value, including transaction costs.

Subsequent to initial recognition, available-for-sale financial assets are measured at fair value based on quoted bid prices. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in other comprehensive income and presented in equity in the fair value reserve, net of deferred tax.

When these investments are derecognised, the cumulative gain or loss previously directly recognised in other comprehensive income is reclassified to profit or loss.

(k) Derivative financial instruments
Derivative financial instruments are initially recognised at fair value. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and options pricing models, as appropriate. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss.
The Group uses the following derivative instruments:

Currency forwards
Currency forwards represent commitments to purchase foreign and domestic currency, including undelivered spot transactions.

Foreign currency and interest rate futures are contractual obligations to receive or pay a net amount based on changes in currency rates or to buy or sell foreign currency or a financial instrument at a future date at a specified price, established in an organised financial market.

The credit risk is negligible, as futures contracts are collateralised by cash or marketable securities, and changes in the futures contract value are settled daily with the exchange. Forward rate agreements are individually negotiated interest rate futures that call for a cash settlement at a future date for the difference between a contracted rate of interest and the current market rate, based on a notional principal amount.

Currency and interest rate swaps
Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate or floating rate) or a combination of all these (i.e. cross-currency interest rate swaps). No exchange of principal takes place, except for certain currency swaps. The Group's credit risk represents the potential cost to replace the swap contracts if counterparties fail to perform their obligation. The risk is monitored on an ongoing basis with reference to the current fair value, a proportion of the notional amount of the contracts and the liquidity of the market. To control the level of credit risk taken, the Group assesses counterparties using the same techniques as for its lending activities.

Foreign currency and interest rate options
Foreign currency and interest rate options are contractual agreements under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set period, a specific amount of a foreign currency or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of foreign exchange or interest rate risk. Options may be either exchange-traded or negotiated between the Group and a customer i.e. over-the-counter (OTC). The Group is exposed to credit risk on purchased options only to the extent of their carrying amount, which is their fair value.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Group's exposure to credit or price risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favourable or unfavourable, and thus the aggregate fair values of derivative financial assets and liabilities, can fluctuate significantly from time to time.

(l) Non-current assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are re-measured in accordance with the Group's accounting policies. Thereafter, generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and employee benefit assets which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

(m) Property and equipment

(i) Recognition, measurement and subsequent costs

Freehold land and buildings and buildings on leasehold land subsequently measured using the revaluation model are initially recognised at cost and then are subsequently measured at the fair value on the date of revaluation less subsequent accumulated depreciation and accumulated impairment losses.

Other categories of property and equipment are included in the financial statements at their historical cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for their intended use, the cost of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of the property or equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The cost of replacing part of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of day-to-day servicing of property and equipment are recognised in profit or loss.

(ii) Depreciation

Depreciation is calculated on a straight line basis to allocate the cost or revalued amount to their residual values over their estimated useful lives.

The estimated useful lives and depreciation rates for the current period and comparative year are as follows:

Fixtures and fittings	10 years
Equipment	10 years
Computers	3 years
Motor vehicles	4 years

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

Freehold land is not depreciated although it is subject to impairment testing.

The depreciation methods, useful lives and residual lives are reviewed, and adjusted if appropriate, at each reporting date.

Freehold land and buildings are revalued every three years. The carrying amounts are adjusted to the revaluations and the resulting increase, net of deferred tax is recognised in other comprehensive income and presented in the revaluation reserve within equity. Revaluation decreases that offset previous increases of the same asset are charged or recognised in other comprehensive income with all other decreases being charged to profit or loss.

Revaluation surpluses are not distributable.

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

Gains and losses on disposal of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item of property and equipment and are recognised in profit or loss in the period in which they arise.

(n) Intangible assets

(i) Acquired intangible asset

At the date of acquisition of a business, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired. These intangible assets are initially measured at fair value, which reflects market expectations of the probability that the future economic benefits embodied in the asset will flow to the entity, and are subsequently amortised on the basis of their expected useful lives. At each reporting date, these assets are assessed for indications of impairment. In the event that an asset's carrying amount is determined to be greater than its recoverable amount, the asset is impaired immediately.

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In 2010, the Group acquired the custody business from Barclays Bank of Kenya Limited which gave rise to an intangible asset primarily arising out of the purchase of customer relationships which is being amortised over 11 years on the basis of the expected useful life of the customer relationships that were acquired.

(ii) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets and contingent liabilities of the acquired business at the date of acquisition.

Goodwill on the acquisition of the custody business is assessed at each reporting date for impairment and carried at cost less any accumulated impairment losses.

Goodwill is allocated to cash generating units for the purpose of impairment testing. Cash generating units represent the lowest level within the Group at which the goodwill is monitored for internal management purposes. These are smaller than the Group's reportable segments (as set out in Note 9) as the Group views its reportable segments on a global basis. Note 11.21 sets out the major cash generating unit to which goodwill has been allocated.

(iii) Capitalised software

The costs incurred to acquire and bring to use specific computer software licences are capitalised. Software acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Group is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits and can reliably measure the cost to complete the development. Internally developed software is stated at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure on software is capitalised only if the definition of an intangible asset and the recognition criteria are met. All other expenditure is expensed as incurred.

The costs are amortised on a straight line basis over the expected useful lives, from the date it is available for use, not exceeding three years.

Amortisation methods, useful lives and residual values are reviewed and adjusted if appropriate, at each reporting date.

(o) 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 profit or loss on a straight-line basis over the period of the lease.

Prepaid operating lease rentals in respect of leasehold land is recognised as an asset and amortised over the lease period.

(p) Impairment for non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Goodwill is reviewed each period irrespective of whether or not there is an indication of impairment.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(q) Provisions

A provision is recognised when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to that liability.

(r) Employee benefits

(i) Pension obligations

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 projected unit credit method. Under this method, the cost of providing pensions is recognised in profit or loss 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 that have maturity dates approximating the terms of the Group's obligations. All the actuarial gains and losses are recognised as the pensioners and deferred pensioners participating in the scheme no longer work for the Company.

The impact of the amendments to IFRIC 14 IAS 19 'limit on a defined benefit asset, minimum funding requirements and their interaction' effective 1 January 2011 has been incorporated into the financial statements.

The amendment to IFRIC 14 is itself an interpretation of IAS 19 'Employee Benefits'. The amendment applies in the limited circumstances when an entity is subject to minimum funding requirements and makes an early payment of contributions to cover those requirements. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement.

Paragraph 58b of IAS 19 stipulates that a net pension asset (determined as total assets net of the defined benefit obligation, unrecognised past service costs and unrecognised actuarial losses) that arises can only be recognised in so far as the company has unconditional right to a refund of surplus arising in the Fund or is able to use the surplus to offset company contributions relating to future accruals of benefits or future administration costs. Therefore the resultant surplus has been restricted.

The Group's employees are also eligible for retirement benefits under a defined contribution scheme under which it pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to the defined contribution plans are recognised as an expense in profit or loss when they are due in respect of service rendered before the end of the reporting period.

The employees and Group also contribute to the National Social Security Fund, a national retirement scheme. Contributions are determined by local statutes and the Group's contributions are charged to profit or loss in the period to which they relate.

(ii) Share based payments

The Group's employees participate in a number of share based payment schemes operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries. Participating employees are awarded ordinary shares in Standard Chartered PLC in accordance with the terms and conditions of the relevant scheme.

In addition, employees have the choice of opening a three-year or five-year savings contract. Within a period of six months after the third or fifth anniversary, as appropriate, employees may purchase ordinary shares of Standard Chartered PLC. The price at which they may purchase shares is at a discount of up to twenty percent on the share price at the date of invitation. There are no performance conditions attached to options granted under all employee share save schemes.

On the grant date, the fair value of equity-settled share based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in the capital contribution reserve, over the period in which the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of share awards for which the related service and non-market performance vesting conditions are expected to be met such that the amount ultimately recognised as an expense is based on the number of share awards that do meet the related service and non-market performance conditions at the vesting date.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If the benefits are payable more than 12 months after the reporting date then they are discounted to their present value.

(s) Preference share capital

Preference share capital is classified as equity if it is non-redeemable and any dividends are discretionary, or is redeemable but only at the company's option. Dividends on preference share capital classified as equity are recognised as distributions within equity.

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders or if the dividend payments are not discretionary. Dividends thereon are recognised in profit or loss as interest expense.

(t) Earnings per share

Basic and diluted earnings per share (EPS) data for ordinary shares are presented in the financial statements. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares if any.

(u) 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.

(v) Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are disclosed as contingent liabilities. Estimates of the outcome and the financial effect of contingent liabilities is made by management based on the information available up to the date that the financial statements are approved for issue by the directors.

(w) Fiduciary activities

Assets held for clients in an agency or fiduciary capacity by the Group are not assets of the Group and are not included in the statement of financial position.

(x) Sale and repurchase

Securities sold under sale and repurchase agreements (Repos) are retained in the financial statements with the counterparty liability included in amounts due to banking institutions. Securities purchased from the Central Bank of

Kenya under agreement to resell (reverse Repos), are disclosed as treasury bills as they are held to maturity after which they are repurchased and are not negotiable or discounted during the tenure.

The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

(y) Related parties
In the normal course of business, the Company has entered into transactions with related parties. The related party transactions are at arm's length.

(z) Operating segments
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components, whose operating results are reviewed regularly by the Group's Management Committee (being the chief operating decision maker) to make decisions about resources allocated to each segment and assess its performance, and for which discrete financial information is available.

(aa) New standards and interpretations not yet adopted
A number of new standards, amendments to standards and interpretations are not yet effective for the four-month period ended 30 April 2012, and have not been applied in preparing these consolidated financial statements as follows:

- Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (effective 1 July 2012). The amendments require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. It however does not change the existing option to present profit or loss and other comprehensive income in two statements but changes the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles.

- IAS 19 'Employee Benefits' (effective 1 January 2013). The amended IAS 19 requires that actuarial gains and losses are recognised immediately in other comprehensive income. This change will remove the corridor method and eliminate the ability for entities to recognise all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under IAS 19. It also requires that expected return on plan assets recognised in profit or loss is calculated based on the rate used to discount the defined benefit obligation.

- IFRS 10 'Consolidated Financial Statements' (effective 1 January 2013). This standard replaces the requirements and guidance in IAS 27 relating to consolidated financial statements. The objective of this standard is to improve the usefulness of consolidated financial statements by developing a single basis for consolidation and robust guidance for applying that basis to situations where it has proved difficult to assess control in practice and divergence has evolved. The basis for consolidation is control and it is applied irrespective of the nature of the investee.

- IFRS 11 – 'Joint arrangements' (effective 1 January 2013). IFRS 11 supersedes IAS 31 and SIC-13 relating to Jointly Controlled Entities. The objective of this IFRS is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly. It focuses on the rights and obligations of joint arrangements, rather than the legal form (as is currently the case). It further distinguishes joint arrangements between joint operations and joint ventures; and requires the equity method for jointly controlled entities that are now called joint ventures.

- IFRS 12 – 'Disclosure of interests in other entities' (effective 1 January 2013). The objective of this IFRS is to require an entity to disclose information that enables users of its financial statements to evaluate: the nature of, and risks associated with, its interests in other entities; and the effects of those interests on its financial position, financial performance and cash flows.

- IFRS 13 – 'Fair value measurement' (effective 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other IFRSs. It does not introduce new requirements to measure assets or liabilities at fair value, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards.

- IFRS 9 'Financial Instruments' (effective 1 January 2015) is a new standard on financial instruments that will eventually replace IAS 39. The published standard introduces changes to the current IAS 39 rules for classification and measurement of financial assets. Under IFRS 9 there will be two measurement bases for financial assets: amortised cost and fair value. Financial assets at fair value will be recorded at fair value through profit or loss with a limited opportunity to record changes in fair value of certain equity instruments through other comprehensive income. Financial liabilities are excluded from the scope of the standard.

- The standard also differs from existing requirements for accounting for financial assets in various other areas, such as embedded derivatives and the recognition of fair value adjustments in other comprehensive income.

- The standard will be applied retrospectively (subject to the standard's transitional provisions).

The Group is currently in the process of evaluating the potential effect of these standards.

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3. Consolidated Statement of Comprehensive Income

The consolidated statements of comprehensive income of the Group for the four month period ended 30 April 2012 and the financial years ended 31 December 2011, 2010, 2009, 2008 and 2007 are set out below:-

	Note	30-Apr-12 KShs '000	31-Dec-11 KShs '000	31-Dec-10 KShs '000	31-Dec-09 KShs '000	31-Dec-08 KShs '000	31-Dec-07 KShs '000
Interest income	11.1	6,421,437	12,011,253	9,777,689	9,347,475	7,445,466	6,977,075
Interest expense	11.2	(1,722,534)	(2,159,959)	(1,662,125)	(2,010,197)	(1,568,347)	(1,527,460)
Net interest income		**4,698,903**	**9,851,294**	**8,115,564**	**7,337,278**	**5,877,119**	**5,449,615**
Fee and commission income	11.3	1,152,488	3,613,182	2,687,887	2,424,706	2,232,359	2,224,576
Fee and commission expense	11.3	(89,112)	(210,746)	(57,131)	(42,492)	(75,596)	(138,775)
Net fee and commission income		**1,063,376**	**3,402,436**	**2,630,756**	**2,382,214**	**2,156,763**	**2,085,801**
Net trading income	11.4	1,476,367	2,246,685	1,973,690	2,128,392	2,058,143	1,532,306
Other operating income	11.5	65,369	413,096	1,182,719	398,548	18,045	481,677
OPERATING INCOME		**7,304,015**	**15,913,511**	**13,902,729**	**12,246,432**	**10,110,070**	**9,549,399**
Staff costs	11.6	(1,572,250)	(3,736,746)	(3,394,945)	(2,840,833)	(2,998,390)	(2,586,318)
Premises and equipment costs	11.6	(206,863)	(733,730)	(523,988)	(539,964)	(538,344)	(449,375)
General administrative expenses		(647,033)	(2,064,022)	(1,667,318)	(1,364,669)	(1,263,592)	(1,228,761)
Depreciation and amortisation	11.6	(302,241)	(711,139)	(302,273)	(297,583)	(224,581)	(168,738)
OPERATING EXPENSES		**(2,728,387)**	**(7,245,637)**	**(5,888,524)**	**(5,043,049)**	**(5,024,907)**	**(4,433,192)**
OPERATING PROFIT BEFORE IMPAIRMENT LOSSES AND TAXATION		**4,575,628**	**8,667,874**	**8,014,205**	**7,203,383**	**5,085,163**	**5,116,207**
Net impairment losses on loans and advances	11.15(b)	(175,513)	(412,739)	(332,321)	(474,936)	(365,349)	(206,019)
PROFIT BEFORE TAXATION	11.7	**4,400,115**	**8,255,135**	**7,681,884**	**6,728,447**	**4,719,814**	**4,910,188**
INCOME TAX EXPENSE	11.8	**(1,321,240)**	**(2,418,314)**	**(2,305,693)**	**(1,995,693)**	**(1,469,001)**	**(1,440,311)**
NET PROFIT FOR THE PERIOD/YEAR		**3,078,875**	**5,836,821**	**5,376,191**	**4,732,754**	**3,250,813**	**3,469,877**
OTHER COMPREHENSIVE INCOME/(LOSS)							
Change in fair value of available-for-sale investments		1,554,550	(4,616,524)	355,953	838,732	26,470	(58,313)
Deferred tax on change in fair value of available-for-sale investments		(466,365)	1,372,529	(94,358)	(265,510)	5,950	17,494
Revaluation surplus		-	401,412	-	-	262,877	-
Deferred tax on revaluation surplus		-	(104,614)	-	-	(75,173)	-
TOTAL OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD/YEAR		**1,088,185**	**(2,947,197)**	**261,595**	**573,222**	**220,124**	**(40,819)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD/YEAR		**4,167,060**	**2,889,624**	**5,637,786**	**5,305,976**	**3,470,937**	**3,429,058**
BASIC AND DILUTED EARNINGS PER SHARE – (KShs)	11.9	**10.73**	**19.75**	**18.58**	**16.45**	**11.34**	**12.14**
DIVIDEND PER SHARE – (KShs)	11.10	**-**	**11.00**	**13.50**	**12.00**	**10.00**	**10.00**

The consolidated statements of comprehensive income are to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

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4. Consolidated Statement of Financial Position

The consolidated statements of financial position of the Group as at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007 are as stated below:-

	Note	30-Apr-12 KShs '000	31-Dec-11 KShs '000	31-Dec-10 KShs '000	Restated 31-Dec-09 KShs '000	31-Dec-08 KShs '000	31-Dec-07 KShs '000
ASSETS							
Cash and balances with Central Bank of Kenya	11.11	11,300,676	12,005,054	8,210,822	7,728,872	7,380,062	7,546,063
Government and other securities held for trading	11.12	2,285,319	41,222	3,271,603	2,326,700	1,615,561	2,397,721
Derivative financial instruments	11.13	404,535	384,809	283,036	70,040	2,013,917	2,197,918
Loans and advances to banks	11.14	6,492,256	2,542,427	3,243,868	1,492,177	1,379,889	199,972
Loans and advances to customers	11.15	100,393,855	96,097,823	60,336,829	56,694,876	43,298,819	39,468,522
Investment securities	11.16	31,106,008	25,012,421	52,161,984	43,473,479	22,273,708	24,848,586
Amounts due from group companies	11.17	9,825,151	16,678,067	5,208,201	7,384,694	15,683,293	7,572,774
Tax recoverable		-	-	-	-	41,751	-
Non-current asset held for sale	11.19	51,528	57,724	334,770	-	-	-
Property and equipment	11.20	3,991,918	4,055,767	3,341,337	2,343,765	1,512,616	1,055,033
Intangible assets	11.21	4,240,279	4,373,307	4,739,681	3,302	6,604	3,778
Prepaid operating lease rentals	11.22	262,990	107,042	110,513	204,449	209,079	213,695
Deferred tax asset	11.23	-	327,104	-	80,616	274,858	230,952
Other assets	11.24	2,386,685	2,363,857	1,503,605	1,976,002	3,329,414	5,386,928
TOTAL ASSETS		**172,741,200**	**164,046,624**	**142,746,249**	**123,778,972**	**99,019,571**	**91,121,942**
LIABILITIES AND SHAREHOLDERS' EQUITY							
Liabilities							
Deposits from banks	11.25	6,410,074	7,738,987	4,212,680	10,532,297	2,806,333	79,159
Deposits from customers	11.26	126,422,277	122,323,049	100,504,065	86,773,652	76,898,456	73,840,563
Derivative financial instruments	11.13	757,181	822,806	285,491	242,930	3,696,116	1,821,594
Amounts due to group companies	11.17	9,023,932	8,183,214	10,397,957	7,846,663	138,264	526,238
Tax payable		684,225	108,172	36,247	309,423	-	316,061
Deferred tax liability	11.23	53,390	-	1,098,526	-	-	-
Retirement benefit obligations	11.27	26,000	49,000	165,076	121,413	135,007	45,300
Other liabilities	11.28	4,480,924	4,126,940	5,715,085	3,960,439	3,846,588	3,577,019
TOTAL LIABILITIES		**147,858,003**	**143,352,168**	**122,415,127**	**109,786,817**	**87,520,764**	**80,205,934**
Shareholders' equity							
Share capital	11.29	1,715,386	1,715,386	1,715,386	1,639,839	1,639,839	1,639,839
Share premium	11.29	4,836,258	4,836,258	4,836,258	2,520,000	2,520,000	2,520,000
Capital contribution reserve	11.29	1,911,364	1,889,683	1,891,127	74,590	-	-
Revaluation reserves	11.29	549,155	551,300	304,363	316,641	329,787	148,413
Fair value reserve	11.29	(1,227,919)	(2,316,104)	927,891	666,296	93,074	60,654
Statutory credit risk reserve	11.29	419,706	452,010	259,155	179,070	191,336	194,650
Retained earnings		13,353,399	10,240,075	7,872,096	6,607,254	5,280,702	4,907,923
Proposed dividends		3,325,848	3,325,848	2,524,846	1,988,465	1,444,069	1,444,529
TOTAL SHAREHOLDERS' EQUITY		**24,883,197**	**20,694,456**	**20,331,122**	**13,992,155**	**11,498,807**	**10,916,008**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**172,741,200**	**164,046,624**	**142,746,249**	**123,778,972**	**99,019,571**	**91,121,942**

The consolidated statements of financial position are to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

5. Consolidated Statement of Cash Flows

The consolidated statements of cash flows of the Group for the four month period ended 30 April 2012 and each of the financial years ended 31 December 2011, 2010, 2009, 2008 and 2007 are stated below as follows:

	Note	30-Apr-12	31-Dec-11	31-Dec-10	Restated 31-Dec-09	31-Dec-08	31-Dec-07
		KShs '000	KShs '000	KShs '000	KShs '000	KShs '000	KShs '000
Net cash flows from operating activities	**11.30(a)**	**5,912,761**	**5,380,864**	**16,674,403**	**(17,602,937)**	**6,161,522**	**7,627,687**
Cash flows from investing activities							
Purchase of property and equipment	11.20	(103,843)	(719,272)	(1,447,245)	(1,120,922)	(400,544)	(340,483)
Proceeds from sale of non-current asset held for sale		67,056	697,032	-	-	-	-
Purchase of intangible assets	11.21	-	-	(11,081)	-	(9,905)	-
Purchase of prepaid operating lease rentals		(157,469)	-	-	-	-	-
Proceeds from sale of property and equipment		-	1,452	2,925	-	-	2,102
Purchase of custody business	11.18	-	-	(1,883,365)	-	-	-
Proceeds from sale of equity shares		-	-	-	183,081	131,705	-
Net cash used in investing activities		**(194,256)**	**(20,788)**	**(3,338,766)**	**(937,841)**	**(278,744)**	**(338,381)**
Cash flows from financing activities							
Ordinary shares issued, net of issue costs		-	-	2,391,805	-	-	-
Share based payments:							
- Settled during the period/year		-	(67,454)	(74,590)	(65,910)	-	-
- Allocated during the period/year		21,681	66,010	67,454	74,590	-	-
Dividends paid on ordinary shares:							
- Final		-	(2,440,156)	(1,903,775)	(1,359,839)	(1,359,839)	(1,115,068)
- Interim		-	-	(1,435,386)	(1,359,839)	(1,359,839)	(1,359,839)
Dividends paid on preference shares:							
- Final		-	(84,690)	(84,690)	(84,230)	(84,690)	(84,690)
- Interim		-	-	(83,310)	(83,310)	(83,770)	(83,310)
Net cash from/(used in) financing activities		**21,681**	**(2,526,290)**	**(1,122,492)**	**(2,878,538)**	**(2,888,138)**	**(2,642,907)**
Increase/(decrease) in cash and cash equivalents		5,740,186	2,833,786	12,213,145	(21,419,316)	2,994,640	4,646,399
Cash and cash equivalents at 1 January		6,929,422	4,095,636	(8,117,509)	13,301,807	10,307,167	5,660,768
Cash and cash equivalents at 30 April and at 31 December	**11.30(b)**	**12,669,608**	**6,929,422**	**4,095,636**	**(8,117,509)**	**13,301,807**	**10,307,167**

The consolidated statements of cash flows are to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

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6. Consolidated Statements of Changes in Equity

At 30 April 2012:	Share capital KShs '000	Share premium KShs '000	Capital contribution reserve KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2012	**1,715,386**	**4,836,258**	**1,889,683**	**551,300**	**(2,316,104)**	**452,010**	**10,240,075**	**3,325,848**	**20,694,456**
Net profit for the period	-	-	-	-	-	-	3,078,875	-	**3,078,875**
Other comprehensive income									
Change in fair value of available-for-sale investments	-	-	-	-	1,554,550	-	-	-	**1,554,550**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	(466,365)	-	-	-	**(466,365)**
Excess depreciation transfer	-	-	-	(3,064)	-	-	3,064	-	-
Deferred tax on excess depreciation transfer	-	-	-	919	-	-	(919)	-	-
Transfer from statutory credit risk reserve	-	-	-	-	-	(32,304)	32,304	-	-
Total other comprehensive income	-	-	-	**(2,145)**	**1,088,185**	**(32,304)**	**34,449**	-	**1,088,185**
Total comprehensive income for the period	-	-	-	**(2,145)**	**1,088,185**	**(32,304)**	**3,113,324**	-	**4,167,060**
Transactions with owners, recorded directly in equity									
Share based payments:									
- 2012 accrual	-	-	21,681	-	-	-	-	-	**21,681**
Total contributions by and distributions to owners	-	-	**21,681**	-	-	-	-	-	**21,681**
At 30 April 2012	**1,715,386**	**4,836,258**	**1,911,364**	**549,155**	**(1,227,919)**	**419,706**	**13,353,399**	**3,325,848**	**24,883,197**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

6. Consolidated Statements of Changes in Equity (Continued)

At 31 December 2011:	Share capital KShs '000	Share premium KShs '000	Capital contribution reserve KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2011	**1,715,386**	**4,836,258**	**1,891,127**	**304,363**	**927,891**	**259,155**	**7,872,096**	**2,524,846**	**20,331,122**
Net profit for the year	-	-	-	-	-	-	5,836,821	-	**5,836,821**
Other comprehensive income									
Change in fair value of available-for-sale investments	-	-	-	-	(4,616,524)	-	-	-	**(4,616,524)**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	1,372,529	-	-	-	**1,372,529**
Realised revaluation reserves on sale of property	-	-	-	(55,958)	-	-	55,958	-	**-**
Deferred tax on realised revaluation reserves on sale of property	-	-	-	16,788	-	-	(16,788)	-	**-**
Revaluation surplus	-	-	-	401,412	-	-	-	-	**401,412**
Deferred tax on revaluation surplus	-	-	-	(104,614)	-	-	-	-	**(104,614)**
Excess depreciation transfer	-	-	-	(15,273)	-	-	15,273	-	**-**
Deferred tax on excess depreciation transfer	-	-	-	4,582	-	-	(4,582)	-	**-**
Transfer to statutory credit risk reserve	-	-	-	-	-	192,855	(192,855)	-	**-**
Total other comprehensive income	**-**	**-**	**-**	**246,937**	**(3,243,995)**	**192,855**	**(142,994)**	**-**	**(2,947,197)**
Total comprehensive income for the year	**-**	**-**	**-**	**246,937**	**(3,243,995)**	**192,855**	**5,693,827**	**-**	**2,889,624**
Transactions with owners, recorded directly in equity									
Share based payments:									
- 2010 paid	-	-	(67,454)	-	-	-	-	-	**(67,454)**
- 2011 accrual	-	-	66,010	-	-	-	-	-	**66,010**
Dividends paid:									
- Final 2010	-	-	-	-	-	-	-	(2,524,846)	**(2,524,846)**
Proposed final dividends:									
- Ordinary shares	-	-	-	-	-	-	(3,157,848)	3,157,848	**-**
- Preference shares	-	-	-	-	-	-	(168,000)	168,000	**-**
Total contributions by and distributions to owners	**-**	**-**	**(1,444)**	**-**	**-**	**-**	**(3,325,848)**	**801,002**	**(2,526,290)**
At 31 December 2011	**1,715,386**	**4,836,258**	**1,889,683**	**551,300**	**(2,316,104)**	**452,010**	**10,240,075**	**3,325,848**	**20,694,456**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

6. Consolidated Statements of Changes in Equity (Continued)

At 31 December 2010:	Share capital KShs '000	Share premium KShs '000	Capital contribution reserve KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2010 - As previously stated	**1,639,839**	**2,520,000**	**-**	**316,641**	**666,296**	**179,070**	**6,607,254**	**1,988,465**	**13,917,565**
Change in accounting policy	**-**	**-**	**74,590**	**-**	**-**	**-**	**-**	**-**	**74,590**
Restated balance at 1 January 2010	**1,639,839**	**2,520,000**	**74,590**	**316,641**	**666,296**	**179,070**	**6,607,254**	**1,988,465**	**13,992,155**
Net profit for the year	-	-	-	-	-	-	5,376,191	-	**5,376,191**
Other comprehensive income									
Change in fair value of available-for-sale investments	-	-	-	-	355,953	-	-	-	**355,953**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	(94,358)	-	-	-	**(94,358)**
Excess depreciation transfer	-	-	-	(17,540)	-	-	17,540	-	**-**
Deferred tax on excess depreciation transfer	-	-	-	5,262	-	-	(5,262)	-	**-**
Transfer to statutory credit risk reserve	-	-	-	-	-	80,085	(80,085)	-	**-**
Total other comprehensive income	**-**	**-**	**-**	**(12,278)**	**261,595**	**80,085**	**(67,807)**	**-**	**261,595**
Total comprehensive income for the year	**-**	**-**	**-**	**(12,278)**	**261,595**	**80,085**	**5,308,384**	**-**	**5,637,786**
Transactions with owners, recorded directly in equity									
Shares issued, net of issue costs	75,547	2,316,258	-	-	-	-	-	-	**2,391,805**
On acquisition of custody business (Note 11.18)	-	-	1,823,673	-	-	-	-	-	**1,823,673**
Share based payments:									
- 2009 paid	-	-	(74,590)	-	-	-	-	-	**(74,590)**
- 2010 accrual	-	-	67,454	-	-	-	-	-	**67,454**
Dividends paid:									
- Final 2009	-	-	-	-	-	-	-	(1,988,465)	**(1,988,465)**
- Interim 2010	-	-	-	-	-	-	(1,435,386)	-	**(1,435,386)**
- Preference shares	-	-	-	-	-	-	(83,310)	-	**(83,310)**
Proposed final dividends:									
- Ordinary shares	-	-	-	-	-	-	(2,440,156)	2,440,156	**-**
- Preference shares	-	-	-	-	-	-	(84,690)	84,690	**-**
Total contributions by and distributions to owners	**75,547**	**2,316,258**	**1,816,537**	**-**	**-**	**-**	**(4,043,542)**	**536,381**	**701,181**
At 31 December 2010	**1,715,386**	**4,836,258**	**1,891,127**	**304,363**	**927,891**	**259,155**	**7,872,096**	**2,524,846**	**20,331,122**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

