# BANK SUPERVISION ANNUAL REPORT 2013

CENTRAL BANK OF KENYA

2013

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**CENTRAL BANK OF KENYA**

## VISION STATEMENT

The Bank's vision statement is to be a world class modern central bank. The Bank will pursue its mandate in support of economic growth, guided by law, national development agenda and international best practices.

## THE BANK'S MISSION

To formulate and implement monetary policy for price stability and foster a stable market-based inclusive financial system.

The Bank's objectives are:

- To formulate and implement monetary policy directed to achieving and maintaining stability in the general level of prices;
- To foster the liquidity, solvency and proper functioning of a stable market-based financial system;
- To formulate and implement foreign exchange policy;
- To hold and manage its foreign exchange reserves;
- To licence and supervise authorized dealers;
- To formulate and implement such policies as best to promote the establishment, regulation and supervision of efficient and effective payment, clearing and settlement systems;
- To act as banker and advisor to, and as fiscal agent of the Government; and
- To issue currency notes.

## MISSION STATEMENT OF BANK SUPERVISION DEPARTMENT

To promote and maintain the safety, soundness and integrity of the banking system through the implementation of policies and standards that are in line with international best practice for bank supervision and regulation.

## VALUE STATEMENT

In pursuing our vision and mission, we shall at all times practice the following values:

1. Commitment
2. Professionalism and relevance
3. Efficiency and effectiveness
4. Transparency, accountability and integrity
5. Innovativeness
6. Mutual respect and teamwork
7. Diversity and inclusiveness

The Bank Supervision Annual Report, prepared by the Central Bank of Kenya is available on the internet at:
http://www.centralbank.go.ke

## GOVERNOR'S MESSAGE

Commercial banks assets were worth Ksh. 2.7 trillion in 2013.

The Kenyan banking sector registered improved performance in 2013 notwithstanding the marginal economic growth. The sector registered a 15.9 percent growth in total net assets from Ksh. 2.33 trillion in December 2012 to Ksh. 2.70 trillion in December 2013. Equally, customer deposits grew by 13.5 percent from Ksh. 1.71 trillion in December 2012 to Ksh. 1.94 trillion in December 2013.

CBR reduced to 8.5% in May 2013.

The Central Bank continued with the easing of the monetary policy since the second half of 2012 following the overall decline in inflation. The Central Bank Rate (CBR) which signals the stance of monetary policy was lowered twice in the year 2013, from 11.0 percent in December 2012 to 9.5 percent in January 2013 and to 8.5 percent in May 2013. This policy stance was also as a result of stability in the exchange rate and the need to facilitate the uptake of private sector credit and to re-align interest rates in the economy.

CBK implemented various reform measures geared towards strengthening the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime. Integrity of Kenya's financial system remains a critical pillar in achieving desirable economic development. Some of the measures undertaken include:

Various measures taken to strengthen AML/CFT framework in 2013.

- Issuance of the Money Remittance Regulations, 2013 in April 2013 which provide for the regulation and supervision of money remittance providers. The Regulations cover in-bound and out-bound money remittances. They are also intended to bring on board the informal money remittance providers and mainstream them into the formal financial sector.
- Signing of the Memorandum of Understanding with the Financial Reporting Centre in September 2013 to enhance the bilateral co-operation on Anti-Money Laundering and Combating the Financing of Terrorism and supervision of financial institutions licensed by CBK.

Kenya has been pursuing various reforms and initiatives over the past decade to enhance access, efficiency and stability of the financial sector. These efforts have been measured through financial access surveys. Based on the 2013 financial access survey, the results indicated that:

Access to financial services has increased in Kenya.

i. Access to formal financial services has increased significantly, with 32.7% of the adult population accessing financial services from the formal, prudentially regulated financial institutions.

ii. 66.7% of adults accessed financial services from any type of formal financial provider.

iii. The proportion of the financially excluded dropped from 39.3% in 2006 to 25.4% of the adult population in 2013.

iv. The proportion of the population using informal financial services has declined to 7.8% from 33.3% in 2006.

CBK will continue initiating policy reforms not just geared towards enhancing access to financial services but also ensuring that such services are affordable to the Kenyan populace.

On the regional front, CBK pursued various initiatives geared towards promoting stability of the financial sector. Following the development of the framework for supervisory colleges in 2012, CBK hosted supervisory colleges for three of the large commercial banks that have presence in the East African Community (EAC) in October 2013. The college meetings which brought together banking sector regulators from all the five EAC member states (Burundi, Kenya, Rwanda, Tanzania and Uganda) including South Sudan, provided an opportunity for the regulatory authorities to have a better understanding of the complex structures of these banking groups.

CBK hosted supervisory colleges for 3 banks in 2013.

On the international scene, CBK:

- Supported various initiatives by the Alliance for Financial Inclusion (AFI). AFI is a global network of financial policy makers from developing and emerging countries working together to increase access to appropriate financial services for the poor.
- Actively participated in the activities of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa in 2013. FSB's RCG for Sub-Saharan Africa is one of the six RCGs established by FSB in 2011 to expand and formalise financial stability outreach beyond FSB membership. CBK was honoured to host the third meeting of the FSB's RCG for Sub-Saharan Africa in February 2013 in Nairobi, Kenya.

CBK actively participated in various regional and international fora.

- Signed Memoranda of Understanding (MOU) with the Reserve Bank of Malawi, Reserve Bank of Zimbabwe and Bank of Zambia. This was in line with the recommendation of the Basel Committee on Banking Supervision on promoting cross border banking supervisory cooperation.

CBK signed 3 MOUs in 2013.

Policy measures to maintain macro-economic stability.

In conclusion, the Central Bank in collaboration with the Government and the financial sector players will continue initiating various policy measures necessary in maintaining macro-economic stability and supporting a stable, safe, efficient and inclusive financial system.

**PROFESSOR NJUGUNA NDUNG'U, CBS**

**GOVERNOR**

**CENTRAL BANK OF KENYA**

**FOREWORD BY DIRECTOR**

The banking sector continued to support the various economic sectors through provision of credit in 2013. Some of the critical economic sectors that received credit were Trade, Real Estate, Manufacturing, Hotels and Restaurants, Transport and Communication and Agriculture.

Banking sector registered enhanced performance in 2013 and provided credit to various economic sectors.

Overall, the banking sector was robust and stable and registered enhanced performance in 2013 as demonstrated by:-

- Total net assets which grew by 15.9 percent from Ksh. 2.33 trillion in December 2012 to Ksh. 2.70 trillion in December 2013, with the growth being supported by the increase in loans and advances.
- Customer deposits which increased by 13.5 percent from Ksh. 1.71 trillion in December 2012 to Ksh. 1.94 trillion in December 2013. The growth was attributed to increased deposit mobilization by banks as they expanded their outreach and opened new branches to tap new customers. Adoption of agency banking model has also enabled banks to increase their deposit levels.
- The pre-tax profit for the sector which increased by 16.6 percent from Ksh. 107.9 billion in December 2012 to Ksh. 125.8 billion in December 2013. The growth was largely attributed to increased diversification of income sources including commissions and earnings from foreign exchange trading. Reduction in interest expenses and adoption of cost effective delivery channels also contributed to increased profits.
- Gross loans which increased by 18.7 percent from Ksh. 1,330.4 billion in December 2012 to Ksh. 1,578.8 billion in December 2013. The growth in loans is attributed to increased demand for credit by the various economic sectors. The increase in gross loans contributed to the reduction in the banking sector's average liquidity ratio which declined from

41.9 percent in December 2012 to 38.6 percent in December 2013 but remained way above the statutory minimum of 20.0 percent.

