



Central Bank of Kenya

Bank Supervisor

**Annual
Report
1996**

ROLE OF BANK SUPERVISION DEPARTMENT

The role of the Bank Supervision Department is to promote a sound and stable banking system in Kenya. To realise this role the Department focuses its activities on the enhancement of compliance with the Banking Act, raising efficiency in banking operations, fostering liquidity and solvency of institutions, and encouraging improvement in customer service and protection.

The Department conducts both on site and off-site surveillance of banks and non-banks to ensure that the institutions attain and sustain minimum specified performance levels regarding capital, assets, management, earnings, and liquidity. On-site surveillance of forex bureaus is also conducted.

Other key functions of the Department include revision of the various provisions of the Banking Act and the drafting of prudential guidelines on the interpretation and application of the Act. It also updates the industry on worldwide developments in the banking industry. Routine operations include appraisals of applications for banking licences for new institutions as well as new branches of existing institutions, approvals of external auditors for banks and non-banks, and inspection of new premises for banking institutions.



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The banking system enjoyed stability in 1996 and continued to record exceptionally high levels of profitability. More non-banks converted to banks while others merged with their parent banks.



Although high levels of interest rates continued to lead to exceptionally high levels of profitability in the banking industry, the trend is unsustainable in the long-run, as it will hurt, not only the banks' customers, but also the banks themselves through loan defaulting, and inhibit growth in the economy as a whole. Efforts are underway to achieve a more sustainable level of interest rates.

A number of actions aimed at fostering efficiency in the banking industry were initiated during the year. Several banks continued to implement modernisation plans aimed at improving the quality of customer services and

reducing operational costs. Efforts were also initiated to encourage customers to settle large transactions through non-cash instruments in order to cut down on the risk and cost of handling cash in particular. The Central Bank on its part, launched a campaign to educate the general public on wise management of bank loans and appealed to the commercial banks to assist the Bank to make the campaign a success.

There was an encouraging increase in interactions between the management of the financial institutions, the Central Bank's Supervision Department and the external auditors during the year. It is my wish that this kind of co-operation be deepened in the future as we find it a more effective way of detecting early distress signals and accords ample time to arrest such distress before further damage is done to the financial institutions.

May I in closing thank all the participants in Kenya's banking industry and in the financial system as a whole, for their very positive co-operation with the Central Bank during 1996. We look forward to further fruitful co-operation in 1997 so that our industry's standards can be enhanced for the benefit of all stakeholders.

MICAH CHESEREM
GOVERNOR
CENTRAL BANK OF KENYA

RECENT DEVELOPMENTS IN THE LOCAL BANKING INDUSTRY**1.1 Overview**

The industry remained relatively stable in 1996. Only three institutions were put under liquidation. Conversions and mergers of Non-Bank Financial Institutions (NBFIs) with parent commercial banks continued while several forex bureaus were licensed and controls tightened on foreign exchange exposure limits. A number of institutions also embarked on modernization programmes designed to improve their competitiveness in the industry through providing more efficient services to their customers, and venturing into new lines of business to broaden their scope of operations.

In line with worldwide developments of the banking industry, new financial products were introduced, leading to a new dimension of risk management by banking institutions. This also posed a bigger challenge to the supervisory authorities in accommodating these changes and this led to various sections of the Banking Act being appropriately amended to accommodate the effects of these changes.

1.2 Institutions/Branch Development

The moratorium on licensing of new banking institutions continued during the period as the Central Bank encouraged NBFIs to convert to banks. As at the end of 1996, twenty NBFIs had converted to banks, five were in the process of conversion while nine NBFIs had merged with their parent banks. By the end of December 1996 the total number of institutions stood at 71 out of which 50 were banks and 21 NBFIs. During the period, one local bank extended its operations to Uganda and Pakistan thereby raising the number of locally owned banks with branches/subsidiaries outside the country to a total of six, one in Malawi, two in Uganda, two in Tanzania and one in Pakistan. Other local banks continued to express interest in branch expansion, within the East African Community region and some few to the PTA zone.

There was a marked expansion in the branch network of all the banking institutions in 1996. However financial services still continued to be concentrated in large urban centres, with little expansion to the rural areas. (See Table 1).

BRANCH NETWORK OF THE BANKING INDUSTRY Table 1(a)

PROVINCE	BANKS		NBFI's		MFC's		TOTALS	
	1995	1996	1995	1996	1995	1996	1995	1996
CENTRAL	74	81	2	2	3	3	79	86
COAST	82	82	5	4	2	2	89	88
EASTERN	47	47	-	-	1	1	48	48
NAIROBI	141	150	24	21	6	6	171	177
NORTH EASTERN	3	5	-	-	-	-	3	5
NYANZA	51	54	3	2	2	2	56	58
RIFT VALLEY	91	95	3	2	4	4	98	101
WESTERN	23	24	-	-	1	1	24	25
TOTAL	512	538	37	31	19	19	568	588

1.3 Forex Bureaus

These were introduced in 1995 and were meant to, inter alia, serve the retail end of the forex market and increase competition in the foreign exchange markets leading to the desired narrowing of foreign exchange trading margins and stability of the Kenya shilling. The Central Bank licensed thirty two forex bureaus during 1995/96 period. However, as at the end of 1996, following the failure by one bureau to

take off and a licence revocation of another, there were twenty seven Forex Bureau in operation.

1.4 Employment in the Sector

The total number of staff in the banking sector at 16,673 at the end of 1996, was only 1% above the level recorded as at December, 1995. Clerical and secretarial staff continued to constitute the highest proportion of employees in the sector. (See Table 1(b)).

STAFFING IN THE SECTOR BY CADRE* Table 1(b)

Category	1995				1996			
	Banks	NBFIs	Totals	% of Total	Banks	NBFIs	Totals	% of Total
Management	2,715	357	3,072	19	2,931	246	3,177	19
Supervisory/Section Heads	1,938	243	2,181	13	1,504	201	1,705	10
Clerks & Secretarial Staff	8,178	724	8,902	54	8,939	584	9,523	57
Others Categories	2,064	290	2,354	14	2,074	194	2,268	14
Grand Total	14,895	1,614	16,509	100	15,448	1,225	16,673	100

* Excludes Central Bank

1.5 Institutions under Liquidation/ Receivership/CBK Management

Only three institutions were put under liquidation during 1996. This increased the number of failed institutions to twenty nine, sixteen of which are under Deposit Protection Fund Board (DPFB), seven were under Consolidated Bank, four are under the Official Receiver, one was wound up by the High Court while the last one went into voluntary liquidation. Three banks that failed during the period, had initially been put under statutory management before being placed under liquidation. One of the three banks had earlier operated under a different name and was restructured by CBK after which it was opened under a new name and shareholding but had to close due mainly to the high level of non-performing advances.

1.6 Customer Relations

Customer relations continued to be a major concern in the sector. Following a symposium held in 1995 on customer service, each institution is now required to have documented policies covering all aspects

of customer service. Customer service inspections were also incorporated in all regular on-site inspections, and a number of "ad hoc" customer service inspections were also carried out in various institutions, including some up-country branches.

1.7 Training

The Kenya School of Monetary Studies was completed in 1996 to enhance the training and professional needs of the banking fraternity.

1.8 Central Depository System (CDS)

In order to enhance efficiency in the management of Government debt instruments, the Bank introduced an electronic book entry system for Treasury bills. The system, known as the Central Depository System (CDS), will facilitate investment and trading in Treasury bills without use of paper certificates. A major objective of the system is to develop a secondary market for Treasury bills and to enhance liquidity in the banking system.

CURRENT SUPERVISORY ISSUES¹**2.0 Overview**

The implementation of recommendations of the Basle Committee on Banking Supervision continued to be the major concern of Bank Supervisors during the review period. In the background of the continued liberalization of the world economy, the recommendations inter alia included the management of the banks' foreign exchange positions, money laundering, lending in foreign currency, off-shore balance sheet items and large foreign exchange exposures. Other recommendations of the Basle Committee included combating organised crime particularly bank frauds, extortion, corruption and drug trafficking.

2.1 Combating Money Laundering

Money laundering has become a major concern for the international community. This concern arises out of the link between money laundering and organised crime, particularly fraud extortion, corruption and, the increasingly, drug trafficking. Organised crime has a corrosive effect on society and, could expand to challenge established systems of authority. In recognition of this, the international community has mar-

shalled action to combat the scourge through various initiatives such as; The Basle Statement of Principles 1988; The Vienna Convention 1988; Financial Action Task Force Recommendations 1990; European Union Directive 1991 and Various Regional initiatives.

In addition to these initiatives a number of countries have gone ahead to enact legislation specifically aimed at combating money laundering. The United Kingdom has, for instance, enacted the Drug Trafficking Act, 1994; Prevention of Terrorism Act, 1989; Criminal Justice Acts, 1988-93.

Under these initiatives, the British legislation has made it an offence to knowingly assist a criminal obtain, retain or invest funds derived from criminal activity; to warn suspects of an investigation; and to fail to report suspicious transactions.

In Kenya the growing incidence of drug trafficking, could be an indicator of a rising level of money laundering activities in the financial system. This possibility is of concern to the Bank because such activities

¹ The issues discussed in this Chapter are in the process of being proposed for inclusion in our Prudential Guidelines for financial institutions.

inter alia undermine the soundness of individual banks; threaten the integrity of our domestic banking system; and raise the risk of global contagion through interdependence of financial markets. The Bank Fraud and Investigations Department is now however well equipped to handle all such suspicious transactions; and implement adequate vetting procedures of recruiting, and a continuous development/training programme for staff.

In order to combat money laundering in Kenya, all institutions should inter alia: Formulate and implement relevant effective controls, policies and procedures; Obtain and maintain proper identification of their customers, on the basis of official or other reliable documents; Maintain complete and accurate records, sufficient to enable reconstruction of individual transactions; Have the ability to recognise and take appropriate action on suspicious transactions.

