

CENTRAL BANK OF KENYA



Remarks by

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GOVERNOR
CENTRAL BANK OF KENYA

during the

LAUNCH OF THE KENYA COMMERCIAL BANK LIMITED
RIGHTS ISSUE

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Your Excellency, Hon. Mwai Kibaki, President and Commander-in-Chief of the Armed Forces of the Republic of Kenya;
Hon. Uhuru Kenyatta, Deputy Prime Minister and Minister for Finance;
Ambassador Francis Muthaura, Head of Public Service;
Mr. Joseph Kinyua, Permanent Secretary, Ministry of Finance;
Senior Government Officials;
Mr. Peter Muthoka, KCB Group Chairman;
Mr. Martin Oduor-Otieno, the Chief Executive Officer of KCB;
Board Members;
Distinguished Guests and KCB Investors;
Ladies and Gentlemen:

Your Excellency, May I take this opportunity to express the Central Bank's gratitude for your presence here this morning. Your personal presence is testimony of Government of Kenya's commitment in promoting strong commercial banking in Kenya and the EAC region.

Your Excellency, the Kenya Commercial Bank has taken a bold move to raise additional capital to support its expansion programmes in the country and in the EAC region, including Southern Sudan. During the last five years, the bank recorded phenomenal growth, with the loan book having grown by almost three times from Ksh.36.3 billion in 2005 to Ksh.128.3 billion as at April 2010. Deposits on the other hand have more than doubled from Ksh.64.2 billion to Ksh.174.2 billion. This growth has put pressure on the capital adequacy prudential ratios and additional capital is therefore required to avoid breaching the statutory limits and to provide a buffer that will support serving their market niche adequately. This buffer is necessary given the turbulence we continue to witness globally.

Your Excellency, generally, the banking sector has registered a good growth performance over the years. The sector's total assets stood at Ksh.1.5 trillion as at April 2010 whereas deposits stood at Ksh.1.2 trillion. However, what is more encouraging is that the level of non-performing loans has drastically declined from 25% in 2005 to only 8% in April 2010. With this improved performance and the introduction of Credit Reference Bureaus, the position is likely to improve even further.

Your Excellency, the Central Bank continues to play its role in promoting a stable and conducive environment for financial sector to thrive. In this regard, the Central Bank continues to pursue three key objectives;

- First, to develop a strong institution of the regulator, the Central Bank working closely with other financial regulations – the Capital Markets Authority, Insurance Regulatory Authority and the Retirement Benefits Authority – to create a strong regulatory platform, in order to prevent regulatory arbitrage. We believe strong regulatory institutions will define appropriate incentives and penalties that will encourage prudent behaviour in the financial market.
- Second, The Central Bank want to strengthen the financial sector and support its development, financial inclusion and deepening to support Vision 2030.
- Finally, the Central Bank supports the creation and development of strong banks in Kenya. Strong banks from Kenya will cover the East African Community region effectively and strong banks can weather shocks and make profits for their shareholders -That is why we are here today, to witness KCB doing just that.

Your Excellency, with these few remarks, it is now my pleasant duty to request the Hon. Uhuru Kenyatta, Deputy Prime Minister and Minister for Finance to make a few remarks and to welcome Your Excellency.

Hon. Uhuru Kenyatta, You Have The Floor.