Spill-over of 2012 high interest rates and general elections in 2013 impacted negatively on banks' asset quality.

However, the ratio of non-performing loans to gross loans increased from 4.7 percent in December 2012 to 5.2 percent in December 2013. The increase in non-performing loans signaled an increase in credit risk which was largely attributable to the lag-effect of the high interest rates in the first half of 2012, and the slowdown in economic activities due to the general elections in March 2013. CBK closely monitored institutions experiencing deteriorating asset quality. Similarly, the sector's capital adequacy, which is measured by the ratio of Total Capital to Total Risk Weighted Assets, decreased from 23 percent in December 2012 to 21 percent in December 2013 but was way above the statutory minimum of 12.0 percent.

The banking sector is expected to maintain its growth momentum supported by the rollout of full file credit information sharing, regional integration initiatives, advances in information and communications technology and the introduction of the devolved governance system in Kenya.

**FREDRICK PERE**

**DIRECTOR, BANK SUPERVISION DEPARTMENT**

CHAPTER ONE

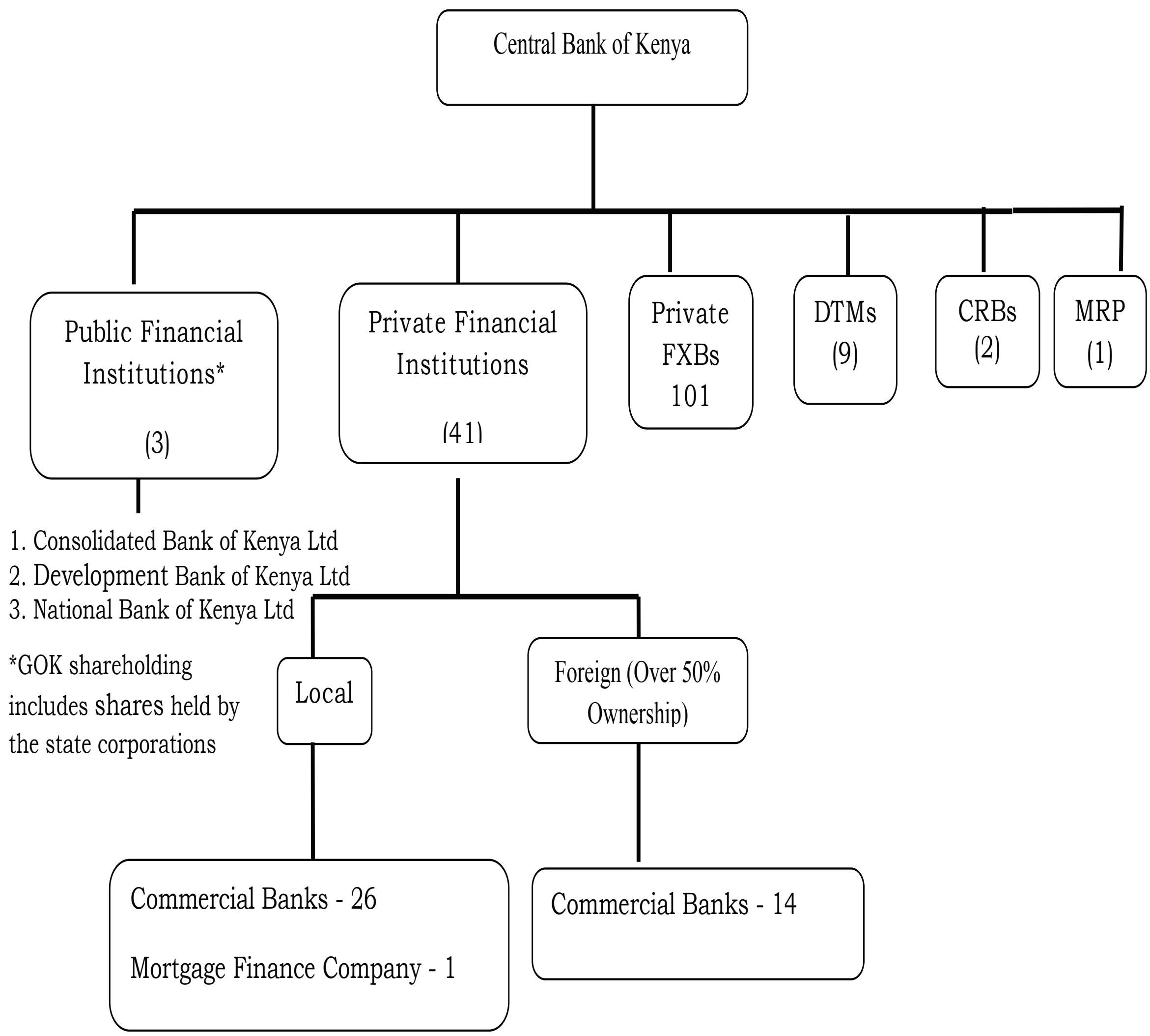
## STRUCTURE OF THE BANKING SECTOR

### 1.1 The Banking Sector

As at 31st December 2013, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 7 representative offices of foreign banks, 9 Microfinance Banks (MFBs), 2 credit reference bureaus (CRBs), 1 Money Remittance Provider (MRP) and 101 forex bureaus. Out of the 44 banking institutions, 30 locally owned banks comprise 3 with public shareholding and 27 privately owned while 14 are foreign owned as shown in Chart 1. The 9 MFBs, 2 CRBs and 101 forex bureaus are privately owned. The foreign owned financial institutions comprise of 10 locally incorporated foreign banks and 4 branches of foreign incorporated banks.

At the end of 2013, there were 43 commercial banks, 1 MFC, 9 MFBs, 2 CRBs 1 MRP and 101 forex bureaus.

**Chart 1: Structure of the Banking Sector- December 2013**



**Bank Supervision Department**

The Bank Supervision Department (BSD) mandate is stipulated in section 4(2) of the Central Bank of Kenya Act, which is to foster liquidity, solvency and proper functioning of a stable market-based financial system. The following are the main functions of BSD: -

i. Development of legal and regulatory frameworks to foster stability, efficiency and access to financial services. The Department achieves this objective through:-

   - ✓ Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which lay the legal foundation for banking institutions, non-bank financial institutions, deposit taking microfinance institutions and building societies.

   - ✓ Continuous review of Regulations and Guidelines for Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.

   - ✓ Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.

ii. Processes licenses of Commercial Banks, Non-Bank Financial Institutions, Mortgage Finance Institutions, Building Societies, Foreign Exchange Bureaus, Microfinance Banks and Credit Reference Bureaus.