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6. Consolidated Statements of Changes in Equity (Continued)

At 31 December 2009:	Share capital KShs '000	Share premium KShs '000	Capital contribution reserve KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2009 - As previously stated	**1,639,839**	**2,520,000**	**-**	**329,787**	**93,074**	**191,336**	**5,280,702**	**1,444,069**	**11,498,807**
Change in accounting policy	-	-	**65,910**	-	-	-	-	-	**65,910**
Restated balance at 1 January 2009	**1,639,839**	**2,520,000**	**65,910**	**329,787**	**93,074**	**191,336**	**5,280,702**	**1,444,069**	**11,564,717**
Net profit for the year	-	-	-	-	-	-	4,732,754	-	**4,732,754**
Other comprehensive income									
Change in fair value of available-for-sale investments	-	-	-	-	838,732	-	-	-	**838,732**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	-	(265,510)	-	-	-	**(265,510)**
Excess depreciation transfer	-	-	-	(18,781)	-	-	18,781	-	**-**
Deferred tax on excess depreciation transfer	-	-	-	5,635	-	-	(5,635)	-	**-**
Transfer from statutory credit risk reserve	-	-	-	-	-	(12,266)	12,266	-	**-**
Total other comprehensive income	**-**	**-**	**-**	**(13,146)**	**573,222**	**(12,266)**	**25,412**	**-**	**573,222**
Total comprehensive income for the year	**-**	**-**	**-**	**(13,146)**	**573,222**	**(12,266)**	**4,758,166**	**-**	**5,305,976**
Transactions with owners, recorded directly in equity									
Share based payments:									
- 2008 paid	-	-	(65,910)	-	-	-	-	-	**(65,910)**
- 2009 accrual	-	-	74,590	-	-	-	-	-	**74,590**
Dividends paid:									
- Final 2008	-	-	-	-	-	-	-	(1,444,069)	**(1,444,069)**
- Interim 2009	-	-	-	-	-	-	(1,359,839)	-	**(1,359,839)**
- Preference shares	-	-	-	-	-	-	(83,310)	-	**(83,310)**
Proposed final dividends:			-						
- Ordinary shares	-	-	-	-	-	-	(1,903,775)	1,903,775	**-**
- Preference shares	-	-	-	-	-	-	(84,690)	84,690	**-**
Total contributions by and distributions to owners	**-**	**-**	**8,680**	**-**	**-**	**-**	**(3,431,614)**	**544,396**	**(2,878,538)**
At 31 December 2009	**1,639,839**	**2,520,000**	**74,590**	**316,641**	**666,296**	**179,070**	**6,607,254**	**1,988,465**	**13,992,155**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

6. Consolidated Statements of Changes in Equity (Continued)

At 31 December 2008:	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2008	**1,639,839**	**2,520,000**	**148,413**	**60,654**	**194,650**	**4,907,923**	**1,444,529**	**10,916,008**
Net profit for the year	-	-		-	-	3,250,813	-	**3,250,813**
Other comprehensive income								
Change in fair value of available-for-sale investments	-	-	-	26,470	-	-	-	**26,470**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	5,950	-	-	-	**5,950**
Revaluation surplus	-	-	262,877	-	-	-	-	**262,877**
Deferred tax on revaluation surplus	-	-	(75,173)	-	-	-	-	**(75,173)**
Excess depreciation transfer	-	-	(9,043)	-	-	9,043	-	**-**
Deferred tax on excess depreciation transfer	-	-	2,713	-	-	(2,713)	-	**-**
Transfer from statutory credit risk reserve	-	-	-	-	(3,314)	3,314	-	**-**
Total other comprehensive income	**-**	**-**	**181,374**	**32,420**	**(3,314)**	**9,644**	**-**	**220,124**
Total comprehensive income for the year	**-**	**-**	**181,374**	**32,420**	**(3,314)**	**3,260,457**	**-**	**3,470,937**
Transactions with owners, recorded directly in equity								
Dividends paid:								
- Final 2007	-	-	-	-	-	-	(1,444,529)	**(1,444,529)**
- Interim 2008	-	-	-	-	-	(1,359,839)	-	**(1,359,839)**
- Preference shares	-	-	-	-	-	(83,770)	-	**(83,770)**
Proposed final dividends:								
- Ordinary shares	-	-	-	-	-	(1,359,839)	1,359,839	**-**
- Preference shares	-	-	-	-	-	(84,230)	84,230	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(2,887,678)**	**(460)**	**(2,888,138)**
At 31 December 2008	**1,639,839**	**2,520,000**	**329,787**	**93,074**	**191,336**	**5,280,702**	**1,444,069**	**11,498,807**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

6. Consolidated Statements of Changes in Equity (Continued)

At 31 December 2007:	Share capital KShs '000	Share premium KShs '000	Revaluation reserve KShs '000	Fair value reserve KShs '000	Statutory credit risk reserve KShs '000	Retained earnings KShs '000	Proposed dividends KShs '000	Total KShs '000
At 1 January 2007	**1,639,839**	**2,520,000**	**152,471**	**101,473**	**218,025**	**4,298,291**	**1,199,758**	**10,129,857**
Net profit for the year	-	-	-	-	-	3,469,877	-	**3,469,877**
Other comprehensive income								
Change in fair value of available-for-sale investments	-	-	-	(58,313)	-	-	-	**(58,313)**
Deferred tax on change in fair value of available-for-sale investments	-	-	-	17,494	-	-	-	**17,494**
Excess depreciation transfer	-	-	(5,797)	-	-	5,797	-	**-**
Deferred tax on excess depreciation transfer	-	-	1,739	-	-	(1,739)	-	**-**
Transfer from statutory credit risk reserve	-	-	-	-	(23,375)	23,375	-	**-**
Total other comprehensive income	**-**	**-**	**(4,058)**	**(40,819)**	**(23,375)**	**27,433**	**-**	**(40,819)**
Total comprehensive income for the year	**-**	**-**	**(4,058)**	**(40,819)**	**(23,375)**	**3,497,310**	**-**	**3,429,058**
Transactions with owners, recorded directly in equity								
Dividends paid:								
– Final 2006	-	-	-	-	-	-	(1,199,758)	**(1,199,758)**
– Interim 2007	-	-	-	-	-	(1,359,839)	-	**(1,359,839)**
– Preference shares	-	-	-	-	-	(83,310)	-	**(83,310)**
Proposed final dividends:								
– Ordinary shares	-	-	-	-	-	(1,359,839)	1,359,839	**-**
– Preference shares	-	-	-	-	-	(84,690)	84,690	**-**
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(2,887,678)**	**244,771**	**(2,642,907)**
At 31 December 2007	**1,639,839**	**2,520,000**	**148,413**	**60,654**	**194,650**	**4,907,923**	**1,444,529**	**10,916,008**

The statement of changes in equity is to be read in conjunction with the notes and comments to and forming part of the Reporting Accountant's Report set out on pages 50 to 125.

Section 15: Reporting Accountant's Report

7. Financial Risk Management

This section provides details of the Group's exposure to risk and describes the methods used by management to control risk in respect of financial instruments. The most significant types of financial risk to which the Group is exposed to are credit risk, liquidity risk, market risk and operational risk.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

Through its risk management structure, the Group seeks to manage efficiently the core risks; credit, liquidity and market risk, which arise directly through the Group's commercial activities. Compliance and regulatory risk, operational risk and reputational risk are normal consequences of any business undertaking.

The Group has established the Asset and Liability Committee (ALCO) and the Country Operational Risk Committee (CORC), which are responsible for developing and monitoring Group risk management policies in their specified areas. All committees report regularly to the Board of Directors on their activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

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

Stress testing

Stress testing and scenario analysis are important components of the Group's risk assessment processes, and are used to assess the financial management capability of the Group to continue operating effectively under extreme but plausible trading conditions. Such conditions may arise from economic, legal, political, environmental and social factors which define the context within which the Group operates. It is intended that stress testing and scenario analysis will help to inform management:

- the nature and dynamics of the risk profile;
- the identification of potential future risks;
- the robustness of risk management systems and controls;
- adequacy of contingency planning; and
- the effectiveness of risk mitigants.

Details of how the various risks are managed are outlined below:

(a) Credit risk

The Group takes on exposure to credit risk which is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's loans and advances to customers and other banks and investment securities.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing lending limits where appropriate. Exposure to credit risk is also managed in part by obtaining collateral against loans and advances in the form of mortgage interests over property, other registered securities over assets and guarantees.

The Group structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments.

Wholesale Banking

Within the Wholesale Banking business, a numerical grading system is used for quantifying the risk associated with a counterparty. The grading is based on a probability of default measure with customers analysed against a range of quantitative and qualitative measures. The numeric grades run from 1 to 14. Counterparties with lower credit grades are assessed as being less likely to default. An A to C scale is assigned to the original numeric rating scale, to enable more granular mapping of the probability to
default, which results in more refined risk assessment, risk control and pricing. A counterparty with an A suffix has a lower probability of default than a counterparty with a C suffix. Credit grades 1A to credit grade 12C are assigned to performing customers while credit grades 13 and 14 are assigned to non-performing (or defaulted) customers.

Origination and approval roles are segregated.

7 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Wholesale Banking (Continued)

There is no direct relationship between the Group's internal credit grades and those used by external rating agencies. The Group's credit grades are not intended to replicate external credit grades, although as the factors used to grade a borrower are often similar, a borrower rated poorly by an external rating agency is typically rated in the lower rank of the Group's internal credit grades.

In addition to nominal aggregate exposure, expected loss is used in the assessment of individual exposures and for portfolio analysis. Expected loss is the long-run average credit loss across a range of typical economic conditions. It is used in the delegation of credit approval authority and must be calculated for every transaction to determine the appropriate level of approval. To assist risk officers in monitoring the portfolio, various internal risk management reports are available on a regular basis, providing individual counterparty, counterparty group and portfolio exposure information, the status of accounts showing signs of weakness or financial deterioration and updates on credit markets.

Consumer Banking

Credit risk in Consumer Banking, is also managed through a framework of policies and procedures. Origination and approval roles are segregated. To aid Credit managers in portfolio management, regular internal risk management reports contain information on key environmental and economic trends across major portfolios, portfolio delinquency and loan impairment performance as well as information on migration across credit grades and other trends.

Credit grades within Consumer Banking are based on a probability of default. An alphanumeric grading system identical to that of Wholesale Banking business is used as an index of portfolio quality.

Problem credit management and provisioning

(i) Wholesale Banking

In Wholesale Banking, accounts or portfolios are placed on Early Alert when they display signs of weakness or financial deterioration, for example where there is a rapid decline in the client's position within the industry, a breach of covenants, non-performance of an obligation, or there are issues relating to ownership or management.

Such accounts and portfolios are subject to a dedicated process with oversight involving the senior Risk Officer and Group Special Asset Management ("GSAM"). Account plans are re-evaluated and remedial actions are agreed and monitored until complete. Remedial actions include, but are not limited to, exposure reduction, security enhancement and exit of the account or immediate movement of the account into the control of GSAM, the specialist recovery unit.

Loans are considered impaired and non-performing where analysis and review indicates that full payment of either interest or principal becomes questionable or as soon as payment of interest or principal is 90 days or more overdue. Impaired accounts are managed by GSAM, which is independent of the main businesses of the Group. Where any amount is considered uncollectable, an individual impairment provision is raised, being the difference between the loan carrying amount and the present value of estimated future cash flows. In any decision relating to the recognition of an impairment provision, the Group attempts to balance economic conditions, local knowledge and experience, and the results of independent asset reviews.

A portfolio impairment provision is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in any loan portfolio. In Wholesale Banking, the portfolio impairment provision is set with reference to past experience using loss rates, and judgmental factors such as the economic environment and the trends in key portfolio indicators.

(ii) Consumer Banking

In Consumer Banking, where there are large numbers of small value loans, a primary indicator of potential impairment is delinquency. However, not all delinquent loans (particularly those in the early stage of delinquency) will be impaired.

Within Consumer Banking, an account is considered to be delinquent when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. For delinquency reporting purposes, the Group follows industry standards, measuring delinquency as of 1, 30, 60, 90, 120 and 150 days past due. Accounts that are overdue by more than 30 days are closely monitored and subject to specific collection processes.

The impairment assessment within Consumer Banking reflects the fact that the product portfolios (excluding medium enterprises among SME customers) consist of a large number of comparatively small exposures. As a result, much of the impairment assessment is initially done at an account level for each product and a Portfolio Impairment Provision ("PIP") is raised on a portfolio basis.

7 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

Problem credit management and provisioning (Continued)

(ii) Consumer Banking (Continued)

A Portfolio Impairment Provision ("PIP") is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. PIP covers both performing loans and loans overdue for less than 150 days. The provision is set with reference to proxy data from Internal Ratings Based ('IRB') portfolios based on the Expected Loss ("EL") of a product after applying judgmental overlays based on regulatory environment and business cycle adjustments based on macro-environment, portfolio loss severity, collections and recovery performance trends.

The process used for recognising the impairment provisions is dependent on the product. For mortgages, individual impairment provisions ("IIP") are generally raised at 150 days past due based on the difference between the outstanding amount of the loan and the present value of the estimated future cash flows which includes the realisation of collateral. For other secured loans (where the collateral value is typically realised in less than 12 months), loan impairment is calculated using the forced sale value of the collateral without further discounting.

For unsecured products, individual provisions are recognised for the entire outstanding amount at 150 days past due. For all products, there are certain accounts, such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

Non-performing loans are past due by more than 90 days or have an individual impairment provision raised against them.

The procedures for managing problem credits for the medium enterprises in the SME segment of Consumer Banking are similar to those adopted for Wholesale Banking described above.

The Group exposure to credit risk is analysed as follows:

(iii) Loans and advances to customers

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Individually impaired						
Grade 13: Impaired	244,623	254,331	240,544	504,500	309,685	554,690
Grade 14: Impaired	952,591	776,496	965,012	969,250	1,427,660	1,536,010
	1,197,214	**1,030,827**	**1,205,556**	**1,473,750**	**1,737,345**	**2,090,700**
Allowance for impairment	(716,292)	(677,314)	(734,536)	(754,156)	(1,134,808)	(1,234,108)
	480,922	**353,513**	**471,020**	**719,594**	**602,537**	**856,592**
Loans past due but not impaired						
Past due upto 30 days	1,263,443	3,891,696	1,455,362	1,251,877	726,533	156,538
Past due 31 – 60 days	391,119	303,058	284,731	107,443	244,719	188,549
Past due 61 – 90 days	244,377	150,899	225,818	26,896	87,842	327,124
Past due 90 – 150 days	-	-	-	-	77,502	402
	1,898,939	**4,345,653**	**1,965,911**	**1,386,216**	**1,136,596**	**672,613**
Loans neither past due nor impaired						
Grade 1	69,959	-	6	55,825	2,939	23,540
Grade 2	-	-	-	-	26,805	1,310,781
Grade 3	1,349,154	4,060,069	-	6,305,802	3,253,824	3,303
Grade 4	3,148,410	1,324,441	1,222,336	21	4,322,039	1,115,571
Grade 5	3,832,960	3,313,606	2,536,071	238,701	1,515,691	2,201,301
Grade 6	1,566,988	1,708,329	2,846,962	6,543,270	913,187	2,363,440
Grade 7	11,173,598	14,300,195	11,335,052	7,686,852	4,192,916	4,490,830
Grade 8	22,604,258	22,644,213	5,998,619	2,492,032	2,225,786	4,785,029
Grade 9	11,726,156	9,787,549	7,876,329	8,004,194	4,048,242	1,941,949
Grade 10	8,785,936	6,499,254	4,440,094	4,380,767	3,258,408	6,158,581
Grade 11	33,055,065	27,130,078	21,548,543	17,540,569	15,992,362	11,089,961
Grade 12 – watch	1,403,900	1,273,129	623,926	1,908,011	2,231,632	2,777,758
	98,716,384	**92,040,863**	**58,427,938**	**55,156,044**	**41,983,831**	**38,262,044**
Portfolio impairment provision	(702,390)	(642,206)	(528,040)	(566,978)	(424,145)	(322,727)
	98,013,994	**91,398,657**	**57,899,898**	**54,589,066**	**41,559,686**	**37,939,317**
Net loans and advances	**100,393,855**	**96,097,823**	**60,336,829**	**56,694,876**	**43,298,819**	**39,468,522**

Section 15: Reporting Accountant's Report

7 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(iv) Fair value of collateral held

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Against impaired loans	**523,121**	**536,417**	**515,171**	**1,366,758**	**1,208,075**	**1,489,458**
Against past due but not impaired loans	**1,380,463**	**3,049,531**	**3,528,248**	**436,934**	**2,665,167**	**3,684,595**

The Group holds collateral against loans and advances to customers in the form of cash, residential, commercial and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

The Group also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Group's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is backtested at least annually.

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 30 April 2012 and 31 December 2011, 2010, 2009, 2008 and 2007.

(v) Loans and advances concentration by sector

Sector	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Business services	1,912,433	1,982,141	2,429,748	2,884,390	1,242,656	1,217,341
Manufacturing	16,208,859	14,147,506	8,557,466	6,546,930	8,308,226	4,997,969
Wholesale and retail trade	12,032,859	10,986,100	6,722,955	4,173,314	6,081,357	8,166,094
Transport and communication	15,268,774	21,008,715	9,113,974	4,298,880	5,054,850	4,613,113
Real estate	7,763,401	7,872,724	6,417,843	4,529,449	4,414,795	3,691,696
Agriculture	5,544,560	5,315,250	5,283,571	5,173,639	3,968,679	4,828,005
Energy and water	15,132,895	10,537,871	4,836,403	14,789,068	4,734,770	3,220,663
Others	27,948,756	25,567,036	18,237,445	15,620,340	11,052,439	10,290,476
	101,812,537	**97,417,343**	**61,599,405**	**58,016,010**	**44,857,772**	**41,025,357**

Credit concentration risk in Wholesale Banking is managed through the use of various concentration dimensions that include industry sector, geographic spread, credit rating, customer segment and exposure to single counterparties or groups of related counterparties.

Credit concentration risk in Consumer Banking is managed within exposure limits set for each product segment. These limits are reviewed at least annually and are approved by the responsible business and risk officer in accordance with their delegated authority level.

(vi) Loans and advances concentration by business

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Consumer Banking	36,328,036	32,792,858	24,293,566	18,886,678	15,846,985	13,400,488
Wholesale Banking	65,484,501	64,624,485	37,305,839	39,129,332	29,010,787	27,624,869
	101,812,537	**97,417,343**	**61,599,405**	**58,016,010**	**44,857,772**	**41,025,357**

Section 15: Reporting Accountant's Report

7 FINANCIAL RISK MANAGEMENT (Continued)

(a) Credit risk (Continued)

(vii) Other Financial assets:

Neither past due nor impaired:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash and balances with Central Bank of Kenya	11,300,676	12,005,054	8,210,822	7,728,872	7,380,062	7,546,063
Government and other securities held for trading	2,285,319	41,222	3,271,603	2,326,700	1,615,561	2,397,721
Derivative financial instruments	404,535	384,809	283,036	70,040	2,013,917	2,197,918
Loans and advances to banks	6,492,256	2,542,427	3,243,868	1,492,177	1,379,889	199,972
Investment securities	31,106,008	25,012,421	52,161,984	43,473,479	22,273,708	24,848,586
Amounts due from group companies	9,825,151	16,678,067	5,208,201	7,384,694	15,683,293	7,572,774
Other assets – uncleared effects	468,516	428,242	765,044	605,106	2,080,437	4,300,379

Settlement risk

The Group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from Group Risk.

Derivatives

The credit risk arising from derivatives is managed as part of the overall lending limits to banks and customers. The amount of credit risk is the current positive fair value of the underlying contract together with potential exposures from future market movements. The Group further limits its exposures to credit losses in the event of default by entering into master netting agreements with certain market counterparties. Exposures are not presented net in the financial statements as in the ordinary course of business they are not intended to be settled net.

Where appropriate, derivatives are used to reduce credit risks in the portfolio. Due to their potential impact on income volatility, derivatives are only used in a controlled manner and within a pre-defined volatility expectation.

Loans with renegotiated terms

Loans renegotiated which would otherwise be past due or impaired, continue to be accounted for as non-performing until a minimum number of payments have been received under the new terms, after which they are considered to be performing loans. Loans which are renegotiated to include concessions that the Group would not ordinarily make will usually be impaired.

Write-off policy

Where it is considered that there is no realistic prospect of recovering an element of an account against which an impairment provision has been raised, then that amount will be written off. The determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's position such that the borrower/issuer can no longer pay the obligation, or that proceeds from the collateral will not be sufficient to pay back the entire exposure.

(b) Liquidity risk

Liquidity risk is the risk that the Group either does not have sufficient resources available to meet all its obligations and commitments as they fall due, or can only access these financial resources at excessive cost. The Group's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk both on a short-term and medium-term basis. In the short-term, the focus is on ensuring that the cash flow demands can be met through asset maturities, customer deposits and wholesale funding where required. In the medium-term, the focus is on ensuring the statement of financial position remains structurally sound.
ALCO is responsible for ensuring that the Group is self-sufficient and is able to meet all its obligations to make payments as they fall due by operating within the set liquidity limits. It also has primary responsibility for compliance with regulations and Group policy and maintaining a liquidity crisis contingency plan.

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

The Group also monitors on a regular basis the advances to deposit ratio. This is defined as the ratio of total loans and advances to customers relative to total customer deposits. A low advances to deposit ratio demonstrates that customer deposits exceed customer loans resulting from the emphasis placed on generating a high level of stable funding from customers.

The advances to deposits ratio was as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to customers	**100,393,855**	**96,097,823**	**60,336,829**	**56,694,876**	**43,298,819**	**39,468,522**
Deposits from customers	**126,422,277**	**122,323,049**	**100,504,065**	**86,773,652**	**76,898,456**	**73,840,563**
	%	**%**	**%**	**%**	**%**	**%**
Advances to deposits ratio	**79**	**79**	**60**	**65**	**56**	**53**

The table below analyses financial liabilities into relevant maturity groupings based on the remaining period at 30 April 2012 and 31 December 2011 to 2007 to the contractual maturity date.

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

30 April 2012	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	1,389,645	4,178,834	841,595	-	-	**6,410,074**
Deposits from customers	104,234,135	9,496,610	10,466,015	2,210,931	14,586	**126,422,277**
Derivative financial instruments	757,181	-	-	-	-	**757,181**
Amounts due to group companies	480,410	2,500,500	1,500,300	2,875,722	1,667,000	**9,023,932**
Other liabilities - bills payable	421,739	-	-	-	-	**421,739**
At 30 April 2012	**107,283,110**	**16,175,944**	**12,807,910**	**5,086,653**	**1,681,586**	**143,035,203**

31 December 2011	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	6,642,361	1,096,626	-	-	-	**7,738,987**
Deposits from customers	104,301,616	9,246,503	6,445,978	2,314,236	14,716	**122,323,049**
Derivative financial instruments	822,806	-	-	-	-	**822,806**
Amounts due to group companies	3,570,094	-	1,017,600	1,899,520	1,696,000	**8,183,214**
Other liabilities - bills payable	474,145	-	-	-	-	**474,145**
At 31 December 2011	**115,811,022**	**10,343,129**	**7,463,578**	**4,213,756**	**1,710,716**	**139,542,201**

31 December 2010	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	4,200,660	10,000	-	2,020	-	**4,212,680**
Deposits from customers	91,654,539	3,182,443	3,693,278	1,973,650	155	**100,504,065**
Derivative financial instruments	285,491	-	-	-	-	**285,491**
Amounts due to group companies	4,343,915	2,272,883	2,001,374	1,779,785	-	**10,397,957**
Other liabilities - bills payable	1,755,709	-	-	-	-	**1,755,709**
At 31 December 2010	**102,240,314**	**5,465,326**	**5,694,652**	**3,755,455**	**155**	**117,155,902**

31 December 2009	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	10,289,777	242,520	-	-	-	**10,532,297**
Deposits from customers	73,532,061	15,147	298,626	12,637,598	290,220	**86,773,652**
Derivative financial instruments	242,930	-	-	-	-	**242,930**
Amounts due to group companies	5,719,499	78,791	2,048,373	-	-	**7,846,663**
Other liabilities - bills payable	291,013	-	-	-	-	**291,013**
At 31 December 2009	**90,075,280**	**336,458**	**2,346,999**	**12,637,598**	**290,220**	**105,686,555**

7 Financial Risk Management (Continued)

(b) Liquidity risk (Continued)

31 December 2008	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	2,806,333	-	-	-	-	**2,806,333**
Deposits from customers	62,027,459	11,374,533	2,979,191	517,273	-	**76,898,456**
Derivative financial instruments	3,696,116	-	-	-	-	**3,696,116**
Amounts due to group companies	62,336	75,928	-	-	-	**138,264**
Other liabilities - bills payable	895,752	-	-	-	-	**895,752**
At 31 December 2008	**69,487,996**	**11,450,461**	**2,979,191**	**517,273**	**-**	**84,434,921**

31 December 2007	Up to 1 month	1 – 3 months	3 – 12 months	1 – 5 years	Over 5 years	Total
LIABILITIES						
Deposits from banks	60,467	18,692	-	-	-	**79,159**
Deposits from customers	60,050,505	11,156,366	1,944,796	688,896	-	**73,840,563**
Derivative financial instruments	262,902	160,869	90,987	702,676	604,160	**1,821,594**
Amounts due to group companies	526,238	-	-	-	-	**526,238**
Other liabilities - bills payable	730,394	-	-	-	-	**730,394**
At 31 December 2007	**61,630,506**	**11,335,927**	**2,035,783**	**1,391,572**	**604,160**	**76,997,948**

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.

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 time frame.

(c) Market risk

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.

The Group recognises market risk as the risk of loss arising from changes in market prices and rates. The Group's exposure to market risk arises principally from customer-driven transactions. The objective of the Group's market risk policies and processes is to obtain the best balance between risk and return whilst meeting customers' requirements.

The primary categories of market risk for the Group are:

- interest rate risk: arising from changes in yield curves, credit spreads and implied volatilities on interest rate options;
- currency exchange rate risk: arising from changes in exchange rates and implied volatilities on foreign exchange options; and
- commodity price risk: arising from changes in commodity prices and commodity option implied volatilities; covering energy, precious metals, base metals etc.

Overall responsibility for market risk is vested in ALCO, who approve the Group's market risk appetite taking into account the market volatility, the range of traded products and asset classes, business volumes and transaction sizes. Market risk appetite has remained broadly stable during the period.

Group Market Risk (GMR) is responsible for setting Value at Risk (VaR) and stress loss limits for market risk within the Group's risk appetite. It is also responsible for policies and other standards for the control of market risk and overseeing their effective implementation. These policies cover both the trading and non-trading books of the Group.

GMR approves the limits within delegated authorities and monitors exposures against these limits and reports to ALCO. Additional limits are placed on specific instruments and position concentrations where appropriate. Sensitivity measures are used in addition to VaR as risk management tools. For example, interest rate sensitivity is measured in terms of exposure to one basis point increase in yields, whereas foreign exchange, commodity and equity sensitivities are measured in terms of underlying values or amounts involved.

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7 Financial Risk Management (Continued)

(c) Market risk (Continued)

Sensitivity analysis

The Group measures the risk of losses arising from future potential adverse movements in market rates, prices and volatilities using a VaR methodology. VaR, in general, is a quantitative measure of market risk that applies recent historic market conditions to estimate the potential future loss in market value that will not be exceeded in a set time period at a set statistical confidence level. VaR provides a consistent measure that can be applied across trading businesses and products over time and can be set against actual daily trading profit or loss outcomes.

VaR is calculated for expected movements over a minimum of one business day and to a confidence level of 97.5 percent. This confidence level suggests that potential daily losses, in excess of the VaR measure, are likely to be experienced six times per year.

The Group applies two VaR methodologies:

- Historic simulation: involves the revaluation of all unmatured contracts to reflect the effect of historically observed changes in market risk factors on the valuation of the current portfolio. This approach is applied for general market risk factors; and
- Monte Carlo simulation: this methodology is similar to historic simulation but with considerably more input risk factor observations. These are generated by random sampling techniques, but the results retain the essential variability and correlations of historically observed risk factor changes. This approach is applied for credit spread VaR.

In both methods an historical observation period of one year is chosen and applied.

VaR is calculated as the Group's exposure as at the close of business. Intra-day risk levels may vary from those reported at the end of the day.

The Group recognises that there are limitations to the VaR methodology. These limitations include the fact that the historic data may not be the best proxy for future price movements, either because the observation period does not include representative price movements or, in some cases, because of incomplete market data.

The Group performs regular backtesting, where actual profits and losses are compared with VaR estimates to track the statistical validity of the VaR model.

Losses beyond the confidence interval are not captured by a VaR calculation, which therefore give no indication of the size of unexpected losses in these situations. To manage the risk arising from such events, which the VaR methodology does not fully capture, the Group regularly stress tests its main market risk exposures. Stress testing involves valuing portfolios at prices, which assume extreme changes in risk factors beyond the range of normal experience.