2.2 Consolidated Supervision

The first of the four minimum supervisory standards recommended by the Basle Committee is that “international banking groups should be supervised by home country authorities capable of performing consolidated supervision”. Consolidated supervision may be defined as a “qualitative assessment of the

overall strength of a group of companies to which an authorised institution belongs, to evaluate the potential impact of other group companies on the institution”. The objective is to assess the banking institution as part of a group, taking into account all companies and business within the group.

A banking group is defined as a group of two or more legal entities, one or more of which is a bank that is related by ownership or control. A single legal entity may also be classified a banking group if it operates in more than one country.

There are three possible structures of banking groups. These are;

- (i) A simple structure, where more than one bank operates in the same country.
- (ii) A multi-business structure, where a group containing one or more banks and other types of business operates in the same country.
- (iii) A multi-country structure, where a simple or multi-business structure operates in more than one country.

It is possible to have non-supervised entities in a multi-business group. It is also possible for the same business to fall under more than one supervisory body. Also, operations in another country could be supervised by that country's supervisors or escape supervision altogether. Identification of the institutional set-up is, therefore, essential to facilitate consolidated supervision and hence ensure safety of all institutions operating in a particular country. The BCCI saga and, more recently, the Meridien Group failure, attests to the importance of this.

There has not been a consolidated supervision in Kenya. However, the Bank is currently developing appropriate guidelines to facilitate introduction of consolidated supervision. This will inter alia ensure compliance with the Basle Committee recommendation and place our institutions to meet the international requirements.

2.3 Minimum Standards for the Supervision of International Banking Groups and their Cross-border Establishments

The third Eastern and Southern African Banking Supervision Group (ESAF) annual conference adopted an action programme which included the implementation of the four minimum standards for supervision by September, 1995. An

abridged version of the Basle Committee document which sets out the standards is as follows:-

- a) All international banking groups & international banks should be supervised by a home-country authority that capably performs consolidated supervision;
- b) The creation of a cross-border banking establishment should receive the prior consent of both the host-country supervisory authority and the bank's and, if different, banking group's home-country supervisory authority;
- c) Supervisory Authorities should possess the right to gather information from the cross-border banking establishment of the banks or banking groups for which they are the home-country supervisor;
- d) If a host-country authority determines that any one of the foregoing minimum standards is not met to its satisfaction, that authority could impose restrictive measures necessary to satisfy its prudential concerns consistent with these minimum standards, including the prohibition of the creation of banking establishments.

2.4 International Convergence of Capital Measurement & Capital Standards

In its effort to encourage standardisation of measurement and other parameters in the banking industry, the Basle Committee recommends adoption of the capital to weighted risk assets in determining the capital adequacy ratio. The constituents of capital are described as follows:-

(a) **Core Capital** (Tier 1)

The key element of capital funds is equity capital and disclosed reserves which form a basis on which most market judgements of capital adequacy are made as it has a crucial bearing on profit margins and a bank's ability to compete. This element is defined as core or "Tier 1" capital. This category of capital should, for supervisory purposes form 50% of a bank's capital base.

(b) **Supplementary Capital** (Tier 2)

This includes;

(i) **Undisclosed Reserves**

This category of capital includes reserves which, though unpublished, have been passed through profit and loss account and are accepted by the bank's supervisory authorities.

(ii) **Revaluation Reserves**

Where assets are allowed to be revalued to reflect their current value, other than historical cost, the resultant revaluation may be included in the capital base.

Presently, all revaluations require the Central Bank's prior approval for inclusion in Tier 2. Institutions wishing to revalue their fixed assets are required to comply with prudential guideline number CBK/PG/04 on capital adequacy. Where the Bank determines that market prices have decreased significantly, it may order revaluation of the assets to reflect such market or forced sale value.

(iii) **General Provisions/ Loan Loss Reserves**

These reserves are created to cushion the institution from future losses. Where they are not ascribed to particular assets and do not reflect a reduction in the valuation of particular assets, these reserves qualify for inclusion in capital under Tier 2. Where the provisions are earmarked against assets already identified as impaired, such provisions should not be included in the capital base. Presently, Prudential Guidelines Number CBK/PG/10 refers to these reserves as general and specific provisions, respectively.

(c) **Deductions from Capital**

For purpose of calculating the risk-weighted capital ratio, goodwill (when it is reflected) and investments in subsidiaries engaged in banking and financial activities which are not consolidated in the national system should be deducted. Deduction of the latter is meant to prevent double gearing, i.e. the multiple use of the same capital resources in different parts of the group.

(d) **The Risk Weights**

The capital to weighted risk ratio approach whereby capital is related to different categories of assets, weighted according to broad categories of relative riskiness, is a preferred method for assessing capital adequacy of banks. This method provides a fairer basis for making international comparisons between banking systems whose structures differ and besides encouraging banks to hold liquid or other assets which carry low risk, it also allows off-balance sheet exposure to be incorporated more easily into the measure. In order to estimate the level and trend of the risk weighted assets, the following category of weights for each specified group of assets have been utilised.

A zero weight has been assigned to cash (both domestic and foreign); balances with Central Bank, Investments in Government Securities; Loans and advances secured by cash; Short term commitments cancellable unconditionally such as bills of collection; Any other contingent liability secured by cash; Short-term commitments cancellable unconditionally at any time such as bills of collection and any other contingent liability secured by cash.

A 0.2 weight has been assigned to: Deposits and balances due from domestic commercial banks and financial institutions; Balances and deposits in convertible currencies due from commercial banks and financial institutions abroad; Advances and loans to parastatals and local authorities, specifically guaranteed by the Government of Kenya and Short-term self-liquidating letters of credit.

The category of 0.5 Weight is assigned to: Deposits and balances due from mortgage finance companies, building societies and insurance companies; Loans fully secured by mortgage on residential property; Transaction-related contingent items not fully secured by cash, e.g. bonds, warranties, standby letters of underwriting, etc. A weight of 1.0 includes all assets claims on the private sector not covered under the above categories. These are:-

Premises and other fixed assets; Loans and advances not secured by cash; Bills Discounted; Guarantees of a general nature; Sale and Repurchase Agreements (REPOS); Forward asset purchases; Partly-paid shares and securities.

(e) **Categories of Risk Captured in the Framework**

There are many different kinds of risks against which banks' management need to guard. For most banks, the major risk is credit risk, (i.e. counterparty failure) investment risk, interest rate risk, exchange rate risk and country transfer risk.

2.5 **Control of Large Credit Exposures**

Following the increased interactions between banks in different countries, and in view of the comparatively liberalised world economy, primary purpose of seeking convergence in approaches to the supervision of large exposures is the need to address the major simple cause of bank failures. There are several difficult conceptual issues such as the definition of a credit exposure the definition of a single counterparty or group of related counterparties.

The recommended definition of "credit exposure" encompasses not only the standard forms of lending,

but also all on and off-balance sheet positions which may involve any element of loss if the counterparty defaults. In this regard, the Bank groups together, advances, credits and guarantees in computing the degree of adherence to the statutory limit for a credit exposure to a single borrower.

Worldwide limits for single exposures now generally fall within the range of 10-40% of total capital. The Basle Committee, however, considers 25% the most desirable target as anything above this "would imply a relaxation of the present supervisory constraints in most countries". In order to inter alia, reduce credit concentration, the amendments of the Banking Act included reduction of an institution's statutory lending limit to any single person from the equivalent of 100% of the institution's capital and unimpaired reserves, to 25%.

2.5.1 **Counterparty or a Group of Related Counterparties**

In normal circumstances, it is simple to define a counterparty in terms of a single legal entity. However, when banks get into difficulties, it is sometimes discovered that several of their large exposures are in practice related, so that in effect they constitute a single exposure. One of the main problems in restricting credit concentration is therefore identification of potential linkages

between exposures to single debtors.

In defining related counterparties, it is insufficient to simply consider groups which produce consolidated accounts: Relationships can include, for example, connection through common ownership, control or management. Cross-guarantees may also be an indication that counterparties are related. Arising from this, the European Community Commission defines a group of related clients as “two or more persons holding exposures from the same credit institution and any of its subsidiaries, whether on a joint or a separate basis, but who are mutually associated.

One of the difficulties in identifying related lending is that customers sometimes go to great lengths to disguise linkages between two or more companies of the same business group. In isolated cases, banks deliberately conceal the fact that they are taking exposures known to be related. Banks should therefore exercise due diligence to uncover misrepresentations. The initial preventive measure is to require high professional standards for bank man-

agement and to ensure that internal controls are adequate and effective.

Special attention needs to be paid to credit facilities advanced to “connected” counterparties, i.e. those connected to the lending institution. This category of loans is commonly covered under the term “insider loans” and can lead to conflicts of interest and, in certain circumstances, to dangerous leveraging within a group of companies. In many countries, insider loans are either forbidden or deducted from the capital of the lending institution when computing the degree of adherence to the various statutory and prudential parameters.

2.5.2 Credit Concentration

In addition to the “single exposures”, concentration can take the form of over-average exposure to particular economic or geographical sectors, making the lending bank vulnerable to a weakness in a particular industry or region. It is therefore important that banks systematically identify and measure their exposures to different sectors and regions such that the management is aware of the risks being run and can, if necessary, adjust the balance.

DEVELOPMENTS IN BANKING REGULATION

3.1 Overview

A major development in Kenya's banking regulation was the amendment of the Banking Act which became applicable in October 1995. The amendment was meant to strengthen the supervision of the banking industry as well as increase the depositors' confidence in the industry through enhanced depositor protection. Similarly, following the repeal of Exchange Control Act, the Central Bank of Kenya Act was also amended in 1995 with a view to providing Central Bank with residual regulatory powers for the licensing of foreign exchange dealers, supervision of authorised dealers and monitoring of international payments. On its part, the Bank Supervision Department, in conjunction with other departments of the Bank continued to issue circulars and directives focusing on the prudential management of the operations of the banking institutions.