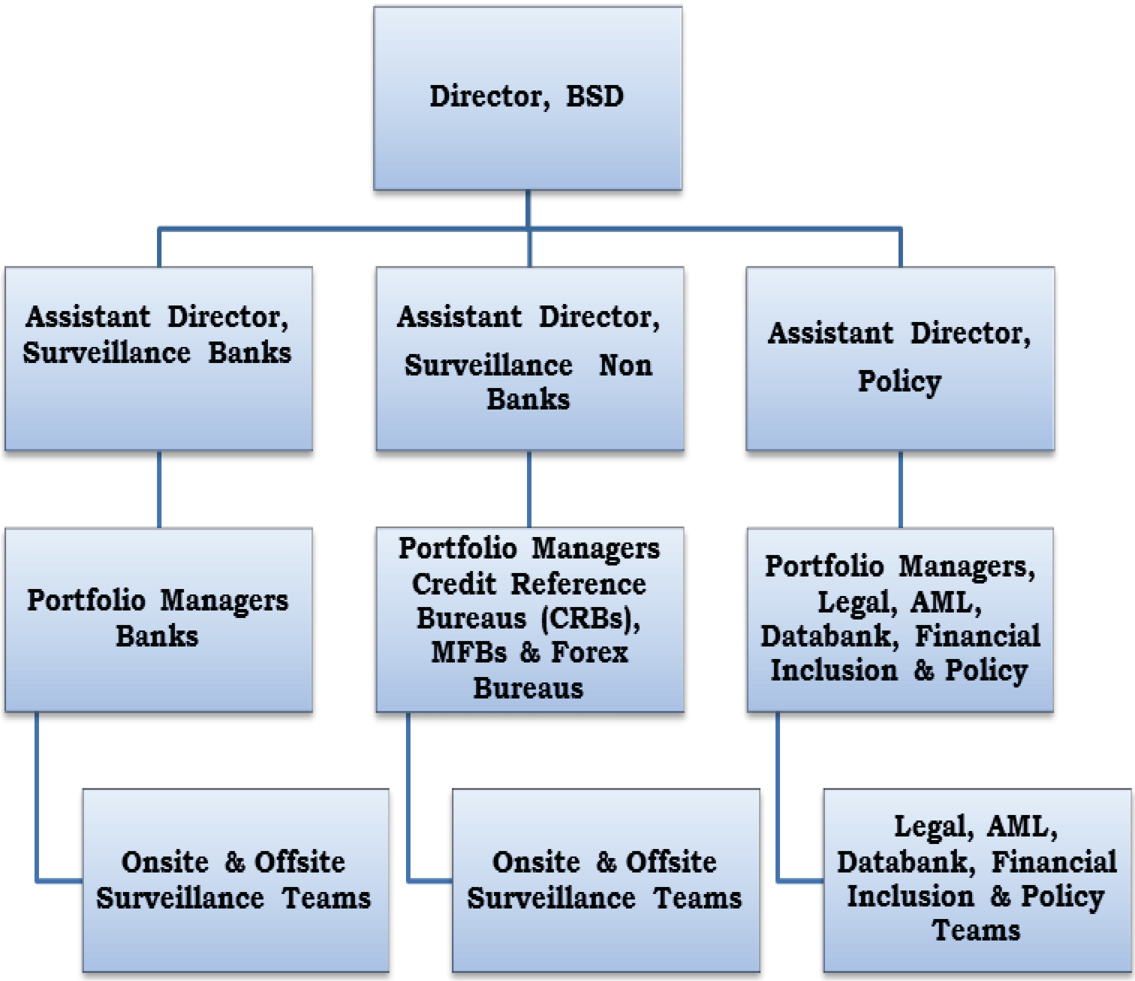
iii. Conducts onsite evaluation of the financial condition and compliance with statutory and prudential requirements of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.

iv. Carries out offsite surveillance of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act through the receipt and analysis of returns received periodically. The Department also processes corporate approvals for banking institutions in regard to opening and closing of places of business, appointment of directors and senior managers, appointment of external auditors, introduction of new products/services, increase of bank charges and reviews annual license renewal applications in accordance with statutory and prudential requirements.

v. Hosts the Secretariat for the National Task Force (NTF) on Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT), whose mandate is to develop a legal and regulatory framework to counter and prevent the use of Kenya's financial system as a conduit for money laundering and terrorism financing. NTF spearheaded the development of the Proceeds of Crime and Anti-Money Laundering Act, 2009, which was enacted into law by the Kenyan Parliament and assented to by the President in December 2009 and became operational in June 2010. NTF also spearheaded the development of the Prevention of Terrorism Act, 2012, which was enacted into law by the Kenyan Parliament and assented to by the President and became operational in October 2012.

As at 31st December 2013, BSD had a staff compliment of seventy three (73) comprising sixty three (63) technical staff and ten (10) support staff. In discharging its functions the department is divided into three divisions as shown in Chart 2.

**Chart 2: Bank Supervision Organogram**



**Capacity Building initiatives and technical assistance**

BSD in joint collaboration with various organizations undertook a number of capacity building initiatives in 2013. Some of these initiatives included:

- Participation in the Financial Stability Institute (FSI) High-Level Meeting for Africa on "Strengthening Financial Sector Supervision and Current Regulatory Priorities", in Cape Town, South Africa, 24-25 January 2013.
- Knowledge Exchange Visit to Central Bank of Philippines on Regulation of Money Remittance Business, 26th January 2013 - 3rd February 2013.
- Knowledge Exchange Visit to Bank of Uganda on Regulation of Money Remittance Business, 3rd – 9th February 2013.
- Conference on Supervisory Effectiveness in the Post Crisis World, Mumbai, India, February 4-8, 2013.
- Regional Microfinance Training, 17th – 22nd March 2013 in Kigali, Rwanda.
- Workshop on Supervision of Non-Bank Financial Institutions and Microfinance Institutions, April 8-12, 2013 in Lusaka, Zambia.
- 17th Banking Supervisors Training Programme, 27th- 31st May 2013, held in Singapore.
- A course on AML & Terrorism Financing in Washington DC, 22-26 July 2013.
- A course on Financial Soundness Indicators (FSIs) in Tunis, Tunisia, September 2013.
- School of Applied Microfinance Capacity Building Programme in Mombasa, 2nd-13th September 2013.
- Seminar on Finance for Developing Economies in China 5th – 25th September 2013.
- Implementation of Basel II & III Workshop, in Kigali, Rwanda, November 18 - 22, 2013 by EASTAFRITAC.
- Effective Monitoring of Alternative Remittances to Prevent Terrorism Financing: December 9-11, 2013 in Addis Ababa, Ethiopia.

## 1.2 Ownership and Asset Base of Commercial Banks

The total net assets in the banking sector stood at Ksh. 2.7 trillion as at 31st December 2013. There were 26 locally owned commercial banks[1] which accounted for 61.4 percent of the assets. A total of 14 commercial banks were foreign owned and accounted for 34.0 percent of the sector's net assets as indicated in Table 1 and Chart 3.

Local private commercial banks accounted for 60% of the total institutions and 61% of the total net assets.

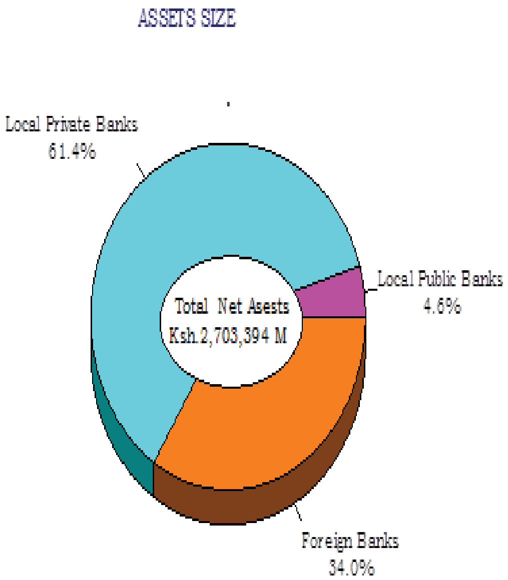
**Table 1: Ownership and Asset Base of Commercial Banks (Ksh. M)**