An analysis of the Group sensitivity to changes in market interest and exchange rates is as follows:

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

At 30 April 2012	**At 30 April**	**Average**	**High**	**Low**
Daily value at risk:				
Foreign exchange risk	27,005	21,171	31,423	5,668
Interest rate risk	119,774	164,033	201,874	117,524
	146,779	**185,204**	**233,297**	**123,192**

At 31 December 2011	**At 31 December**	**Average**	**High**	**Low**
Daily value at risk:				
Foreign exchange risk	7,809	10,706	42,222	1,694
Interest rate risk	170,163	162,574	211,130	112,699
	177,972	**173,280**	**253,352**	**114,393**

At 31 December 2010				
Daily value at risk:				
Foreign exchange risk	5,010	4,753	13,784	712
Interest rate risk	116,029	97,282	181,097	57,751
	121,039	**102,035**	**194,881**	**58,463**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

Sensitivity analysis (Continued)

At 31 December 2009	**At 31 December**	**Average**	**High**	**Low**
Daily value at risk:				
Foreign exchange risk	2,125	3,719	7,590	1,366
Interest rate risk	86,981	81,365	88,196	72,409
	89,106	**85,084**	**95,786**	**73,775**

At 31 December 2008				
Daily value at risk:				
Foreign exchange risk	1,173	5,239	19,315	547
Interest rate risk	199,957	100,487	132,705	64,593
	201,130	**105,726**	**152,020**	**65,140**

At 31 December 2007				
Daily value at risk:				
Foreign exchange risk	2,935	3,622	25,420	445
Interest rate risk	108,524	100,536	129,451	63,296
	111,459	**104,158**	**154,871**	**63,741**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk

The Group 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 below are the Group'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)

At 30 April 2012

ASSETS	Weighted average effective interest rate (%)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	11,300,676	**11,300,676**
Government and other securities held for trading	12.36	-	939,717	1,064,418	-	219,946	61,238	**2,285,319**
Derivative financial instruments	-	404,535	-	-	-	-	-	**404,535**
Deposits and advances to banks	14.83	2,066	5,381,960	-	-	-	1,108,230	**6,492,256**
Loans and advances to customers	15.27	88,411,772	356	44,780	924,055	10,531,970	480,922	**100,393,855**
Investment securities	13.18	4,176,000	1,500,000	18,816,950	7,317,850	951,700	(1,656,492)	**31,106,008**
Amounts due from group companies	1.00	14,260	6,233,713	-	833,500	1,667,000	1,076,678	**9,825,151**
Other assets - uncleared effects	-	-	-	-	-	-	468,516	**468,516**
At 30 April 2012		**93,008,633**	**14,055,746**	**19,926,148**	**9,075,405**	**13,370,616**	**12,839,768**	**162,276,316**
LIABILITIES								
Deposits from banks	3.71	102,872	4,178,834	841,595	-	-	1,286,773	**6,410,074**
Deposits from customers	6.28	40,012,948	9,347,861	10,429,642	2,201,379	14,582	64,415,865	**126,422,277**
Derivative financial instruments	-	757,181	-	-	-	-	-	**757,181**
Amounts due to group companies	4.37	81,662	2,500,500	1,500,300	2,875,722	1,667,000	398,748	**9,023,932**
Other liabilities - bills payable	-	-	-	-	-	-	421,739	**421,739**
At 30 April 2012		**40,954,663**	**16,027,195**	**12,771,537**	**5,077,101**	**1,681,582**	**66,523,125**	**143,035,203**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

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

At 31 December 2011

ASSETS	**Weighted average effective interest rate (%)**	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	12,005,054	**12,005,054**
Government and other securities held for trading	9.99	-	-	40,888	-	-	334	**41,222**
Derivative financial instruments	-	384,809	-	-	-	-	-	**384,809**
Deposits and advances to banks	20.07	842,427	225,000	900,000	575,000	-	-	**2,542,427**
Loans and advances to customers	14.42	85,262,985	930	20,270	886,829	9,573,297	353,512	**96,097,823**
Investment securities	6.40	2,940,111	8,589,187	5,067,835	7,740,724	674,564	-	**25,012,421**
Amounts due from group companies	1.01	4,321,586	254,400	5,790,865	-	1,696,000	4,615,216	**16,678,067**
Other assets - uncleared effects	-	-	-	-	-	-	428,242	**428,242**
At 31 December 2011		**93,751,918**	**9,069,517**	**11,819,858**	**9,202,553**	**11,943,861**	**17,402,358**	**153,190,065**
LIABILITIES								
Deposits from banks	20.81	6,318,786	1,096,626	-	-	-	323,575	**7,738,987**
Deposits from customers	4.10	35,552,599	9,246,503	6,445,978	2,314,236	14,716	68,749,017	**122,323,049**
Derivative financial instruments	-	822,806	-	-	-	-	-	**822,806**
Amounts due to group companies	1.31	848,000	-	1,017,600	1,899,520	1,696,000	2,722,094	**8,183,214**
Other liabilities - bills payable	-	-	-	-	-	-	474,145	**474,145**
At 31 December 2011		**43,542,191**	**10,343,129**	**7,463,578**	**4,213,756**	**1,710,716**	**72,268,831**	**139,542,201**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

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

At 31 December 2010

ASSETS	**Weighted average effective interest rate (%)**	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	8,210,822	**8,210,822**
Government and other securities held for trading	3.23	-	2,714,400	-	200,000	300,000	57,203	**3,271,603**
Derivative financial instruments	-	283,036	-	-	-	-	-	**283,036**
Deposits and advances to banks	4.84	1,493,868	-	200,000	1,550,000	-	-	**3,243,868**
Loans and advances to customers	9.92	56,164,839	359	25,842	1,005,497	2,669,271	471,021	**60,336,829**
Investment securities	7.25	2,451,250	7,654,300	14,718,150	22,256,250	1,903,450	3,178,584	**52,161,984**
Amounts due from group companies	0.85	-	-	2,911,537	808,809	-	1,487,855	**5,208,201**
Other assets - uncleared effects	-	-	-	-	-	-	765,044	**765,044**
At 31 December 2010		**60,392,993**	**10,369,059**	**17,855,529**	**25,820,556**	**4,872,721**	**14,170,529**	**133,481,387**
LIABILITIES								
Deposits from banks	1.41	3,760,531	10,000	2,020	-	-	440,129	**4,212,680**
Deposits from customers	1.49	27,017,369	3,182,443	3,693,278	1,973,650	155	64,637,170	**100,504,065**
Derivative financial instruments	-	285,491	-	-	-	-	-	**285,491**
Amounts due to group companies	1.34	3,636,025	2,435,506	2,001,374	1,779,785	-	545,267	**10,397,957**
Other liabilities - bills payable	-	-	-	-	-	-	1,755,709	**1,755,709**
At 31 December 2010		**34,699,416**	**5,627,949**	**5,696,672**	**3,753,435**	**155**	**67,378,275**	**117,155,902**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)
(c) Market risk (Continued)
(i) Interest rate risk (Continued)

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

At 31 December 2009

ASSETS	**Weighted average effective interest rate (%)**	**Up to 1 month**	**1 - 3 months**	**3 - 12 months**	**1 - 5 years**	**Over 5 years**	**Non-interest bearing**	**Total**
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	7,728,872	**7,728,872**
Government and other securities held for trading	11.59	-	-	-	655,480	1,604,282	66,938	**2,326,700**
Derivative financial instruments	-	70,040	-	-	-	-	-	**70,040**
Deposits and advances to banks	9.48	-	-	-	1,450,000	-	42,177	**1,492,177**
Loans and advances to customers	11.59	54,347,388	1,119	10,380	206,457	1,358,704	770,828	**56,694,876**
Investment securities	9.27	2,950,000	2,637,550	11,930,482	20,875,800	3,905,800	1,173,847	**43,473,479**
Amounts due from group companies	3.30	3,139,160	1,749,929	1,518,000	-	-	977,605	**7,384,694**
Other assets - uncleared effects	-	-	-	-	-	-	605,106	**605,106**
At 31 December 2009		**60,506,588**	**4,388,598**	**13,458,862**	**23,187,737**	**6,868,786**	**11,365,373**	**119,775,944**
LIABILITIES								
Deposits from banks	3.93	10,289,777	242,520	-	-	-	-	**10,532,297**
Deposits from customers	3.28	27,955,084	12,062	298,623	12,737,117	288,474	45,482,292	**86,773,652**
Derivative financial instruments	-	242,930	-	-	-	-	-	**242,930**
Amounts due to group companies	2.49	5,363,071	-	2,000,000	-	-	483,592	**7,846,663**
Other liabilities - bills payable	-	-	-	-	-	-	291,013	**291,013**
At 31 December 2009		**43,850,862**	**254,582**	**2,298,623**	**12,737,117**	**288,474**	**46,256,897**	**105,686,555**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)
(c) Market risk (Continued)
(i) Interest rate risk (Continued)

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

At 31 December 2008

ASSETS	Weighted average effective interest rate (%)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	7,380,062	**7,380,062**
Government and other securities held for trading	11.76	-	-	168,800	200,000	1,162,000	84,761	**1,615,561**
Derivative financial instruments	-	2,013,917	-	-	-	-	-	**2,013,917**
Deposits and advances to banks	6.50	300,924	-	-	-	-	1,078,965	**1,379,889**
Loans and advances to customers	11.90	16,506,536	1,921,842	4,319,593	15,392,248	4,478,561	680,039	**43,298,819**
Investment securities	8.81	254,200	2,680,000	5,050,117	13,761,882	100,000	427,509	**22,273,708**
Amounts due from group companies	4.76	8,099,449	6,246,700	734,600	-	-	602,544	**15,683,293**
Other assets - uncleared effects	-	-	-	-	-	-	2,080,437	**2,080,437**
At 31 December 2008		**27,175,026**	**10,848,542**	**10,273,110**	**29,354,130**	**5,740,561**	**12,334,317**	**95,725,686**
LIABILITIES								
Deposits from banks	6.56	2,600,000	-	-	-	-	206,333	**2,806,333**
Deposits from customers	3.52	9,260,127	21,151,224	2,979,191	517,273	-	42,990,641	**76,898,456**
Derivative financial instruments	-	3,696,116	-	-	-	-	-	**3,696,116**
Amounts due to group companies	2.20	54,562	-	-	-	-	83,702	**138,264**
Other liabilities - bills payable	-	-	-	-	-	-	895,752	**895,752**
At 31 December 2008		**15,610,805**	**21,151,224**	**2,979,191**	**517,273**	**-**	**44,176,428**	**84,434,921**

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

(i) Interest rate risk (Continued)

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

At 31 December 2007

ASSETS	Weighted average effective interest rate (%)	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non-interest bearing	Total
Cash and balances with Central Bank of Kenya	-	-	-	-	-	-	7,546,063	**7,546,063**
Government and other securities held for trading	11.07	-	211,000	-	250,000	1,929,150	7,571	**2,397,721**
Derivative financial instruments	-	2,197,918	-	-	-	-	-	**2,197,918**
Deposits and advances to banks	7.45	1,729	164,431	-	-	-	33,812	**199,972**
Loans and advances to customers	11.10	24,396,386	1,248,320	2,389,362	7,621,796	3,171,119	641,539	**39,468,522**
Investment securities	9.88	400,000	3,599,400	7,356,300	11,835,099	846,902	810,885	**24,848,586**
Amounts due from group companies	5.21	3,256,622	36,796	-	190,650	-	4,088,706	**7,572,774**
Other assets - uncleared effects	-	-	-	-	-	-	4,300,379	**4,300,379**
At 31 December 2007		**30,252,655**	**5,259,947**	**9,745,662**	**19,897,545**	**5,947,171**	**17,428,955**	**88,531,935**
LIABILITIES								
Deposits from banks	6.49	58,769	18,692	-	-	-	1,698	**79,159**
Deposits from customers	2.65	13,035,757	16,326,561	2,032,478	688,896	-	41,756,871	**73,840,563**
Derivative financial instruments	-	1,821,594	-	-	-	-	-	**1,821,594**
Amounts due to group companies	9.99	334,528	-	-	-	-	191,710	**526,238**
Other liabilities - bills payable	-	-	-	-	-	-	730,394	**730,394**
At 31 December 2007		**15,250,648**	**16,345,253**	**2,032,478**	**688,896**	**-**	**42,680,673**	**76,997,948**

Section 15: Reporting Accountant’s Report

7 Financial Risk Management (Continued)

(c) Market risk (Continued)
(ii) Currency rate risk

The Group operates wholly within Kenya and its assets and liabilities are translated to the local currency. The Group maintains trade with the main shareholder and other correspondent banks.

The various foreign currencies to which the Group is exposed to are summarised below:

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

At 30 April 2012	USD	GBP	Euro	Other	Total
ASSETS					
Cash, deposits and advances to banks	492,541	59,861	131,744	243,044	**927,190**
Loans and advances to customers	31,739,063	723,983	855,603	231,094	**33,549,743**
Amounts due from group companies	4,725,251	1,922,946	2,762,172	24,874	**9,435,243**
Other assets - uncleared effects	4,278,453	145,760	2,437,556	28,370	**6,890,139**
At 30 April 2012	**41,235,308**	**2,852,550**	**6,187,075**	**527,382**	**50,802,315**
LIABILITIES					
Deposits from banks	105,806	-	31,035	-	**136,841**
Deposits from customers	31,746,067	2,730,030	7,968,145	161,819	**42,606,061**
Amounts due to group companies	5,368,079	19,902	228,782	-	**5,616,763**
Other liabilities - bills payable	6,864,820	78,576	2,288,872	66,794	**9,299,062**
At 30 April 2012	**44,084,772**	**2,828,508**	**10,516,834**	**228,613**	**57,658,727**
Net statement of financial position exposure - 2012	**(2,849,464)**	**24,042**	**(4,329,759)**	**298,769**	**(6,856,412)**

At 31 December 2011					
ASSETS					
Cash, deposits and advances to banks	717,444	258,706	49,439	198,606	**1,224,195**
Loans and advances to customers	26,545,693	1,961,788	563,645	187,968	**29,259,094**
Amounts due from group companies	5,367,580	8,370,913	2,007,649	167,719	**15,913,861**
Other assets - uncleared effects	6,256,997	823,504	247,520	27,042	**7,355,063**
At 31 December 2011	**38,887,714**	**11,414,911**	**2,868,253**	**581,335**	**53,752,213**
LIABILITIES					
Deposits from banks	12,699	-	-	-	**12,699**
Deposits from customers	26,640,808	10,536,017	2,775,717	222,551	**40,175,093**
Amounts due to group companies	3,765,344	-	173	-	**3,765,517**
Other liabilities - bills payable	7,276,892	793,248	85,114	231,099	**8,386,353**
At 31 December 2011	**37,695,743**	**11,329,265**	**2,861,004**	**453,650**	**52,339,662**
Net statement of financial position exposure - 2011	**1,191,971**	**85,646**	**7,249**	**127,685**	**1,412,551**

At 31 December 2010					
ASSETS					
Cash, deposits and advances to banks	656,667	91,581	512,802	168,689	**1,429,739**
Loans and advances to customers	17,180,053	724,896	633,375	114,559	**18,652,883**
Amounts due from group companies	2,781,018	82,121	876,463	24,970	**3,764,572**
Other assets - uncleared effects	8,618,407	37,058	76,928	48,587	**8,780,980**
At 31 December 2010	**29,236,145**	**935,656**	**2,099,568**	**356,805**	**32,628,174**
LIABILITIES					
Deposits from banks	589,489	-	-	-	**589,489**
Deposits from customers	18,146,666	950,438	1,977,360	134,512	**21,208,976**
Amounts due to group companies	5,613,175	-	-	55	**5,613,230**
Other liabilities - bills payable	5,372,385	101,047	83,675	79,556	**5,636,663**
At 31 December 2010	**29,721,715**	**1,051,485**	**2,061,035**	**214,123**	**33,048,358**
Net statement of financial position exposure - 2010	**(485,570)**	**(115,829)**	**38,533**	**142,682**	**(420,184)**

7 Financial Risk Management (Continued)

(c) Market risk (Continued)

(ii) *Currency rate risk (Continued)*

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

At 31 December 2009	USD	GBP	Euro	Other	Total
ASSETS					
Cash, deposits and advances to banks	1,042,659	68,749	453,114	72,525	**1,637,047**
Loans and advances to customers	14,459,757	1,213,054	278,979	203,328	**16,155,118**
Amounts due from group companies	2,277,124	156	1,828,484	801,307	**4,907,071**
Other assets - uncleared effects	4,892,277	1,405	660,182	2,860	**5,556,724**
At 31 December 2009	**22,671,817**	**1,283,364**	**3,220,759**	**1,080,020**	**28,255,960**
LIABILITIES					
Deposits from banks	-	-	-	23,101	**23,101**
Deposits from customers	16,521,502	876,586	2,268,201	803,305	**20,469,594**
Amounts due to group companies	5,573,240	141,941	-	110,655	**5,825,836**
Other liabilities - bills payable	1,707,271	16,922	674,171	29,688	**2,428,052**
At 31 December 2009	**23,802,013**	**1,035,449**	**2,942,372**	**966,749**	**28,746,583**
Net statement of financial position exposure - 2009	**(1,130,196)**	**247,915**	**278,387**	**113,271**	**(490,623)**
At 31 December 2008					
ASSETS					
Cash, deposits and advances to banks	512,461	165	-	149,140	**661,766**
Loans and advances to customers	8,841,403	852,334	468,368	597,051	**10,759,156**
Amounts due from group companies	7,991,102	707,209	1,116,534	11,123	**9,825,968**
Other assets - uncleared effects	1,934,955	109,884	1,062,996	46,684	**3,154,519**
At 31 December 2008	**19,279,921**	**1,669,592**	**2,647,898**	**803,998**	**24,401,409**
LIABILITIES					
Deposits from banks	1,264,206	-	21,069	-	**1,285,275**
Deposits from customers	10,790,616	1,228,770	1,695,382	99,677	**13,814,445**
Amounts due to group companies	494,072	78,978	-	152,975	**726,025**
Other liabilities - bills payable	1,203,010	73,575	20,578	149,509	**1,446,672**
At 31 December 2008	**13,751,904**	**1,381,323**	**1,737,029**	**402,161**	**17,272,417**
Net statement of financial position exposure - 2008	**5,528,017**	**288,269**	**910,869**	**401,837**	**7,128,992**
At 31 December 2007					
ASSETS					
Cash, deposits and advances to banks	-	-	-	32,844	**32,844**
Loans and advances to customers	8,977,876	876,611	436,164	27,473	**10,318,124**
Amounts due from group companies	6,111,044	-	273,595	187,204	**6,571,843**
Other assets - uncleared effects	3,590,549	97,990	322,230	27,094	**4,037,863**
At 31 December 2007	**18,679,469**	**974,601**	**1,031,989**	**274,615**	**20,960,674**
LIABILITIES					
Deposits from banks	-	-	18,692	1,481	**20,173**
Deposits from customers	11,370,334	1,121,720	999,515	161,816	**13,653,385**
Amounts due to group companies	36,634	225,972	2,974	-	**265,580**
Other liabilities - bills payable	3,924,957	8,006	892,021	111,318	**4,936,302**
At 31 December 2007	**15,331,925**	**1,355,698**	**1,913,202**	**274,615**	**18,875,440**
Net statement of financial position exposure - 2007	**3,347,544**	**(381,097)**	**(881,213)**	**-**	**2,085,234**

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Group seeks to ensure that key operational risks are managed in a timely and effective manner through a framework of policies, procedures and tools to identify, assess, monitor, control and report such risks.

Compliance with operational risk policies and procedures is the responsibility of all managers.

Section 15: Reporting Accountant's Report

7 Financial Risk Management (Continued)

(d) Operational risk (Continued)

CORC has the governance responsibility for ensuring that an appropriate and robust risk management framework is in place to monitor and manage operational risk.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This is supported by the development of overall Group standards for the management of operational risk in areas such as compliance with regulatory requirements, ethical and business standards, training and professional development, documentation of controls and procedures and requirements for the reconciliation and monitoring of transactions amongst others.

(e) Capital management

The Central Bank of Kenya sets and monitors capital requirements for all banks.

The objective of the Central Bank of Kenya is to ensure that a bank maintains a level of capital which:

- is adequate to protect its depositors and creditors;
- is commensurate with the risks associated with its activities and profile; and
- promotes public confidence in the bank.

In implementing current capital requirements, the Central Bank of Kenya requires banks to maintain a prescribed ratio of total capital to total risk-weighted assets.

Capital adequacy and use of regulatory capital are monitored regularly by management employing techniques based on the guidelines developed by the Basel Committee, as implemented by the Central Bank of Kenya for supervisory purposes.

The Central Bank of Kenya requires a bank to maintain at all times:

- a core capital of not less than 8% of total risk weighted assets, plus risk weighted off-balance sheet items;
- a core capital of not less than 8% of its total deposit liabilities; and
- a total capital of not less than 12% of its total risk weighted assets, plus risk weighted off-balance sheet items.

In addition, a bank must maintain a minimum core capital of KShs 700 million.

However, the Central Bank of Kenya amended the Banking Act in 2009 to require banks to increase their core capital as follows:

Compliance date	Minimum Core Capital (KShs)
31 December 2010	500 million
31 December 2011	700 million
31 December 2012	1,000 million

The Bank has been compliant with these requirements.

Capital is segregated into core capital (Tier 1) and supplementary capital (Tier 2).

Core capital includes ordinary share capital, irredeemable preference share capital, capital contribution reserve, share premium and retained earnings after deductions for goodwill and intangible assets.

Supplementary capital on the other hand includes 25% of revaluation reserves of property and equipment and the statutory loan loss reserve.

Risk weighted assets are arrived at using a framework of four weights applied to both on-balance sheet and off-balance sheet items to reflect the relative risk of each asset and counterparty.

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7 Financial Risk Management (Continued)

(e) Capital management (Continued)

The Bank's regulatory capital position was as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Core capital (Tier 1)						
Share capital	1,715,386	1,715,386	1,715,386	1,639,839	1,639,839	1,639,839
Share premium	4,836,258	4,836,258	4,836,258	2,520,000	2,520,000	2,520,000
Retained earnings	11,684,004	10,116,625	7,751,461	6,496,622	5,171,714	4,807,544
Capital contribution reserve	1,823,673	1,823,673	1,823,673	-	-	-
	20,059,321	**18,491,942**	**16,126,778**	**10,656,461**	**9,331,553**	**8,967,383**
Less deduction from capital:						
Goodwill on acquired intangible (Note 11.21)	(1,112,111)	(1,112,111)	(1,112,111)	-	-	-
Acquired intangible asset (Note 11.21)	(3,125,524)	(3,257,376)	(3,620,686)	-	-	-
	15,821,686	**14,122,455**	**11,393,981**	**10,656,461**	**9,331,553**	**8,967,383**
Supplementary capital (Tier 2)						
Revaluation reserves (25%)	137,289	137,825	76,091	79,160	82,447	37,103
Statutory credit risk reserve	419,706	452,010	259,155	179,070	191,336	194,650
Subordinated debt (Note 11.17)	1,675,788	1,701,495	-	-	-	-
	2,232,783	**2,291,330**	**335,246**	**258,230**	**273,783**	**231,753**
Total capital	**18,054,469**	**16,413,785**	**11,729,227**	**10,914,691**	**9,605,336**	**9,199,136**
Risk weighted assets						
On-balance sheet	103,940,941	101,261,876	71,000,305	63,703,727	52,046,915	46,971,923
Off-balance sheet	13,923,765	13,498,105	10,935,706	11,758,734	7,228,608	8,092,984
Total risk weighted assets	**117,864,706**	**114,759,981**	**81,936,011**	**75,462,461**	**59,275,523**	**55,064,907**
Deposits from customers	**126,422,277**	**122,323,049**	**100,504,065**	**86,773,652**	**76,898,456**	**73,840,563**

Capital ratios

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Core capital /total deposit liabilities (CBK minimum 8%)	13%	12%	11%	12%	12%	12%
Core capital /total risk weighted assets (CBK minimum 8%)	13%	12%	14%	14%	16%	16%
Total capital /total risk weighted assets (CBK minimum 12%)	15%	14%	14%	14%	16%	17%

Capital allocation

The Bank's capital management approach is driven by its desire to maintain a strong capital base to support the development of its business, to meet regulatory capital requirements at all times and to maintain good credit ratings.

Strategic business and capital plans are drawn up annually. The plan ensures that adequate levels of capital and optimum mix of the different components of capital are maintained by the Group to support the strategy. This is integrated with the Group's annual planning process that takes into consideration business growth assumptions across products and the related impact on capital resources.

The capital plan takes the following into account:

- regulatory capital requirements;
- forecast demand for capital to maintain credit ratings;
- increases in demand for capital due to business growth, market shocks or stresses;
- available supply of capital and capital raising options; and
- internal controls and governance for managing the Bank's risk, performance and capital.

The allocation of capital between specific operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The amount of capital allocated to each operation or activity is based primarily upon the regulatory capital, but in some cases the regulatory requirements do not reflect fully the varying degree of risk associated with different activities. In such cases the capital requirements may be flexed to reflect differing risk profiles, subject to the overall level of capital to support a particular operation or activity not falling below the minimum required for regulatory purposes.

7 Financial Risk Management (Continued)
(e) Capital management (Continued)
Capital allocation (Continued)
The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation, by Group Market Risk and Group Credit, and is subject to review by the ALCO.

Although maximisation of the return on risk-adjusted capital is the principal basis used in determining how capital is allocated within the Group to particular operations or activities, it is not the sole basis used for decision-making. Account also is taken of synergies with other operations and activities, the availability of management and other resources, and the fit of the activity with the Group's longer term strategic objectives. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

(f) Compliance and regulatory risk
Compliance and regulatory risk includes the risk of non-compliance with regulatory requirements. The Compliance function is responsible for establishing and maintaining an appropriate framework of Group compliance policies and procedures. Compliance with such policies and procedures is the responsibility of all managers.

(g) Legal risk
Legal risk is the risk of unexpected loss, including reputational loss, arising from defective transactions or contracts, claims being made or some other event resulting in a liability or other loss for the Group, failure to protect the title to and ability to control the rights to assets of the Group (including intellectual property rights), changes in the law, or jurisdictional risk. The Group manages legal risk through the legal function, Legal Risk policies and procedures and effective use of its internal and external lawyers.

(h) Reputational risk
Reputational risk is the risk of failing to meet the standards of performance or behaviour required or expected by stakeholders in commercial activities or the way in which business is conducted. Reputational risks arise as a result of poor management of problems occurring in one or more of the primary banking risk areas (Credit, Market, Operational risk areas) and/or from social, ethical or environmental risk issues. All members of staff have a responsibility for maintaining the Group's reputation.

The Group manages reputational risk through the Reputational Risk Committee.

(i) Independent monitoring
Internal Audit is an independent function that reports to the Board Audit Committee and provides an independent check that Group and business standards, policies and procedures are being complied with. Where necessary, corrective action is recommended.

8 Use of Estimates and Judgments
In determining the carrying amounts of certain assets and liabilities, the Group makes assumptions of the effects of uncertain future events on those assets and liabilities at the reporting date. The Group's estimates and assumptions are based on historical experience and expectation of future events and are reviewed periodically. This disclosure excludes uncertainty over future events and judgments in respect of measuring financial instruments. Further information about key assumptions concerning the future, and other key sources of estimation uncertainty are set out in the notes.

(a) Loan loss provisioning
(i) Consumer Banking
An account is considered to be in default when payment is not received on the due date. Accounts that are overdue by more than 30 days are considered delinquent. These accounts are closely monitored and subject to a collection process.

The process used for recognising impairment provisions is dependent on the product. For mortgages, individual impairment provisions ("IIP") are generally raised at 150 days past due based on the difference between the outstanding amount on the loan and the present value of the estimated future cash flows. Loan impairment for other secured loans utilises the forced sale value of the collateral without discounting. For unsecured products, individual impairment provisions are recognised for the entire outstanding amount at 150 days past due. For all products there are certain accounts, such as cases involving bankruptcy, fraud and death, where the loss recognition process is accelerated.

A Portfolio Impairment Provision ("PIP") is held to cover the inherent risk of losses, which, although not identified, are known through experience to be present in the loan portfolio. PIP covers both performing loans and loans overdue for less than 150 days. The impairment provision is computed using proxy data from Internal Ratings Based ('IRB') portfolios. This proxy is based on the Expected Loss ("EL") of a product after applying judgmental overlays based on regulatory environment and business cycle adjustments based on macro-environment, portfolio loss severity, collections and recovery performance trends.

8 Use of Estimates and Judgments (Continued)

(a) Loan loss provisioning (Continued)

(ii) Wholesale Banking

The Group's loan loss provisions are established to recognise incurred impairment losses either on specific loan assets or within a portfolio of loans and receivables.

Impairment losses for specific loan assets are assessed either on an individual or on a portfolio basis. Individual impairment losses are determined as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the loans' original effective interest rate. Impairment losses determined on a portfolio basis are assessed based on the probability of default inherent within the portfolio of impaired loans or receivables.

Estimating the amount and timing of future recoveries involves significant judgment, and considers the level of arrears as well as the assessment of matters such as future economic conditions and the value of collateral, for which there may not be a readily accessible market.

Loan losses that have been incurred but have not been separately identified at the reporting date are determined on a portfolio basis, which takes into account past loss experience and defaults based on portfolio trends. Actual losses identified could differ significantly from the impairment provisions reported as a result of uncertainties arising from the economic environment.

(b) Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

All financial instruments are initially recognised at fair value, which is normally the transaction price. In certain circumstances, the initial fair value may be based on a valuation technique which may lead to the recognition of profits or losses at the time of initial recognition. However, these profits or losses can only be recognised when the valuation technique used is based solely on observable market inputs.

Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value, with changes in fair value either reported within profit or loss or within other comprehensive income until the instrument is sold or becomes impaired. Details of the type and classification of the Group's financial instruments are set out in Note 10 and the accounting policy set out in Note 2.5 to the financial statements.

The fair values of quoted financial instruments in active markets are based on current prices. If the market for a financial instrument is not active including for unlisted securities, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants.

Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters.

Equity investments that do not have observable market prices are fair valued by applying various valuation techniques, such as earnings multiples, net assets multiples, discounted cash flows, and industry valuation benchmarks. These techniques are generally applied prior to any initial public offering after which an observable market price becomes available. Disposal of such investments are generally by market trades or private sales.

(c) Pensions

Actuarial assumptions are made in valuing future defined benefit obligations and are updated periodically. The principal assumption relates to the discount rate. The discount rate is equal to the yield on government securities which have a term to maturity approximating that of the related liability, and is potentially subject to significant variation. As a result, there is uncertainty that this assumption will continue in the future.