(Sect. 8A)

[Sect. 10(1)]

[Sect. 20A(1)]

[Sect. 22 and

An institution now requires prior approval of the Minister through the Central Bank, to open a branch outside the country. Similarly, a six-month written notice must be given to the Minister, through the Central Bank of Kenya prior to closure of such a branch.

The limit on advances, credits and guarantees to a single borrower was reduced from the equivalent of 100% to 25% of the institution's capital and unimpaired reserves.

All institutions were to adopt end December as the common financial year-end, effective from 1996.

The period between the end of the annual statutory audit and publication

3.2 The Banking Act

In its effort to appropriately keep pace with the changes in the banking industry, several sections of the Banking Act were amended. These amendments included the following sections:-

Sect. 23]

of audited accounts was reduced from six to three months, as well as the period between the financial year end and submission of accounts to the Central Bank.

[Sect. 25(1)] Change of external auditors is henceforth to have the Bank's prior approval.

[Sect. 34(3)] The duration of statutory management, was increased from six to twelve months with provision for a further twelve months by the High Court upon the application of the Central Bank.

[Sect. 35A] Any expenses incurred in the process of liquidating an institution will henceforth be met by the same institution.

[Sect. 36(4)] The Board of Directors of the Deposit Protection Fund Board was increased from four to seven, five of whom are to be appointed by the Minister in consultation with the Central Bank, to represent the interests of the institutions.

[Sect. 38(6) and 38(7)] The Deposit Protection Fund Board is required to publish annually a list of all institutions whose deposits are protected, in the official Gazette. It is similarly required to publish the name of an institution immediately it terminates the protection of the institution's deposits.

[Sect. 41] The Deposit Protection Fund Board may no longer lend

to, place a deposit with, issue a guarantee on behalf of, acquire, hold or dispose of shares of an institution.

In order to improve the asset quality, banking institutions were required to reduce non-performing advances to at most 5% of total advances while the minimum capital adequacy ratio would be raised from 7.5% to 8.0% in terms of total deposit liabilities.

3.3 **The Exchange Control Act and the Central Bank of Kenya Act**

The Exchange Control Act was repealed and subsequently the Central Bank of Kenya Act was amended with a view to providing Central Bank with residual regulatory powers for licensing of foreign exchange dealers, Supervision of authorised dealers and monitoring of international payments. In this regard, the Act was amended to ensure protection of the public and the banking system from the consequences of irregular and unsound practices. This includes ensuring that payments are not connected to illegal activities such as money laundering, tax evasions [by requiring that all receipts/payments to/from Kenya or in Kenya are effected through authorised banks] and lastly by obtaining statistical information relating to international transactions

for the monitoring and development of suitable Balance of Payments and overall macro-economic policies.

3.4 CBK Directives/Circulars

The Central Bank continued to rely on the cash ratio as an instrument of regulating money supply. In this regard the liquidity ratio for commercial banks and NBFIs were harmonised during the financial year 1995/96. NBFIs and newly converted banks gradually built up their

cash ratio from 1.8% in July 1995 to the 18% mandatory level in December 1995. However, no cash ratio is required for mortgage finance companies. The liquidity ratio applicable to both banks and NBFIs was also harmonised at 25% in July 1995, while that for mortgage finance companies was fixed at 20%. The foreign exposure limit was set at 20% of capital and unimpaired reserves. All circulars issued to commercial banks during 1996 are as indicated in Appendix V.

PERFORMANCE ANALYSIS OF THE BANKING SECTOR

4.1 Overview

The overall performance of the banking sector in 1996 was satisfactory. Loans and advances continued to constitute the largest proportion of the total assets of banks and non-bank financial institutions. During the year under review, there was a marked improvement in asset quality mainly due to the fall in the proportion of non performing loans and advances while the level of capital vis a vis deposits continued to be adequate and liquidity remained high.

4.2 Performance Rating

The Central Bank continued to rate banks and non-bank financial institutions on the basis of their perform-

ance in the parameters of capital adequacy, asset quality and liquidity. This rating system is referred to by the acronym CAEL derived from the first letters of Capital Adequacy, Asset Quality, Earning and Liquidity.

As at December 31, 1996, out of a total of fifty banks and twenty one non-bank financial institutions (NBFIs) nine banks were rated strong, twenty eight satisfactory, and thirteen fair and below, while one NBFI was rated strong, nine satisfactory and eleven fair and below (see Table 4.1(a) and 4.1(b)). Five NBFIs were not rated in 1995 since they were in the process of merging with their parent banks.

Table 4.1 (a): PERFORMANCE RATING FOR BANKS AS AT YEAR END

Performance Category	1995								1996							
	Capital Adequacy	Asset* Quality	Earning	Liquidity	Overall Rating		Market Share		Capital Adequacy	Asset* Quality	Earning	Liquidity	Overall Rating		Market Share	
	No. of Banks	No. of Banks	No. of Banks	No. of Banks	No. of Banks	%	Asset	Deposit	No. of Banks	No. of Banks	No. of Banks	No. of Banks	No. of Banks	%	Asset	Deposits
Strong	13	15	24	30	10	24.0%	30.1%	28.9%	16	17	22	35	9	18.0	28.0%	26.0%
Satisfactory	24	4	3	6	18	44.0%	44.8%	47.3%	24	9	9	12	28	56.0	48.0%	51.0%
Fair & below	4	22	14	5	13	32.0%	25.1%	23.8%	10	24	19	3	13	26.0	24.0%	23.0%
Total	41	41	41	41	41	100.0	100.0	100.0%	50	50	50	50	50	100.	100.0	100.0%

Table 4.1 (b): PERFORMANCE RATING FOR NBFIs AS AT YEAR END

Performance Category	1995									1996								
	Capital Adequacy	Asset* Quality	Earning	Liquidity	Overall Rating		Market Share			Capital Adequacy	Asset* Quality	Earnings	Liquidity	Overall Rating		Market Share		
	No. of NBFIs	No. of NBFIs	No. of NBFIs	No. of NBFIs	No. of NBFIs	%	Assets	Deposit		No. of NBFIs	No. of NBFIs	No. of NBFIs	No. of NBFIs	No. of NBFIs	%	Assets	Deposit	
Strong	11	14	21	23	6	17.6%	11.6%	11.4%		7	4	10	13	1	5.0%	4.0%	3.0%	
Satisfactory	11	5	5	20	20	58.8%	57.7%	58.3%		8	1	2	2	9	43.0%	51.0%	51.0%	
Fair & below	12	15	8	5	8	23.6%	30.8%	30.3%		6	16	9	6	11	52.0%	45.0%	46.0%	
Total Rated	34	34	34	34	34	100.0%	100.0%	100.0%		21	21	21	21	21	100.0%	100.0%	100.0%	
Not Rated	5	5	5	5	5					-	-	-	-	-				
Total	39	39	39	39	39					21	21	21	21	21				

* This measure is based on advances only

4.2.1 Capital Adequacy

Capital, represents the shareholders stake or investment and is a resource that should be readily and freely available to absorb losses without obliging the institution to cease trading. The measurement of capital adequacy is based on an absolute minimum level, a capital to deposits ratio and a capital to assets ratio.

As detailed in Table 4.2 below, the industry's capital and reserves grew by 19% to shs 49 billion in December 1996 from shs 41 billion as at December, 1995 while the capital to deposits ratio increased narrowly from 16.6% to 16.8% during the period.

Table 4.2: CAPITAL ADEQUACY OF THE BANKING SECTOR

	1995			1996		
	Capital & Reserves (shs m)	Deposit Liabilities* (shs m)	Capital to Deposit Liabilities	Capital & Reserves (shs m)	Deposit Liabilities* (shs m)	Capital to Deposit Liabilities
Banks	32,221	187,569	17.1%	41,503	246,044	16.9%
NBFIs	8,699	58,258	14.9%	7,077	42,911	16.5%
Total	40,920	245,827	16.6%	48,581	288,955	16.8%

* Includes accrued interest and foreign liabilities

4.2.2 Asset Quality

The proportion of loans and advances to total assets remained unchanged at 52% as at end December 1996. Asset quality was rated marginal as the level of non-performing advances rose to shs 37.9bn in December 1996, from shs 31.8bn in December 1995 and averaged 18% of total advances for the two years (see Appendix I). However, provisions set aside by banking institutions to cushion for non-performing advances increased to shs 17.4bn in December 1996 from shs 15.9bn in December 1995. The sector's low asset quality was associated with amongst other factors, poor credit administration.

4.2.3 Earnings

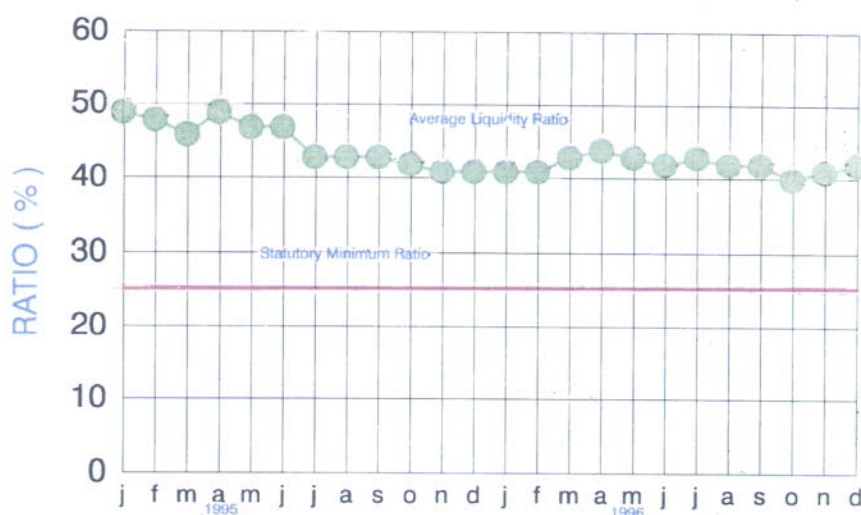
The profitability of the banking sector remained strong. As shown in Appendix II, annualized profits before tax increased to shs 17.4bn as at December 1996 from shs 15.3bn in 1995 leading to an annualized return on assets of 4% as at December 1996.