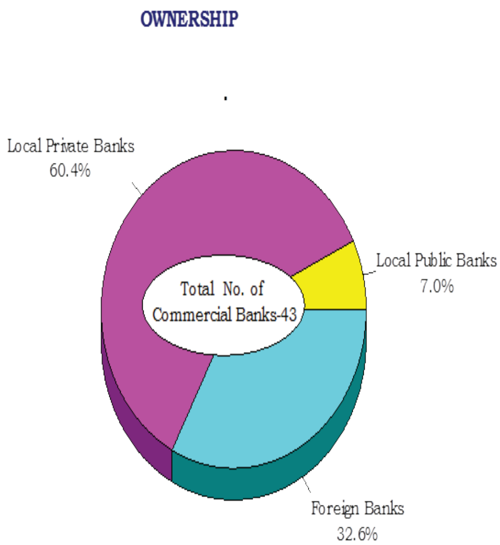
| Ownership | Number | % of Total | Total Net Assets | % of Total |
|---|---|---|---|---|
| Local Public Commercial Banks | 3 | 7.0% | 124,853 | 4.6% |
| Local Private Commercial Banks | 26 | 60.4% | 1,659,017 | 61.4% |
| Foreign Commercial Banks | 14 | 32.6% | 919,524 | 34.0% |
| **Total*** | **43** | **100.0%** | **2,703,394** | **100.0%** |

*** Charterhouse Bank excluded**

**Source: CBK**

**Chart 3: Ownership and Asset Base of Commercial Banks (%) Dec. 2013**




1 *Commercial Banks - comprises banks and mortgage finance companies.*

### 1.3 Distribution of Commercial Banks Branches

Banks branches rose by 70 to 1,342 branches in 2013.

The number of bank branches increased from 1,272 in 2012 to 1,342 in 2013, which translated to an increase of 70 branches. The counties that registered increased number of branches include Nairobi, which registered an increase of 12 branches, Kiambu 11 branches and Mombasa 10 branches as indicated in Appendix XIII. A total of 25 out of 47 counties registered an increase in the number of bank branches indicating increased demand for financial services partly occasioned by increased economic activities following introduction of the county government system.

### 1.4 Commercial Banks Market Share Analysis

Kenyan commercial banks are classified into three peer groups using a weighted composite index that comprises assets, deposits, capital, number of deposit accounts and loan accounts. A bank with a weighted composite index of 5 percent and above is classified as a large bank, a medium bank has a weighted composite index of between 1 percent and 5 percent while a small bank has a weighted composite index of less than 1 percent.

Banks in large peer group were 6 and accounted for 52.4% of the market share.

For the period ended 31st December 2013, there were 6 large banks with a market share of 52.4 percent, 16 medium banks with a market share of 39.1 percent and 21 small banks as shown in Table 2, Chart 4 and Appendix IV. The market share for the large peer group banks declined by 1.3 percent whereas banks in the medium peer group registered an increase in market share by 2.3 percent and banks in the small peer group recorded a decrease of 1.0 percent. The changes in the market share were mainly occasioned by levels of customer deposits as banks deployed various strategies for deposits mobilization.

**Table 2: Commercial Banks Market Share Analysis (Ksh. M)**

| Peer Group | Weighted Market Size | No. of Institutions | Total Net Assets | Customer Deposits | Capital & Reserves |
|---|---|---|---|---|---|
| Large | 52.4% | 6 | 1,388,641 | 972,066 | 239,484 |
| Medium | 39.1% | 16 | 1,083,250 | 789,114 | 157,633 |
| Small | 8.5% | 21 | 231,503 | 174,481 | 35,061 |
| **Total*** | **100.0%** | **43** | **2,703,394** | **1,935,661** | **432,178** |

*** Charterhouse Bank Excluded**

**Source: CBK**

**Chart 4: Commercial Banks Market Share (%) Dec. 2013**

### 1.5 Automated Teller Machines (ATMs)

Use of ATMs rose by 106 to 2,487 in 2013.

The number of ATMs increased from 2,381 in December 2012 to 2,487 in December 2013 representing an increase of 106 ATMs or 4.5 percent as indicated in Table 3. The increase in the use of technology by banks has been driven mainly by stiff competition leading them to adopt cost effective channels in offering financial services to ensure efficiency and maintain market share.

**Table 3: ATM Network**

| Month | 2012 | 2013 | Increase | % Growth |
|---|---|---|---|---|
| January | 2,224 | 2,390 | 166 | 7.5% |
| February | 2,236 | 2,404 | 168 | 7.5% |
| March | 2,252 | 2,397 | 145 | 6.4% |
| April | 2,272 | 2,413 | 141 | 6.2% |
| May | 2,282 | 2,426 | 144 | 6.3% |
| June | 2,291 | 2,439 | 148 | 6.5% |
| July | 2,283 | 2,447 | 164 | 7.2% |
| August | 2,295 | 2,472 | 177 | 7.7% |
| September | 2,311 | 2,478 | 167 | 7.2% |
| October | 2,339 | 2,480 | 141 | 6.0% |
| November | 2,361 | 2,488 | 127 | 5.4% |
| December | 2,381 | 2,487 | 106 | 4.5% |

**Source: CBK**

### 1.6 Asset Base of Microfinance Banks

MFBs net assets grew by 27.8% to Ksh. 41.6 billion in 2013.

The microfinance banks registered enhanced growth in 2013 with a 27.8 percent increase in total assets from Ksh. 32.4 billion in 2012 to Ksh. 41.4 billion in December 2013. One microfinance bank was licensed during the year and had an asset base of Ksh. 80 million as at 31st December 2013.

Net advances accounted for 66 percent of the microfinance banks' total assets while net fixed assets constituted 9 percent of the total assets base as indicated in Table 4. Lending therefore remained the most critical activity undertaken by the MFBs.

During the year, customer deposits accounted for 60 percent of the microfinance banks total funding sources compared to 48 percent in the previous year. Borrowings as a source of funding declined, accounting for 22 percent compared to 34 percent in 2012.

| Table 4: Asset Base of MFBs (Ksh. M) | | | | |
|---|---|---|---|---|
| **ASSETS** | **2012** | **% of Total** | **2013** | **% of Total** |
| Cash Balance (Local & Foregin notes & coins) | 1,245 | 4% | 1,193 | 3% |
| Deposit balances at banks and financial institutions | 6,741 | 21% | 6,440 | 16% |
| Government securities | 411 | 1% | 882 | 2% |
| Net Advances | 19,908 | 61% | 27,477 | 66% |
| Accounts Receivables | 836 | 3% | 341 | 1% |
| Net Fixed Assets | 2,983 | 9% | 3,895 | 9% |
| Other Assets | 285 | 1% | 1,122 | 3% |
| **TOTAL NET ASSETS** | **32,409** | **100%** | **41,350** | 100% |
| **LIABILITIES & EQUITY FUNDS** | | | | |
| Deposits | 15,409 | 48% | 24,745 | 60% |
| Borrowings | 11,082 | 34% | 8,969 | 22% |
| Other Liabilities | 2,084 | 6% | 2,306 | 6% |
| Capital and Shareholders Funds | 3,834 | 12% | 5,330 | 13% |
| **TOTAL LIABILITIES AND EQUITY FUNDS** | **32,409** | **100%** | **41,350** | 100% |
| **Source:CBK** | | | | |

## 1.7 Microfinance Banks Market Share Analysis

The microfinance banks market share is based on a weighted composite index comprising assets, deposits, capital , number of deposit accounts and loan accounts. The microfinance banks are classified into three peer groups namely large, medium and small. Based on the weighted composite index, a microfinance bank is classified large if it has a market share of 5 percent and above; medium if it has a market share between 1 percent and 5 percent and small if its market share is less than 1 percent.