8 Use of Estimates and Judgments (Continued)

(d) Useful life of assets

Property and equipment
Critical estimates are made by management in determining the useful life for property and equipment.

Acquired intangible asset
Critical estimates are made by management in determining the useful life of the acquired customer relationships giving rise to the acquired intangible asset.

(e) Revaluation of items of property and equipment
Certain items of property and equipment are measured at revalued amounts. The fair value is determined based on the market and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate.

(f) Taxes
Determining income tax balances involves judgment on the tax treatment of certain transactions. Deferred tax assets are recognised on tax losses not yet used and on temporary differences where it is probable that there will be taxable revenue against which these can be offset. Management has made judgments as to the probability of tax losses being available for offset at a later date.

(g) Share based payments
The Group's employees participate in a number of share based payment schemes operated by Standard Chartered PLC, the ultimate holding company of Standard Chartered Bank Kenya Limited and its subsidiaries. Participating employees are awarded ordinary shares in Standard Chartered PLC in accordance with the terms and conditions of the relevant scheme.

Equity-settled share awards are recognised as an expense based on their fair value at date of grant. The fair value of equity-settled share options is estimated through the use of option valuation models; which require inputs such as risk-free interest rate, expected dividends, expected volatility and the expected option life and is expensed over the vesting period. Some of the inputs used, such as the expected option life, are not market observable and are based on estimates derived from available data, such as employee exercise behaviour. The models utilised, such as the binomial option pricing model, are intended to value options traded in active markets. The share options issued by Standard Chartered PLC however have a number of features that make them incomparable to such trade options. Using different input estimates or models could produce different option values, which would result in the recognition of higher or lower expense.

(h) Valuation of acquired intangible asset
At the date of acquisition of a business, intangible assets which are deemed separable and that arise from contractual or other legal rights are capitalised and included within the net identifiable assets acquired.

Management has determined the fair value of the customer relationships acquired by discounting the future cash flows expected to be generated over the useful life determined to be 11 years.

9 Operating Segments
The Group is organised for management and reporting purposes into two main operating segments: Consumer Banking and Wholesale Banking. Wholesale Banking comprises Financial Markets and Origination and Client Coverage.

The Group evaluates segmental performance on the basis of profit or loss before taxation.

The segment results were as follows:

Statement of comprehensive income for the four month period ended 30 April 2012	**Consumer Banking**	**Wholesale Banking**	**Total**
	KShs '000	**KShs '000**	**KShs '000**
Net interest income	2,424,625	2,274,278	4,698,903
Non funded income	818,636	1,786,476	2,605,112
Operating income	**3,243,261**	**4,060,754**	**7,304,015**
Operating expenses	(1,537,365)	(1,191,022)	(2,728,387)
Net impairment losses on loans and advances	(129,771)	(45,742)	(175,513)
Profit before taxation	**1,576,125**	**2,823,990**	**4,400,115**

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9 Operating Segments (Continued)

Statement of comprehensive income for the year ended 31 December 2011	Consumer Banking	Wholesale Banking	Total
	KShs '000	KShs '000	KShs '000
Net interest income	5,170,138	4,681,156	9,851,294
Non funded income	2,587,229	3,474,988	6,062,217
Operating income	**7,757,367**	**8,156,144**	**15,913,511**
Operating expenses	(4,047,675)	(3,197,962)	(7,245,637)
Net impairment losses on loans and advances	(383,330)	(29,409)	(412,739)
Profit before taxation	**3,326,362**	**4,928,773**	**8,255,135**

Statement of comprehensive income for the year ended 31 December 2010	Consumer Banking	Wholesale Banking	Total
	KShs '000	KShs '000	KShs '000
Net interest income	4,343,587	3,771,977	8,115,564
Non funded income	2,068,776	3,718,389	5,787,165
Operating income	**6,412,363**	**7,490,366**	**13,902,729**
Operating expenses	(3,370,930)	(2,517,594)	(5,888,524)
Net impairment losses on loans and advances	(439,812)	107,491	(332,321)
Profit before taxation	**2,601,621**	**5,080,263**	**7,681,884**

Statement of comprehensive income for the year ended 31 December 2009	Consumer Banking	Wholesale Banking	Total
	KShs '000	KShs '000	KShs '000
Net interest income	3,900,446	3,436,832	7,337,278
Non funded income	1,825,658	3,083,496	4,909,154
Operating income	**5,726,104**	**6,520,328**	**12,246,432**
Operating expenses	(2,855,791)	(2,187,258)	(5,043,049)
Net impairment losses on loans and advances	(404,969)	(69,967)	(474,936)
Profit before taxation	**2,465,344**	**4,263,103**	**6,728,447**

Statement of comprehensive income for the year ended 31 December 2008	Consumer Banking	Wholesale Banking	Total
	KShs '000	KShs '000	KShs '000
Net interest income	3,514,423	2,362,696	5,877,119
Non funded income	1,506,155	2,726,796	4,232,951
Operating income	**5,020,578**	**5,089,492**	**10,110,070**
Operating expenses	(2,928,462)	(2,096,445)	(5,024,907)
Net impairment losses on loans and advances	(284,493)	(80,856)	(365,349)
Profit before taxation	**1,807,623**	**2,912,191**	**4,719,814**

9 Operating Segments (Continued)

Statement of comprehensive income for the year ended 31 December 2007	Consumer Banking	Wholesale Banking	Total
	KShs '000	KShs '000	KShs '000
Net interest income	3,040,017	2,409,598	5,449,615
Non funded income	1,792,300	2,307,484	4,099,784
Operating income	**4,832,317**	**4,717,082**	**9,549,399**
Operating expenses	(2,656,355)	(1,776,837)	(4,433,192)
Net impairment losses on loans and advances	(124,642)	(81,377)	(206,019)
Profit before taxation	**2,051,320**	**2,858,868**	**4,910,188**

Statement of financial position as at 30 April 2012	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	35,643,567	119,101,192	-	154,744,759
Unallocated assets	-	-	17,996,441	17,996,441
Total assets	**35,643,567**	**119,101,192**	**17,996,441**	**172,741,200**
Liabilities and shareholders' equity				
Segment liabilities	70,662,363	71,951,101	-	142,613,464
Unallocated liabilities	-	-	30,127,736	30,127,736
Inter-segment lending	(35,018,796)	47,150,091	(12,131,295)	-
Total liabilities and shareholders' equity	**35,643,567**	**119,101,192**	**17,996,441**	**172,741,200**
Other segment items:				
Depreciation and amortisation	56,231	163,303	82,707	**302,241**
Capital expenditure	21,143	5,825	177,779	**204,747**

Statement of financial position as at 31 December 2011	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	32,154,669	112,971,587	-	145,126,256
Unallocated assets	-	-	18,920,368	18,920,368
Total assets	**32,154,669**	**112,971,587**	**18,920,368**	**164,046,624**
Liabilities and shareholders' equity				
Segment liabilities	69,960,047	69,108,009	-	139,068,056
Unallocated liabilities	-	-	24,978,568	24,978,568
Inter-segment lending	(37,805,378)	43,863,578	(6,058,200)	-
Total liabilities and shareholders' equity	**32,154,669**	**112,971,587**	**18,920,368**	**164,046,624**
Other segment items:				
Depreciation and amortisation	147,581	419,925	143,633	**711,139**
Capital expenditure	226,445	52,230	2,733,830	**3,012,505**

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9 Operating Segments (Continued)

Statement of financial position as at 31 December 2010	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	23,727,471	105,510,847	-	129,238,318
Unallocated assets	-	-	13,507,931	13,507,931
Total assets	**23,727,471**	**105,510,847**	**13,507,931**	**142,746,249**
Liabilities and shareholders' equity				
Segment liabilities	64,063,845	52,422,554	-	116,486,399
Unallocated liabilities	-	-	26,259,850	26,259,850
Inter-segment lending	(40,336,374)	53,088,293	(12,751,919)	-
Total liabilities and shareholders' equity	**23,727,471**	**105,510,847**	**13,507,931**	**142,746,249**
Other segment items:				
Depreciation and amortisation	109,085	97,760	95,428	**302,273**
Redundancy provision	-	-	15	**15**
Goodwill	-	1,112,111	-	**1,112,111**
Acquired intangible asset	-	3,707,038	-	**3,707,038**
Capital expenditure	98,094	984	1,359,248	**1,458,326**

Statement of financial position as at 31 December 2009	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	18,418,449	93,023,517	-	111,441,966
Unallocated assets	-	-	12,337,006	12,337,006
Total assets	**18,418,449**	**93,023,517**	**12,337,006**	**123,778,972**
Liabilities and shareholders' equity				
Segment liabilities	55,006,669	50,388,873	-	105,395,542
Unallocated liabilities	-	-	18,383,430	18,383,430
Inter-segment lending	(36,588,220)	42,634,644	(6,046,424)	-
Total liabilities and shareholders' equity	**18,418,449**	**93,023,517**	**12,337,006**	**123,778,972**
Other segment items:				
Depreciation and amortisation	112,468	21,526	163,589	**297,583**
Redundancy provision	(27,916)	-	-	**(27,916)**
Capital expenditure	163,741	3,543	953,638	**1,120,922**

Statement of financial position as at 31 December 2008	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	15,413,767	70,851,420	-	86,265,187
Unallocated assets	-	-	12,754,384	12,754,384
Total assets	**15,413,767**	**70,851,420**	**12,754,384**	**99,019,571**
Liabilities and shareholders' equity				
Segment liabilities	49,185,192	34,353,977	-	83,539,169
Unallocated liabilities	-	-	15,480,402	15,480,402
Inter-segment lending	(33,771,425)	36,497,443	(2,726,018)	-
Total liabilities and shareholders' equity	**15,413,767**	**70,851,420**	**12,754,384**	**99,019,571**
Other segment items:				
Depreciation and amortisation	80,725	14,775	117,386	**212,886**
Redundancy provision	103,260	-	-	**103,260**
Capital expenditure	238,898	27,062	134,584	**400,544**

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9 Operating Segments (Continued)

Statement of financial position as at 31 December 2007	Consumer Banking KShs '000	Wholesale Banking KShs '000	Unallocated KShs '000	Total KShs '000
Assets				
Segment assets	13,015,492	63,670,001	-	76,685,493
Unallocated assets	-	-	14,436,449	14,436,449
Total assets	**13,015,492**	**63,670,001**	**14,436,449**	**91,121,942**
Liabilities and shareholders' equity				
Segment liabilities	47,268,601	28,998,953	-	76,267,554
Unallocated liabilities	-	-	14,854,388	14,854,388
Inter-segment lending	(34,253,109)	34,671,048	(417,939)	-
Total liabilities and shareholders' equity	**13,015,492**	**63,670,001**	**14,436,449**	**91,121,942**
Other segment items:				
Depreciation and amortisation	86,579	82,159	-	**168,738**
Capital expenditure	100,551	89,168	150,764	**340,483**

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10 Financial Assets and Liabilities

(a) Accounting classifications and fair values

The table below sets out the carrying amounts of each class of financial assets and liabilities, and their fair values:

30 April 2012	Held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Assets							
Cash and balances with Central Bank of Kenya	-	-	11,300,676	-	-	**11,300,676**	**11,300,676**
Government and other securities for trading	2,285,319	-	-	-	-	**2,285,319**	**2,285,319**
Derivative financial instruments	404,535	-	-	-	-	**404,535**	**404,535**
Deposits and advances to banks	-	-	6,492,256	-	-	**6,492,256**	**6,492,256**
Loans and advances to customers	-	-	100,393,855	-	-	**100,393,855**	**100,393,855**
Investment securities	-	-	-	31,106,008	-	**31,106,008**	**31,106,008**
Amounts due from group companies	-	-	9,825,151	-	-	**9,825,151**	**9,825,151**
Other assets - uncleared effects	-	-	468,516	-	-	**468,516**	**468,516**
Total assets	**2,689,854**	**-**	**128,480,454**	**31,106,008**	**-**	**162,276,316**	**162,276,316**
Liabilities							
Deposits from banks	-	-	-	-	6,410,074	**6,410,074**	**6,410,074**
Deposits from customers	-	-	-	-	126,422,277	**126,422,277**	**126,422,277**
Derivative financial instruments	757,181	-	-	-	-	**757,181**	**757,181**
Amounts due to group companies	-	-	-	-	9,023,932	**9,023,932**	**9,023,932**
Other liabilities - bills payable	-	-	-	-	421,739	**421,739**	**421,739**
Total liabilities	**757,181**	**-**	**-**	**-**	**142,278,022**	**143,035,203**	**143,035,203**

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10 Financial Assets and Liabilities (Continued)

(a) Accounting classifications and fair values (Continued)

31 December 2011	Held-for-trading	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities at amortised cost	Total carrying amount	Fair value
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Assets							
Cash and balances with Central Bank of Kenya	-	-	12,005,054	-	-	**12,005,054**	**12,005,054**
Government and other securities for trading	41,222	-	-	-	-	**41,222**	**41,222**
Derivative financial instruments	384,809	-	-	-	-	**384,809**	**384,809**
Deposits and advances to banks	-	-	2,542,427	-	-	**2,542,427**	**2,542,427**
Loans and advances to customers	-	-	96,097,823	-	-	**96,097,823**	**96,097,823**
Investment securities	-	1,532,592	-	23,479,829	-	**25,012,421**	**24,974,841**
Amounts due from group companies	-	-	16,678,067	-	-	**16,678,067**	**16,678,067**
Other assets - uncleared effects	-	-	428,242	-	-	**428,242**	**428,242**
Total assets	**426,031**	**1,532,592**	**127,751,613**	**23,479,829**	**-**	**153,190,065**	**153,152,485**
Liabilities							
Deposits from banks	-	-	-	-	7,738,987	**7,738,987**	**7,738,987**
Deposits from customers	-	-	-	-	122,323,049	**122,323,049**	**122,323,049**
Derivative financial instruments	822,806	-	-	-	-	**822,806**	**822,806**
Amounts due to group companies	-	-	-	-	8,183,214	**8,183,214**	**8,183,214**
Other liabilities - bills payable	-	-	-	-	474,145	**474,145**	**474,145**
Total liabilities	**822,806**	**-**	**-**	**-**	**138,719,395**	**139,542,201**	**139,542,201**

10 Financial Assets and Liabilities (Continued)
(a) Accounting classifications and fair values (Continued)

31 December 2010	Held-for-trading KShs'000	Held-to-maturity KShs'000	Loans and receivables KShs'000	Available-for-sale KShs'000	Other financial liabilities at amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets							
Cash and balances with Central Bank of Kenya	-	-	8,210,822	-	-	**8,210,822**	**8,210,822**
Government and other securities for trading	3,271,603	-	-	-	-	**3,271,603**	**3,271,603**
Derivative financial instruments	283,036	-	-	-	-	**283,036**	**283,036**
Deposits and advances to banks	-	-	3,243,868	-	-	**3,243,868**	**3,243,868**
Loans and advances to customers	-	-	60,336,829	-	-	**60,336,829**	**60,336,829**
Investment securities	-	2,035,171	-	50,126,813	-	**52,161,984**	**52,262,355**
Amounts due from group companies	-	-	5,208,201	-	-	**5,208,201**	**5,208,201**
Other assets - uncleared effects	-	-	765,044	-	-	**765,044**	**765,044**
Total assets	**3,554,639**	**2,035,171**	**77,764,764**	**50,126,813**	**-**	**133,481,387**	**133,581,758**
Liabilities							
Deposits from banks	-	-	-	-	4,212,680	**4,212,680**	**4,212,680**
Deposits from customers	-	-	-	-	100,504,065	**100,504,065**	**100,504,065**
Derivative financial instruments	285,491	-	-	-	-	**285,491**	**285,491**
Amounts due to group companies	-	-	-	-	10,397,957	**10,397,957**	**10,397,957**
Other liabilities - bills payable	-	-	-	-	1,755,709	**1,755,709**	**1,755,709**
Total liabilities	**285,491**	**-**	**-**	**-**	**116,870,411**	**117,155,902**	**117,155,902**

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10 Financial Assets and Liabilities (Continued)
(a) Accounting classifications and fair values (Continued)

31 December 2009	Held-for-trading KShs'000	Held-to-maturity KShs'000	Loans and receivables KShs'000	Available-for-sale KShs'000	Other financial liabilities at amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets							
Cash and balances with Central Bank of Kenya	-	-	7,728,872	-	-	**7,728,872**	**7,728,872**
Government and other securities for trading	2,326,700	-	-	-	-	**2,326,700**	**2,326,700**
Derivative financial instruments	70,040	-	-	-	-	**70,040**	**70,040**
Deposits and advances to banks	-	-	1,492,177	-	-	**1,492,177**	**1,492,177**
Loans and advances to customers	-	-	56,694,876	-	-	**56,694,876**	**56,694,876**
Investment securities	-	2,280,585	-	41,192,894	-	**43,473,479**	**43,461,733**
Amounts due from group companies	-	-	7,384,694	-	-	**7,384,694**	**7,384,694**
Other assets - uncleared effects	-	-	605,106	-	-	**605,106**	**605,106**
Total assets	**2,396,740**	**2,280,585**	**73,905,725**	**41,192,894**	**-**	**119,775,944**	**119,764,198**
Liabilities							
Deposits from banks	-	-	-	-	10,532,297	**10,532,297**	**10,532,297**
Deposits from customers	-	-	-	-	86,773,652	**86,773,652**	**86,773,652**
Derivative financial instruments	242,930	-	-	-	-	**242,930**	**242,930**
Amounts due to group companies	-	-	-	-	7,846,663	**7,846,663**	**7,846,663**
Other liabilities - bills payable	-	-	-	-	291,013	**291,013**	**291,013**
Total liabilities	**242,930**	**-**	**-**	**-**	**105,443,625**	**105,686,555**	**105,686,555**

Section 15: Reporting Accountant’s Report

10 Financial Assets and Liabilities (Continued)
(a) Accounting classifications and fair values (Continued)

31 December 2008	Held-for-trading KShs‘000	Held-to-maturity KShs‘000	Loans and receivables KShs‘000	Available-for-sale KShs‘000	Other financial liabilities at amortised cost KShs‘000	Total carrying amount KShs‘000	Fair value KShs‘000
Assets							
Cash and balances with Central Bank of Kenya	-	-	7,380,062	-	-	**7,380,062**	**7,380,062**
Government and other securities for trading	1,615,561	-	-	-	-	**1,615,561**	**1,615,561**
Derivative financial instruments	2,013,917	-	-	-	-	**2,013,917**	**2,013,917**
Deposits and advances to banks	-	-	1,379,889	-	-	**1,379,889**	**1,379,889**
Loans and advances to customers	-	-	43,298,819	-	-	**43,298,819**	**43,298,819**
Investment securities	-	2,777,046	-	19,496,662	-	**22,273,708**	**22,164,411**
Amounts due from group companies	-	-	15,683,293	-	-	**15,683,293**	**15,683,293**
Other assets - uncleared effects	-	-	2,080,437	-	-	**2,080,437**	**2,080,437**
Total assets	**3,629,478**	**2,777,046**	**69,822,500**	**19,496,662**	**-**	**95,725,686**	**95,616,389**
Liabilities							
Deposits from banks	-	-	-	-	2,806,333	**2,806,333**	**2,806,333**
Deposits from customers	-	-	-	-	76,898,456	**76,898,456**	**76,898,456**
Derivative financial instruments	3,696,116	-	-	-	-	**3,696,116**	**3,696,116**
Amounts due to group companies	-	-	-	-	138,264	**138,264**	**138,264**
Other liabilities - bills payable	-	-	-	-	895,752	**895,752**	**895,752**
Total liabilities	**3,696,116**	**-**	**-**	**-**	**80,738,805**	**84,434,921**	**84,434,921**

Section 15: Reporting Accountant's Report

10 Financial Assets and Liabilities (Continued)
(a) Accounting classifications and fair values (Continued)

31 December 2007	Held-for-trading KShs'000	Held-to-maturity KShs'000	Loans and receivables KShs'000	Available-for-sale KShs'000	Other financial liabilities at amortised cost KShs'000	Total carrying amount KShs'000	Fair value KShs'000
Assets							
Cash and balances with Central Bank of Kenya	-	-	7,546,063	-	-	**7,546,063**	**7,546,063**
Government and other securities for trading	2,397,721	-	-	-	-	**2,397,721**	**2,397,721**
Derivative financial instruments	2,197,918	-	-	-	-	**2,197,918**	**2,197,918**
Deposits and advances to banks	-	-	199,972	-	-	**199,972**	**199,972**
Loans and advances to customers	-	-	39,468,522	-	-	**39,468,522**	**39,468,522**
Investment securities	-	5,003,133	-	19,845,453	-	**24,848,586**	**24,620,065**
Amounts due from group companies	-	-	7,572,774	-	-	**7,572,774**	**7,572,774**
Other assets - uncleared effects	-	-	4,300,379	-	-	**4,300,379**	**4,300,379**
Total assets	**4,595,639**	**5,003,133**	**59,087,710**	**19,845,453**	**-**	**88,531,935**	**88,303,414**
Liabilities							
Deposits from banks	-	-	-	-	79,159	**79,159**	**79,159**
Deposits from customers	-	-	-	-	73,840,563	**73,840,563**	**73,840,563**
Derivative financial instruments	1,821,594	-	-	-	-	**1,821,594**	**1,821,594**
Amounts due to group companies	-	-	-	-	526,238	**526,238**	**526,238**
Other liabilities - bills payable	-	-	-	-	730,394	**730,394**	**730,394**
Total liabilities	**1,821,594**	**-**	**-**	**-**	**75,176,354**	**76,997,948**	**76,997,948**

Section 15: Reporting Accountant's Report

10 Financial Assets and Liabilities (Continued)
(a) Accounting classifications and fair values (Continued)

The following sets out the Group's basis of establishing fair value of the financial instruments:

Derivative financial instruments and government securities held for trading
Derivative financial instruments and government securities held for trading are measured at fair value as set out in Notes 11.13 and 2.5(j) respectively.

Cash and balances with Central Bank of Kenya
Cash and bank balances are measured at amortised cost. The fair value of cash and bank balances with the Central Bank of Kenya approximates their carrying amount.

Deposits and advances to banks
The fair value of floating rate placements and overnight deposits approximates their carrying amounts. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using the prevailing money market rates for debts with similar credit risk and remaining maturity.

Loans and advances to customers
Loans and advances to customers are net of provisions for impairment. The estimated fair value of loans and advances represents the discounted amount of future cash flows expected to be received, including assumptions relating to prepayment rates. Expected cash flows are discounted at current market rates to determine fair value. A substantial proportion of loans and advances reprice within 12 months and hence the fair value approximates their carrying amounts.

Investment securities
Investment securities with observable market prices, including debt and equity securities are fair valued using that information. Debt securities that do not have observable market data are fair valued by either discounting cash flows using prevailing market rates for debts with a similar credit risk and remaining maturity or using quoted market prices for securities with similar credit risk maturity and yield characteristics.

Deposits from banks and customers
The estimated fair value of deposits with no stated maturity is the amount repayable on demand. The estimated fair value of fixed interest bearing deposits without quoted market prices is based on discounting cash flows using the prevailing market rates for debts with a similar credit risk and remaining maturity.

A substantial proportion of deposits mature within 6 months and hence the fair value approximates their carrying amounts.

(b) Valuation hierarchy
The valuation hierarchy, and types of instruments classified into each level within that hierarchy, is set out below:

	Level 1	**Level 2**	**Level 3**
Fair value determined using:	Unadjusted quoted prices in an active market for identical assets and liabilities.	Valuation models with directly or indirectly market observable inputs.	Valuation models using significant non-market observable inputs.
Types of financial assets:	Actively traded government and other agency securities. Listed derivative instruments. Listed equities.	Corporate and other government bonds and loans. Over-the-counter (OTC) derivatives.	Corporate bonds in illiquid markets. Highly structured OTC derivatives with unobservable parameters.
Types of financial liabilities:	Listed derivative instruments.	Over-the-counter (OTC) derivatives.	Highly structured OTC derivatives with unobservable parameters.

Section 15: Reporting Accountant's Report

10 Financial Assets and Liabilities (Continued)

(b) Valuation hierarchy (Continued)

The tables below show the classification of financial instruments held at fair value into the valuation hierarchy set out below for the period ended 30 April 2012, years ended 31 December 2011, 2010, 2009, 2008 and 2007:

At 30 April 2012	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	2,264,870	20,449	**2,285,319**
Derivative financial instruments	-	404,535	-	**404,535**
Investment securities	-	31,106,008	-	**31,106,008**
Total assets	**-**	**33,775,413**	**20,449**	**33,795,862**
Liabilities				
Derivative financial instruments	-	757,181	-	**757,181**
Total liabilities	**-**	**757,181**	**-**	**757,181**

At 31 December 2011	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	-	41,222	**41,222**
Derivative financial instruments	-	384,809	-	**384,809**
Investment securities	-	25,012,421	-	**25,012,421**
Amounts due from group companies	23,924	347,148	-	**371,072**
Total assets	**23,924**	**25,744,378**	**41,222**	**25,809,524**
Liabilities				
Derivative financial instruments	-	822,806	-	**822,806**
Amounts due to group companies	345,942	498,747	-	**844,689**
Total liabilities	**345,942**	**1,321,553**	**-**	**1,667,495**

At 31 December 2010	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	3,187,030	84,573	**3,271,603**
Derivative financial instruments	-	283,036	-	**283,036**
Investment securities	-	52,161,984	-	**52,161,984**
Amounts due from group companies	16,148	130,617	-	**146,765**
Total assets	**16,148**	**55,762,667**	**84,573**	**55,863,388**
Liabilities				
Derivative financial instruments	-	285,491	-	**285,491**
Amounts due from group companies	85,024	193,577	-	**278,601**
Total liabilities	**85,024**	**479,068**	**-**	**564,092**

10 Financial Assets and Liabilities (Continued)

(b) Valuation hierarchy (Continued)

At 31 December 2009	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	2,326,700	-	**2,326,700**
Derivative financial instruments	-	70,040	-	**70,040**
Investment securities	-	41,192,894		**41,192,894**
Amounts due from group companies	32,708	371,944	-	**404,652**
Total assets	**32,708**	**43,961,578**	**-**	**43,994,286**
Liabilities				
Derivative financial instruments	-	242,930	-	**242,930**
Amounts due to group companies	37,443	318,957	-	**356,400**
Total liabilities	**37,443**	**561,887**	**-**	**599,330**

At 31 December 2008	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	1,615,561	-	**1,615,561**
Derivative financial instruments	-	2,013,917	-	**2,013,917**
Investment securities	161,188	19,335,474	-	**19,496,662**
Total assets	**161,188**	**22,964,952**	**-**	**23,126,140**
Liabilities				
Derivative financial instruments	-	3,696,116	-	**3,696,116**
Total liabilities	**-**	**3,696,116**	**-**	**3,696,116**

At 31 December 2007	Level 1 KShs'000	Level 2 KShs'000	Level 3 KShs'000	Total KShs'000
Assets				
Government and other securities for trading	-	2,397,721	-	**2,397,721**
Derivative financial instruments	-	2,197,918	-	**2,197,918**
Investment securities	252,702	19,592,751	-	**19,845,453**
Amounts due from group companies	369,857	88,820	-	**458,677**
Total assets	**622,559**	**24,277,210**	**-**	**24,899,769**
Liabilities				
Derivative financial instruments	-	1,821,594	-	**1,821,594**
Amounts due to group companies	157,544	93,111	-	**250,655**
Total liabilities	**157,544**	**1,914,705**	**-**	**2,072,249**

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
11.1 INTEREST INCOME						
Loans and advances to customers	5,260,406	9,538,055	5,953,424	5,733,069	4,709,243	4,067,504
Loans and advances to banks	67,275	263,286	130,846	595,089	547,853	517,040
Investment securities:						
Held-to-maturity	23,504	144,517	171,003	196,616	282,770	502,518
Available-for-sale	1,059,750	2,039,303	3,480,221	2,766,261	1,815,290	1,747,784
Accrued on impaired assets (Discount unwind)	10,502	26,092	42,195	56,440	90,310	142,229
	6,421,437	**12,011,253**	**9,777,689**	**9,347,475**	**7,445,466**	**6,977,075**

11.2 INTEREST EXPENSE

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Deposits from customers	1,209,165	1,305,834	1,277,871	1,774,474	1,366,287	1,395,273
Deposits from banks	513,369	854,125	384,254	235,723	202,060	132,187
	1,722,534	**2,159,959**	**1,662,125**	**2,010,197**	**1,568,347**	**1,527,460**

11.3 NET FEE AND COMMISSION INCOME

Fee and commission income

Commissions	604,693	2,009,248	1,341,439	1,200,148	1,240,131	1,356,293
Service fees	547,795	1,603,934	1,346,448	1,224,558	992,228	868,283
	1,152,488	**3,613,182**	**2,687,887**	**2,424,706**	**2,232,359**	**2,224,576**
Fee and commission expense						
Inter-bank transaction fees	89,112	210,746	57,131	42,492	27,224	45,004
Other	-	-	-	-	48,372	93,771
	89,112	**210,746**	**57,131**	**42,492**	**75,596**	**138,775**

11.4 NET TRADING INCOME

Gains less losses on foreign currency	843,406	2,586,397	1,622,154	1,752,797	1,773,587	1,261,278
Interest income	181,278	111,464	134,746	271,365	241,480	145,576
Other trading profits/(losses)	451,683	(451,176)	216,790	104,230	43,076	125,452
	1,476,367	**2,246,685**	**1,973,690**	**2,128,392**	**2,058,143**	**1,532,306**

