

CENTRAL BANK OF KENYA



Remarks by

**PROF. NJUGUNA NDUNG’U
GOVERNOR
CENTRAL BANK OF KENYA**

at the

**OFFICIAL LAUNCH OF CREDIT BANK’S NEW BRAND
IDENTITY**

*Sankara Hotel, Westlands
6th September, 2010*

Hon. Simeon Nyachae, Chairman, Credit Bank Ltd;
Mr. Nyangiri Nok Bwonditi, the Chief Executive Officer;
Board Members here present;
Management and staff;
Distinguished Guests;
Ladies and Gentlemen:

I am delighted to have been invited to this auspicious occasion of the launch of Credit Bank's New Brand Identity. May I at this early juncture commend the Board, Management and staff of Credit Bank for their role in steering this institution in terms of growth, safety and soundness since it was incorporated in 1986.

May I also specifically thank the Chairman for his vision of taking the early lead in repositioning the bank to take advantage of the anticipated socio-economic changes following the re-birth of our Nation on August 27, 2010. Our new constitution is a radical document that calls for a shift in thinking and formulation of business strategies. But more importantly, it gives us confidence and power to rebuild our institutions especially regulatory institutions that will support the development of strong banks. The role of the regulator in a country like ours is also to develop the market.

In the new dispensation, resources will be transferred to the rural areas and market players need to take advantage of the enormous business opportunities that will arise so as to grow their businesses and also take services closer to the people. Mr. Chairman, your decision to re-brand could not have come at a better time as this will not only enhance delivery of banking services to your customers but also contribute towards the overall growth of the bank.

I am informed that your newly opened branch at Westlands is the 5th branch of Credit Bank after the ones located at Koinange Street, Nakuru, Kisumu

and Kisii. Although the brick and mortar model has served our country well over the years, the clamour for cost reduction, ease of doing business and coverage of wide geographical spreads of potential customers, that is the clamour for financial inclusion, has led to the introduction of cheaper alternative delivery channels for banking services such as Agent Banking and Mobile Banking.

On agent banking, the Central Bank has already granted approvals to two institutions to roll out agent networks. Specific approval has so far been granted for a total of 4,392 agents. In addition, applications from other institutions to roll out agent networks are being processed. I therefore urge banks to consider utilising these alternative channels in order to reap the benefits of increased customer base and reduced cost of banking services.

Ladies and Gentlemen, the banking industry has become very competitive in the recent past and you have to keep abreast of the various innovative trends in the market in order to compete effectively within your market niche. The stiff competition has brought about new innovative products in the market, flexible banking hours and a wider reach in terms of delivery of banking services. But above all, price competitive services. The Central Bank has played its supportive role in all these developments and wishes to commend the industry for ensuring that risks associated with these new products and services are adequately managed and mitigated. This has been supported by creating new institutions; the Credit Reference Bureaus and new initiatives; Agent Banking Model. These aspects will continue so that we can create a dynamic market capable of pricing its products competitively.

The roll out of the Credit Information Sharing mechanism for the banking sector became effective on 31st July 2010. The first submissions were due to Credit Reference Bureau Africa by 10th August 2010. I am pleased to report

that over 450,000 records were submitted to the Bureau by institutions licensed under the Banking Act. 78 percent of the records were accepted as submitted to the Bureau while the other 22 percent required revision. This is a reflection of the considerable groundwork done by Central Bank of Kenya (CBK) and the Kenya Bankers Association (KBA) in preparation for the roll-out. CBK, KBA and CRB-Africa have since the roll-out date, continued to engage banks that experienced challenges during the initial transmission. In this regard, sensitization workshops were conducted in mid-August 2010 targeting representatives of bank branches across the country.

The Central Bank is committed to the development of a robust credit information system in Kenya. This will facilitate the building of information capital that will help reduce information asymmetry between banks and their borrowers. CBK will also rigorously enforce the CRB rules and regulations to ensure the confidentiality, integrity and accuracy of information held by the bureaus and above all, encourage the use of this information to support decision making in financial transactions.

The Central Bank and the Government will continue to play their role in ensuring that an enabling environment conducive for appropriate and vibrant economic activity and growth is in place. However many institutions have not responded positively to the various initiatives put in place that are geared towards the lowering of lending rates and other banking costs. It is expected that the current trend of utilizing technology in delivery of banking services will bring about significant cost savings that will in turn translate to lower costs to consumers. However this expectation remains largely unrealized. May I at this point commend the management of Credit Bank for reducing the bank's base lending rate from 16.0 percent to 14.75 percent in July 2010. There is still room to do more as you re-brand and introduce new products dictated by your market niche.

Finally, let me once again reiterate that the Central Bank of Kenya will continue to pursue monetary and financial policies, and play the supervisory role that create a conducive environment for growth of the financial sector, encourage provision of banking services to the majority of the population at affordable cost and enhance the safety and soundness of the financial system. It is Kenyans' faith in the financial system that will facilitate its growth, depth and development.

With these few remarks, Mr. Chairman, Ladies and Gentlemen, it is now my honour and pleasure to declare the New Brand Identity of Credit Bank officially launched.

Thank You and God bless you all.