4 MFBs were in the large peer group and accounted for 95.4% of market share.

As at 31st December 2013, there were 4 large microfinance banks with an aggregate market share of 95.44 percent, 2 medium microfinance banks with a market share of 2.85 percent and 3 small Microfinance Banks with a market share of 1.71 percent.

| Table 5: MFBs Market Share Analysis (Ksh. '000') - December 2013 | | | | | | |
|---|---|---|---|---|---|---|
| | **Market Size Index** | **Net Assets** | **Total Deposits** | **Share Capital & Reserves** | **Number of Deposit Accounts** | **Number of Loan Accounts** |
| | | | | | 000' | 000' |
| **Weighting** | | **0.33** | **0.33** | **0.33** | **0.005** | **0.005** |
| Kenya Women Finance Trust Ltd | 53.19% | 21,752,092 | 12,953,673 | 2,897,378 | 1,041.4 | 315.8 |
| Faulu Kenya Ltd | 26.64% | 12,434,401 | 8,683,834 | 797,794 | 465.5 | 74.6 |
| Rafiki Ltd | 7.73% | 3,678,751 | 1,419,271 | 465,969 | 57.4 | 4.8 |
| SMEP Ltd | 7.88% | 2,490,447 | 1,274,274 | 651,827 | 362.3 | 58.2 |
| **Large** | **95.44%** | **40,355,691** | **24,331,052** | **4,812,968** | **1,926.6** | **453.4** |
| Sumac Ltd | 1.51% | 307,013 | 98,859 | 182,397 | 0.9 | 0.4 |
| Remu Ltd | 1.34% | 336,681 | 182,901 | 132,849 | 6.6 | 0.7 |
| **Medium** | **2.85%** | **643,694** | **281,760** | **315,246** | **7.4** | **1.1** |
| Century Ltd | 0.78% | 163,608 | 66,006 | 90,383 | 4.4 | 0.9 |
| Uwezo Ltd | 0.54% | 106,669 | 32,192 | 66,611 | 2.2 | 0.2 |
| U & I Ltd | 0.39% | 80,187 | 34,070 | 45,127 | 6.3 | 0.8 |
| **Small** | **1.71%** | **350,464** | **132,268** | **202,120** | **12.8** | **1.9** |
| **GRAND TOTAL** | **100.0%** | **41,349,849** | **24,745,080** | **5,330,334** | **1,946.9** | **456.5** |
| **Source: CBK** | | | | | | |

The large microfinance banks accounted for Ksh. 40.4 billion of the total net asset, customer deposits of Ksh. 24.3 billion and capital & reserves of Ksh. 4.8 billion as shown in Table 5.

### 1.8 Distribution of Foreign Exchange Bureaus

Number of forex bureaus declined to 101 due to closure, licence revocation and conversion to other entities.

The total number of licensed forex bureaus declined during the year from one hundred and twelve (112) in December 2012 to one hundred and one (101) in December 2013. The decline was as a result of closure of eleven (11) forex bureaus during the year. The decline was attributable to:

- Conversion of existing Forex Bureaus to Money Remittance Providers;
- Voluntary Closure; and
- Revocation of licence due to non-compliance with the foreign exchange bureaus regulations.

Most foreign exchange bureaus were operating in towns hosting international airports or border entry points in 2013 as shown in Table 6.

**Table 6: Distribution of Operating Forex Bureaus**

| No. | City/Town | Number of bureaus | % of Total |
|---|---|---|---|
| 1 | Nairobi | 84 | 83.1% |
| 2 | Mombasa | 9 | 8.9% |
| 3 | Malindi | 1 | 1.0% |
| 4 | Nakuru | 2 | 2.0% |
| 5 | Kisumu | 2 | 2.0% |
| 6 | Eldoret | 2 | 2.0% |
| 7 | Namanga | 1 | 1.0% |
| | **Total** | **101** | **100.0%** |

**Source: CBK**

**CHAPTER TWO**

## 2.1 Introduction

Kenya's banking sector moved towards greater inclusiveness, efficiency and stability in 2013 as envisaged in Kenya's Vision 2030. Key developments in the sector during the year included the following:-

Various banking sector reforms were undertaken in tandem with Vision 2030.

- Increased convergence of banking and mobile phone platforms as banks explored more convenient and cost effective channels of banking.
- Reduction in the level of financially excluded Kenyans from 33% in 2009 to 25% in 2013. The proportion of Kenyans with access to formal financial services increased to 67% in 2013 from 41% in 2009.
- Rollout and operationalization of the Money Remittance Regulations, which empower CBK to licence and supervise money remittance providers to operate in Kenya.
- Impressive increase in the volumes of banking business transacted through agents by both commercial banks and microfinance banks.
- Increased interest in the Kenyan banking sector by global banking brands as evidenced by the authorization of two more foreign banking institutions to open representative offices in Kenya, and continued expression of interest by other international players.

## 2.2 Developments in Information and Communication Technology

The use of technology continues to enhance commercial banks efficiency in offering financial services. This is evidenced by the increase in the number of customers being served by a bank employee. In 2012, one employee used to serve an average of 501 customers while in 2013 the same employee was serving 640 customers as indicated in Table 7.

Use of technology enhanced banks efficiency in 2013.

**Table 7: Growth of Deposit Account Holders Compared to Number of Staff**

| Year | No. of Deposit Account Holders | Number of Staff | Efficiency Score |
|---|---|---|---|
| 1996 | 1,000,000 | 16,673 | 60 |
| 2002 | 1,682,916 | 10,884 | 155 |
| 2006 | 3,329,616 | 15,507 | 215 |
| 2007 | 4,123,432 | 21,657 | 190 |
| 2008 | 6,428,509 | 25,491 | 252 |
| 2009 | 8,481,137 | 26,132 | 325 |
| 2010 | 11,881,114 | 28,846 | 412 |
| 2011 | 14,250,503 | 30,056 | 474 |
| 2012 | 15,861,417 | 31,636 | 501 |
| 2013 | 21,800,556 | 34,059 | 640 |

**Source: CBK**

### 2.3 Financial Inclusion and Policy Development Initiatives

Various financial inclusion policy initiatives were undertaken in 2013.

Kenya's financial inclusion landscape has undergone considerable transformation. This is due to emerging policy strategies, reforms and initiatives by the government, the Central Bank of Kenya (CBK) as well as financial sector players' innovations. The key policy development initiatives undertaken by CBK in 2013 include:

- Issued one additional Microfinance Bank (MFB) licence to U&I whose primary focus is Micro and Small Enterprises (MSEs) financing.
- Issued revised Prudential Guidelines under the Banking Act to ensure a stable and efficient financial system and further enhance financial in clusion.
- Took part in financial education initiatives through platforms such as agricultural shows and domestic financial regulators forums held to sensitize the public on financial matters.
- Participated in a number of national, regional and global financial inclusion initiatives and fora, including:
    - The launch of the Africa Mobile Phone Financial Services Policy Initiative (AMPI) in Zanzibar in February 2013;
    - Policy dialogue during the Groupe Speciale Mobile Association (GSMA) Annual Leadership Forum held in July 2013 in Nairobi; and
    - The Annual Alliance for Financial Inclusion (AFI) Global Policy Forum (GPF) meeting in September 2013 in Kuala Lumpur,
- Amendment of Microfinance Act 2006 through the Microfinance (Amendment) Bill 2013 to increase the range of financial services that MFBs can offer to strengthen the institutions and enhance financial access.
- Conducted financial inclusion data gap analysis to assess the existing data sets and establish the status, level and trends of financial inclusion in Kenya highlighting the essential information gaps. The findings and recommendations of the study will be used to influence the policy objectives both by CBK and the National Government.