4.2.4 Liquidity

As indicated in Charts I and II the liquidity level during the year has remained substantially higher than the prescribed minimum of 25% for both banks and financial institutions. The overall liquidity ratio at an average of 41% for December 1996 was marginally higher than the average ratio of 40% recorded in 31st December 1995.

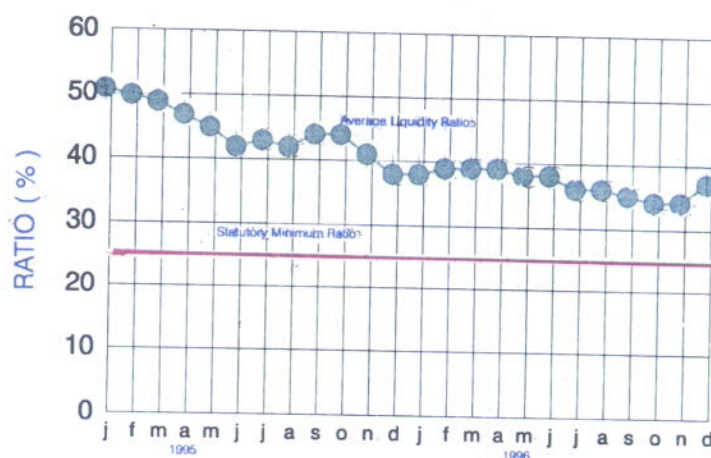
COMMERCIAL BANKS

AVERAGE LIQUIDITY RATIO TREND (JAN. 95 TO DEC. 96)



NON-BANK FINANCIAL INSTITUTIONS

AVERAGE LIQUIDITY RATIO TREND (JAN. 95 TO DEC. 96)



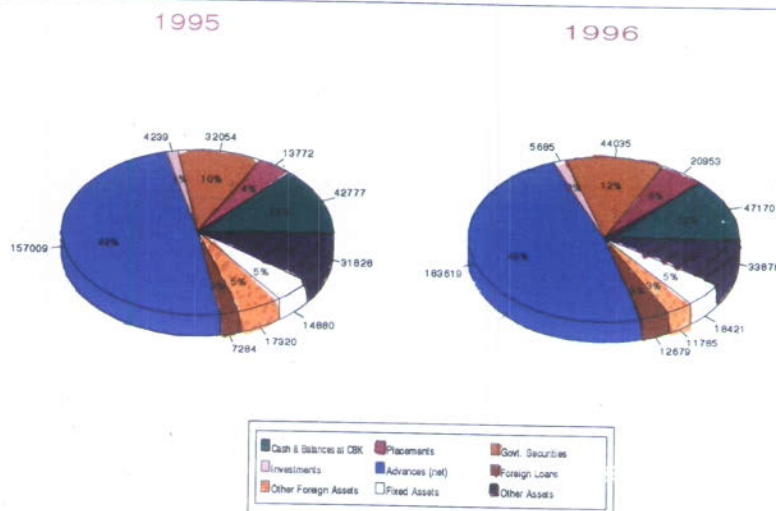
4.3 Balance Sheet Structure

Total net assets of the banking sector stood at shs 378.2 billion as at 31st December 1996 having grown by 18% from shs 321.2 billion as at 31st December 1995 (see Appendix I). Loans and Advances amounting to shs 196.3 billion accounted for 52% of the total assets of the sector as at 31st December, 1996. Government securities accounted for 12% of the total assets while cash, balances with CBK and balances with other institutions ac-

counted for 19% and Foreign assets accounted for 6%.

On the liabilities side, total deposits stood at shs 256.6 billion as at 31st December 1996 having risen by 18% from shs 217.9 billion as at 31st December 1995 and accounted for 68% of total liabilities and equity as at 31st December 1996. Total capital and reserves of banks and financial institutions amounted to shs 49 billion.

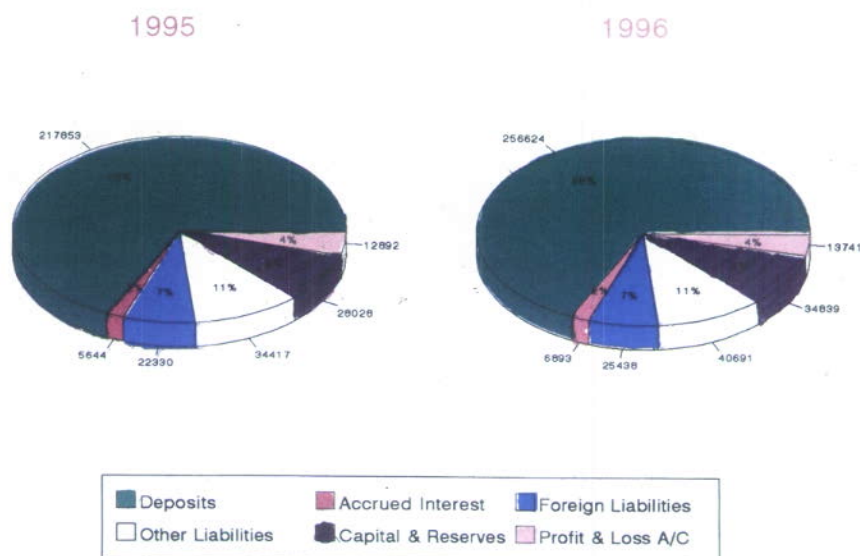
BANKING SECTOR GLOBAL BALANCE SHEET STRUCTURE
ASSETS COMPOSITION



Figures in millions of shillings

BANKING SECTOR GLOBAL BALANCE SHEET STRUCTURE

LIABILITIES COMPOSITION



Figures in millions of shillings

4.4 Market Share

As shown on Tables 4.4(a) and 4.4(b) the distribution of assets in terms of market share remained skewed. Most of the assets continue to be concentrated in a few banks with the top eleven out of fifty com-

mercial banks commanding 75.1% of total assets. The distribution of assets in NBFIs is also skewed as four of the leading NBFIs controlled 57% of the NBFIs total assets in December 1996.

Table 4.4 (a): COMMERCIAL BANKS MARKET SHARE BY TOTAL ASSETS

Peer Group Range (shs'm')	DECEMBER 1995			DECEMBER 1996		
	Number of Banks	Assets (Shs'm')	Market Share	Number of Banks	Assets (Shs'm')	Market Share (%)
Over 5000	10	193,862	78.2%	11	242,462	75.1%
1001 - 5000	22	49,169	19.8%	30	74,690	23.1%
501 - 1000	5	3,418	1.4%	6	4,392	1.4%
201 - 500	3	1,161	0.5%	3	1,127	0.3%
101 - 200	1	159	0.1%	-	-	-
0 - 100	-	-	-	-	-	-
TOTAL	41	247,770	100.0%	50	322,672	100.0%

Table 4.4 (b): NBFIS MARKET SHARE BY TOTAL ASSETS

Peer Group Range (shs'm')	DECEMBER 1995			DECEMBER 1996		
	Number of NBFIs	Assets (Shs'm')	Market Share	Number of NBFIs	Assets (Shs'm')	Market Share
Over 5000	4	25,975	35.4%	4	31,910	57.4%
1001 - 5000	16	40,515	55.2%	8	20,652	37.2%
501 - 1000	5	3,990	5.4%	2	1,223	2.2%
201 - 500	7	2,256	3.1%	3	1,442	2.6%
101 - 200	3	423	0.6%	1	148	0.3%
0 - 100	4	234	0.3%	3	180	0.3%
TOTAL	39	73,393	100.0%	21	55,554	100.0%

**BANKING SECTOR GLOBAL BALANCE SHEET ANALYSIS AS
AT DEC. 1995 AND DECEMBER 1996.**

Appendix I

Figures in Kshs. million

	Banks 31.12.96	NBFIs 31.12.96	Total 31.12.96	% 31.12.96	Total 31.12.95	% 31.12.95
A. ASSETS						
1. Cash	5,944	63	6,007	2%	5,200	2%
2. Balances at CBK	36,516	4,647	41,163	11%	37,577	12%
3. Placements	13,113	7,840	20,953	6%	13,772	4%
4. Government Securities	40,973	3,062	44,035	12%	32,054	10%
5. Investments	3,629	2,056	5,685	2%	4,239	1%
6. Advances(net)	150,687	32,933	183,619	49%	157,009	49%
7. Foreign Loans	12,664	15	12,679	3%	7,284	2%
8. Other foreign Assets	11,775	9	11,785	3%	17,320	5%
9. Fixed Assets	16,444	1,977	18,421	5%	14,880	5%
10. Other Assets	30,925	2,953	33,878	9%	31,828	10%
11. Total Assets	322,672	55,554	378,226	100%	321,163	100%
B. LIABILITIES						
12. Deposits *	217,879	38,745	256,624	68%	217,853	68%
13. Accrued Interest	5,280	1,613	6,893	2%	5,644	2%
14. Foreign Liabilities	22,885	2,553	25,438	7%	22,330	7%
15. Other Liabilities	35,125	5,566	40,691	11%	34,417	11%
16. Total Liabilities	281,168	48,477	329,645	87%	280,244	87%
17. Net Assets/(Liabilities)	41,503	7,077	48,581	13%	40,919	13%
C. CAPITAL & RESERVES						
18. Paid up/Assigned Capital	17,063	2,699	19,762	5%	16,448	5%
19. Reserves	12,862	2,215	15,077	4%	11,579	4%
20. P & L Account	11,578	2,163	13,741	4%	12,892	4%
21. Total Shareholders' Funds	41,503	7,077	48,581	13%	40,919	13%
22. Contingent Liabilities	25,174	234	25,408		28,822	
23. Non-performing Advances	27,254	10,647	37,901		31,802	
24. Loan Loss Provisions	11,486	5,950	17,436		15,897	
D. PERFORMANCE INDICATORS						
Capital/Deposits Ratio	17%	16%	17%		17%	
Capital/Assets Ratio (Unweighted)	12%	13%	12%		12%	
Liquidity Ratio	42%	37%	41%		40%	
Loan Loss Prov/Non-perf Adv Ratio	42%	56%	46%		50%	
Non-perf. Adv/Total Adv Ratio	16%	27%	18%		18%	
Advances/Deposits Ratio	71%	91%	74%		73%	