11.5 OTHER OPERATING INCOME

Gains less losses on disposal of available-for-sale securities:						
– Government treasury bonds	-	28,224	1,163,130	118,528	19,339	218,792
– Government treasury bills	-	-	-	2,603	-	-
– Corporate bond	-	9,213	-	-	-	-
– Equity shares	-	-	-	68,197	(6,113)	-
– Gain on equity shares	-	-	-	-	-	252,702
Rental income	3,896	16,379	16,955	13,830	7,008	7,439
Profit/(loss) on sale of property and equipment	-	51	2,508	(107)	(2,626)	1,163
Profit/(loss) on sale of prepaid operating lease rentals	-	-	-	(15)	-	-
Profit on sale of non-current asset held for sale	60,860	356,427	-	-	-	-
Dividend income on equity shares	-	-	-	230	437	-
Other	613	2,802	126	195,282	-	1,581
	65,369	**413,096**	**1,182,719**	**398,548**	**18,045**	**481,677**

11.6 OPERATING EXPENSES
Staff costs

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Salaries and wages	1,130,207	2,897,874	2,545,884	2,165,034	2,079,326	1,789,651
Contributions to defined contribution plan	117,216	313,131	276,459	218,507	242,751	207,538
Increase/(decrease) in retirement benefit obligations (Note 11.27)	13,500	(63,176)	70,063	12,806	129,707	192,300
Redundancy provision	-	-	15	(27,916)	103,260	-
Charge for employee share based payments	21,742	71,193	67,744	61,556	49,956	31,702
Other	289,585	517,724	434,780	410,846	393,390	365,127
	1,572,250	**3,736,746**	**3,394,945**	**2,840,833**	**2,998,390**	**2,586,318**

The number of employees at the period/year end was:	30-Apr-12 No.	31-Dec-11 No.	31-Dec-10 No.	31-Dec-09 No.	31-Dec-08 No.	31-Dec-07 No.
Management	979	969	913	830	823	773
Unionisable	388	389	420	426	454	506
Other	331	385	221	186	169	100
	1,698	**1,743**	**1,554**	**1,442**	**1,446**	**1,379**

11.6 OPERATING EXPENSES (Continued)

Premises and equipment costs

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Rental of premises	76,895	234,644	205,750	190,383	166,159	107,002
Rental of computers and equipment	37,905	94,445	72,938	77,107	70,434	67,988
Electricity	42,733	116,509	94,459	97,693	75,475	54,401
Revaluation deficit on property	-	-	-	-	(9,674)	-
Other premises and equipment costs	49,330	288,132	150,841	174,781	235,950	219,984
	206,863	**733,730**	**523,988**	**539,964**	**538,344**	**449,375**

Depreciation and amortisation

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Premises	6,150	28,023	24,217	29,217	19,709	16,539
Fixtures, fittings and equipment	159,359	311,510	177,583	257,316	190,044	139,115
Motor vehicles	2,183	2,324	3,706	3,133	3,133	912
Depreciation on property and equipment (Note 11.20)	**167,692**	**341,857**	**205,506**	**289,666**	**212,886**	**156,566**
Amortisation of intangible assets (Note 11.21)	133,028	366,374	93,851	3,302	7,079	7,556
Amortisation of prepaid operating lease rentals (Note 11.22)	1,521	2,908	2,916	4,615	4,616	4,616
	302,241	**711,139**	**302,273**	**297,583**	**224,581**	**168,738**

11.7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Depreciation	167,962	341,857	205,506	289,666	212,886	156,566
Amortisation of intangible assets	133,028	366,374	93,851	3,302	7,079	7,556
Directors' emoluments - Fees	3,465	8,188	7,882	6,782	5,195	5,120
- Other	38,708	115,546	80,148	100,348	82,170	119,030
Auditors' remuneration	-	12,800	12,800	9,800	8,900	8,000
Loss on sale of property and equipment	-	-	-	107	2,626	-
Loss on sale of prepaid operating lease rentals	-	-	-	15	-	-
Amortisation of prepaid operating lease rentals	1,521	2,908	2,916	4,615	4,616	4,616

And after crediting:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Profit on sale of non-current asset held for sale	60,860	356,427	-	-	-	-
Profit on sale of property and equipment	-	51	2,508	-	-	1,163
Profit on sale of prepaid operating lease rentals	-	-	-	-	-	-
Reversal of revaluation deficit from prior years	-	-	-	-	9,674	-

11.8 INCOME TAX EXPENSE

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Current year's tax at 30%	1,407,111	2,579,637	2,328,378	2,063,638	1,581,412	1,589,009
Current tax prior year (over)/under provision	-	(3,608)	4,642	3,323	718	413
	1,407,111	**2,576,029**	**2,333,020**	**2,066,961**	**1,582,130**	**1,589,422**
Deferred tax credit current year - Note 11.23	(85,871)	(157,715)	(27,327)	(71,268)	(113,561)	(149,111)
Deferred tax charge prior year under-provision - Note 11.23	-	-	-	-	432	-
Income tax expense	**1,321,240**	**2,418,314**	**2,305,693**	**1,995,693**	**1,469,001**	**1,440,311**

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

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Accounting profit before taxation	4,400,115	8,255,135	7,681,884	6,728,447	4,719,814	4,910,188
Computed tax using the applicable corporation tax rate at 30%	1,320,035	2,476,541	2,304,565	2,018,534	1,415,944	1,473,056
Non-deductible costs and non-taxable income	1,205	(54,619)	(3,514)	(26,164)	51,907	(33,158)
Current tax prior year (over)/under provision	-	(3,608)	4,642	3,323	718	413
Deferred tax charge prior year under-provision - Note 11.23	-	-	-	-	432	-
Income tax expense	**1,321,240**	**2,418,314**	**2,305,693**	**1,995,693**	**1,469,001**	**1,440,311**

11.9 BASIC AND DILUTED EARNINGS PER SHARE

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	Restated 31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Net profit for the period/year	3,078,875	5,836,821	5,376,191	4,732,754	3,250,813	3,469,877
Dividends on non-redeemable, non-cumulative, non-voting, non-participating and non-convertible preference shares	-	(168,000)	(168,000)	(168,000)	(168,000)	(168,000)
Profit attributable to ordinary shareholders	**3,078,875**	**5,668,821**	**5,208,191**	**4,564,754**	**3,082,813**	**3,301,877**
Basic earnings per share (KShs)	**10.73**	**19.75**	**18.58**	**16.45**	**11.34**	**12.14**
Weighted average number of ordinary shares	**287,077**	**287,077**	**280,299**	**277,488**	**271,968**	**271,968**

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding during the period/year to assume conversion of dilutive potential ordinary shares.

There were no potentially dilutive shares outstanding at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007.

11.10 DIVIDEND PER SHARE

Ordinary shares	30-Apr-12 KShs	31-Dec-11 KShs	31-Dec-10 KShs	31-Dec-09 KShs	31-Dec-08 KShs	31-Dec-07 KShs
First interim dividend	-	-	5.00	2.50	2.50	2.50
Second interim dividend	-	-	-	2.50	2.50	2.50
Final dividend	-	11.00	8.50	7.00	5.00	5.00
Total	**-**	**11.00**	**13.50**	**12.00**	**10.00**	**10.00**

Preference shares	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Interim dividend	-	-	83,310	84,690	84,230	84,690
Final dividend	-	168,000	84,690	83,310	83,770	83,310
Total	**-**	**168,000**	**168,000**	**168,000**	**168,000**	**168,000**

Proposed dividends are accounted for as a separate component of equity until they have been ratified at an Annual General Meeting.
Dividends on the preference shares are paid at the rate of 6% per annum on the issue price of KShs 50.00 per share.
Payment of dividends is subject to withholding tax at the rate of 5% for residents and 10% for non-resident shareholders.

11.11 CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Cash on hand	2,521,882	2,926,464	2,663,148	2,909,461	2,706,059	3,214,132
Balances with Central Bank of Kenya:						
- Restricted balances (Cash Reserve Ratio)	6,170,118	7,129,758	5,088,713	4,006,415	3,970,068	4,023,995
- Unrestricted balances	2,608,676	1,948,832	458,961	812,996	703,935	307,936
	11,300,676	**12,005,054**	**8,210,822**	**7,728,872**	**7,380,062**	**7,546,063**
Cash Reserve Ratio	**5.25%**	**5.25%**	**4.50%**	**4.50%**	**5.00%**	**6.00%**

The Cash Reserve Ratio is non interest earning and is based on the value of deposits as adjusted for the Central Bank of Kenya requirements. These funds are now available for use by the Bank in its day-to-day operations in a limited way provided that on any given day this balance does not fall below 3.00% requirement and provided that the overall average in the month is at least 5.25%.

11.12 GOVERNMENT AND OTHER SECURITIES HELD FOR TRADING

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Treasury bonds	1,344,729	-	566,839	2,197,508	1,443,217	2,182,402
Treasury bills	920,141	-	2,620,191	-	-	-
Money market bonds	20,449	41,222	84,573	129,192	172,344	215,319
Government and other securities held for trading	**2,285,319**	**41,222**	**3,271,603**	**2,326,700**	**1,615,561**	**2,397,721**
Weighted average effective interest rate	**12.36%**	**9.99%**	**3.23%**	**11.59%**	**11.76%**	**11.07%**

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11.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivatives are financial instruments that derive their value in response to changes in interest rates, financial instrument prices, commodity prices, foreign exchange rates, credit risk and indices. The types of derivatives used by the Group are set out below.

All derivatives are recognised and subsequently measured at fair value, with all revaluation gains and losses recognised in profit or loss.

These tables analyse the notional principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's derivative financial instruments. Notional principal amounts are the amount of principal underlying the contract at the reporting date.

	Notional principal amounts	Assets	Liabilities
30 April 2012	**KShs '000**	**KShs '000**	**KShs '000**
Interest rate and cross currency derivative contracts	9,101,033	404,535	757,181
Forward exchange contracts	46,843,292	-	-
Commodity derivative contracts	-	-	-
	55,944,325	**404,535**	**757,181**
31 December 2011			
Interest rate and cross currency derivative contracts	9,991,989	384,809	777,604
Forward exchange contracts	44,733,058	-	-
Commodity derivative contracts	-	-	45,202
	54,725,047	**384,809**	**822,806**
31 December 2010			
Interest rate and cross currency derivative contracts	9,178,284	280,278	182,311
Forward exchange contracts	19,830,006	2,758	2,099
Commodity derivative contracts	-	-	101,081
	29,008,290	**283,036**	**285,491**
31 December 2009			
Interest rate and cross currency derivative contracts	5,291,654	70,040	146,470
Forward exchange contracts	19,148,390	-	-
Commodity derivative contracts	-	-	96,460
	24,440,044	**70,040**	**242,930**
31 December 2008			
Interest rate and cross currency derivative contracts	30,753,563	410,807	2,093,006
Forward exchange contracts	-	-	-
Commodity derivative contracts	-	1,603,110	1,603,110
	30,753,563	**2,013,917**	**3,696,116**
31 December 2007			
Interest rate and cross currency derivative contracts	19,726,818	369,858	157,544
Forward exchange contracts	7,077,706	1,636,478	1,492,696
Commodity derivative contracts	-	191,582	171,354
	26,804,524	**2,197,918**	**1,821,594**

11.14 LOANS AND ADVANCES TO BANKS

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Loans and advances to local banks	6,258,437	1,936,706	3,111,053	1,450,000	301,135	507
Loans and advances to foreign banks	233,819	605,721	132,815	42,177	1,078,754	199,465
	6,492,256	**2,542,427**	**3,243,868**	**1,492,177**	**1,379,889**	**199,972**
Weighted average effective interest rate	**14.83%**	**20.07%**	**4.84%**	**9.48%**	**6.50%**	**7.45%**

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11.15 LOANS AND ADVANCES TO CUSTOMERS

(a) Classification	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Overdrafts	16,377,194	14,986,274	11,029,710	11,869,893	11,445,270	10,280,604
Loans	84,389,022	81,569,227	49,797,484	46,143,271	33,354,088	30,629,356
Bills discounted	1,046,321	861,842	772,211	2,846	58,414	115,397
Gross loans and advances	**101,812,537**	**97,417,343**	**61,599,405**	**58,016,010**	**44,857,772**	**41,025,357**
Less: Impairment losses on loans and advances	(1,418,682)	(1,319,520)	(1,262,576)	(1,321,134)	(1,558,953)	(1,556,835)
Net loans and advances	**100,393,855**	**96,097,823**	**60,336,829**	**56,694,876**	**43,298,819**	**39,468,522**
Repayable on demand	17,972,950	17,603,383	11,756,242	12,121,930	11,445,270	11,308,125
Less than 3 months	28,850,683	21,776,479	13,061,573	267,267	7,217,606	9,117,422
3 months to 1 year	11,658,114	15,783,396	4,428,760	4,544,041	3,559,741	2,339,298
1 to 5 years	27,215,425	26,443,678	26,503,355	37,022,393	13,728,925	11,988,137
5 to 10 years	9,719,281	10,128,522	2,363,115	1,470,420	6,078,308	3,378,623
Over 10 years	6,396,084	5,681,885	3,486,360	2,589,959	2,827,922	2,893,752
Gross loans and advances	**101,812,537**	**97,417,343**	**61,599,405**	**58,016,010**	**44,857,772**	**41,025,357**
Weighted average effective interest rate	**15.27%**	**14.24%**	**9.92%**	**11.59%**	**11.90%**	**11.10%**

(b) Impairment losses on loans and advances

At 1 January	1,319,520	1,262,576	1,321,134	1,558,953	1,556,835	1,653,382
Provisions during the period/year	238,618	695,325	526,733	640,018	546,939	379,115
Amounts written off during the period/year	(128,954)	(612,289)	(543,096)	(821,397)	(454,511)	(333,433)
Amounts released to interest income	(10,502)	(26,092)	(42,195)	(56,440)	(90,310)	(142,229)
At 30 April and 31 December	**1,418,682**	**1,319,520**	**1,262,576**	**1,321,134**	**1,558,953**	**1,556,835**
Provisions during the period/year	250,883	723,861	526,733	640,018	546,939	379,115
Amount recovered during the period/year	(75,370)	(311,122)	(194,412)	(165,082)	(181,590)	(173,096)
Net charge to the profit or loss	**175,513**	**412,739**	**332,321**	**474,936**	**365,349**	**206,019**

11.16 INVESTMENT SECURITIES

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Available-for-sale						
Treasury bonds	18,311,518	15,732,939	35,258,634	26,395,460	16,486,380	16,534,796
Treasury bills	12,318,332	7,319,377	14,059,982	12,483,804	2,545,287	2,954,342
Money market bonds	476,158	427,513	808,197	2,313,630	303,807	103,613
Equity shares	-	-	-	-	161,188	252,702
	31,106,008	**23,479,829**	**50,126,813**	**41,192,894**	**19,496,662**	**19,845,453**
Held-to-maturity						
Treasury bonds	-	1,532,592	2,035,171	2,280,585	2,777,046	5,003,133
Total investment securities	**31,106,008**	**25,012,421**	**52,161,984**	**43,473,479**	**22,273,708**	**24,848,586**
Unamortised premiums on investment securities	**508,755**	**584,485**	**1,217,154**	**348,153**	**252,528**	**401,754**
Unamortised discounts on investment securities	**828,108**	**209,389**	**160,078**	**772,908**	**391,187**	**100,346**
Weighted average effective interest rate on treasury bonds	**11.46%**	**7.98%**	**8.72%**	**9.80%**	**8.85%**	**10.31%**
Weighted average effective interest rate on treasury bills	**15.86%**	**9.19%**	**3.63%**	**7.70%**	**8.32%**	**7.72%**
Weighted average effective interest rate on money market bonds	**9.92%**	**7.97%**	**8.89%**	**12.30%**	**10.86%**	**7.85%**

11.17 GROUP COMPANY BALANCES

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Amounts due from group companies	**9,825,151**	**16,678,067**	**5,208,201**	**7,384,294**	**15,683,293**	**7,572,774**
Amounts due to group companies	**9,023,932**	**8,183,214**	**10,397,957**	**7,846,663**	**138,264**	**526,238**
Weighted average effective interest rate on amounts due from group companies	**1.00%**	**1.01%**	**0.85%**	**3.30%**	**4.76%**	**5.21%**
Weighted average effective interest rate on amounts due to group companies	**4.37%**	**1.31%**	**1.34%**	**2.49%**	**2.20%**	**9.99%**
Weighted average effective interest rate on the subordinated debt	**2.67%**	**2.65%**	**-**	**-**	**-**	**-**

Included in amounts due to group companies for the period ended 30 April 2012 and 31 December 2011 is a subordinated debt of US$ 20 million (KShs 1,667,000,000) advanced on 18 August 2011. The subordinated debt is an unsecured 10 year loan capital issued by Standard Chartered PLC to enhance the bank's capital base (Tier 2 capital) but can be recalled after five years and 1 day at the option of both parties. The subordinated debt is unguaranteed and subordinated to the claims of other creditors including without limitation, customer deposits and deposits by banks. The Group has the right to settle the subordinated debt in certain circumstances as set out in the contractual agreement. The interest on the subordinated debt is referenced to the LIBOR.

11.18 BUSINESS COMBINATION

On 31 October 2010, Standard Chartered Bank Kenya Limited (SCBKL) acquired the custody business of Barclays Bank of Kenya Limited (BBKL). The business was acquired for KShs 1,883,365,000 representing the value of revenue streams of the local customer relationships acquired. No other assets and liabilities other than customer relationships were acquired.

In addition to the purchase price paid by SCBKL, Standard Chartered PLC paid GBP £14,133,404 (KShs 1,823,673,000) in respect of the value that BBK's custody clients provide across the Pan-African network covered by the Barclays Bank PLC's Africa custody business as a whole. This represents the value deemed to arise as a result of revenue streams from regional and global customer relationships acquired. In effect the purchase price paid for by Standard Chartered PLC is deemed to be a capital contribution.

The revenue streams from all the customer relationships, both local and global, will therefore accrue to SCBKL and as such the value of the intangible is significantly higher than the purchase price paid locally.

The fair value of the customer relationships acquired has been determined by discounting the future cash flows expected to be generated over the useful life determined to be 11 years.

The calculation of the acquired intangible asset was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and budgets and forecasts approved by management upto 2014. Management forecasts projected revenue growth rates greater than long-term GDP growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles. Cash flow projections were extrapolated forward for another 7 years upto 2021 using steady long-term estimated GDP growth rates.
- The cash flows are discounted using a pre-tax discount rate of 17.50% which reflects current market rates appropriate for this business.

The key assumptions described above may change as economic and market conditions change. Management believes that reasonable possible change in any of the key assumptions on which the fair value of the intangible asset has been based will not cause the carrying amounts to exceed their recoverable amount.

The intangible asset arising from the acquisition is as follows:

	KShs '000
Purchase consideration:	
Cash paid by SCBKL	1,883,365
Cash paid by Standard Chartered PLC (Capital contribution)	1,823,673
Total purchase consideration	**3,707,038**
Less: Fair value of identifiable assets acquired	-
Intangible assets acquired: Customer relationships	3,707,038
Deferred tax liability recognised on business combination	(1,112,111)
Total identifiable net assets	**2,594,927**
Goodwill on acquisition	**1,112,111**

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11.18 BUSINESS COMBINATION (Continued)

Contribution from the acquisition:	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Operating income	350,224	891,700	163,958	-	-	-
Profit/(loss) before taxation	169,689	372,523	(64,398)	-	-	-
Acquisition costs	-	17,000	120,000	-	-	-

The goodwill is attributable mainly to the customer relationships acquired, value of the acquired work force and leveraged synergies within the Pan-African businesses and geographies. None of the goodwill recognised is expected to be deductible for income tax purposes.

The goodwill is wholly attributable to the Securities Services department of the Bank.

11.19 NON-CURRENT ASSET HELD FOR SALE

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
At 1 January	57,724	334,770	-	-	-	-
Transfer from property and equipment (Note 11.20)	-	62,996	243,750	-	-	-
Transfer from prepaid operating lease rentals (Note 11.22)	-	563	91,020	-	-	-
Disposals	(6,196)	(340,605)	-	-	-	-
At 30 April and 31 December	**51,528**	**57,724**	**334,770**	**-**	**-**	**-**

11.20 PROPERTY AND EQUIPMENT

30 April 2012:	**Freehold land and buildings KShs'000**	**Buildings on leasehold land KShs'000**	**Fixtures, fittings and equipment KShs'000**	**Motor vehicles KShs'000**	**Capital work in progress KShs'000**	**Total KShs'000**
Cost or valuation:						
At 1 January 2012	150,000	1,338,734	4,419,517	16,370	169,474	6,094,095
Additions	-	452	-	8,452	94,939	103,843
Transfers	-	-	204,747	-	(204,747)	-
At 30 April 2012	**150,000**	**1,339,186**	**4,624,264**	**24,822**	**59,666**	**6,197,938**
Depreciation:						
At 1 January 2012	400	4,213	2,020,636	13,079	-	2,038,328
Charge for the period	533	5,617	159,359	2,183	-	167,692
At 30 April 2012	**933**	**9,830**	**2,179,995**	**15,262**	**-**	**2,206,020**
Net book value:						
At 30 April 2012	**149,067**	**1,329,356**	**2,444,269**	**9,560**	**59,666**	**3,991,918**

31 December 2011:	**Freehold land and buildings KShs'000**	**Buildings on leasehold land KShs'000**	**Fixtures, fittings and equipment KShs'000**	**Motor vehicles KShs'000**	**Capital work in progress KShs'000**	**Total KShs'000**
Cost or valuation:						
At 1 January 2011	100,000	463,250	2,494,769	16,370	2,462,707	5,537,096
Additions	-	-	-	-	719,272	719,272
Transfer to non-current asset for sale (Note 11.19)	-	(68,000)	-	-	-	(68,000)
Transfers	-	664,967	2,347,538	-	(3,012,505)	-
Revaluation surplus	50,000	278,517	-	-	-	328,517
Disposals	-	-	(422,790)	-	-	(422,790)
At 31 December 2011	**150,000**	**1,338,734**	**4,419,517**	**16,370**	**169,474**	**6,094,095**
Depreciation:						
At 1 January 2011	2,025	52,464	2,130,515	10,755	-	2,195,759
Transfer to non-current asset for sale (Note 11.19)	-	(5,004)	-	-	-	(5,004)
Charge for the year	1,075	26,948	311,510	2,324	-	341,857
Depreciation written back on revaluation	(2,700)	(70,195)	-	-	-	(72,895)
Disposals	-	-	(421,389)	-	-	(421,389)
At 31 December 2011	**400**	**4,213**	**2,020,636**	**13,079**	**-**	**2,038,328**
Net book value:						
At 31 December 2011	**149,600**	**1,334,521**	**2,398,881**	**3,291**	**169,474**	**4,055,767**

11.20 PROPERTY AND EQUIPMENT (Continued)

31 December 2010:	Freehold land and buildings KShs'000	Buildings on leasehold land KShs'000	Fixtures, fittings and equipment KShs'000	Motor vehicles KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2010	100,000	713,250	2,585,228	13,522	1,092,100	4,504,100
Additions	-	-	69,668	6,970	1,370,607	1,447,245
Transfer to non-current asset for sale (Note 11.19)	-	(250,000)	-	-	-	(250,000)
Disposals	-	-	(160,127)	(4,122)	-	(164,249)
At 31 December 2010	**100,000**	**463,250**	**2,494,769**	**16,370**	**2,462,707**	**5,537,096**
Depreciation:						
At 1 January 2010	1,125	35,397	2,112,642	11,171	-	2,160,335
Transfer to non-current asset for sale (Note 11.19)	-	(6,250)	-	-	-	(6,250)
Charge for the year	900	23,317	177,583	3,706	-	205,506
On disposals	-	-	(159,710)	(4,122)	-	(163,832)
At 31 December 2010	**2,025**	**52,464**	**2,130,515**	**10,755**	**-**	**2,195,759**
Net book value:						
At 31 December 2010	**97,975**	**410,786**	**364,254**	**5,615**	**2,462,707**	**3,341,337**

31 December 2009:	Freehold land and buildings KShs'000	Buildings on leasehold land KShs'000	Fixtures, fittings and equipment KShs'000	Motor vehicles KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2009	100,000	713,250	2,478,028	13,522	286,261	3,591,061
Additions	-	-	300,449	-	820,473	1,120,922
Transfers	-	-	14,634	-	(14,634)	-
Disposals	-	-	(207,883)	-	-	(207,883)
At 31 December 2009	**100,000**	**713,250**	**2,585,228**	**13,522**	**1,092,100**	**4,504,100**
Depreciation						
At 1 January 2009	225	7,080	2,063,102	8,038	-	2,078,445
Charge for the year	900	28,317	257,316	3,133	-	289,666
On disposals	-	-	(207,776)	-	-	(207,776)
At 31 December 2009	**1,125**	**35,397**	**2,112,642**	**11,171**	**-**	**2,160,335**
Net book value						
At 31 December 2009	**98,875**	**677,853**	**472,586**	**2,351**	**1,092,100**	**2,343,765**

31 December 2008:	Freehold land and buildings KShs'000	Buildings on leasehold land KShs'000	Fixtures, fittings and equipment KShs'000	Motor vehicles KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2008	85,000	505,316	2,172,107	13,522	205,456	2,981,401
Additions	-	-	304,112	-	96,432	400,544
Transfers	-	-	15,627	-	(15,627)	-
Revaluation surplus	15,000	207,934	-	-	-	222,934
Disposals	-	-	(13,818)	-	-	(13,818)
At 31 December 2008	**100,000**	**713,250**	**2,478,028**	**13,522**	**286,261**	**3,591,061**
Depreciation						
At 1 January 2008	2,025	35,188	1,884,250	4,905	-	1,926,368
Charge for the year	900	18,809	190,044	3,133	-	212,886
Depreciation written back on revaluation	(2,700)	(46,917)	-	-	-	(49,617)
On disposals	-	-	(11,192)	-	-	(11,192)
At 31 December 2008	**225**	**7,080**	**2,063,102**	**8,038**	**-**	**2,078,445**
Net book value:						
At 31 December 2008	**99,775**	**706,170**	**414,926**	**5,484**	**286,261**	**1,512,616**

11.20 PROPERTY AND EQUIPMENT (Continued)

31 December 2007:	Freehold land and buildings KShs'000	Buildings on leasehold land KShs'000	Fixtures, fittings and equipment KShs'000	Motor vehicles KShs'000	Capital work in progress KShs'000	Total KShs'000
Cost or valuation:						
At 1 January 2007	85,000	505,316	2,027,779	6,183	26,899	2,651,177
Additions	-	-	134,524	9,400	196,559	340,483
Transfers	-	-	18,002	-	(18,002)	-
Disposals	-	-	(8,198)	(2,061)	-	(10,259)
At 31 December 2007	**85,000**	**505,316**	**2,172,107**	**13,522**	**205,456**	**2,981,401**
Depreciation						
At 1 January 2007	1,125	19,549	1,752,394	6,054	-	1,779,122
Charge for the year	900	15,639	139,115	912	-	156,566
On disposals	-	-	(7,259)	(2,061)	-	(9,320)
At 31 December 2007	**2,025**	**35,188**	**1,884,250**	**4,905**	**-**	**1,926,368**
Net book value:						
At 31 December 2007	**82,975**	**470,128**	**287,857**	**8,617**	**205,456**	**1,055,033**

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Gross value of assets fully depreciated	**1,536,828**	**1,534,270**	**1,761,846**	**1,547,893**	**1,587,227**	**1,481,729**
Notional depreciation on fully depreciated assets	**205,817**	**619,064**	**649,162**	**549,790**	**403,999**	**384,142**

There were no idle assets as at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007.

Capital work in progress relates to the ongoing branch expansion and refurbishment.

Freehold land and buildings were revalued on an open market basis by Lloyd Masika Limited, a firm of professional valuers as at 30 September 2011. 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.

Freehold land and buildings are revalued every three years.

In the opinion of the directors, the fair value of the freehold land and buildings has not changed significantly since the revaluation at 30 September 2011.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the period to 30 April 2012, years ended 31 December 2011, 2010, 2009, 2008 and 2007.

11.21 INTANGIBLE ASSETS

	Four month period ended 30 April 2012			
Cost	**Acquired intangible asset KShs'000**	**Goodwill KShs'000**	**Capitalised software KShs'000**	**Total KShs'000**
At 1 January and 30 April	**3,707,038**	**1,112,111**	**196,893**	**5,016,042**
Amortisation				
At 1 January	449,662	-	193,073	642,735
Charge for the period/year	131,852	-	1,176	133,028
At 30 April	**581,514**	**-**	**194,249**	**775,763**
Net carrying amount at 30 April	**3,125,524**	**1,112,111**	**2,644**	**4,240,279**

11.21 INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2011			
	Acquired intangible asset	Goodwill	Capitalised software	Total
Cost	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January and 31 December	**3,707,038**	**1,112,111**	**196,893**	**5,016,042**
Amortisation				
At 1 January	86,352	-	190,009	276,361
Charge for the year	363,310	-	3,064	366,374
At 31 December	**449,662**	**-**	**193,073**	**642,735**
Net carrying amount at 31 December	**3,257,376**	**1,112,111**	**3,820**	**4,373,307**

	Year ended 31 December 2010			
	Acquired intangible asset	Goodwill	Capitalised software	Total
Cost	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	-	-	185,812	185,812
Additions (Note 11.18)	3,707,038	1,112,111	11,081	4,830,230
At 31 December	**3,707,038**	**1,112,111**	**196,893**	**5,016,042**
Amortisation				
At 1 January	-	-	182,510	182,510
Charge for the year	86,352	-	7,499	93,851
At 31 December	**86,352**	**-**	**190,009**	**276,361**
Net carrying amount at 31 December	**3,620,686**	**1,112,111**	**6,884**	**4,739,681**

	Year ended 31 December 2009			
	Acquired intangible asset	Goodwill	Capitalised software	Total
Cost	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	-	-	610,368	610,368
Disposals	-	-	(424,556)	(424,556)
At 31 December	**-**	**-**	**185,812**	**185,812**
Amortisation				
At 1 January	-	-	603,764	603,764
Charge for the year	-	-	3,302	3,302
Disposals			(424,556)	(424,556)
At 31 December	**-**	**-**	**182,510**	**182,510**
Net carrying amount at 31 December	**-**	**-**	**3,302**	**3,302**

11.21 INTANGIBLE ASSETS (Continued)

	Year ended 31 December 2008			
	Acquired intangible asset	Goodwill	Capitalised software	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January	-	-	600,463	600,463
Additions	-	-	9,905	9,905
At 31 December	-	-	**610,368**	**610,368**
Amortisation				
At 1 January	-	-	596,685	596,685
Charge for the year	-	-	7,079	7,079
At 31 December	-	-	**603,764**	**603,764**
Net carrying amount At 31 December	-	-	**6,604**	**6,604**

	Year ended 31 December 2007			
	Acquired intangible asset	Goodwill	Capitalised software	Total
Cost	**KShs'000**	**KShs'000**	**KShs'000**	**KShs'000**
At 1 January and 31 December	**-**	**-**	**600,463**	**600,463**
Amortisation				
At 1 January	-	-	589,129	589,129
Charge for the year	-	-	7,556	7,556
At 31 December	-	-	**596,685**	**596,685**
Net carrying amount at 31 December	-	-	**3,778**	**3,778**

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Gross value of assets fully amortised	**185,811**	**185,811**	**185,811**	**175,907**	**600,463**	**577,796**
Notional amortisaton on fully amortised assets	**20,767**	**62,300**	**62,300**	**58,636**	**200,154**	**193,699**

There were no idle assets for all the periods above.