## 2.4 FinAccess National Survey, 2013

Over the past decade, there have been a number of reforms and initiatives to enhance access, efficiency and stability of the financial sector. The efforts have been measured using different instruments. The expanding financial services access horizons have been measured using three financial access surveys in 2006, 2009 and 2013 dubbed 'FinAccess'.

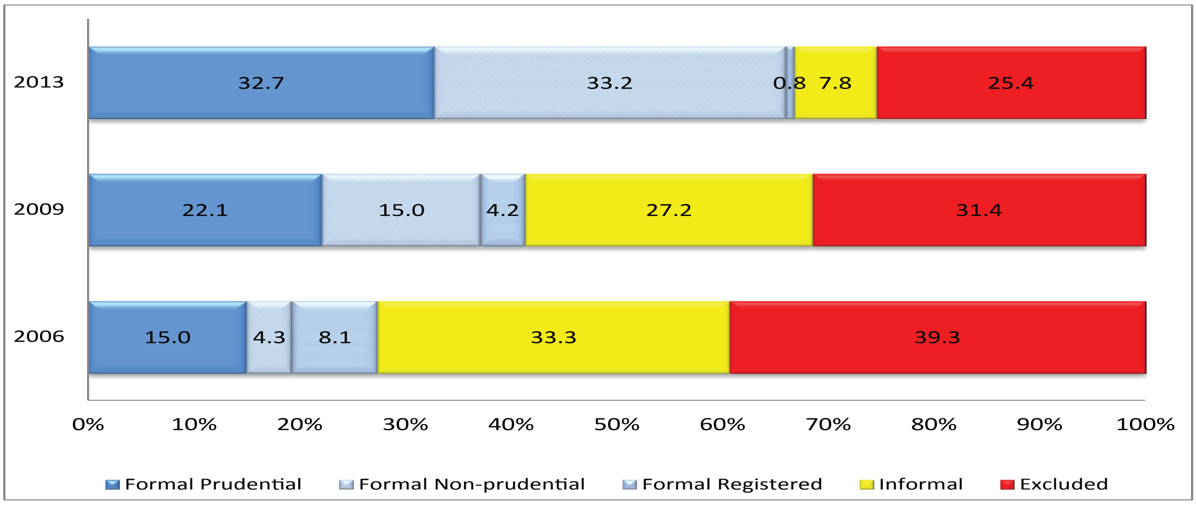
Access to financial services in Kenya registered notable increase based on 2013 survey results.

The FinAccess survey is a nationally representative survey on access to financial services in Kenya that was first conducted in 2006. The survey, whose concept was conceived during the International Year of Micro-Credit (IYMC) in 2005, is driven by a private-public partnership, Financial Access Partnership (FAP), which is represented by key players within, and around, the financial sector. These include: Financial Sector Deepening Trust (Kenya), Kenya National Bureau of Statistics (KNBS), Kenya Bankers Association, Kenya Institute for Public Policy Research and Analysis (KIPPRA), Development Alternative International (DAI) and CBK, among others.

The surveys demonstrated that Kenya's financial landscape has considerably changed over the period 2006-2013. FinAccess, 2006 helped to map the landscape of financial service provision in Kenya, defining the relative contribution of each type of provider and the overlap between them. Building on the findings of the 2006 survey, a repeat survey was completed in March 2009. The follow-up survey was aimed at offering insight into how demand for financial services had changed in the past 3 years. It provided invaluable information on the deepening of financial access to previously excluded populations.

The results of the 2013 FinAccess Survey, conducted by a research house, TNS-RMS, are illustrated in Chart 5.

**Chart 5: FinAccess Strand**



**Key**

- **Formal Prudentially Regulated**

  Individuals whose highest level of reported usage of financial services is through service providers which are prudentially regulated and supervised by independent statutory regulatory agencies (Capital Markets Authority (CMA), Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA), Retirement Benefits Authority (RBA) and Sacco Socities Regulatory Authority (SASRA).

- **Formal Non-Prudential**

  Individuals whose highest level of reported usage of financial services is through service providers which are subject to non-prudential over sight by regulatory agencies or government departments/ ministries with focused legislations.

- **Formal Registered (Other)**

  Individuals whose highest level of reported usage of financial services is through providers that are registered under a law and government direct interventions.

- **Informal**

  Individuals whose highest level of reported usage of financial services is through unregulated forms of structured provision.

The results of the survey as illustrated in Chart 5 showed that:

- Access to formal financial services has increased significantly, with 32.7% of the adult population accessing financial services from the formal, prudentially regulated financial institutions in 2013 compared to 15.0% in 2006 and 22.1% in 2009.
- 66.7% of adults accessed financial services from any type of formal financial provider in 2013 compared to 27.4% in 2006 and 41.3% in 2009.
- The proportion of the financially excluded on the other hand has been falling steadily from 39.3% in 2006 to 31.4% in 2009 and now stands at 25.4% of the adult population.
- Most striking, the proportion of the population using informal financial services has declined to 7.8% from 33.3% in 2006 and 27.2% in 2009.
- These findings demonstrate impressive achievements and vindicate policy strategies and reforms undertaken by Government as well as initiatives and innovations by the financial sector players' as having facilitated financial inclusion. The financial system is now offering a wider range of financial services and products to more Kenyans, covering a wider geographical spread, and even going beyond Kenyan borders. This has

strengthened the banks and created a wider market. These developments are a testimony to the strength and vibrancy of Kenya's banking sector and its contribution to the country's financial sector development. It is even more interesting to note from the results that many more people are now accessing and using a broader portfolio of financial services and products supplied by diverse providers.

The survey results are a product of developments in the wider economy, policy and regulatory reforms, increased competition and innovation and advances in information and communication technology, including the traction of mobile financial services in Kenya. There however remains some ground to cover in expanding access to financial services, given that about 25% of the population remains totally excluded. In his regard, the Central Bank of Kenya will continue to work in partnership with the key players in the financial sector to ensure that majority of the Kenyan populace is formally banked.

As financial services access expands and deepens, moving forward there will also be increased focus on enhancing consumer protection and financial education policy solutions and initiatives to drive up usage and quality of financial services and products.

### 2.5 Agency Banking

Types, number and value of transactions through agent banking registred an increase in 2013.

In addition to the reforms instituted in 2012, allowing microfinance banks to offer their services in marketing offices and self-managed agencies, there were further amendments to both the Banking Act and the Microfinance Act in 2013. Through the Finance Act 2013 and the Microfinance (Amendment) Act 2013, Sec. 2 (1) of the Banking Act and Sec. 2 (b) of the Microfinance Act 2006 were respectively amended to allow the sub-contracting of agents. The amendments allow for the use of Agent Network Managers (ANM) or Agent Network Management Companies (ANMC), also known as aggregators, in overseeing the day-to-day operations of agents, in addition to providing strategic information to the respective financial institutions. Their main mandates include ensuring compliance, managing liquidity and training of agents. This provision is meant to allow banks and microfinance banks to achieve scale in their respective agency networks while adhering to service quality standards. Furthermore, banks and microfinance banks will be able to enter into single contracts with ANM rather than multiple contracts with individual agents.