Key : * Includes Interbank deposits

**BANKING SECTOR GLOBAL PROFIT AND LOSS ANALYSIS AS
AT DEC. 1995 AND DECEMBER 1996.**

Appendix II

Figures in Kshs. million

	Banks 31.12.96	NBFIs 31.12.96	Total 31.12.96	% 31.12.96	31.12.95	% Total 31.12.95
A. INCOME						
1. Interest on Advances	40,339	7,588	47,927	63%	35,049	58%
2. Interest on Placement	2,689	2,346	5,035	7%	3,122	5%
3. Interest on Govt. Securities	8,289	851	9,140	12%	8,185	14%
4. Foreign Exc. Gain/(Loss)	1,423	541	1,964	3%	3,906	6%
5. Other Interest Income	2,687	(12)	2,675	3%	1,314	2%
6. Other Income	9,302	610	9,912	13%	8,993	15%
7. Total	64,728	11,924	76,652	100%	60,569	100%
B. EXPENSES						
8. Interest on Deposits	27,848	6,860	34,708	59%	25,091	55%
9. Other Interest Expenses	1,101	375	1,476	2%	1,211	3%
10. Occupancy Costs	1,686	137	1,823	3%	1,411	3%
11. Director's Emoluments	105	46	151	0%	119	0%
12. Bad Debts Charge	1,657	752	2,409	4%	1,772	4%
13. Salaries & Wages	9,731	711	10,442	18%	8,575	19%
14. Other Expenses	7,716	566	8,282	14%	7,044	16%
15. Total	49,843	9,447	59,290	100%	45,223	100%
16. Profit Before Tax	14,885	2,478	17,362		15,346	

LIST OF CIRCULARS ISSUED IN 1995

Appendix IIIa

	CIRCULAR REFERENCE	DATE ISSUED	SUBJECT
1.	Banking Circular No. 1/1995	Jan 12, 95	Fraudulent International Money Transactions
2.	CBK Circular No.2/1/95	Jan 26, 95	Money Laundering in Kenya
3.	Banking Circular No. 2 of 1995	Jan 31, 95	Torn and Soiled Currency Notes
4.	CBK Circular No. 3 of 1995	Feb 2, 95	Pre Shipment Inspection Program
5.	CBK Circular No. 4 of 1995	Feb 7, 95	Market Intelligence (Foreign Operations) Inspection Unit
6.	CBK Circular No. 5 of 1995	Feb 17, 95	Penalties for Non-Compliance with Foreign Exposure Limits
7.	CBK Circular No. 6 of 1995	Feb 23, 95	Foreign Exposure Limit
8.	Commercial Banking Circular No.7 of 1995	Feb 24, 95	Participation of CBK in the Forex Market.
9.	BSD Circular No.3/1/95	March 2, 95	Guidelines on the Annual Financial Statements.
10.	CBK Circular No.8 of 195	March 10, 95	Investment by Foreigners in Local Money Market Instruments.
11.	BSD Circular No. 3/3/95	March 10, 95	Profit and Loss Return
12.	Banking Circular No.9 of 1995	May 2, 95	Theft of US\$.5000 in Travellers Cheques.
13.	BSD Circular 5.1.95	May 3, 95	Minimum Liquid Assets for Commercial Banks and NBFIs
14.	CBK Circular No. 10. of 1995	May 17, 95	Penalty Charge on Cash Reserve Ratio
15.	CBK Circular No.11 of 1995	May 30, 95	Establishment of Banking Business Outside Kenya
16.	CBK Circular No.12 of 1995	June 13, 95	Short-dated Treasury Bills
17.	CBK Circular No.13 of 1995	June 16, 95	Cash Ratio by NBFIs
18.	Banking Circular No. 14 of 1995	June 20, 95	Procedures for Opening Cash Ratio Accounts.

19.	CBK Circular No. 15 of 1995	June 20, 95	Cash Ratio by NBIFIs
20.	BSD Circular No. 7/1/95	July 5, 95	Guidelines on Liquidity Requirements CBK/PG/05
21.	CBK Circular No. 16 of 1995	July 5, 95	Cash Ratio Funds Requirement
22.	Banking Circular No.17 of 1995	July 12, 95	Overnight Borrowing
23.	Banking Circular No. 18 of 1995.	July 13, 95	Foreign Currency Exposure Limits for Commercial Banks
24.	Banking Circular No. 19 of 1995	July 19, 95	Shilling Exchange Rate
25.	Banking Circular No. 20 of 1995	July 26, 95	Liquidity Ratio
26.	Banking Circular No 21 of 1995	Aug. 16, 95	Treasury Bills under Open Market Operations (OMO)
27.	Banking Circular No.22 of 1995	Sept. 5, 95	Meeting with the Governor
28.	Banking Circular No.23 of 1995	Sept. 6, 95	Interest on Treasury Bills
29.	Banking Circular No.24 of 1995	Sept. 11 95	Open Market Operations (OMO) Dealing Rates
30.	Banking Circular No.25 of 1995	Sept. 14, 95	Cash Ratio for Commercial Banks
31.	Banking Circular No. 26 of 1995	Sept. 19, 95	Maturity of Treasury Bills
32.	Banking Circular no. 27 of 1995	Sept. 21, 95	Government and Parastatal Deposits
33.	Banking Circular No. 28 of 1995	Sept. 21, 95	Treasury Bills New Format
34.	BSD Circular No. 10/1/95	Oct. 6, 95	Directory of Commercial Banks. Financial Institutions, Building Societies. Mortgage Finance Companies and Representative Offices of Foreign
35.	Press Release by the Governor.	Dec 1, 95	Interest Rates
36.	Circular Letter	Dec 11, 95	Withdrawal of Financial Institutions Circular No. 1/83.

CIRCULAR REFERENCE	DATE ISSUED	SUBJECT
1. No.1.1.1996	January 4, 1996	Renewal of Building Societies Licences.
2. Forex Bureaux authorised to receive TC's	January 17, 1996	Warning on stolen Traveller's cheques
3. Banking Circular No.2	April 10, 1996	Issue of commercial paper.
4. Circular No.3	April 15, 1996	Improvement of money market instruments.
5. Circular No.4	June 19, 1996	Convertibility of Uganda and Tanzania currencies.
6. Circular No. 5	June 19, 1996	Currency Notes into or out of Kenya.
7. Circular No.6	June 26, 1996	Statistical forms and returns to CBK.
8. Circular No.7	June, 1996	New rates of withholding tax.
9. Circular No.8	June 28, 1996	Introduction of Lombard borrowing facility.
10. Further to Circular No.8	July 2, 1996	Borrowing from the C.B.K.
11. Circular No.9	July 23, 1996	Notice of withdrawal of old
12. Circular No.10	August 8, 1996	Generation of coins from circulation
13. Banking Circular No.11	August 12, 1996	Role of External Auditors in Banking Institution.
14. Circular No.12	August 19, 1996	Public Notice to all investors in government securities.

15.	Banking Circular No.13	September 9, 1996	Economic Embargo on Burundi
16.	Circular No.14	September 17, 1996	Revised foreign currency Transaction Guidelines to Authorised Banks
17.	Banking Circular No.15	October 29, 1996	All Investors
18.	Circular No.16	November 19, 1996	Modalities for introduction or repurchase Agreement.
19.	Circular No.17	November 18, 1996	Repurchase Agreements (Repos)
20.	Circular No.18	December 24, 1996	Overnight lending and rediscount rates.

COMMERCIAL BANKS OPERATING IN KENYA AS AT 31ST DECEMBER, 1996 (APPENDIX IV)

NAME OF BANK AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
1. ABN-AMRO BANK N.V General Manager Mr. W.A.E.J. Lemstra	30262 NAIROBI	22262 FAX 254-2- 713391	710455/6	ABN-Amro Building Nyerere Road	13.5.1951
2. AFRICAN BANKING CORP. LTD Executive Chairman Mr. Ashraf Savani	46452 NAIROBI	TELEX 22069 FAX 251687	251540	5th Floor I.C.E.A Bld. Kenyatta Ave.	1.5.1984
3. AKIBA BANK LTD. Chairman Mr. L.J. Pandit	49584 NAIROBI	TELEX 22060 FAX 225694	331709 218360/1	Fedha Towers Muindi Mbingu st. Nairobi	1.7.1974
4. ARI BANK CORPORATION (still operating as an Nbf) Managing Director Mr. G.M. Omondi	54327 NAIROBI	25386 FAX 210700	224953 225313 223743 227141	Chester House Arcade Koinange Street	15.6.1984
5. BANK OF BARODA (K) LTD. Executive Chairman Mr. C.K. Daiya	30033 NAIROBI	22250 FAX 254-2- 333089	227869 337611-2 229634 337913	Tom Mboya Street	1.7.1953
6. BANK OF INDIA Chief Executive Mr. S.S. Rao	30246 NAIROBI	TELEX 22725 FAX 229462	221414-7 218063 218871	Kenyatta Avenue	5.6.1953
7. BANQUE INDOSUEZ Regional Manager Mr. J.M. Brocato	69562 NAIROBI	23091 FAX 214166	211175	Re-Insurance Plaza Taifa Road	1.7.1980
8. BARCLAYS BANK OF KENYA LTD. Managing Director Mr. Peter Geer	30120 NAIROBI	TELEX 22210 FAX 215418	713800/2	Barclays Plaza Loita Street	1.7.1926
9. BIASHARA BANK OF KENYA LTD. Chief Executive Mr. S.C. Kochar	30831 NAIROBI	25161 FAX 221679	221064 223168 338384 220632	Investment House Biashara st.	1.7.1984
10. BULLION BANK LTD. Chief Executive Mr. Nizar Meruani	11666 NAIROBI	22441 FAX 221338	220939 220948	Nginda Lane Nairobi	1.1.1995
11. CFC BANK LIMITED Managing Director Mr. M.N. Majmudar	72833 NAIROBI	22814 FAX 223032	340091-5 337907/652 337715/26 335991 214899	Corner House Kimathi Street	14.5.1955
12. CHASE BANK (KENYA) LTD. (changed name from United Bank Ltd w.e.f 15.11.95) Managing Director Mr. Zafrullah Khan	28987 NAIROBI	TELEX 23152 FAX 246334	244035 245611	Prudential Ass. Building 6th Floor. Wabera Street	1.4.1991
13. CITIBANK N.A. General Manager Mr. Paul Fletcher	30711 NAIROBI	22051 22161 FAX 337340	333524 334286	Fedha Towers Muindi Mbingu Street	1.7.1974

