



PRESS RELEASE

BANK SUPERVISION ANNUAL REPORT 2009

Nairobi, Kenya (7 May 2010) – The Central Bank of Kenya (CBK) has today released the Bank Supervision Annual Report for 2009. The report which can be downloaded from www.centralbank.go.ke reviews the performance of the banking sector in 2009 and also highlights other significant developments. Releasing the report, the Governor of the Central Bank of Kenya, Professor Njuguna Ndung'u noted that, "The banking sector demonstrated its' resilience with a commendable performance in 2009. The asset base of the sector increased by 14 percent from Ksh. 1.18 trillion in December 2008 to Ksh. 1.35 trillion in December 2009. The sector also registered an increase in pre-tax profit by 13 percent to stand at Ksh. 48.9 billion in 2009. This performance was registered in the midst of global and local shocks. On the global scene, the after effects of the global financial crisis that escalated in 2008 washed up on the Kenyan shore. On the domestic arena, a crippling drought and power rationing in the second half of the year dampened the growth prospects for the Kenyan economy."

The resilient performance is largely attributable to the enabling legal and regulatory environment put in place by the Central Bank and the Government and robust risk management frameworks adopted by banks. The report also highlights other notable developments in the legal and regulatory framework in 2009. These include the operationalization of Banking (Credit Reference Bureau) Regulations, enactment of the Proceeds of Crime and Money Laundering Act and the introduction of agent banking through the Finance Act of 2009. The Credit Reference Bureau regulations will facilitate the creation of information capital for more Kenyans to access affordable credit. Conversely, the Anti Money Laundering Act will reduce the vulnerability of Kenya's financial sector to potential abuse.

On the financial inclusion front, the introduction of the agent banking model will enhance financial reach and depth of the Kenyan banking sector. The National Financial Access Survey of 2009 indicated that the sector only currently serves 23% of the bankable population. There is therefore considerable scope for the sector to increase its' outreach through cost effective delivery channels such as the use of third party agents. The licensing of the first deposit taking microfinance institution in May 2009 is also noteworthy in the quest for increased financial inclusion for Kenyans. Deposit Taking Microfinance Institutions regulated by CBK are expected to target the financially underserved and unserved Kenyans particularly in rural and peri-urban areas.

Commenting on the sector's outlook for 2010, the Governor indicated that, "the sector is expected to regain its' growth momentum on the back of economic recovery. New opportunities are also expected to emerge with the coming into effect

of the East African Common Market Protocol in July 2010. The protocol will facilitate the expansion of Kenyan banks into the region. Accordingly, banks are expected to source for additional capital to tap these regional opportunities. Locally, competition is expected to intensify as banks downstream and well established Pan African and international banking brands establish their presence in Kenya. These market dynamics could see a move towards mergers and strategic alliances.”

The Central Bank remains committed to working with the Government and market players to create an enabling environment for the banking sector to play its’ mandate of financing the country’s development aspirations. Vision 2030 envisages the banking sector playing a pivotal role in financing the various initiatives that are key to Kenya graduating to a middle income country.

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