The goodwill is wholly attributable to the Securities Services department of the Bank. The directors having assessed the goodwill are of the opinion that the goodwill was not impaired at the reporting date 30 April 2012 (31 December 2011- Nil).

The recoverable amounts have been calculated based on their value in use. Value in use was determined by discounting the future cashflows expected to be generated from the continuing use of the unit. Unless indicated otherwise, value in use for the four month period to 30 April 2012 was determined similarly as in the years 2011 and 2010. The calculation of the value in use was based on the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and budgets and forecasts approved by management upto 2014.
- Management forecasts projected revenue growth rates greater than long-term GDP growth rates but which are in line with past performance as adjusted to reflect current economic climate and any known business cycles.
- Cash flow projections were extrapolated forward for another 7 years upto 2021 using steady long-term estimated GDP growth rates.

The cash flows are discounted using a pre-tax discount rate of 17.50% which reflects current market rates appropriate for this business.

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11.21 INTANGIBLE ASSETS (Continued)

The key assumptions described above may change as economic and market conditions change. Management believes that reasonably possible changes in these assumptions are not expected to cause the recoverable amount of the unit to decline below the carrying amount.

11.22 PREPAID OPERATING LEASE RENTALS

Cost	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
At 1 January	131,804	138,541	245,408	245,437	245,437	245,437
Additions	157,469	-	-	-	-	-
Transfer to non-current asset held for sale (Note 11.19)	-	(6,737)	(106,867)	-	-	-
Disposals		-	-	(29)	-	-
At 30 April and 31 December	**289,273**	**131,804**	**138,541**	**245,408**	**245,437**	**245,437**
Amortisation						
At 1 January	24,762	28,028	40,959	36,358	31,742	27,126
Transfer to non-current asset held for sale (Note 11.19)	-	(6,174)	(15,847)	-	-	-
Charge for the period/year	1,521	2,908	2,916	4,615	4,616	4,616
Disposals	-	-	-	(14)	-	-
At 30 April and 31 December	**26,283**	**24,762**	**28,028**	**40,959**	**36,358**	**31,742**
Net carrying amount at 30 April and 31 December	**262,990**	**107,042**	**110,513**	**204,449**	**209,079**	**213,695**

11.23 DEFERRED TAX ASSET/(LIABILITY)

The net deferred tax asset/liability at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007 are attributable to the following:

At 30 April 2012

Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 30 April KShs '000
Tax losses in subsidiaries	2,776	(1,003)	-	-	-	1,773
Property and equipment	166,003	(46,396)	-	-	-	119,607
Acquired intangible asset	(977,213)	39,556	-	-	-	(937,657)
Portfolio impairment provision	192,662	18,055	-	-	-	210,717
Revaluation surplus	(190,956)	919	-	-	-	(190,037)
Fair value reserve	992,616	-	-	-	(466,365)	526,251
Accrued interest	90,963	81,264	-	-	-	172,227
Other provisions	35,553	376	-	-	-	35,929
Retirement benefit obligations	14,700	(6,900)	-	-	-	7,800
	327,104	**85,871**	**-**	**-**	**(466,365)**	**(53,390)**

At 31 December 2011
Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 31 December KShs '000
Tax losses in subsidiaries	2,654	122	-	-	-	2,776
Property and equipment	204,052	(38,049)	-	-	-	166,003
Acquired intangible asset	(1,086,206)	108,993	-	-	-	(977,213)
Portfolio impairment provision	158,412	34,250	-	-	-	192,662
Revaluation surplus	(107,712)	21,370	-	-	(104,614)	(190,956)
Fair value reserve	(379,913)	-	-	-	1,372,529	992,616
Accrued interest	48,615	42,348	-	-	-	90,963
Other provisions	12,049	23,504	-	-	-	35,553
Retirement benefit obligations	49,523	(34,823)	-	-	-	14,700
	(1,098,526)	**157,715**	**-**	**-**	**1,267,915**	**327,104**

11.23 DEFERRED TAX SSET/(LIABILITY) (Continued)

At 31 December 2010

Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 31 December KShs '000
Tax losses in subsidiaries	3,826	(1,172)	-	-	-	2,654
Property and equipment	191,134	12,918	-	-	-	204,052
Acquired intangible asset	-	25,905	-	(1,112,111)	-	(1,086,206)
Portfolio impairment provision	170,093	(11,681)	-	-	-	158,412
Revaluation surplus	(112,974)	5,262	-	-	-	(107,712)
Fair value reserve	(285,555)	-	-	-	(94,358)	(379,913)
Accrued interest	68,171	(19,556)	-	-	-	48,615
Redundancy provision	2,086	(2,086)	-	-	-	-
Other provisions	7,411	4,638	-	-	-	12,049
Retirement benefit obligations	36,424	13,099	-	-	-	49,523
	80,616	**27,327**	**-**	**(1,112,111)**	**(94,358)**	**(1,098,526)**

At 31 December 2009
Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 31 December KShs '000
Tax losses in subsidiaries	7,122	(3,296)	-	-	-	3,826
Property and equipment	153,459	37,675	-	-	-	191,134
Portfolio impairment provision	127,244	42,849	-	-	-	170,093
Revaluation surplus	(118,608)	5,634	-	-	-	(112,974)
Fair value reserve	(20,045)	-	-	-	(265,510)	(285,555)
Accrued interest	54,206	13,965	-	-	-	68,171
Redundancy provision	30,978	(28,892)	-	-	-	2,086
Other provisions	-	7,411	-	-	-	7,411
Retirement benefit obligations	40,502	(4,078)	-	-	-	36,424
	274,858	**71,268**	**-**	**-**	**(265,510)**	**80,616**

At 31 December 2008

Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 31 December KShs '000
Tax losses in subsidiaries	8,768	(1,036)	(610)	-	-	7,122
Property and equipment	130,559	22,722	178	-	-	153,459
Portfolio impairment provision	96,818	30,426	-	-	-	127,244
Revaluation surplus	(46,148)	2,713	-	-	(75,173)	(118,608)
Fair value reserve	(25,995)	-	-	-	5,950	(20,045)
Accrued interest	53,360	846	-	-	-	54,206
Redundancy provision	-	30,978	-	-	-	30,978
Retirement benefit obligations	13,590	26,912	-	-	-	40,502
	230,952	**113,561**	**(432)**	**-**	**(69,223)**	**274,858**

11.23 DEFERRED TAX SSET/(LIABILITY) (Continued)

At 31 December 2007
Asset/(liability)

	At 1 January KShs '000	Profit or loss current year KShs '000	Profit or loss prior year KShs '000	Recognised on business combination KShs '000	Other comprehensive income KShs '000	At 31 December KShs '000
Tax losses in subsidiaries	9,533	(765)	-	-	-	8,768
Property and equipment	118,832	11,727	-	-	-	130,559
Portfolio impairment provision	71,458	25,360	-	-	-	96,818
Revaluation surplus	(47,887)	1,739	-	-	-	(46,148)
Fair value reserve	(43,489)	-	-	-	17,494	(25,995)
Accrued interest	-	53,360	-	-	-	53,360
Retirement benefit obligations	(44,100)	57,690	-	-	-	13,590
	64,347	**149,111**	**-**	**-**	**17,494**	**230,952**

11.24 OTHER ASSETS

	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Uncleared effects	468,516	428,242	765,044	605,106	2,080,437	4,300,379
Prepayments	311,922	538,158	322,115	297,139	270,717	201,040
Other receivables	1,606,247	1,397,457	416,446	1,073,757	978,260	885,509
	2,386,685	**2,363,857**	**1,503,605**	**1,976,002**	**3,329,414**	**5,386,928**

11.25 DEPOSITS FROM BANKS

Balances due from local banks	179,038	4,983,727	3,565,307	10,194,083	206,333	45,912
Balances due from foreign banks	6,231,036	2,755,260	647,373	338,214	2,600,000	33,247
	6,410,074	**7,738,987**	**4,212,680**	**10,532,297**	**2,806,333**	**79,159**
Weighted average effective interest rate	**3.71%**	**20.81%**	**1.41%**	**3.93%**	**6.56%**	**6.49%**

11.26 DEPOSITS FROM CUSTOMERS

From government and parastatals						
Payable on demand	4,379,123	5,259,472	5,023,015	6,031,166	6,938,611	7,126,891
Payable within 3 months or less	4,759	4,669	-	-	-	-
	4,383,882	**5,264,141**	**5,023,015**	**6,031,166**	**6,938,611**	**7,126,891**
From private sector and individuals						
Payable on demand	92,893,721	89,639,249	84,823,777	67,500,895	45,132,706	45,607,043
Payable within 3 months or less	16,179,070	18,644,729	5,067,738	15,147	21,330,675	18,472,937
Payable after 3 months	12,965,604	8,774,930	5,589,535	13,226,444	3,496,464	2,633,692
	126,422,277	**122,323,049**	**100,504,065**	**86,773,652**	**76,898,456**	**73,840,563**
Current and demand accounts	83,330,782	77,585,936	69,999,682	55,454,333	51,345,342	48,563,055
Savings deposits	10,495,388	12,085,756	14,931,142	11,199,812	8,234,831	4,814,832
Time deposits	30,985,091	31,306,470	14,677,186	19,251,435	16,573,804	20,261,217
Other	1,611,016	1,344,887	896,055	868,072	744,479	201,459
	126,422,277	**122,323,049**	**100,504,065**	**86,773,652**	**76,898,456**	**73,840,563**
Weighted average effective interest rate on interest bearing customer deposits	**6.28%**	**4.10%**	**1.49%**	**3.28%**	**3.52%**	**2.65%**

11.27 RETIREMENT BENEFIT OBLIGATIONS

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 3 years for the defined benefit scheme. The most recent actuarial valuation of the defined benefit scheme was carried out as at 31 December 2009 by an independent qualified actuary.

However, the Bank's actuary did a review for the year ended 31 December 2011. The review was consistent with previous valuations performed using the projected unit credit method. An actuarial review has not been done for the period ended 30 April 2012.

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

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Fair value of plan assets	772,265	808,158	810,624	710,587	727,893	785,700
Present value of funded obligations	(611,716)	(611,000)	(975,700)	(832,000)	(862,900)	(831,000)
Retirement benefit obligations before asset ceiling	**160,549**	**197,158**	**(165,076)**	**(121,413)**	**(135,007)**	**(45,300)**
Irrecoverable surplus	(160,549)	(197,158)	-	-	-	-
Additional liability for minimum funding requirements	(26,000)	(49,000)	-	-	-	-
Retirement benefit obligations as at 30 April and 31 December	**(26,000)**	**(49,000)**	**(165,076)**	**(121,413)**	**(135,007)**	**(45,300)**
Plan assets consist of the following:						
Offshore investments	-	29,160	131,081	53,316	3,569	80,910
Government bonds	293,220	303,030	316,639	414,810	461,948	614,216
Corporate bonds	137,560	141,537	125,355	66,073	50,551	54,866
Other	341,485	334,431	237,549	176,388	211,825	35,708
	772,265	**808,158**	**810,624**	**710,587**	**727,893**	**785,700**
Movement in plan assets						
Fair value of plan assets at 1 January	808,158	810,624	710,587	727,893	785,700	847,000
Expected return on plan assets	41,275	68,524	79,397	82,204	80,306	110,789
Benefits paid by the plan	(40,366)	(124,973)	(108,787)	(113,398)	(107,500)	(111,300)
Employer contributions	36,500	52,900	26,400	26,400	40,000	-
Recognised actuarial (losses)/gains	(73,302)	1,083	103,027	(12,512)	(70,613)	(60,789)
Fair value of plan assets at 30 April and 31 December	**772,265**	**808,158**	**810,624**	**710,587**	**727,893**	**785,700**
Movement in the present value of the retirement benefit obligations						
Retirement benefit obligations at 1 January	611,000	975,700	832,000	862,900	831,000	700,000
Past service cost	10,000	26,400	-	-	40,000	-
Interest cost	31,082	82,071	92,800	96,905	89,689	90,209
Benefits paid by the plan	(40,366)	(124,973)	(108,787)	(113,398)	(107,500)	(111,300)
Recognised actuarial (losses)/gains	-	(348,198)	159,687	(14,407)	9,711	152,091
Retirement benefit obligations at 30 April and 31 December	**611,716**	**611,000**	**975,700**	**832,000**	**862,900**	**831,000**

The net (charge)/credit recognised in the profit or loss is as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Past service cost	(10,000)	(26,400)	-	-	(40,000)	-
Interest cost	(31,082)	(82,071)	(92,800)	(96,905)	(89,689)	(90,209)
Expected return on plan assets	41,275	68,524	79,397	82,204	80,306	110,789
Movement in irrecoverable surplus	36,609	(197,158)	-	-	-	-
Movement in liability for minimum funding requirements	23,000	(49,000)	-	-	-	-
Recognised actuarial (losses)/gains	(73,302)	349,281	(56,660)	1,895	(80,324)	(212,880)
Total included in staff costs	**(13,500)**	**63,176**	**(70,063)**	**(12,806)**	**(129,707)**	**(192,300)**

11.27 RETIREMENT BENEFIT OBLIGATIONS (Continued)

The principal actuarial assumptions at the reporting date are as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	% pa	% pa	% pa	% pa	% pa	% pa
Discount rate	17	17	9	12	12	11
Expected return on plan assets	17	17	9	12	11	11
Future pension increases	0	0	3	3	3	0
The overall expected long-term return on plan assets	17	17	9	12	11	11

The movement in the retirement benefit obligations in the statement of financial position is as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At 1 January	(49,000)	(165,076)	(121,413)	(135,007)	(45,300)	147,000
Employer contributions	36,500	52,900	26,400	26,400	40,000	-
(Charge)/credit to profit or loss	(13,500)	63,176	(70,063)	(12,806)	(129,707)	(192,300)
At 30 April and 31 December	**(26,000)**	**(49,000)**	**(165,076)**	**(121,413)**	**(135,007)**	**(45,300)**
Historical information						
Fair value of plan assets	772,265	808,158	810,624	710,587	727,893	785,700
Present value of funded obligations	(611,716)	(611,000)	(975,700)	(832,000)	(862,900)	(831,000)
Retirement benefit obligations before asset ceiling	160,549	197,158	(165,076)	(121,413)	(135,007)	(45,300)
Irrecoverable surplus	(160,549)	(197,158)	-	-	-	-
Additional liability for minimum funding requirements	(26,000)	(49,000)	-	-	-	-
Retirement benefit obligations	**(26,000)**	**(49,000)**	**(165,076)**	**(121,413)**	**(135,007)**	**(45,300)**

11.28 OTHER LIABILITIES

	30-Apr-12	31-Dec-11	31-Dec-10	Restated 31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Bills payable	421,739	474,145	1,755,709	291,013	895,752	730,394
Dividends payable	376,171	427,094	572,692	411,773	355,488	339,663
Other accounts payable	3,683,014	3,225,701	3,386,684	3,257,653	2,595,348	2,506,962
	4,480,924	**4,126,940**	**5,715,085**	**3,960,439**	**3,846,588**	**3,577,019**

11.29 SHARE CAPITAL AND RESERVES

(a) Share capital

Authorised	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Number of ordinary shares	**300,000,000**	**300,000,000**	**300,000,000**	**273,000,000**	**273,000,000**	**273,000,000**
Number of preference shares	**56,000,000**	**56,000,000**	**56,000,000**	**56,000,000**	**56,000,000**	**56,000,000**

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Authorised	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Ordinary shares	1,500,000	1,500,000	1,500,000	1,365,000	1,365,000	1,365,000
Preference shares	280,000	280,000	280,000	280,000	280,000	280,000
Total	**1,780,000**	**1,780,000**	**1,780,000**	**1,645,000**	**1,645,000**	**1,645,000**

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11.29 SHARE CAPITAL AND RESERVES (Continued)
(a) Share capital (Continued)

Issued and fully paid	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Number of ordinary shares	287,077,134	287,077,134	287,077,134	271,967,811	271,967,811	271,967,811
Number of preference shares	56,000,000	56,000,000	56,000,000	56,000,000	56,000,000	56,000,000

Issued and fully paid	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
Ordinary shares	1,435,386	1,435,386	1,435,386	1,359,839	1,359,839	1,359,839
Preference shares	280,000	280,000	280,000	280,000	280,000	280,000
Total	**1,715,386**	**1,715,386**	**1,715,386**	**1,639,839**	**1,639,839**	**1,639,839**

The shareholders at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007 that had large holdings were as follows:

	30-Apr-12		31-Dec-11		31-Dec-10		31-Dec-09		31-Dec-08		31-Dec-07	
Name	Number of Shares	Share %	Number of Shares	Share %	Number of Shares	Share %	Number of Shares	Share %	Number of Shares	Share %	Number of Shares	Share %
Standard Chartered Holdings (Africa) BV	212,070,025	73.87	212,070,025	73.87	212,070,025	73.87	200,751,336	73.81	200,751,336	73.81	200,751,336	73.81
Kabarak Limited	2,949,748	1.03	2,949,748	1.03	2,949,748	1.03	2,793,192	1.03	2,793,192	1.03	2,793,192	1.03
National Social Security Fund - Board of Trustees	1,882,538	0.66	1,882,538	0.66	1,987,123	0.69	1,882,538	0.69	1,882,538	0.69	1,882,538	0.69
Kenya Commercial Bank Nominees Limited - A/C 769G	967,943	0.34	1,067,243	0.37	1,167,243	0.41	1,454,915	0.53	1,654,915	0.61	1,654,915	0.61
National Social Security Fund	1,454,871	0.51	1,454,871	0.51	1,535,697	0.53	1,454,871	0.53	1,454,871	0.53	1,204,414	0.44
Standard Chartered Africa Holdings Limited	1,306,800	0.46	1,306,800	0.46	1,306,800	0.46	1,306,800	0.48	1,306,800	0.48	1,306,800	0.48
Standard Chartered Nominees Limited – A/C 9230	1,075,997	0.37	1,075,997	0.37	-	-	-	-	-	-	-	-
*Standard Chartered Nominees - A/C1256B	706,761	0.25	-	-	-	-	987,800	0.36	967,800	0.36	966,300	0.36
*Standard Chartered Nominees - A/C9230	-	-	-	-	1,025,997	0.36	965,779	0.36	791,779	0.29	971,779	0.36
*Standard Chartered Nominees - A/C9389	1,015,058	0.35	1,015,058	0.35	1,008,041	0.35	-	-	-	-	-	-
Kenya Commercial Bank Nominees Limited - A/C744	-	-	583,190	0.20	580,190	0.20	875,674	0.32	875,674	0.32	1,390,149	0.51
Old Mutual Insurance Company Limited	827,803	0.29	827,803	0.29	827,803	0.29	-	-	-	-	-	-
Barclays (Kenya) Nominees Limited - A/C9300	-	-	-	-	-	-	834,300	0.31	1,982,700	0.73	1,074,100	0.39
Old Mutual Life Assurance Company Limited	-	-	-	-	-	-	-	-	-	-	-	-
Others	62,819,590	21.88	62,843,861	21.89	62,618,467	21.81	58,660,606	21.57	57,506,206	21.14	57,972,288	21.32
	287,077,134	**100.00**	**287,077,134**	**100.00**	**287,077,134**	**100.00**	**271,967,811**	**100.00**	**271,967,811**	**100.00**	**271,967,811**	**100.00**

*Previously managed by Barclays Nominees up to 2010 following acquisition by the Bank.

11.29 SHARE CAPITAL AND RESERVES (Continued)
(a) Share capital (Continued)

The distribution of shareholders at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007 were as follows:

	2012		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	9,568	1,919,616	0.67
501 to 5,000	21,449	26,409,829	9.20
5,001 to 10,000	398	2,812,549	0.98
10,001 to 100,000	455	13,311,337	4.64
100,001 to 1,000,000	85	20,868,766	7.27
Above 1,000,000	7	221,755,037	77.24
Total	**31,962**	**287,077,134**	**100.00**

	2011		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	9,495	1,916,402	0.67
501 to 5,000	21,533	26,524,474	9.24
5,001 to 10,000	388	2,739,326	0.95
10,001 to 100,000	448	12,860,556	4.48
100,001 to 1,000,000	85	20,214,096	7.04
Above 1,000,000	8	222,822,280	77.62
Total	**31,957**	**287,077,134**	**100.00**

	2010		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	9,258	1,926,048	0.67
501 to 5,000	22,017	27,035,172	9.42
5,001 to 10,000	377	2,646,787	0.92
10,001 to 100,000	454	12,704,649	4.43
100,001 to 1,000,000	82	19,713,804	6.87
Above 1,000,000	8	223,050,674	77.69
Total	**32,196**	**287,077,134**	**100.00**

	2009		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	9,412	1,946,474	0.72
501 to 5,000	22,324	26,873,362	9.88
5,001 to 10,000	351	2,504,275	0.92
10,001 to 100,000	420	11,536,369	4.24
100,001 to 1,000,000	79	19,463,679	7.16
Above 1,000,000	6	209,643,652	77.08
Total	**32,592**	**271,967,811**	**100.00**

11.29 SHARE CAPITAL AND RESERVES (Continued)
(a) Share capital (Continued)

	2008		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	9,237	1,935,860	0.71
501 to 5,000	22,662	27,142,861	9.98
5,001 to 10,000	354	2,549,775	0.94
10,001 to 100,000	426	11,673,959	4.29
100,001 to 1,000,000	69	16,839,004	6.19
Above 1,000,000	7	211,826,352	77.89
Total	**32,755**	**271,967,811**	**100.00**

	2007		
Share range	**Number of shareholders**	**Shares held**	**%**
Less than 500	8,378	1,821,899	0.67
501 to 5,000	23,695	28,492,001	10.48
5,001 to 10,000	339	2,447,285	0.90
10,001 to 100,000	421	11,961,254	4.40
100,001 to 1,000,000	56	14,937,471	5.49
Above 1,000,000	8	212,307,901	78.06
Total	**32,897**	**271,967,811**	**100.00**

(b) Share premium

These reserves arose at a time when the shares of the company were issued at a price higher than the nominal (par) value. These will be applied towards capital in future.

Authorised	30-Apr-12 KShs'000	31-Dec-11 KShs'000	31-Dec-10 KShs'000	31-Dec-09 KShs'000	31-Dec-08 KShs'000	31-Dec-07 KShs'000
At 1 January	4,836,258	4,836,258	2,520,000	2,520,000	2,520,000	2,520,000
Rights issue during the year	-	-	2,424,291	-	-	-
Issue costs	-	-	(108,033)	-	-	-
At 30 April and 31 December	**4,836,258**	**4,836,258**	**4,836,258**	**2,520,000**	**2,520,000**	**2,520,000**

(c) Capital contribution reserve
Capital contribution reserve comprises capital contributions provided to the Group by shareholders that are not intended by either party to be repaid and includes capital contribution on the acquisition of the custody business and increases in equity arising from share based payment awards granted to the Group's employees.

(d) Revaluation reserve
Revaluation reserves arose from the periodic revaluation of freehold land and buildings. The carrying amount of these assets are adjusted to the revaluations. Revaluation surpluses are not distributable.

(e) Fair value reserve
The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments, excluding impairment losses, until the net investment is derecognised.

(f) Statutory credit risk reserve
Where impairment losses required by legislation or regulations exceed those calculated under International Financial Reporting Standards (IFRSs), the excess is recognised as a statutory credit risk reserve and accounted for as an appropriation of retained profits. These reserves are not distributable.

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11.30 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of profit before taxation to net cash flows from operating activities

	30-Apr-12	31-Dec-11	31-Dec-10	Restated 31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Profit before taxation	4,400,115	8,255,135	7,681,884	6,728,447	4,719,814	4,910,188
Depreciation	167,692	341,857	205,506	289,666	212,886	156,566
Amortisation of intangible assets	133,028	366,374	93,851	3,302	7,079	7,556
Profit on sale of non-current asset held for sale	(60,860)	(356,427)	-	-	-	-
(Profit)/loss on sale of property and equipment	-	(51)	(2,508)	107	2,626	(1,163)
Loss on sale of operating lease rentals	-	-	-	15	-	-
Amortisation of prepaid operating lease rentals	1,521	2,908	2,916	4,615	4,616	4,616
Reversal of revaluation deficit from prior years	-	-	-	-	(9,674)	-
Retirement benefit obligations	13,500	(63,176)	70,063	12,806	89,707	192,300
(Profit)/loss on disposal of equity shares	-	-	-	(68,197)	6,113	-
Gain on equity shares	-	-	-	-	-	(252,702)
(Increase)/decrease in operating assets						
Balances with Central Bank of Kenya						
- Cash Reserve Ratio	959,640	(2,041,045)	(1,082,298)	(36,347)	53,927	(297,685)
Government and other securities held for trading	(2,244,097)	610,190	1,675,288	(711,139)	782,160	(2,182,733)
Derivative financial instruments	(19,726)	(101,773)	(212,996)	1,943,877	184,001	(1,203,908)
Loans and advances to banks	775,000	200,000	(300,000)	(1,450,000)	75,682	(75,682)
Loans and advances to customers	(4,296,032)	(35,760,994)	(3,641,953)	(13,396,057)	(3,830,297)	(3,706,238)
Investment securities	(3,471,048)	20,048,014	(6,087,111)	(18,327,707)	2,958,286	3,320,321
Amounts due from group companies	4,837,846	(2,585,559)	548,528	(579,787)	(4,414,960)	668,532
Other assets	(22,828)	(860,252)	472,397	1,353,412	2,057,514	(3,942,583)
Increase/(decrease) in operating liabilities						
Deposits from banks	(56,852)	320,666	152,936	-	-	-
Deposits from customers	4,099,228	21,818,984	13,730,413	9,875,196	3,057,893	8,961,434
Derivative financial instruments	(65,625)	537,315	42,561	(3,453,186)	1,874,522	1,078,671
Amounts due to group companies	1,275,833	(1,206,153)	4,202,876	1,770,466	-	-
Defined benefit obligations	(36,500)	(52,900)	(26,400)	(26,400)	-	-
Other liabilities	353,984	(1,588,145)	1,754,646	179,761	269,569	1,186,133
Cash flows from operating activities	**6,743,819**	**7,884,968**	**19,280,599**	**(15,887,150)**	**8,101,464**	**8,823,623**
Income taxes paid	(831,058)	(2,504,104)	(2,606,196)	(1,715,787)	(1,939,942)	(1,195,936)
Net Cash flows from operating activities	**5,912,761**	**5,380,864**	**16,674,403**	**(17,602,937)**	**6,161,522**	**7,627,687**

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

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Cash on hand	2,521,882	2,926,464	2,663,148	2,909,461	2,706,059	3,214,132
Unrestricted cash balances with Central Bank of Kenya	2,608,676	1,948,832	458,961	812,996	703,935	307,936
Treasury bills	3,471,377	2,403,388	7,508,604	2,642,972	494,756	-
Loans and advances to banks	5,717,256	992,427	1,493,868	42,177	1,379,889	124,290
Deposits from banks	(5,993,324)	(7,265,385)	(4,059,744)	(10,532,297)	(2,806,333)	(79,159)
Amounts due from group companies	7,324,651	9,339,721	455,414	2,083,379	10,961,765	7,266,206
Amounts due to group companies	(2,980,910)	(3,416,025)	(4,424,615)	(6,076,197)	(138,264)	(526,238)
	12,669,608	**6,929,422**	**4,095,636**	**(8,117,509)**	**13,301,807**	**10,307,167**

11.31 CONTINGENCIES AND COMMITMENTS

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. As at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007, the contingencies were as follows:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Guarantees and standby letters of credit	17,472,079	17,874,180	16,166,650	10,714,512	12,974,377	7,569,383
Letters of credit, acceptances and other documentary credits	15,213,076	14,435,415	8,199,403	12,659,789	8,498,706	6,933,110
Performance bonds and warranties	-	-	-	-	18,251	20,138
	32,685,155	**32,309,595**	**24,366,053**	**23,374,301**	**21,491,334**	**14,522,631**

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.

11.32 OTHER CONTINGENT LIABILITIES

In the ordinary course of business, the Company 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 Company'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, 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.

In June 2006, management withdrew the case from the COMESA Court of Justice and filed for review at the Court of Appeal of the Republic of Kenya with an expectation that the Court of Appeal of the Republic of Kenya will review its earlier decision.

A second claim relates to a pensions matter where the Company was sued by over 629 ex-employees. The claimants filed a lawsuit against the trustees of the pension fund and the Company for a claim of KShs 14.6 billion on grounds that the lump sum benefits paid to them, over 10 years ago following their retrenchment, were miscalculated.

In addition, the Company has some on-going matters with the Kenya Revenue Authority. As at 30 April 2012, the directors have not made provisions for tax demand letters amounting to KShs 131 million (Year ended 31 December 2011 - KShs 136 million) as they are of the view, based on advice received, that these amounts are not payable.