14. CITY FINANCE BANK LTD. Managing Director Mr. K.K. Patel	22741 NAIROBI	22037 FAX 335386	224238-9 332487 332532 210338/9	Unity House Koinange St.	29.11.1985
15. COMMERCIAL BANK OF AFRICA LTD. Managing Director Mr. John A.M. Docherty	30437 NAIROBI	23205 FAX 335827	228881 340200	Wabera Street	13.2.1967
16. CONSOLIDATED BANK OF KENYA LTD. Managing Director Mr. E.K.Mathiu	51133 NAIROBI	22482 FAX 340213	220175 340830 340920	Consolidated Bank Hse. Koinange Street	18.12.1989
17. CO-OPERATIVE BANK OF KENYA LTD. Managing Director Mr. E.K. Mureithi	48231 NAIROBI	22938 FAX 227747	228453/6 251290	Co-Operative House Haile Sellasie Avenue	1.7.1968
18. CO-OPERATIVE MERCHANT BANK Managing Director Mr.E.K.Mureithi	48231 NAIROBI	22938 FAX 336073	228711/2/3	Ufundi Sacco Hse. Formerly Gateway House Haile Selassie Av.	1.3.1992
19. CREDIT BANK LIMITED Managing Director Mr Narendra Kumar Agarwal	61064 NAIROBI	TELEX 23050 FAX 216700	222300 222317 220789 332015	Ground Floor Mercantile Hse Koinange st.	14.5.1986
20. DAIMA BANK LTD. Executive Chairman Mr. S.K.Muumbi	54319 NAIROBI	23275 FAX 211351	330620 330612 330615 330617 215368	Utalii House Off Uhuru Highway	1.9.1992
21. DIAMOND TRUST BANK KENYA LTD. (still operating as an Nbfj) Managing Director Mr. Mahmood Manji	61711 NAIROBI	 FAX 336836	210988/9 210991	Nation Centre Kimathi Street	23.5.1965
22. EQUATORIAL COMMERCIAL BANK LTD. Managing Director Mr. Shafiq Hussain	52467 NAIROBI	23198 FAX 331606	331122 338398 330611 221114 338908	Warren House Loita street	24.3.1984
23. EURO BANK LIMITED Managing Director Mr. Zachary Kamondo	43071 NAIROBI	25010 FAX-254-2 221781	218879/63 221367	Hamilton Hse Wabera st.	17.12.1992
24. FIDELITY COMMERCIAL BANK LTD. Managing Director Mr.S.K.Khimji	48445 NAIROBI	FAX 243389	242348 244187 220845 245369	7th Floor I.P.S Bldng. Kimathi Street	1.6.1992
25. FINA BANK LIMITED. Managing Director Mr. H. B.Nadkarni	20613 NAIROBI	FAX 254-2 337082	337002 337070 337089	Nanak House Kimathi Street	25.2.1986
26. FIRST NATIONAL FINANCE BANK LTD. Managing Director Mr. Pervaiz Siddiqui	67681 NAIROBI	FAX 210453	211230 211447 211649 211698	Nation Centre 7th Floor Kimathi st.	1.09.1992
27. FIRST AMERICAN BANK OF KENYA LTD. Managing Director Mr. M. Blasetti	30691 NAIROBI	TELEX 22398 FAX 230969 216021	333960-2 215936/7	I.C.E.A Building Kenyatta Avenue	1.6.1974
28. GUARDIAN BANK LIMITED. Managing Director Mr. Dinesh M. Chandaria	46983 NAIROBI	FAX 254 (2) 229248	227967 228087	View Park Towers 6th Floor Monrovia Street	17.12.1992

29. GIRO BANK LIMITED Managing Director Mr. R.B. Singh	40263 NAIROBI	22013 FAX 230600	230902 230221 230912	Hughes Building Banda Street	17.12.1992
30. GUILDERS INTERNATIONAL BANK LTD. Executive Chairman Mr.R.R. Sanghani	67437 NAIROBI	22167 FAX 216278	226771/4	Twiga Towers Muran'ga Road	1.4.1991
31. HABIB AFRICAN BANK LTD. Chief Executive Mr. Nazim A. Mohammed	48361 NAIROBI	23315 FAX 245760	330337-8	Fourways Towers Muindi Mbingu Street	1.7.1980
32. HABIB BANK A.G. ZURICH Country Manager Mr. I.A Allawala	30584 NAIROBI	TELEX 22982	334984-5	National House Koinange Street	1.7.1978
33. HABIB BANK LTD. General Manager (Africa Region) Mr. M. Nawaz Khawaja	6906 NAIROBI	TELEX 22238	336630 215833	Exchange Building Koinange Street	2.3.1956
34. IMPERIAL BANK LTD. Managing Director Mr.A.Janmohamed	44905 NAIROBI	FAX 230994	225060 252175/8	IPS Building Kimathi Street	1.11.1992
35. INVESTMENTS & MORTGAGES BANK LTD. Executive Director Mr. Sarit S. Shah	30238 NAIROBI	TELEX 22178	338434 338457	Nagina House Koinange Street	25.5.1980
36. KENYA COMMERCIAL BANK LTD. Executive Chairman Mr. A.T.Kaminchia	48400 NAIROBI	23085 FAX 338006	339441/3 339450/2 339446/9	Kencom House Moi Avenue	1.2.1970
37. MASHREQ BANK P.S.C (changed name from Bank of Oman w.e.f 1.10.93) General Manager Mr. Mohammad Zulficar	11129 NAIROBI	22596 FAX (2) 330792	330562-6	I.C.E.A Building Kenyatta Avenue	11.9.1981
38. MIDDLE EAST BANK KENYA LTD. Managing Director Mr. S.S Dinamani	47387 NAIROBI	23132 FAX 336182	335170-2 335168-9	Exchange Building Kenyatta Avenue	15.12.1980
39. NATIONAL BANK OF KENYA LTD. Executive Chairman Mr.J.P.N. Simba	72866 NAIROBI	22619 FAX 0254-2- 330784	226471-8	National Bank Building Harambee Avenue	1.1.1968
40. NATIONAL INDUSTRIAL CREDIT BANK LTD. Managing Director Mr. P.J. Bolton	44599 NAIROBI	FAX 718232	718200	N.I.C. House Masaba Road	17.9.1959
41. PARAMOUNT BANK LTD. Chairman Mr. Anwarali Merali	14001 NAIROBI	FAX 449265	449266/8	House of Vanguard 6th Floor Westlands	1.10.1992
42. PRIME BANK LTD. Managing Director Mr. G.H Bhatt	43825 NAIROBI	23224 FAX 334549	211979 214869/70 334312	Kenindia Hse. Loita Street	13.1.1992
43. PRUDENTIAL BANK LTD. Managing Director Mr. J.M Kahumbura	60024 NAIROBI	22882 FAX 214751	227443/5 338617 210543/45 240647/53	Ambank House University Way	1.4.1986

44. RELIANCE BANK LIMITED. General Manager Mr. Sultan A. Dewany	403 KISUMU	TELEX 31002 KE	41595/6 44147 KISUMU	Oginga Odinga Road	1.4.1988
45. SOUTHERN CREDIT BANKING CORP. LTD. Chief Executive Mr. D. A. Shah	66171 NAIROBI	FAX 447441	447077 448145	2nd Floor Southern Shield Complex, Waiyaki Way, Westlands	1.7.1980
46. STANBIC BANK KENYA LIMITED. (changed name from Grindlays Bank w.e.f 1.7.93) General Manager Mr. Peter Lewis - Jones	30550 NAIROBI	25207 FAX 330227	335888	Stanbic Bank Building Kenyatta Ave.	9.8.1970
47. STANDARD CHARTERED BANK (K) LTD. Managing Director A.E.H.Groag	30003 NAIROBI	TELEX 22209	330200 331210	StanBank House Moi Avenue	1.10.1910
48. THE AFRICAN MERCANTILE BANKING COMPANY LIMITED. Managing Director Mr. Brian Rogers	30090 NAIROBI	25535 FAX 333818	333969 333816 333903 338667	19th Floor Ambank House University Way	13.9.1989
49. THE DELPHIS BANK LTD. The Chief Executive Mr.F.H.J Barnes	44080 NAIROBI	22493 FAX 219469	228461/2	Finance Hse. Koinange St.	30.8.1991
50. TRANS NATIONAL BANK LTD. General Manager Mr. M.E.G. Muhindi	34353 NAIROBI	TELEX 25722 FAX 339227	224234-6 339201-4 339225 339223	Transnational Plaza Mama Ngina Street	1.8
51. TRUST BANK LTD. Chief Executive Mr. Ajay I.Shah	46342 NAIROBI	25143 FAX 334995	226413-5 216264/7	Trust Forte House Moi Avenue	23.11.1988
52. UNIVERSAL BANK LTD. General Manager Mr. S.A.Siddiqui	46307 NAIROBI	TELEX 22868 FAX 217438	212229 212668 219924	Chester Hse. Koinange Street	1.7.1992
53. VICTORIA COMMERCIAL BANK LTD. General Manager Mr. Yogesh K.Pattni	41114 NAIROBI	TELEX 22471 FAX 220548	225767 228732 228950	2nd Floor Victor Hse. Kimathi st.	1.6.1987