As of December 2013, 6 out of the 9 licensed microfinance banks had established deposit-taking marketing offices. There was a remarkable growth in the number of deposit-taking marketing offices in the year 2013, up from 5 deposit-taking marketing offices licensed in 2012, to 42 approved deposit-taking marketing offices as at December 2013.

The number of banks conducting agency banking increased to 13 as at December 2013 from 10 commercial banks in December 2012. In addition, the number of approved agents increased by 7,144 to 23,477 as at the end of December 2013. This represents a 44% increase in the number of licensed agents, albeit the concentration of 92% of the agents in 3 large banks. The number of transactions increased by 40% from 29,937,112 transactions recorded in 2012 to 42,055,854 transactions in 2013 as shown in Table 8.

**Table 8: Type and Number of transactions undertaken through Agent Banking - December 2013**

| Type of Transaction | Number of Transactions | | | |
|---|---|---|---|---|
| | Year 2012 | Year 2013 | % Change | Cumulative (2010 to 2013) |
| Account balance enquiries | 4,770,829 | 5,771,490 | 21% | 11,739,483 |
| Cash Deposits | 12,554,299 | 18,531,811 | 48% | 34,661,612 |
| Cash Withdrawals | 11,862,412 | 16,981,903 | 43% | 31,805,007 |
| Collection of account opening application forms | 176,218 | 158,781 | -10% | 1,313,528 |
| Collection of debit and credit card application forms | 52,212 | 57,245 | 10% | 109,457 |
| Collection of debit and credit cards | 31,321 | 19,673 | -37% | 50,994 |
| Mini-statement requests | 43,376 | 30,776 | -29% | 80,565 |
| Payment of Bills | 142,046 | 113,429 | -20% | 298,873 |
| Payment of Retirement and Social Benefits | 303,455 | 387,454 | 28% | 690,909 |
| Transfer of Funds | 944 | 3,292 | 249% | 4,241 |
| **Total** | **29,937,112** | **42,055,854** | 40% | **80,754,669** |
| Number of Agents | 16,333 | 23,477 | 44% | |

**Source: CBK**

The increase was largely driven by transactions relating to transfer of funds, cash deposits, cash withdrawals and payment of retirement and social benefits which increased by 249%, 48%, 43% and 28% respectively in the year 2013. Despite the overall increase in the number of transactions, there were a few notable declines in some operations in the year 2013; transactions relating to the collection of debit and credit cards, mini-statement requests and payment of bills experienced a decline mainly because of adoption of technology-led channels in accessing/offering some of the financial services.

In monetary terms, the total value of transactions carried out through the agency network in 2013 was Ksh. 236.2 billion - an increase of 55.3% from Ksh. 152.1 billion transacted in 2012 as shown in Table 9. The growth was largely driven by transactions relating to the transfer of funds, cash deposits, cash withdrawals and payment of retirement and social benefits.

| Table 9: Type and Values of transactions undertaken through Agent Banking - December 2013 | | | | |
|---|---|---|---|---|
| **Type of Transaction** | **Value of Transactions (Ksh. M)** | | | |
| | **Year 2012** | **Year 2013** | **% Change** | **Cumulative (2010 to 2013)** |
| Cash Deposits | 101,170.6 | 160,789.9 | 59% | 290,253.5 |
| Cash Withdrawals | 49,609.5 | 73,893.5 | 49% | 138,822.0 |
| Payment of Bills | 238.7 | 251.2 | 5% | 602.8 |
| Payment of Retirement and Social Benefits | 1,064.4 | 1,253.9 | 18% | 2,318.3 |
| Transfer of Funds | 14.2 | 27.1 | 91% | 41.3 |
| **Total** | **152,097.4** | **236,215.6** | 55% | **432,037.9** |
| **Source: CBK** | | | | |

This growth points to the potential of technology-led delivery channels in increasing access to financial services. The diversity in the delivery channel infrastructure in Kenya (brick and mortar as well as technology based) is a critical success factor that will go a long way in ensuring that the majority of Kenya's populace is financially included.

### 2.6 Operations of Representative Offices of Authorized Foreign Financial Institutions in Kenya

The Central Bank of Kenya (CBK) is empowered under section 43 of the Banking Act to grant authority to foreign banking institutions to establish Representative Offices in Kenya. The Banking Act also empowers CBK to supervise the activities of all Representative Offices operating in Kenya. Representative Offices are not permitted to undertake primary banking business of mobilising deposits and advancing loans. They are permitted to undertake research, information gathering, marketing and liaison roles on behalf of their parent and affiliated institutions undertaking business elsewhere in the world.

Two banks were authorised to establish representative offices in Kenya in 2013.

In 2013, the significant developments in respect to Representative Offices include:-

- Rollout of a new CBK Prudential Guideline on Representative Offices in Kenya (CBK/PG/17). The prudential guideline provides a broad framework which guides the establishment, operation and closure of Representative Offices of foreign banks in Kenya.

- Authorization of Central Bank of India (CBI) Ltd and Bank of Kigali Ltd to open Representative Offices in Kenya.

The Central Bank of India (CBI) is a commercial bank headquartered in India and which engages in both corporate, retail banking and investment banking services in its home country. In entering the Kenyan market, CBI seeks to explore potential business opportunities in the country with a view to determining the appropriate scale of CBI's long-term presence.

Bank of Kigali Ltd is a commercial bank headquartered in Rwanda with target markets in both corporate and retail banking. Bank of Kigali's entrance in the Kenyan market is aimed at better serving its customers with operations in Kenya. It also seeks to benefit from the ongoing trend towards greater regional integration by tapping into regional business opportunities and expanding its regional footprint across the region.

The entrance of the two institutions in Kenya brought the total number of authorized Representative Offices to seven from the previous five authorised at the end of 2012.

CBK monitors the activities of Representative Offices through quarterly returns submitted by the Representative Offices. The returns are analyzed to inform surveillance of the Representative Offices. In 2013, all the Representative Offices in Kenya operated within the legal and regulatory framework. An upward trend in volumes of business facilitated by the Representative Offices was witnessed.

The main activities undertaken by the Representative Offices in the year included:

- **Product promotion:** Provision of information to actual and potential customers on the products and services offered by their parent and affiliated institutions;
- **Communication and Outreach (marketing):** Initiating contacts and building relationships with players in the Kenyan banking sector;
- **Document processing:** Collection, verification and submission of documentation of the Kenyan customers of their parent and affiliated institutions;
- **Facilitation** of correspondent banking, syndicated lending and private banking services; and
- **Facilitation of exploratory visits** by representatives of parent and affiliated institutions to explore potential market opportunities in Kenya and in the East African region as a whole.

The increasing interest in the Kenyan banking sector witnessed from international banking groups is an encouraging indicator of global confidence in the sector. In 2014, the Central Bank will maintain its openness towards applicants who satisfy the regulatory requirements to establish their presence in the country. This will go a long way in supporting the Government's efforts to grow Kenya into a regional financial services hub as envisaged in the country's development blueprint, Vision 2030.

## 2.7 Residential Mortgages Market Survey 2013

The Central Bank of Kenya undertook a survey on the development of the mortgage market for residential housing in Kenya in 2013.

Value of residential mortgage loans increased by Ksh. 18.1 billion in 2013.

A detailed questionnaire was distributed to the banks to collect data for the year ending 2013. The information collected comprised:

a) Size of Mortgage Portfolio;

b) Mortgage Loan Characteristics; and

c) Obstacles to Mortgage Market Development.