11.33 ASSETS PLEDGED AS SECURITY

As at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007 there were no assets pledged by the Group to secure liabilities and there were no secured Group liabilities.

11.34 FIDUCIARY ACTIVITIES

The Group holds asset security documents on behalf of customers with a value of:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Asset security documents	**278,053,664**	**246,788,651**	**256,460,865**	**-**	**-**	**-**

Most of these securities are held by the Security Services department of the Company. The assets held comprise of deposits, government securities, debentures, title deeds, quoted and unquoted shares.

Section 15: Reporting Accountant's Report

11.35 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 Note11.17. These transactions are at arms length.

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

The Bank has also entered into transactions at arms length with Standard Chartered Kenya Pension Fund (SCKPF) and Standard Chartered Staff Retirement Benefits Scheme 2006 (SCKSRBS 2006).

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Deposits from SCKPF and SCKSRBS 2006	**90,522**	**39,474**	**12,644**	**32,494**	**59,654**	**53,375**
Deposits from directors, employees and associates	**723,429**	**642,861**	**669,620**	**603,560**	**557,603**	**582,399**
Interest expense paid on deposits from directors, employees and associates	**2,919**	**2,831**	**4,704**	**7,043**	**7,417**	**10,292**

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

Loans and advances to directors, employees and associates	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
At start of the year	2,764,899	2,437,248	1,901,323	1,437,791	1,076,165	1,031,538
Amounts advanced during the period/year	583,530	1,615,652	1,711,039	1,371,569	885,971	588,861
Amounts repaid during the period/year	(505,967)	(1,288,001)	(1,175,114)	(908,037)	(524,345)	(544,234)
At end of the period/year	**2,842,462**	**2,764,899**	**2,437,248**	**1,901,323**	**1,437,791**	**1,076,165**
Loans and advances to directors or companies controlled by directors or their families	68,070	65,570	32,384	19,914	16,376	51,952
Loans and advances to employees	2,774,392	2,699,329	2,404,864	1,881,409	1,421,415	1,024,213
	2,842,462	**2,764,899**	**2,437,248**	**1,901,323**	**1,437,791**	**1,076,165**
Interest income earned on loans and advances to directors, employees and associates	**128,412**	**164,148**	**137,835**	**114,696**	**91,725**	**92,157**

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

None of the loans and advances above are impaired as at 30 April 2012, 31 December 2011, 2010, 2009, 2008 and 2007.

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Key management compensation	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Salaries and other employee benefits	**108,245**	**320,367**	**279,774**	**293,925**	**222,722**	**242,984**

Salaries and other employee benefits include those relating to the executive directors which are disclosed in Note 11.7.

11.36 CAPITAL COMMITMENTS

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Authorised	**-**	**-**	**495,067**	**1,377,330**	**2,330,682**	**2,310,629**

11.37 FUTURE RENTAL COMMITMENTS UNDER OPERATING LEASES

The Group's commitments under non cancellable operating leases expiring:

	30-Apr-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08	31-Dec-07
Premises	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000	KShs'000
Within 1 year	180,060	188,603	126,290	129,434	121,809	93,634
After 1 year but less than 5 years	348,968	339,829	201,215	284,739	280,651	176,506
After 5 years	109,999	118,480	4,566	327	18,767	5,441
	639,027	**646,912**	**332,071**	**414,500**	**421,227**	**275,581**
Equipment						
Within 1 year	161,129	187,359	38,217	36,137	36,407	34,901
After 1 year but less than 5 years	191,456	230,666	102,993	87,831	27,306	25,549
After 5 years	-	-	36,235	-	-	-
	352,585	**418,025**	**177,445**	**123,968**	**63,713**	**60,450**

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

11.38 HOLDING COMPANY

The ultimate holding company of Standard Chartered Bank Kenya Limited is Standard Chartered PLC, which is a limited liability company incorporated and domiciled in Great Britain.

Section 16: Legal Opinion

mboya wangong'u & waiyaki

Lex Chambers,
Maji Mazuri Road,
off James Gichuru Road,
Lavington,
P. O. Box 74041 – 00200,
Nairobi, Kenya.
Dropping Zone No. 214,
Revlon Professional Plaza.

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Our Ref: S072/070/M/2012/P **Your Ref:**

September 28, 2012

The Directors
Standard Chartered Bank (Kenya) Limited
Standard Chartered@Chiromo,
48 Westlands Road,
P. O. Box 30003 – 00100,
Nairobi

Dear Sirs,

RE: LEGAL OPINION

We act as legal advisers to Standard Chartered Bank (Kenya) Limited (**"the Company"**) in relation to the Company's proposed Rights Issue.

We are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise upon the laws of Kenya.

This legal Opinion (**"this Opinion"**) is given in relation to the Rights issue.

We have acted as the Legal Advisors in the Rights Issue and have been mandated to issue this Opinion for inclusion in the Information Memorandum, as required by the Capital Markets (Securities) (Public Offers, Listing & Disclosures) Regulations, 2002.

1. Preliminary Matters

1.1. Unless (a) otherwise stated; or (b) the context otherwise requires, words and terms defined in the Information Memorandum to which this Legal Opinion is attached("the Information Memorandum") bear the same meanings in this Opinion.

1.2. This Opinion is limited to Kenyan Law as applied in the Courts of Kenya as of the date hereof and to matters of fact prevailing as of the date of this Opinion.

2. Assumptions and Documents Reviewed

2.1. For the purposes of this Opinion, we have made the following assumptions:

GODWIN WANGONG'U GLADYS MBOYA PETER M. WAIYAKI DAVID MWAURA

VAT NUMBER [illegible] PIN NUMBER [illegible]

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Section 16: Legal Opinion

2.1.1. all information contained in the Information Memorandum and all information provided to us by the Company, and its officers and advisers is true, accurate and up to date;

2.1.2. the authenticity and completeness of all documents submitted to us as originals or copies, the genuineness of all signatures, the conformity to originals of all copies, and the accuracy of any translations;

2.1.3. That representations made to us by officers and agents of the Company are true in all material respects.

2.2. For the purposes of this Opinion, we have examined originals or copies certified to our satisfaction of the following documents:

2.2.1. Memorandum and Articles of Association of the Company in force as at the date of this Opinion;

2.2.2. The Company's Annual Returns for the last three years including the annual returns made up to 7th June 2012 detailing share capital structure, encumbrances and directorships;

2.2.3. The Company's Statutory Books namely the Register of Members, the Register of Directors, and the Company's Register of Charges;

2.2.4. Documents filed by the Company with the Registrar of Companies;

2.2.5. Title document of immoveable property in the name of the Company;

2.2.6. Local authority permits for the Company's places of business;

2.2.7. Details of material contracts and litigation to which the Company is a party;

2.2.8. Audited Accounts of the Company for the years 2009, 2010 and 2011;

2.2.9. License no. CBK/BSD/01/21/2012 issued by the Central Bank of Kenya to the Company authorizing it to conduct banking business.

2.2.10. Such other records and documents as we have considered necessary or appropriate for the purposes of this Opinion in respect of the Company and its subsidiaries.

3. Opinion

Based upon and subject to (1) the foregoing; (2) the reservations set out below; and (3) to any matters not disclosed to us, we are of the Opinion that:

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3.1. **Status of the Company**

3.1.1. The Company is a public limited liability company, duly incorporated under the Companies Act (Cap 486 of the Laws of Kenya) and bearing Registration Number C. 11/89.

3.1.2. The disclosure made in the Information Memorandum listing the top shareholders of the Company is correct.

3.1.3. The Registered Office of the Company is StandardChartered@Chiromo, 48 Westlands Road, Nairobi.

3.1.4. The Company has obtained the approval of the Board of Directors, its shareholders and Capital Markets Authority to undertake the Rights Issue and the consent of the Nairobi Securities Exchange to list the newly issued shares.

3.1.5. The Company has, at the date hereof, a Board of Directors consisting of the following individuals:

i. Wilfred Kiboro
ii. Richard Etemesi
iii. Michael Hart
iv. Kaushik Shah
v. Chemutai Murgor
vi. Anne Mutahi
vii. Kariuki Ngari
viii. Les Baillie
ix. Robin Bairstow
x. Patrick Obath

3.1.6. The Company Secretary of the Company is Nancy Oginde, of P. O. Box 30003 – 00100, Nairobi

3.1.7. The Company maintains minutes of the board and of general meetings, register of directors and register of charges at its registered offices. The register of members is maintained at the offices of Custody & Registrar Services, Bruce House, Standard Street, Nairobi.

3.2. **Licenses and Consents**

All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Kenya required in connection with the business of the Company have been obtained in proper form, and are in full force and effect.

GODWIN WANGONG'U GLADYS MBOYA PETER M. WAIYAKI DAVID MWAURA
VAT NUMBER [illegible] PIN NUMBER [illegible]
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3.3. **Share Capital**

3.3.1. The authorized share capital of the Bank is Kshs 1,905,000,000 divided into 325,000,000 ordinary shares and 56,000,000 preference shares all of Kshs 5 each.

3.3.2. The issued share capital of the Bank is KShs. 1,715,385,665 made up of 287,077,133 ordinary shares and 56,000,000 preference shares of Kshs 5 each.

3.3.3. The 56,000,000 preference shares of Kshs. 5 each are held by Standard Chartered Holdings (Africa) BV. These shares are irredeemable, rank in preference to ordinary shares in payment of dividends and on winding up, have no voting rights and are not listed. They are entitled to a dividend of 6% of issue price per annum at the discretion of the Board. They do not impose a negative pledge or cross default provision against the Company and are governed by Kenyan Law.

3.3.4. The existing capital of the Company is in conformity with applicable laws and has received all necessary authorizations. There are no proposed changes to the existing capital of the Company other than in relation to the Rights Issue as set out in the Information Memorandum.

3.4. **Ownership of Assets**

3.4.1. The Company is the registered proprietor of the immoveable properties as set out in the Statutory and General section of the Information Memorandum. Copies of the titles to these properties along with leases which the Company is party to are available for inspection at the registered offices of the Company.

3.4.2. There are no encumbrances over any of the Company's assets.

4. **Material Matters**

We note the following material matters:

4.1. **Material Litigation**

The Company is not a party to or threatened with any material litigation that has not been disclosed in the Information Memorandum.

4.2. **Material Contracts**

Save for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts which are not disclosed in the Information Memorandum. As at the date of this Information Memorandum, the Company is not in breach of any material contractual obligations.

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4.3. **Material Borrowings**

The Company has entered into a subordinated loan agreement worth USD 20 Million with Standard Chartered Bank. The loan is to be repaid in full by the 10th anniversary of the advance date, 18th August 2011. The Company may elect to repay the loan after 5 years. It is subordinated in right of repayment of principal and interest to all depositors and creditors of the company except creditors whose claims are subordinated to the claims of depositors and of other unsuboridnated creditors of the company.

4.4. **Other Material Matters**

To the best of our knowledge, there are no other material items not mentioned in the Information Memorandum of which we are aware with regard to the legal status of the Company and the Rights Issue.

5. **Consent**

We consent to the inclusion of this Opinion in the Information Memorandum to be issued for the Rights Issue in the form and context in which it appears. We confirm that we have given and, as at the date of issue of the Information Memorandum, have not withdrawn our consent to the inclusion of our Legal Opinion, being this Opinion, in the Information Memorandum.

6. **Registration**

The Information Memorandum is exempt from the provisions of Section 40(1) of the Companies Act by virtue of Section 40(6)(a) thereof. A copy of the Information Memorandum has been delivered to the Registrar of Companies at Nairobi for registration in accordance with Section 43(1) of the Companies Act.

7. **Reservations**

7.1. We express no opinion as to any document other than the material documents expressly referred to in this Opinion and the documents detailed in our legal due diligence report.

7.2. We express no opinion as to any law other than Kenyan law in force, and as interpreted, at the date of this Opinion.

7.3. We express no opinion as to any matter not stated herein.

Yours faithfully,
MBOYA WANGONG'U & WAIYAKI

PETER M. WAIYAKI
PW/cg

GODWIN WANGONG'U | GLADYS MBOYA | PETER M. WAIYAKI | DAVID MWAURA

VAT NUMBER 0140284I1 PIN NUMBER P051163306K

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Section 17: Statutory and General Information

1. Incorporation Details and History of the Company

The Company was incorporated as African Banking Corporation (East Africa) Limited on 2 September 1963 under company number C.5620. By a special resolution of the Company made on the 24 November 1986, and as evidenced by a certificate of change of name issued on 5 December 1986, African Banking Corporation (East Africa) Limited changed its name to Standard Chartered Bank Kenya Limited.

By virtue of the Standard Chartered Bank Kenya Limited, Act No. 17 of 1986, the Company acquired all the business, assets and liabilities of Standard Chartered Bank Africa PLC which had been in operations in Kenya since January 1911.

By a special resolution of the Company dated 6 October 1989, the Company was converted from private company limited by shares to a public company limited by shares and was issued with a Public Company Number C. 11/89. The Company listed its shares on the Nairobi Securities Exchange on 30 November 1989.

2. The Registered Office of Standard Chartered Bank Kenya Limited

The Registered office of Standard Chartered Bank Kenya Limited is situated at StandardChartered@Chiromo, 48 Westlands Road, Nairobi, and its postal address is Post Office Box Number 30003-00100 Nairobi.

3. Extracts from the Articles of Association

The following paragraphs are key extracts from the Articles of Association of Standard Chartered Bank Kenya Limited.

SHARE CAPITAL

5 The capital of the Company is Kenya Shillings One Thousand Nine Hundred and Five Million (KShs1,905,000,000/-) divided into Three Hundred Million (325,000,000) Ordinary Shares of Kenya Shillings Five (Kshs 5/-) each and Fifty Six Million (56,000,000) preference shares of Kenya Shillings Five (Kshs 5/-) each.

SHARES

6 Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) an equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or as otherwise provided by law) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

7 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.

8 The Company may by special resolution create and sanction the issue of Preference shares which are, or at the option of the Company are to be, liable to be redeemed, subject to and in accordance with the provisions of the Statutes. The special resolution sanctioning any such issue shall also vary by way of an addition to these Articles the terms on which and the manner in which any such Preference shares shall be redeemed.

9 If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of Three-Fourths of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting the provisions of these Articles relating to general meetings (including the manner of attending such meetings) shall mutatis mutandis apply, but so that the necessary quorum shall be two persons holding at least, or representing by proxy, one-third of the issued shares of the class and that any holder of shares in that class present in person or by proxy may demand a poll and if at an adjourned meeting of such holders a quorum is not present, the holders present shall form a quorum.

10 The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided in the terms of issue of the shares of that class, be deemed to be varied by creation or issue of further shares ranking pari passu therewith.

ALTERATION OF CAPITAL

43 The Company may, from time to time by ordinary resolution, increase the share capital by such sum as the resolution shall direct, to be divided into shares of such amount as the resolution shall direct, or, in default of such direction, as the Directors shall determine.

Section 17: Statutory and General Information

44 Subject to the provisions of these Articles, the unissued and any new shares in the capital of the Company shall be at the disposal of the Directors who may allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Directors may determine.

45 Any new shares may be offered at par, at a premium or (subject to the provisions of the Act) at a discount as the Directors may decide.

46 The new shares shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

47 The Company may, by ordinary resolution:

(a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(b) Sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provisions of the Act;

(c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any persons;

And may, by special resolution:

(d) Reduce its share capital, any capital redemption reserve fund and any share premium account in any manner and with and subject to any incidental consent authorised and required by law.

GENERAL MEETINGS

48 The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the matter as such in the notices calling it. Not more than fifteen months shall elapse between the date of one annual general meeting of the Company and that of the next. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall from time to time appoint.

49 All general meetings other than annual general meetings shall be called extraordinary general meetings.

50 The Directors may, whenever they think fit, convene an extraordinary general meeting, and they shall do so upon a requisition in writing deposited and completed in accordance with the Statutes PROVIDED THAT no requisition by a shareholder for a meeting of the Company shall be by electronic means.

VOTES OF MEMBERS

64 Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every Member present in person shall have one vote, and on a poll every Member present in person or by proxy shall have one vote for each share of which he is the holder.

DIVIDENDS AND RESERVES

115 The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

116 The Directors may from time to time pay to the Members such interim dividends (including therein the fixed dividends payable upon any preference or other shares at stated times) as appear to the Directors to be justified by the profits of the Company.

117 No dividend shall be paid otherwise than out of profits.

118 Subject to the rights of persons, if any, entitled to shares with special rights as to dividends all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid or credited as paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

119 The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Section 17: Statutory and General Information

120 Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein.

121 The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

122 Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other Company or in any one or more of such ways and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

123 Any dividend, interest or other moneys payable in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, electronically to such bank accounts or such other electronic devised modes of transfer as the shareholder may have advised and as by law recognised, in the case of joint holders to the account or other mode of the first holder named on the Register of shareholders.

124 No dividends shall bear interest against the Company.

125 Any dividend unclaimed for a period of more than Twelve years from the date of the declaration thereof may at any time thereafter be forfeited by resolution of the Directors.

4. Material and Related Party Contracts

The Company has entered into contracts with related companies as listed in paragraph 9 below (Documents available for inspection). These contracts are entered into in the ordinary course of business and are at arms' length.

Apart from contracts entered into by the Company in the ordinary course of its business and the contracts listed in paragraph 9 (o) below the Company has not entered into:

(a) any material contracts with third parties which contain any onerous covenants;

(b) any contracts that restrict the freedom of the Company to carry on its business as the Company deems fit or restrict the ability of the Company to transfer the whole or part of its business;

(c) any transaction otherwise than at arm's length; or

(d) any contracts of material capital commitments.

5. Material Litigation and Claims

Particulars of all material litigation in which the Company is involved are summarized in a document deposited at the registered office of the Company which document is available for inspection.

There are no, nor have there been any, governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the preceding twelve months, which may have or have had in the recent past significant effects on the financial position or profitability of the Company and its subsidiaries nor is the Company aware that any such proceedings are pending or threatened.

6. Material Changes in the Financial or Trading Position of Standard Chartered Bank Kenya Limited

Save as disclosed in this Information Memorandum, there have been no material changes in the financial or trading position of the Company from 31 December 2011 to the date of this Information Memorandum.

7. Material Assets

The Company has title to the following immoveable properties:

	Property Details	**Location**
1.	LR No. 4953/68/V	Thika Branch
2.	Nyeri Municipality Block I/102	Nyeri Branch
3.	LR No. 2787/1/IV	Nanyuki Branch
4.	Mombasa Block XXIV/42-44	Treasury Square Branch
5.	LR No. 4857/94, 96, 97 & 98	Migori Road
6.	Machakos Town/Block 1/61	Machakos Branch
7.	Kisumu Municipality/Block 7/324	Kisumu Branch

Section 17: Statutory and General Information

	Property Details	Location
8.	LR No. 2116/12/IV	Kitale Branch
9.	LR No. 631/57/VI	Kericho Branch
10.	LR No. 209/1000	Kenyatta Avenue Branch
11.	Eldoret Municipality/Block 7/36	Eldoret Municipality
12.	LR No. 25198/9	Head Office (Chiromo)
13.	Kiambu Block 11/74	Kiambu Branch
14.	Nakuru LR No. 451/1049	Nakuru Branch

The Company operates the following branches, agencies and offices on leased premises:

	Property details	Location
1.	L. R. No. 21919	JKIA, Nairobi
2.	Block E, Ground & Mezzanine, Unit E5	Sameer Business Park, Nairobi
3.	LR. No. 209/4295 and 4296	First floor Electricity House, Harambee Avenue
4.	LR. No. 8945/9	Ground & First floor Karen, Nairobi
5.	LR No. 209/2439/10 & 11	Ground floor Rattansi Educational Trust Building Koinange, Nairobi
6.	LR. No. 209/10828	Ground Floor Langata Shopping Centre, Langata
7.	L.R. No. 214/250	Unit 1 & 3, Ground floor Mobil Plaza, Muthaiga, Nairobi
8.	LR. No. 36/VII/56	Ground floor Eastleigh Mall/Yare Complex, Nairobi
9.	LR. No. 209/11308 & 307	Unit F 1, First floor Ukay Centre, Nairobi
10.	LR No. 209/10670	Second Floor Yaya Centre, Nairobi
11.	LR No. 209/6368/2	Westlands, Nairobi
12.	LR. No. 209/10670	Shop 5, Ground floor Yaya Centre, Nairobi
13.	LR No. 91/407	Shop AS 6, Tower A, Warwick Centre, Nairobi
14.	LR No. Meru Toen Block II/33 & 34	Ground floor Meru
15.	LR No. Mombasa Block XXI/185	Ground floor, Mombasa
16.	LR No. 209/2571,	Third and Fourth floor Ufundi Co-operative Plaza, Nairobi
17.	LR No. 209/7129,	First & Second floor, Old Wing Stanbank House, Moi Avenue, Nairobi
18.	LR No. 209/2424 & 5648	Stanbank House Moi Avenue, Nairobi
19.	LR. No. 209/12963	G1, Ground floor Taj Towers, Nairobi
20.	Subdivision 11370 Section 1 Mainland North	First floor Nyali Cinemax, Nyali
21.	Block 111/97	Kakamega Town
22.	LR No. Nairobi Block 82/8759	Greenspan Branch Nairobi
23.	Plot No. 3420	Malindi
24.	Block 111/107	Kisii Municipality Kisii
25.	L.R. No. 8874	Ruaraka Nairobi

8. Consents

Standard Investment Bank Limited, Mboya Wangong'u & Waiyaki Advocates and KPMG Kenya have consented in writing to act in the capacity stated and to their names, statements and reports being used in this Information Memorandum and have not withdrawn their consent prior to the publication of this Information Memorandum and PAL.

Section 17: Statutory and General Information

9. Documents Available for Inspection

Copies of the following documents may be inspected at the registered office of the Company during normal working hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Information Memorandum up to and including the Closing Date:

(a) A copy of this Information Memorandum and PAL;

(b) A copy of the Memorandum and Articles of Association of the Company;

(c) A copy of the shareholders' and Board of Directors' resolution increasing the Company's Authorised share capital to KShs 1,905,000,000.00;

(d) A copy of the shareholders' and Board of Directors' resolution approving the Rights Issue;

(e) A copy of the shareholders' circular for the purchase of the custody services business from Barclays Bank of Kenya Limited;

(f) The shareholders' register used to determine the Entitlement;

(g) The Legal Opinion of Mboya Wangong'u & Waiyaki Advocates;

(h) A signed copy of the Reporting Accountants Report from KPMG Kenya;

(i) Approval for the Rights Issue and listing of the New Shares from the Capital Markets Authority;

(j) Approval for Listing of the New Shares from the Committee of the Nairobi Securities Exchange;

(k) The consolidated audited accounts of the Company and its subsidiaries for the financial year ended 31 December 2011 and individual subsidiary companies audited accounts for the five years preceding the publication of the Information Memorandum, including all notes, reports or information required by the Companies Act;

(l) Unaudited financial statements of the Company for the six month period ended 30 June 2012;

(m) Audited interim financial statements of the Company for the four month period ended 30 April 2012;

(n) Particulars of all material litigation in which the Company is involved; and

(o) Copies of the following material contracts:

- Acquisition of Custody & Securities Business from Barclays Bank;
- Services Agreement with Scope International Private Limited;
- Product Supply Agreement with Furniture International Limited;
- Construction Contract with Sentrim Contractors Limited;
- Wholesale Bank Business Services Agreement with Standard Chartered PLC;
- Advisory and Services Agreement with Standard Chartered PLC;
- License Agreement with Standard Chartered Bank; and
- Inter-Group Loan Agreement with Standard Chartered Bank.

(p) All titles of properties owned by the Bank and all leases to which the Company is a party.

Section 18: Authorised Agents

1. Members of the Nairobi Securities Exchange

1.1 Licensed Investment Banks

African Alliance Kenya Securities Ltd Trans-national Plaza, 1st Floor Mama Ngina Street P. O. Box 27639 - 00506 Nairobi Tel: 2762000/2762557 securities@africanalliance.co.ke	**Suntra Investment Bank Ltd** 10th Floor, Nation Centre, Kimathi Street P. O. Box 74016 - 00200, Nairobi Tel: 2870000 info@suntra.co.ke	**Standard Investment Bank Ltd** ICEA Building, 16th Floor, Kenyatta Avenue P. O. Box 13714 - 00100, Nairobi Tel: 2228963/2228967 info@sib.co.ke
CfC Stanbic Financial Services CfC Centre, 2nd Floor Chiromo Road P.O. Box 47198 - 00100 Nairobi Tel: 3638900 csfs@stanbic.com	**Dyer & Blair Investment Bank Ltd** Pension Towers, 10th Floor Loita Street P. O. Box 45396 - 00100, Nairobi Tel: 3240000/2227803 shares@dyerandblair.com	**Renaissance Capital (Kenya) Ltd** Purshottam Place, 6th Floor Westlands Road P. O. Box 40560 - 00100 Nairobi Tel : 3682000/3754422 info@rencap.com
Faida Investment Bank Windsor House, 1st Floor, University Way P. O. Box 45236 - 00100, Nairobi Tel: 243811-13 info@fib.co.ke		

1.2 Licensed Stockbrokers

ABC Capital Ltd IPS Building, 5th Floor Kimathi Street P. O. Box 34137 - 00100, Nairobi Tel: 2246036/2245971 headoffice@abccapital.co.ke	**AIB Capital Limited** Finance House, 9th Floor Loita Street P. O. Box 11019 - 00100, Nairobi Tel: 2210178/2212989 info@aibcapital.com	**Kingdom Securities Limited** Co-operative House, 5th Floor, Haile Selassie Avenue P. O. Box 48231- 00100, Nairobi Tel : 3276000 info@kingdomsecurities.co.ke
Genghis Capital Ltd Prudential Building, 5th Floor, Wabera Street P.O. Box 1670 - 00100, Nairobi Tel: 2337535/36 info@gencap.co.ke	**NIC Securities Ltd** NIC House, Masaba Road P. O. Box 63046 - 00200, Nairobi Tel: 2016482/3 info@nic-securities.com	**Old Mutual Securities Limited** 6th Floor, IPS Building, Kimathi Street P. O. Box 50338 - 00200, Nairobi Tel: 2241350/4/79 oms@oldmutualkenya.com
Apex Africa Capital Ltd Rehani House, 4th Floor, Koinange Street P. O. Box 43676 - 00100, Nairobi Tel: 242170/2220517 invest@apexafrica.com	**Drummond Investment Bank Ltd** Hughes Building, 2nd Floor, Kenyatta Avenue, P. O. Box 45465 - 00100, Nairobi Tel: 318690/318689 Info@drummond.com	**Kestrel Capital (EA) Ltd** ICEA Building, 5th Floor, Kenyatta Avenue P. O. Box 40005 - 00100, Nairobi Tel: 2251758/2251893 info@kestrelcapital.com
Sterling Capital Ltd Finance House, 11th Floor, Loita Street P. O. Box 45080 - 00100, Nairobi Tel: 2213914/244077 info@sterlingib.com		

Section 18: Authorised Agents

2. Branches of Standard Chartered Bank Kenya Limited

S.No.	Branch Name	Branch Location	City/Town
1.	Chiromo	48 Westlands Road P. O. Box 30003 Code 00100 Nairobi	Nairobi
2.	Eastleigh	Yare/Millennium Mall, General Waruinge Rd, 1st Avenue P. O. Box 30003 Code 00100 Nairobi	Nairobi
3.	Eldoret	Uganda House, Kenyatta Avenue P. O. Box 7 Code 30100 Eldoret	Eldoret
4.	Greenspan Branch	Green Span Mall, 1st Floor P. O. Box 30003 Code 00100 Nairobi	Nairobi
5.	Harambee Avenue	Electricity House, Harambee Avenue P. O. Box 20063 Code 00200 Nairobi	Nairobi
6.	Industrial Area	Sameer Business Park P. O. Box 18081 Code 00500 Nairobi	Nairobi
7.	Kakamega	Cannon Awori Street P. O. Box 292 Code 50100 Kakamega	Kakamega
8.	Karen	Karen Shopping Centre, Ngong Road P. O. Box 24601 Code 00502 Nairobi	Nairobi
9.	Kenyatta Avenue	SCB Building, Kenyatta Avenue P. O. Box 30001 Code 00100 Nairobi	Nairobi
10.	Kericho	Nakuru - Kisumu Road P. O. Box 145 Code 20200 Kericho	Kericho
11.	Kiambu	Biashara Street P. O. Box 117 Code 900 Kiambu	Kiambu
12.	Kisii	Dakianga Building, Hospital Road P. O. Box 1769 Code 40200 Kisii	Kisii
13.	Kisumu	Oginga Odinga Road P. O. Box 354 Code 40100 Kisumu	Kisumu
14.	Kitale	Kenyatta Street P. O. Box 66 Code 30200 Kitale	Kitale
15.	Koinange street	Rattansi Building, Koinange Street P. O. Box 44865 Code 00100 Nairobi	Nairobi

Section 18: Authorised Agents

S.No.	Branch Name	Branch Location	City/Town
16.	Langata	Langata Shopping Centre, Langata Rd P. O. Box 20153 Code 00200 Nairobi	Nairobi
17.	Machakos	Machakos Town, Mwatu Wa Ngoma Road P. O. Box 29 Code 90100 Machakos	Machakos
18.	Malindi	Lamu Road P. O. Box 8 Code 80200 Malindi	Malindi
19.	Maritime House	Maritime Hse - Moi Avenue P. O. Box 90670 Code 80100 Mombasa	Mombasa
20.	Meru	Harambee Street P. O. Box 109 Code 60200 Meru	Meru
21.	Moi Avenue	Stanbank Hse, Moi Avenue P. O. Box 72585 Code 00200 Nairobi	Nairobi
22.	Muthaiga	Mobil Plaza, 1st Floor, Muthaiga Road P. O. Box 64355 Code 619 Nairobi	Nairobi
23.	Nakuru	Kenyatta Avenue P. O. Box 10 Code 20100 Nakuru	Nakuru
24.	Nanyuki	Kenyatta Highway P. O. Box 150 Code 10400 Nanyuki	Nanyuki
25.	Nyali	Nyali Cinemax, Main Nyali Road P. O. Box 90170 Code 80100 Mombasa	Mombasa
26.	Nyeri	Kenyatta Road P. O. Box 1 Code 10100 Nyeri	Nyeri
27.	Ruaraka	Off Thika Road P. O. Box 32886 Code 00600 Nairobi	Nairobi
28.	Thika	Commercial Street P. O. Box 300 Code 01000 Thika	Thika
29.	Treasury Square	Nkurumah Road P. O. Box 90170 Code 80100 Mombasa	Mombasa
30.	Upper Hill	Taj Mall Towers, Upper Hill Road P. O. Box 30003 Code 00100 Nairobi	Nairobi

Section 18: Authorised Agents

S.No.	Branch Name	Branch Location	City/Town
31.	Ukay Centre	Ukay Centre, Ring Road/Mwanzi Road, Westlands P. O. Box 30003 Code 00100 Nairobi	Nairobi
32.	Westlands	Agip House, Woodvale Grove Road – Westlands P. O. Box 76175 Code 00800 Nairobi	Nairobi
33.	Yaya Centre	Yaya Centre, Argwings Kodhek Road P. O. Box 76175 Code 00508 Nairobi	Nairobi

Appendix A: Provisional Allotment Letter

OFFICIAL USE ONLY

STANDARD CHARTERED BANK KENYA LIMITED RIGHTS ISSUE
PROVISIONAL ALLOTMENT LETTER

PAL Number:

DO NOT WRITE HERE

AUTHORISED AGENT CODE	**AGENT'S STAMP**		**BOX (1)** Ordinary Shares in your name as at 19 September 2012
SHAREHOLDER'S NAME(S) & ADDRESS:	**Certificated A/c No.**	**CDS A/c No.**	**BOX (2)** No. of New Shares provisionally allotted to you
	ID. No. (One for each Joint Holder)		**BOX (3) (KShs)** Amount payable in full on acceptance by 3.00pm on 26 October 2012
	1.		
	2.		