FINANCIAL INSTITUTIONS OPERATING IN KENYA AS AT 31ST DECEMBER, 1996

NAME OF INSTITUTION AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.	TEL. NO.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
1. BANK OF INDIA FINANCE (K) LTD. Chief Executive Mr. Srinivasa Sistla Rao	30246 NAIROBI	TELEX 22725	221414-6 334359	Kenyatta Avenue	1.11.1985
2. BARCLAYS MERCHANT FINANCE LTD. Managing Director Mr. Peter Geer	46661 NAIROBI	22210 FAX 331396	331324 331379 331385	Barclays Plaza Loita Street	11.10.1989
3. CHARTER HOUSE FINANCE LTD. (changed name from Middle East Bank (K) Finance w.e.f 11.11.96) Managing Director Mr. Sanjay Shah	43252 NAIROBI	23132 FAX 336182	224842 224920	Exchange Building Koinange Street	4.2.1982
4. CITITRUST KENYA LTD. Managing Director Mr. Paul Fletcher	30711 NAIROBI	TELEX 22051	333524 334286	Fedha Towers Muindi Mbingu Street	2.6.1987
5. CONSOLIDATED BANK FINANCE Chief Executive Mr E.K Mathiu	62299 NAIROBI	NONE	337878	N.H.C Aga Khan Walk	18.12.1989
6. CONSOLIDATED BANK MORTGAGE Chief Executive Mr E.K Mathiu	73636 NAIROBI	NONE	340151/5	Development House Moi Avenue	18.12.1989
7. CREDIT & COMMERCE FINANCE LTD. Executive Chairman Mr. C.J. Gidoomal	46739 NAIROBI	FAX 336991	339519 330129 330135/7/9 216005 217776-7	Lonhro Hse. 15th floor Standard Steet	17.7.1986
8. DEVNA FINANCE LTD. Executive Chairman Mr. J.D. Nanji	1299 NAKURU	NONE	40973 43495 212370/1	Devna House Nakuru	8.2.1986
9. FORTUNE FINANCE LTD. (changed name from Bullion Finance w.e.f. 4.12.94) Executive Chairman Mr. Tanuj Raja	47290 NAIROBI	FAX 216747	224774 226633 332500 225371	Nginda Lane Muranga Road	1.12.1987
10. INDUSTRIAL DEVELOPMENT BANK LTD. Managing Director Mr. Lawrence Musaviru	44036 NAIROBI	22339 FAX 334594	337079	National Bank Building Harambee Avenue	1.7.1981
11. KENYA COMMERCIAL FINANCE CO. LTD. Chief Operating Manager M S Fazal	21984 NAIROBI	23085 FAX 215881	339074 339400 339033 339016	Kencom House Moi Avenue	1.7.1971
12. KENYA NATIONAL CAPITAL CORP. LTD. General Manager Mr. Charles Maina Kibunja	73469 NAIROBI	FAX 338217	336077	National Bank Building Harambee Ave. 20th Floor	1.7.1975

13. KENYA NETWORK FINANCE LTD. (changed name from Guilders International w.e.f. 6.9.96) Managing Director Mr. Jagdish Sonpal	67437 NAIROBI	FAX 218030	226322 226365	Prudential Building Wabera Street	1.4.1991
14. PRIME CAPITAL AND CREDIT LTD. Executive Director Mr. R.C. Kantaria	46559 NAIROBI	FAX 334483	223644 215596 218670 339196	Kenindia House Loita Street 4th Floor	1.11.1987
15. PREMIER SAVINGS AND FINANCE LTD. Chief Executive Mr. S.P. Sunderji	82399 MOMBASA	FAX 313859	24637 24638	Diamond House Moi Avenue Mombasa	25.9.1940
16. STANDARD CHARTERED FINANCIAL SERVICES Chief Executive Mr. Tony Groag	40310 NAIROBI 40310	Telex 22089	336333 336334 336451	International Life House Mama Ngina Street	25.4.68

MORTGAGE FINANCE COMPANIES OPERATING IN KENYA AS AT 31ST DECEMBER, 1996

NAME OF MORTGAGE FINANCE COMPANY AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO.	TEL. No.	PHYSICAL	DATE
		FAX No.		ADDRESS OF HEAD OFFICE	LICENSED
1. HOUSING FINANCE CO. (K) LTD. Managing Director Mr. W.B. Mukuria	30088 NAIROBI	FAX 334670	221101 333910 333920	Rehani House Kenyatta Avenue	7.5.1965
2. SAVINGS AND LOAN (K) LTD. Chief Operating Manager Mr. J.P.Okora	45129 NAIROBI	FAX 334384	338777-8	Salama House Mama Ngina Street	1.7.1965

BUILDING SOCIETIES OPERATING IN KENYA AS AT 31ST DECEMBER, 1996

NAME OF BUILDING SOCIETY AND CHIEF EXECUTIVE	P.O. BOX	TELEX NO. FAX NO.	TEL. No.	PHYSICAL ADDRESS OF HEAD OFFICE	DATE LICENSED
1. EAST AFRICAN BUILDING SOCIETY Managing Director Mr. Raj Pandit	47499 NAIROBI	FAX 216799	224204 210304 214357 214176 215327 214639	Fedha Towers Muindi Mbingu Street	1959
2. EQUITY BUILDING SOCIETY Executive Director Mr. J.K. Mwangi	75104 NAIROBI	FAX 252575	330433-4 339926 334265	Fourways Towers Muindi Mbingu Street	1984
3. FAMILY FINANCE BUILDING SOCIETY Chairman Mr. T.K. Muya	74145 NAIROBI	NONE	332483 335003	Fourways Towers Muindi Mbingu Street	1984
4. PRUDENTIAL BUILDING SOCIETY Managing Director Mr. J.M Kahumbura.	28759 NAIROBI	FAX 340477	227233 227282 340261	Protection House Haile Selassie Av./ Parliament Rd.	1984

REPRESENTATIVE OFFICES OF FOREIGN BANKS OPERATING IN KENYA AS AT 31ST DECEMBER, 1996

NAME OF REPRESENTATIVE OFFICE AND CHIEF OFFICERS	P.O. BOX	TELEX NO. FAX NO.	TEL. No.	PHYSICAL ADDRESS IN KENYA	YEAR ESTAB. IN KENYA
1. THE BANK OF TOKYO-MITSUBISHI LTD. Chief Representative Officer Mr. Shinichi Matsuda	30441 NAIROBI	230841	NAIROBI 220951	International life House Ltd. (3rd Floor) Mama Ngina Street	1963

OVERSEAS AFFILIATIONS AS AT 31ST DECEMBER, 1996.

NAME OF LOCAL INSTITUTION	NAME OF FOREIGN SUBSIDIARY CHIEF OFFICER	P.O BOX	TELEX NO. FAX NO. TEL. NO.	PHYSICAL ADDRESS	YEAR ESTAB- -LISHED
1. PRIME CAPITAL AND CREDIT LIMITED.	1. FIRST MERCHANT BANK LIMITED. Managing Director Mr S.V. Nighoskar	Private Bag 122 Blantyre, MALAWI	Telex 43170 Fax - 000-265-622737 Tel - 000-265-622787	Delamere Hse. Victoria Ave. Blantyre, MALAWI.	1994
2. TRUST BANK LIMITED.	1. TRUST BANK LTD. (Tanzania) Managing Director Mr Pranal R. Modi	8298 Dar-Es- -Salaam	41604 46775 31173	Motor Mart Building Samora Ave.	1994
	2. TRUST BANK LTD. (Uganda) General Manager Mr Manojit Guha	11881 Kampala	Telex 61625 Fax (041) 235028 Tel (041) 235071, (041) 235061-2	Baumann Hse. Parliament Av.	1995
	3. TRUST BANK LTD. (Pakistan) Chief Executive Mr Humayun Zia	Trust Bank Limited 20, Sasi Arcade, 4th Floor Block 7 Clifton, Karachi	Telex 27164 muslim PK Fax 5846322 Telephone 5872944	Sasi Arcade	1995
3. DIAMOND TRUST BANK LIMITED.	1. DIAMOND TRUST BANK (Uganda) LTD. Chief Executive Mr G.H. Daudani	P.O BOX 7155 Kampala	Tel. 259331/3 Fax (256-41) 242286	Diamond Trust 17/19 Kampala Road	1965
	2. DIAMOND TRUST BANK (Tanzania) LTD. Chief Executive off. Mr S. Pira	P.O BOX 115 Dar-es- - Salaam	Tel. 051-20492 22862 Fax 051-44272	Diamond Jubilee Bld. 2nd Floor	1965

FOREX BUREAUX OPERATING IN KENYA AS AT 31ST DECEMBER 1996

NAME OF FOREX BUREAU	PHYSICAL LOCATION	PRINCIPAL OFFICER	BOX NUMBER	TELEPHONE	FAX NUMBER
1. Acesafe Forex Bureau Ltd.	Viewpark Towers	Mr Cyrus Wangoru	P.o Box 72519 Nairobi	243495 246469	244346
2. Aristocrats Forex Bureau Ltd.	Wilson Airport	Mr. Krishman Soundarajan	P.o Box 57386 Nairobi	606052/3	215063 606054
3. Bay Forex Bureau Ltd.	Kimathi Hse	Mrs. Onduto	P.o Box 79736 Nairobi	245233/4	246421
4. Blue Nile Forex Bureau Ltd.	Sec. Ave Eastleigh	Saeda M Yusuf	P.o Box 69466 Nairobi	766657	766667
5. Continental Forex Bureau Ltd.	Old Mutual Building	Mr. Hassan E. Virjee	P.o Box 49850 Nairobi	222140 330883	216163
6. Crown Bureau De Change	Corner Hse	Mr. James M Gitau	P.o Box 22515 Nairobi	250720/1/2	252365
7. Central Forex Bureau Ltd.	Wilson Airport	Mr. M. S. O. Batheif	P.o Box 43966 Nairobi	226777 331343	337784
8. Chase Bureau De Change Ltd.	Gilfillan Hse	Mr. Ali Jariwala	P.o Box 45746 Nairobi	244572	244651
9. Crater Forex Bureau Ltd.	George Murara Ave. Nku	Miss A. W. Njogu	P.o Box 1023 Nakuru	-37214183	214183
10. Diani Forex Bureau Ltd.	Diani	Mr. A. B. Ali	P.o Box 90775 Mombasa	0127-226047	222978
11. Fort Jesus Forex Bureau Ltd.	Fort Jesus	Mrs E. M. Rashid	P.o Box 89991 Mombasa	316717	315924
12. Finerate Forex Bureau Ltd.	Bruce House	Mr. A N Mwaniki	P.o Box 39252 Nairobi	250406	250407
13. Giant Forex Bureau Ltd.	JKIA	Mr. B.W Kagwima	P.o Box 56947 Nairobi	822936	822937
14. Greenland Forex Bureau Ltd.	Uganda Hse	S Muwanga	P.o Box 72958 Nairobi	246145	-
15. Jorg's Forex Bureau Ltd.	Jubilee Hse Msa	Mrs. A. H. Soud	P.o Box 88850 Mombasa	228752 227063	228732

16 Jodeci Bureau De Change	JKIA	Mr Robert Okora	P.o Box 21819 Nairobi	822845/50	245741
17 Metropolitan Bureau de change	JKIA	Mr Joseph M Gichungwa	P.o Box 7080 Nairobi	820203	820203
18 Nairobi Bureau De Change	JKIA	Mrs. Violet M Kairu	P.o Box 54210 Nairobi	822884	212472
19 Nairobi Forex Bureau Ltd.	Gujarati Hse	Mr. Peter Njuguna	P.o Box 73194 Nairobi	213170 223030	251312
20 Orion Forex Bureau Ltd.	Mercantile Hse Loita St.	Mr. V P Prabhu	P.o Box 31958 Nairobi	222773 222096	214316
21 Overseas Forex Bureau Ltd.	View Park Towers	A.S. Achar (Mrs)	P.o Box 74308 Nairobi	216250	213027
22 Pwani Forex Bureau Ltd.	Abdelnasser Rd.	Miss Hadiya S. Chiraghdin	P.o Box 87200 Mombasa	221870 221734	221870
23 Redfox Forex Bureau Ltd.	Hurlingham Shopping Centre.	Mr. I Lundu	P.O Box 22758 Nairobi	710242	-
24 Sarafu Forex Burea	Busia Town	C.T Alusala	P.o Box 848 Busia	0336-22491	0336-22426
25 Solid Burea De Change	JKIA	Mr Jackton Abiero	P.o Box 54145 Nairobi	822922	822923
26. Speedy Forex Burea	Jubilee Insurance Exchange Bld.	Mr. Pradeep Jaiswal	P.o Box 45888 Nairobi	225641 226529	221761
27. Sterling Forex Burea Ltd.	Utalii Hse	Mr. Bharat Pattni	P.o Box 48984 Nairobi	245315	336710
28. Taipan Forex Bureau Ltd	New-Stanley Buken Ave.	Mr. Paul W. Ndungu	P.o Box 42909 Nairobi	244188	229665
29. Travellers Forex Bureau Ltd	Westlands Nairobi Mall	Mr. Graham W. Prophet	P.o Box 34535 Nairobi	443866	446604
30. Yaya Centre Forex Bureau Ltd.	Yaya Centre	Mrs Rebecca N. Mutungi	P.o Box 76302 Nairobi	569097	570869

FINANCIAL INSTITUTIONS WHICH HAVE CONVERTED TO BANKS AS AT 31.12.1996 (APPENDIX VI)

STATUS OF APPLICATION	FINANCIAL INSTITUTION (OLD NAME)	COMMERCIAL BANK (NEW NAME)	DATE	DATE
			APPROVED	COMMENCE
1. Commenced operations as a Bank after conversion	Akiba Loans & Finance Ltd	Akiba Bank Ltd	14.11.94	26.06.95
	City Finance Ltd	City Finance Bank Ltd	23.03.95	02.01.96
	Combined Finance Ltd	Paramount Bank Ltd	05.07.95	01.11.95
	Consolidated Finance Ltd	African Banking Corp. Ltd	08.12.94	03.01.95
	Co-operative Finance	Co-operative Merchant Bank	27.03.96	01.04.96
	Credit Finance Corporation	CFC Bank Ltd	02.04.95	03.04.95
	Credit Kenya Finance Ltd	Credit Bank Ltd	30.11.94	03.01.95
	Equatorial Finance co.	Equatorial Commercial Bank Ltd.	23.06.95	22.12.95
	Euro Finance Limited	Guardian Bank Limited	20.12.95	22.08.96
	Fidelity Finance	Fidelity Commercial Bank	07.03.96	01.11.96
	Finance Institution of Africa	FINA Bank Ltd	13.01.95	01.03.96
	First National Finance Ltd	First National Finance Bank Ltd	19.04.95	29.01.96
	Habib Kenya Finance	Habib African Bank Ltd	26.01.95	14.08.95
	Imperial Finance Co. Ltd	Imperial Bank Ltd	08.12.94	01.01.96
	Investments & Mortgages Ltd	Investments & Mortgages Bank Ltd	27.03.96	01.04.96
	Lake Credit Finance Ltd	Reliance Bank Ltd	13.01.95	01.02.95
	Prudential Finance	Prudential Bank Ltd	12.05.95	15.08.95
	Southern Credit Finance Ltd	Southern Credit Banking Corp. Ltd	26.09.95	16.07.96
	Universal Finance Ltd	Universal Bank Ltd	03.11.94	08.11.96
	Victoria Finance Company Ltd	Victoria Commercial Bank Ltd	11.01.96	01.04.96
	National Industrial Credit	National Industrial Credit Bank Ltd	28.09.95	10.07.96
2. With approval to commence operations but have not formally started commercial banking business				
	Ari Credit Finance Ltd	Ari Bank Corporation	07.03.95	
	Credit & Commerce Finance	Commerce Bank Ltd	15.04.96	
	Development Finance Co. Ltd	Development Bank of Kenya Ltd	20.09.96	
	Diamond Trust Company	Diamond Trust Bank Kenya Ltd	15.11.94	
3. Mergers effected	Indosuez Merchant Finance	Merged with Banque Indosuez	10.11.94	01.12.94
	First American Finance	Merged with First American Bank	05.09.95	01.11.95
	Transnational Finance	Merged with Transnational Bank Ltd.	28.11.94	01.12.95
	Stanbic Finance Kenya Ltd	Merged with Stanbic Bank Ltd	15.01.96	29.12.95
	Mercantile Finance	Merged with Ambank Ltd.	15.01.96	15.12.95
	C.B.A Financial Services	Merged with CBA	26.01.96	31.12.95
	Delphis Finance Ltd	Merged with Delphis Bank LTD	17.01.96	13.11.95
	Ken Baroda Finance	Merged with Bank of Baroda	02.12.94	15.03.96
	Trust Finance Limited	Merged with Trust Bank limited	07.01.97	30.12.96
4. Those which have converted to Mortgage Finance Companies				
	Housing Finance Co. of Kenya	Housing Finance Co. of Kenya	15.12.94	
	Savings & Loan Kenya Ltd.	Savings & Loan Kenya Ltd	12.01.95	

CENTRAL BANK BRANCHES AND OTHER RELATED BODIES (APPENDIX VII)

INSTITUTION	P.O BOX	TELEPHONE NO.	FAX
CENTRAL BANK OF KENYA (HEAD OFFICE)	60000 NAIROBI	226431 330500	340192
CENTRAL BANK OF KENYA (MOMBASA BRANCH)	86372 MOMBASA	011-311314	222524
CENTRAL BANK OF KENYA (ELDORET BRANCH)	2710 ELDORET	0321-33325/9 0321-62360/2	32844 61212
CENTRAL BANK OF KENYA (KISUMU BRANCH)	4 KISUMU	035-40300	45386
DEPOSIT PROTECTION FUND BOARD	P.O. BOX 45983	217400/4	211122
KENYA SCHOOL OF MONETARY STUDIES	65041 NAIROBI	861177	860430
KENYA INSTITUTE OF BANKERS	73530 NAIROBI	332297 332726	332711
ASSOCIATION OF FINANCIAL INSTITUTIONS OF KENYA	48445 NAIROBI	333321 220845	
KENYA BANKERS ASSOCIATION	73100 NAIROBI	221704 217757	219520

FUTURE OUTLOOK

While the Department will continue overseeing the conversion process of some financial institutions into commercial banks it will also keep abreast of the developments in the market as the banking environment becomes more competitive. The department will, in this respect, continue developing its supervisory skills to accommodate any new dimensions of risk management required in the banking industry.

The Department also hopes to increase its interactions with both the management of financial institutions and their internal and external auditors. This co-operation is expected to facilitate an effective way of detecting early distress signals and accord ample time to arrest such distress before further damage is done to the Banking institutions. To accommodate the risk management requirements associated with the increased financial instruments in Kenya, the department plans to adjust its surveillance techniques appropriately.

The department will continue to conduct seminars for directors and managers of banking institutions in order to enhance awareness of their role and responsibilities as these institutions move towards corporate governance.