PAYMENT METHOD AND DETAILS – COMPLETE ONLY 1

Direct Amount Payment		Chq/Ref Number		Bank Name & Branch		CDSC Pledge Form 5 No.	
Agent's Payment (GPS)	Tick here if your Selling Agent will forward payment on your behalf		**Irrevocable Bank Guarantee (IBG)**	Tick here if you will pay by IBG. Only valid for amounts 1,000,000 and above		**Financed Applications Only**	Financing Bank & Branch

READ CAREFULLY AND COMPLETE ONLY ONE PART ("PART 1" OR "PART 2")

"PART 1 A" – FULL ACCEPTANCE OF NEW SHARES *(For use by a qualifying shareholder who is accepting **ALL** the new shares as specified in Box 2 above.)* I/We hereby accept in full, subject to the terms of the Information Memorandum dated 28 September 2012, this PAL and the Memorandum and Articles of Standard Chartered Bank Kenya Limited, the number of new shares specified above in Box (2) and for the value set out in Box (3) above.

BOX (4) Full Acceptance of New Shares as per **BOX (2)**	**BOX (5) (KShs)** Amount for Full Acceptance as per **BOX (3)**

"PART 1 B": OPTIONAL: APPLICATION FOR ADDITIONALSHARES Having accepted all the new shares in PART 1 A above, I / We hereby apply for Additional New Shares, subject to the terms of the Information Memorandum dated 28 September 2012, this PAL and the Memorandum and Articles of Standard Chartered Bank Kenya Limited, the number of Additional New Shares specified in Box (6) and multiplied by KShs 145 per new share giving the value set out in Box (7) herein, on the understanding that a lesser number of shares or none of the additional new shares may be allotted to me / us and any refund amount sent to the Authorised Agent. I/We have indicated herein the total number of New Shares in Box (8), comprising the Full Acceptance in Box (4) and Additional New Shares applied for, if any, in Box (6). I/We have made payment in full, shown in Box (9) to my/our Authorised Agent.

BOX (6) Additional New Shares	**BOX (7) (KShs)** Amount for Additional New Shares
BOX (8) Total of BOX (4) + BOX (6)	**BOX (9) (KShs)** Total of BOX (5) + BOX (7)

PARTIAL ACCEPTANCE OF NEW SHARES – "PART 2"

PARTIAL ACCEPTANCE OF NEW SHARES *(For use by a Shareholder with a provisional allotment, as specified in BOX (2) above, who is accepting a portion of the New Shares).*

BOX (10) Partial Acceptance of New Shares	**BOX (11) (KShs)** Amount for Partial Acceptance

I/We hereby accept in part, subject to the Information Memorandum dated 28 September 2012, this PAL and the Memorandum and Articles of Standard Chartered Bank Kenya Limited, the number of New Shares specified in **Box (10)** and multiplied by **KShs 145** per new share giving the value set out in **Box (11)** herein.

IMMOBILISATION FOR TRADING IN THE RIGHTS "PART 3" – SELECT BY TICKING HERE

(*For use by qualifying shareholders with a provisional allotment of New Shares as specified in Box (2) above, who wish to deposit them at the CDSC for Trading in Rights at the NSE.*) I/We hereby wish to immobilise in full my/our provisional allotment, through my/our Authorised Agent, subject to the terms of the Information Memorandum dated 28 September 2012, this PAL and the Memorandum and Articles of Standard Chartered Bank Limited, the number of shares specified in Box (2).

NOTE:

(1) For immobilisation, this PAL should be attached to CDS1 and CDS2 Forms and then be submitted to CDSC through your Authorised Agent before 15 October 2012.
(2) Trading in the Rights will commence on 9 October 2012 and close at 3.00 pm on 18 October 2012.
(3) For purposes of Payment and Registration of New Shares in your CDS Rights account at the close of trading, you MUST receive the Form of Entitlement ("Form E") through your Authorised Agent, on or before 26 October 2012.

Please Indicate your email address and mobile telephone number in the space provided.

Email:.. Mobile No:... Please tick if you would like this information updated to your CDS Account

Qualifying Shareholder(s) or Authorised Attorneys' Signature(s). (All joint holders must sign).

SIGNATURE 1:...
Holder/Joint Holder/Attorney/Co. Official (Delete Inapplicable)

SIGNATURE 2:...
Holder/Joint Holder/Attorney/Co. Official (Delete Inapplicable)

ID NUMBER:.......................................DATE:.....................................

ID NUMBER:.......................................DATE:.................................

Company Seal

PROOF OF DELIVERY TO AGENT

Agent Stamp

Standard Chartered Bank Kenya Limited Rights Issue PAL No:

Received by:...
NAME & SIGNATURE OF AUTHORISED AGENT REPRESENTATIVE

....
DATE

Appendix A: Provisional Allotment Letter

INSTRUCTIONS

If you do not wish to take action on your Rights, do not submit this form to your Authorised Agent. Your Rights will lapse and be disposed off as per the Information Memorandum accompanying this PAL. If you wish to take action, please follow the steps below.

Please complete the payment options as below:

If you are making a direct payment by way of Banker's Cheque/ RTGS, please make sure to include the Amount payable, the cheque/RTGS Ref number, the bank name and branch in the area captioned Direct Payment. **Please make cheques payable to: SCB KENYA RIGHTS ISSUE-PAL <insert your number here>. For RTGS please contact your Authorised Agent**. <u>DO NOT</u> include the KShs 30 CDSC levy as this is payable directly to your Authorised Agent.

If you are paying your agent directly by any acceptable means, your agent will thereafter forward payment to the receiving bank, put a tick in the box labelled **Agent's Payment (GPS)**

If your application is financed, please indicate the financier details, i.e. bank name and branch, and insert the CDSC pledge form 5 Serial No. in the space provided.

If your application either in total for acceptance or the total of the acceptance of New Shares and Additional New Shares is KShs 1,000,000.00 or above, you may submit payment by Irrevocable Bank Guarantee ("IBG"). If this is the payment method you will use, place a tick in the box labelled **Irrevocable Bank Guarantee (IBG)**, and attach the IBG as defined in the information memorandum to this PAL. THEN:

Please fill out EITHER Part 1 or Part 2

PART 1: FULL ACCEPTANCE and optional application for additional new shares

This PART should only be filled out if:

- You wish to accept all of your rights, and optionally apply for additional New Shares follow the steps below, otherwise, follow the steps under "PART 2".

a. Enter the number of New Shares you are accepting in Box(4). Copy this number exactly for Box(2)
b. Enter the amount for the New Shares you are accepting in Box(5). Copy this number from Box(3).
c. If you wish to **purchase additional New Shares**, follow the directions below. Otherwise, please skip to instruction (d)

- To apply for **additional New Shares** fill in the box labelled Box (6), with the number of **additional New Shares** that you would like to purchase. **Please note** that shareholders may receive none or a lesser amount of **additional New Shares** for which they have applied.
- Fill in the amount due for these additional new shares in Box(7). To calculate the amount due, multiply the number in Box(6) by KShs 145 per new share.

d. If you have chosen not to purchase additional New Shares, write 0 in both Box(6) and Box(7).
e. Fill out the total number of New Shares accepted/applied for in Box(8). You should add the values of Box(4) and Box(6). i.e. Box(8) =Box(4)+Box(6).
f. Fill out the total value of New Shares accepted/applied for in box(9). You should add the values of Box(5) and box(7). i.e.Box(9)=Box(5)+Box(7).
g. Once you have accepted your rights in full, you cannot sell the rights on the market.
h. Please sign the form in the section provide. Please ensure that all joint shareholders sign the form.

For Institutions Please Ensure:
Please ensure that the form is signed by: Two directors + the company seal affixed OR: one director,+ Company Secretary+ the company seal is affixed.

i. Complete the box labelled payment details at the top of the form. See instructions above for more details
j. **You must ensure this PAL and payment arrives at the Receiving Bank, either directly or through your Authorized Agent on or before 3.00 p.m. on 26 October 2012**

PART 2: PARTIAL ACCEPTANCE

This PART should only be filled out if:

- You wish to accept ONLY A PORTION of the New Shares to which you are entitled AND/OR
- You may trade in the remaining Rights.

a. Ignore PART 1(Both Section A & B).
b. Enter number of New Shares you would like to accept into Box (10) of the PAL. This number must be less than the number shown in Box (2) of the PAL.
c. Enter the amount due for the New Shares in Box (11) on the PAL. To calculate this amount:

- Multiply the number appearing in Box(10) on the PAL with KShs 145
- Write the number calculated above in Box (11) on the PAL.

d. Complete the box labelled payment method and details at the top front of this form. See instructions above for more details.
e. Please sign the form in the section provided. Please ensure that all joint shareholders sign the form.

You must ensure this PAL and payment arrives at the Receiving Bank, either directly or through your Authorized Agent on or before 3.00 p.m. on 26 October 2012

For Finance Applications:

Please ensure that the Financing Bank and branch as well as the bank code are correctly recorded on the PAL. Any refunds due on Financed PALs will be forwarded directly to the financing bank as recorded on the form. You MUST complete FORM CDS 5 and record the CDS Form 5 Serial No. in the appropriate location on this PAL.

DELIVERY RECEIPT:

You MUST ask your Authorized Agent to tear off and give you the perforated section of this application form as proof of delivery of the PAL to the Agent. The Receipt must be stamped on the reverse by the accepting authorized agent, and should be used for purposes of tracking your PAL.

IN ALL CASES you must ensure this PAL and payment arrives at the Receiving Bank, either directly or through your Authorized Agent on or before 3.00 p.m. on 26 October 2012.

Appendix B: Letter of Payment Guarantee

Standard Chartered Bank Kenya Limited Rights Issue 2012

FORM OF GUARANTEE

[To be typed on the letter head of commercial bank guaranteeing the transaction]

Date:

The Chief Executive Officer
Standard Chartered Bank Limited
P.O. Box 30003 - 00100
Nairobi

Dear Sirs

STANDARD CHARTERED BANK KENYA LIMITED - RIGHTS ISSUE
GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF SHARES TO *[name of INVESTOR]*

WHEREAS .... ('the Investor") has by an application form dated [dd] [mm] 2012 applied for [ ] Additional Shares in the Standard Chartered Bank Kenya Limited ("Standard Chartered") Rights Issue as set out in the Information Memorandum ("IM") dated 28 September 2012. Capitalized terms used in this Guarantee shall have the meaning and interpretation given to such terms in the Standard Chartered IM.

AND WHEREAS it has been stipulated by you in the Standard Chartered IM that the Investor shall furnish you with an irrevocable on demand guarantee for the full value of the price of the Additional Shares.

AND WHEREAS we (name of Guarantor) have agreed to give this Guarantee:

NOW at the request of the Investor and in consideration of your allocating to the Investor the Additional Shares or such lesser number as you shall in your absolute discretion determine, we hereby irrevocably undertake to pay you, promptly upon your first written demand declaring the Investor to be in default and without delay or argument, such sum as may be demanded by you up to a maximum sum of Kenya Shillings ___________________ without your
needing to prove or to show grounds or reasons for your demand or the sum specified therein.

This Guarantee will remain in force up to and including 5.00 p.m. on 16 November 2012 and any demand in respect thereof should reach us not later than the above date and time.

This Guarantee shall be governed and construed in accordance with the laws of Kenya.

[Due execution by authorized signatories]

Appendix C: Form Z

STANDARD CHARTERED BANK KENYA LIMITED RIGHTS ISSUE - FORM Z- APPOINTMENT OF ATTORNEY

AUTHORISED AGENT STAMP	AUTHORISED AGENT CODE	APPOINTMENT OF ATTORNEY (FORM Z) NO.

This document is important and needs to be attached to the PAL or Form R. Please consult your preferred advisor and read the Information Memorandum dated 28 September 2012	CDS ACCOUNT NUMBER/ ACCOUNT NUMBER	**PAL No**
DETAILS OF ELIGIBLE SHAREHOLDERS	[•]	

FORM Z

- This Form Z is only for Eligible Shareholders who wish to appoint entirely at their own risk an attorney to act on their behalf.

APPOINTMENT OF ATTORNEY

To: The Directors, Standard Chartered Bank Limited:

This Appointment of Attorney is limited in respect of the Standard Chartered Bank Limited Rights Issue.

I/We hereby accept, subject to the terms of the Information Memorandum, the PAL and the Memorandum and Articles of Association of Standard Chartered Bank Kenya Limited, to appoint the persons as named in Attorney Details below ('Attorney') to be my/our attorney in my/our name and on my/our behalf, to effect sale/purchase/renunciation of the New Shares provisionally allotted to me/us or any part thereof and/or obtain Entitlement and Acceptance Forms on request, complete any forms in connection with my Rights and to do all or acts which the Attorney thinks fit with regard to any and all Entitlement and Acceptance Forms or other forms. I/We agree to ratify everything the Attorney does or purports to do in accordance with this Appointment of Attorney and to indemnify the Attorney against all claims and liabilities arising out of anything lawfully done by the Attorney. This power shall remain irrevocable until 16 November 2012. Accordingly, I/we have signed below.

SIGNATURE OF ELIGIBLE SHAREHOLDER

(1) Signature & ID/Passport No. & Date	(2) Signature & ID/Passport No. & Date	(3) Company Seal/Stamp

ATTORNEY DETAILS

(1) Name & ID/Passport No. & Date	(2) Name & ID/Passport No. & Date	(3) Address and Telephone No.

SIGNATURE OF ATTORNEY

1) Signature & ID/Passport No. & Date	(2) Signature & ID/Passport No. & Date	(3) Company Seal/Stamp

Appendix D: Form R

STANDARD CHARTERED BANK KENYA LIMITED RIGHTS ISSUE - FORM R- FORM OF RENUNCIATION FOR PRIVATE TRANSFERS

Agent Stamp & Name	Agent Code

Direct Transfer (Renunciation):
I/We hereby renounce my/our Rights to subscribe for the New Ordinary Shares on the attached Provisional Allotment Letter (PAL), details of which appear herein to the person(s) named as Renouncee(s) and for the amount shown on this form. I/We certify that this transfer is made for no consideration as per the terms set out in the Information Memorandum. I/We further agree that any unrenounced Provisionally Alloted Rights on the PAL will lapse.

BOX 1 PAL NUMBER	BOX 2 Number of Rights/ Shares to be Renounced	BOX 3 Amount Payable for Renounced Rights / Shares on acceptance by 3.00 p.m. on 15 October 2012

Renouncer's Full Name			
Renouncer's Full Mailing Address and Email address			
Renouncer's ID / Passport Number			
Renouncer's Signatures as per Mandate	Renouncer Signature 1	Joint Renouncer Signature 2	Joint Renouncer Signature 3 / Company Seal

RENOUNCEE'S DETAILS

Renouncee's Full Name		
Renouncee's Full Mailing Address and Email address		
Renouncee's ID / Passport Number & Place of Issue		Resident of:
Renouncee's Relationship to Renouncer		

Direct Transfer (Renunciation):
I/We hereby accept in full, subject to the terms of the Information Memorandum dated 28 September 2012 this Form of Renunciation, the attached PAL and the Memorandum and Articles of Association of Standard Chartered Bank Kenya Limited, the number of Rights specified in Box 4, and for the value set out in Box 5. I/We have made the payment in full as shown in Box 5 to Standard Chartered Bank Kenya Limited.

Box 4 Acceptance of Rights/Shares as per Box 2	Box 5 For the value of (Multiply value in Box 4 by KShs 145

PAYMENT METHOD AND DETAILS – COMPLETE ONLY 1

Direct Payment	**Amount**		Chq/Ref Number		Bank Name & Branch			
Agent's Payment (GPS)	Tick here if your Selling Agent will forward payment on your behalf ➤		**Irrevocable Bank Guarantee (IBG)**	Tick here if you will pay by IBG. Only valid for amounts 1,000,000 and above ➤		**Financed Applications Only**	Financing Bank & Branch	

Renouncee's Signatures as per Mandate	Renouncee Signature 1	Joint Renouncee Signature 2	Joint Renouncee Signature 3 / Company Seal

Appendix D: Form R

NOTES TO THE ELIGIBLE SHAREHOLDERS/RENOUNCEES

Eligible Shareholders/Renouncees should read the Information Memorandum, the Provisional Allotment Letter and this Form R before deciding whether to renounce and accept their Rights and exercising the options available to them. Terms defined in the Information Memorandum shall, where applicable, apply herein.

The Rights are renounceable. Accordingly, Eligible Shareholders may elect to (a) give up their Rights in full or in part or (b) transfer their rights in full or in part (c) sell their Rights in full or in part, all in accordance with the procedures set out below.

1.8.5 Renunciation by way of Trading in the Rights

(a) The Rights constitute a security in the form of an option and are tradable on the NSE for a value but only by Eligible Shareholders with CDS Accounts. The Rights shall be listed under the MIMS.

(b) Eligible Shareholders will be notified of their Rights through the PAL.

(c) In addition, Eligible Shareholders with CDS Accounts will have such accounts credited with their Rights.

(d) Only Eligible Shareholders with CDS Accounts will be permitted to trade in Rights. In such an event, Eligible Shareholders who wish to renounce some or all of their Rights in this way may instruct any Authorised Agent to dispose off any or all of such Rights by way of sale on the NSE.

(e) Eligible Shareholders without CDS Accounts who wish to trade in Rights in this way must first open CDS Accounts and immobilise such Rights prior to trading and must duly complete the section entitled "Immobilisation for trading in the Rights" (PART 3) as well as other relevant sections of the PAL. The CDS Account opening forms may be obtained from any Authorised Agent. Eligible Shareholders who wish to immobilise their PAL for purposes of trading in Rights must ensure they do so before 15 October 2012

(f) Rights may be traded on the NSE from 9 October 2012 to 18 October 2012.

(g) Please note that trading of Rights on the NSE will attract a brokerage commission plus other statutory costs payable by the seller and buyer of such Rights.

(h) The CMA and NSE have approved the trading of Rights.

1.8.6 Renunciation by way of Private Transfer

(a) Eligible Shareholders wishing to transfer their Rights to a particular Renouncee may do so by way of private transfer, subject to (a) Section 31 of the Capital Markets Act (b) Regulations 57 to 61 of the Capital Markets (Licensing Requirements) General (Amendment) Regulations 2002 and (c) Rule 31 of the Central Depository Rules, 2004. Regulation 57 allows a transfer, inter alia, of Rights by an Eligible Shareholder to a close relation in the form of a gift. In such a case, any Authorised Agent, being a stockbroker, is required to assess, endorse and submit to the NSE a written application for such a transfer with the required information and supporting documents stating the reason for the proposed private transfer. A close relation means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, son-in-law, daughter-in-law, mother-in-law, brother-in-law, son-in-law, grandchild or spouse of a grandchild.

(b) In order to effect a private transfer, an Eligible Shareholder must duly complete a CDS Form 7 (in the case of Eligible Shareholders with CDS Accounts), while those Eligible Shareholders without CDS Accounts may renounce their shares by way of FORM R. Eligible Shareholders who have CDS Accounts may only transfer Rights in favour of a Renouncee with a CDS Account.

(c) The last date and time for renunciation by way of private transfer is 3.00 pm on 15 October 2012.

(d) Eligible Shareholders are advised to contact any Authorised Agent for the purposes of effecting the renunciation by way of private transfer.

(e) If an Eligible Shareholder accepts some of his Rights and renounces the remainder by way of private transfer in the manner specified in this paragraph 1.8.2 (Renunciation by way of Private Transfer), and where such renunciation is done via CDS Form 7 such Eligible Shareholder shall be required to submit the Entitlement and Acceptance Form in addition to the resulting FORM E, both duly completed and signed and accompanied with the Application Money in connection with the Accepted Rights to the Receiving Bank or the relevant Authorised Agent not later than 3.00 pm on 26 October 2012. Eligible Shareholders without CDS Accounts who wish to accept a partial number of rights and renounce the remainder by way of private transfer, or who wish to renounce to more than one person are advised to immobilise their Rights as set out in paragraph 1.8.1 (e) above.

1.8.7 Renunciation by declining

Eligible Shareholders who wish to decline their Rights need not do anything. Any Rights not taken up by such Eligible Shareholders will form part of the Untaken Rights.

1.8.8 Restriction on Renunciation of Rights

Paragraph 1.14 (Regulatory Restrictions) of this Section sets out certain regulatory restrictions and obligations that may be relevant to any Eligible Shareholder or Renouncee.

Please note that any renunciation by way of trading of Rights through NSE or by way of private transfer of Rights in accordance with paragraph 1.8.1 (Renunciation by way of Trading in Rights) and paragraph 1.8.2 (Renunciation by way of Private Transfer) of this Section is only permitted if such renunciation does not trigger the said regulatory restrictions and obligations.

STANDARD CHARTRED BANK (KENYA) LTD RIGHTS ISSUE - FORM OF		**FORM - E**
Agent Name & Stamp	**Agent Code**	FORM E SERIAL NUMBER

DETAILS OF THE APPLICANT(S):	APPLICANT'S CITIZENSHIP. KINDLY TICK IN THE APPROPRIATE BOX BELOW				**TEL NO:**
	KENYA	UGANDA	TANZANIA	OTHER	....
FULL NAMES:					
CDS ACCOUNT DETAILS:	CDA ID	Client Account Number (Discard the leading zeros)		Client Type	

Read carefully and complete PART 1 or PART 2

	BOX (1) NUMBER OF RIGHTS AVAILABLE IN YOUR CDS ACCOUNT	**BOX (2)** AMOUNT PAYABLE ON FULL ACCEPTANCE BY 3.00 P.M. ON OR BEFORE 27th April 2012
FULL ACCEPTANCE OF ENTITLEMENT SHARES "PART 1A" I/We hereby accept in full subject to the terms of the Information Memorandum dated 28 September 2012, this Form E and the Memorandum and Articles of Association of Standard Chartered Bank Kenya Limited, the number of New Shares specified in Box (1) and for value set out in BOX (2).		
	BOX (3) I/We wish to apply for Additional New Shares shown here below:	**BOX (4)** Amount for purchase of Additional New Shares
APPLICATION FOR ADDITIONAL NEW SHARES "PART 1B" (Optional) Having accepted all the new shares in "PART 1A" above, I/We hereby apply for Additional New Shares, subject to the terms of the Information Memorandum dated 28 September 2012, this Form E and the Memorandum and Articles of Association of Standard Chartered Bank Kenya Limited, the number of Additional New Shares specified in BOX (3) and multiplied by KES 145 per New Share giving the value set out in BOX (4) herein, on the understanding that a lesser number or none of the Additional New Shares may be allocated to me/us and any refund amount will be sent via the submitting Authorised Agent.		
	BOX (5) Total number of New shares I/We are applying for (BOX1 + BOX3)	**BOX (6)** Total Amount for New Shares (BOX2 + BOX4)
Total Payment Due (PART 1) I/We have indicated herein the total number of New Shares in BOX (5), Comprising the Full Acceptance in BOX (1) and Additional New Shares applied for, if any, in BOX (3). I/we have made the payment in full, shown in BOX (6), to my/our Authorised Agent.		

	BOX (7) Partial Number of New Shares that I/We are applying for	**BOX (8)** Total Amount for New Shares In Box 7
PARTIAL ACCEPTANCE OF NEW SHARES "PART 2" For use by a Qualifying Shareholder with a provisional allotment as specified in BOX 2 above, who is accepting a portion of the New Shares. I/We hereby accept in part, subject to the terms of the Information Memorandum dated 29 September March 2012, this Form E and the Memorandum and Articles of Association of Standard Chartered Bank Kenya Limited, the number of New Shares specified in BOX (7) and multiplied by KES 145 per New Share giving the value set out in BOX (8) herein. I/We have indicated herein the number of New Shares I/We wish to partially accept for which I/we have made the payment in full, shown in BOX (8), to my/our Authorised Agent.		
	IMPORTANT! **IF YOU RECEIVED A PAL THEN PLEASE ENSURE THAT YOU HAVE SUBMITTED IT SINCE UNTAKEN RIGHTS ON YOUR PAL ARE NOT INCLUDED HERE**	

PAYMENT DETAILS

	IF you prefer making a GLOBAL PAYMENT (combined with other applicants) through your Agent, arrange with your Agent & tick (√)	You are required to pay a SEPARATE additional KES 30/- through your Agent. However, if the 30/- is INCLUDED in the payment above tick (√) here →	
	← **BANK GUARANTEE** Tick	Where payment is financed, insert CDSC Pledge Form 5 Serial No. →	

Applicant's Bankers' Cheque Details:	Bank's Name:	Bank Code:	Branch Name:	Branch Code:	Cheque No.	Cheque Amount (KES):

Qualifying Investor(s) or Authorised Attorneys signature(s). (All joint holders must sign)

Signature: ____________________ Signature: ____________________

ID/ PP No. ____________________ ID/PP No. ____________________
(Attach a copy) (Attach a copy)

Date: ____________________ Date: ____________________ Company Seal

ENDORSMENT BY AUTHORISED SELLING AGENT: **We confirm all the above details and sign as below**

(1) Signature & ID/PP No. & Date	(2) Signature & ID/PP No. & Date	(3) Stamp

Appendix E: Form E

NOTES TO THE PURCHASER OF RIGHTS

1. If you have sold or transferred all your Rights in Standard Chartered Bank Kenya Limited, please return this Form E and the Information Memorandum to the stockbroker or agent through whom the sale or transfer was effected.
2. Purchasers of Rights should read the Information Memorandum that accompanies this Form E before deciding whether to take up their Rights and exercising the options available to them. Terms defined in the Information Memorandum shall, where applicable, apply herein.
3. Instructions for Completion
   (refer to Section 9 of the Information Memorandum for detailed information)
   a) To accept your Entitlement in full, use this Form E, make payment (including KShs 30 if you have a CDS Account), sign at the bottom and deliver to your Authorised Agent on or before 3:00 p.m. on 26 October 2012.
   b) To accept your Entitlement in full and apply for Additional Shares, use this Form E, fill in the number of Additional Shares and the corresponding Amount Payable (by multiplying by KShs 145 per Additional Share). Then fill in the Total New Shares (add Entitlement and no of Additional Shares) and Total Amount Payable (add Amount Payable in Full Acceptance of New Shares and Amount Payable for Additional Shares), make total payment (including KShs 30 if you have a CDS Account), complete the Refund Details section, sign at the bottom and deliver to your Authorised Agent on or before 3:00 p.m. on 26 October 2012. If payment for the Additional Shares is via an irrevocable bank guarantee (see Annexure VI of the Information Memorandum), tick the appropriate box in Additional Shares, make a photocopy of the guarantee for yourself and staple the guarantee to this Form E when handing over to the Authorised Agent.
   c) To accept your Entitlement in part and do nothing with the balance, use this Form E, fill in Partial Acceptance of New Shares and the corresponding Amount Payable (by multiplying by KShs 145 per partial New Share). Then make payment (including KShs 30 if you have a CDS Account), sign at the bottom and deliver to your Authorised Agent on or before 3:00 p.m. on 26 October 2012.
   d) To accept your Entitlement in part and sell the balance (or portion of the balance) Rights on the NSE, use this Form E and fill in Partial Acceptance of New Shares section on this Form E and the corresponding Amount Payable (by multiplying by KShs 145 per New Share), make payment (including KShs 30 if you have a CDS Account), sign at the bottom and deliver to your Authorised Agent on or before 3:00 p.m. on 26 October 2012. For the balance/portion of the balance Rights, give a sale order to your Authorised Agent (last date for trading in Rights is 3.00 p.m. on 18 October 2012.
   e) If you take no action on or before 3:00 p.m. on 26 October 2012 the Rights will lapse.
   f) If a banker's cheque or EFT or RTGS is not being used to make payment then tick Global Payment via Authorised Agent section in the Payment Details section.
   g) If a Lender is financing the take-up of Rights, then fill in the CDS Pledge Form 5 Serial No in the Payment Details section, make a photocopy for your records and staple the form to this Form E.