The survey, which has been conducted annually since 2010, provided an update on the size of mortgage portfolio, mortgage loan characteristics and the obstacles to mortgage market development. Banks also suggested possible intervention measures to support the mortgage market and shared their views on the residential mortgage market outlook for 2014.

Highlights of the Residential Mortgage survey as at 31st December 2013:

a) **Size of Mortgage Portfolio**

i) The value of mortgage loan assets outstanding increased from Ksh. 119.6 billion in December 2012[2] to Ksh 138.1 billion in December 2013, representing a growth of Ksh 18.1 billion or 15.5%.

ii) About 70% of lending to mortgage market was by 5 institutions, that is, one medium sized bank (25.5%) and four banks from the large banks peer group (44.6%). The same institutions dominated the mortgage market based on the 2012 survey.

iii) There were 19,879 mortgage loans in the market in December 2013 up from 18,587 in December 2012.

iv) The average mortgage loan size increased from Ksh. 6.4 million in 2012 to Ksh. 6.9 million in 2013.

v) Almost all banks were offering loans for mortgages for both their staff and customers. However, the number of institutions offering mortgages to customers were 36 as indicated in Appendix XI.

vi) The high interest rates witnessed in 2012 continued to impact negatively on the mortgage market with NPLs increasing from Ksh. 6.8 billion in December 2012 to Ksh. 8.5 billion in December 2013.

2 In *2012, number and value of residential mortgages were restated to exclude banks' staff.*

b) **Mortgage Loan Characteristics**

i) The interest rates charged on mortgages on average was 16.37% percent and ranged between 8.5 percent - 22.0 percent.

ii) About 97.4% of mortgage loans were on variable interest rates basis compared to 85.6% in 2012.

c) **Obstacles to Mortgage Market Development**

Based on a ranking of mortgage market constraints, banks identified high interest rates, low levels of income and lack of access to long-term funds as the major impediments to the growth of their mortgage portfolios. However, the 2012 survey had identified similar constraints with lack of access to long term funds being rated as the 1st obstacle. The survey identified a number of the impediments to mortgage market development as indicated in Table 10.

**Table 10: Residential Mortgages Market Survey – December 2013**

| **Mortgage Market Obstacles** | **Frequency of Response** |
|---|---|
| High interest rates | 30 |
| Low levels of income | 25 |
| Access to long term funds | 20 |
| Burden of banking regulations (Provisioning, capital requirements, liquidity requirements.........) | 11 |
| High cost of construction materials and land | 11 |
| High purchase price of properties | 11 |
| Difficulties with property registration/titling | 10 |
| Credit risk (lack of credit histories, documented income) | 8 |
| Start-up cost | 7 |
| Stringent land laws | 5 |
| Lack of housing supply | 4 |

d) **Suggested measures to support mortgage market**

Commercial banks suggested a number of measures to support mortgage market development.

Institutions suggested a number of measures to be put in place to support the residential mortgage market in Kenya. Some of the measures include:

i) Government to support institutions such as National Housing Corporation to improve supply of houses which will support stabilization of housing prices.

ii) Digitization of the Ministry of Lands office to reduce time taken in processing transfer of properties.

iii) Initiate measures to oversee valuation of property to avoid arbitrary pricing of properties.

iv) Development of property index to guide the public on property prices.

v) Full disclosures of all charges related to funding of mortgages to enable buyers make informed decisions.

vi) Reduction of stamp duty as well as tax levies on construction materials.

vii) Support development of secondary mortgages market as an alternative source of mortgage financing.

**Mortgage market outlook for 2014**

The mortgage market growth momentum is expected to be supported by the rising middle income class and devolved county government. The ongoing initiatives by the National Government to automate the Land's Registry and issuance of title deeds will also facilitate growth of the mortgage market in Kenya.

## 2.8 Employment Trends in the Banking Sector

The banking sector recorded an increase in staff levels by 2,423 from 31,636 in 2012 to 34,059 in 2013 representing an increase of 7.7 percent as indicated in Table 11. A number of banks reclassified grades of their staff and moved some of the supervisory staff to management level to support their growth momentum. Other banks engage support staff on seasonal basis which explains the fluctuation in the number of staff in this category.

Employees in the banking sector increased by 2,423 to 34,059 in 2013.

**Table 11: Employment in the Banking Sector**

| | 2012 | 2013 | % Change |
|---|---|---|---|
| Management | 7,994 | 8,627 | 7.9% |
| Supervisory | 5,930 | 5,682 | -4.2% |
| Clerical and Secretarial | 15,333 | 17,978 | 17.3% |
| Support Staff | 2,379 | 1,772 | -25.5% |
| **Total** | **31,636** | **34,059** | **7.7%** |

**Source: CBK**

### 2.9 Future Outlook

Banking sector is expected to sustain growth momentum.

In 2014, the Kenyan banking sector is expected to remain responsive to ongoing developments in both the domestic and international environment. Key change drivers in 2014 include:

- **Entrenchment of devolution in Kenya** – the banking sector is expected to revamp its infrastructure to meet the needs of the market both nationally and within the counties.
- **Advances in information and communications technology** – continuing advances in and deployment of information and communications technology in the banking sector is expected to significantly impact the banking sector's operating efficiency and capacity.
- **Regional integration** – this is expected to impact the sector both strategically, legally and operationally as more institutions seek to expand their global footprint within the East African region. The Central Banks of the East African Community are also expected to continue their efforts towards harmonisation of their regulatory frameworks, which should positively affect the banking sector from a regulatory perspective.
- **Rollout of full file credit information sharing (CIS)** – the onset of reporting both positive and negative credit information to credit reference bureaus by banks should support efforts towards inculcating financial discipline and bringing the benefits of lower interest rates on loans to good borrowers closer to realisation.
- **Large infrastructure projects (oil, gas and other minerals)** – the recent natural resource discoveries in Kenya provide the banking sector with new opportunities for commercial, long-term engagement towards the gainful exploitation of these resources. In this regard, the banking sector is expected to tap into these opportunities.
- **With more international banking institutions** showing interest in Kenya and the desire by players in the Kenyan banking sector to expand presence to all counties and sub-counties, the contribution of the banking sector to economic growth in terms of employment will continue rising.

CHAPTER THREE

## MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

### 3.1 Global Economic Performance

World economy projected to have grown by 3% in 2013.

World output is estimated to have grown by 3.0 percent in 2013, underpinned by strengthening growth momentum in most advanced economies especially in the second half of the year. Growth in major advanced countries continued to expand at a modest pace, with the recovery slowly gaining some traction, although it remains diverse across countries. In the US, growth slowed down to 1.9 percent in 2013 from 2.8 percent in 2012, while growth in the UK improved from 0.3 percent in 2012 to 1.8 percent in 2013, buoyed by easy credit conditions and increased confidence. The emerging market and developing economies continued to account for the bulk of global growth. However, the region's growth slowed to 4.7 percent in 2013 from 5.0 percent in 2012 largely on account of reduced external demand. The growth momentum in China was however stabilised at 7.7 percent.

Global growth is expected to accelerate to 3.6 percent in 2014 and 3.9 percent by 2015. The pick-up in world output is to emanate from advanced economies, as the drag on growth from fiscal consolidation and policy uncertainty eases and private sector recovery gains firmer footing. Growth in advanced economies is projected to strengthen to 2.2 percent in 2014 and 2.3 percent in 2015 while growth in emerging markets and developing economies is expected to pick up modestly to 4.9 percent in 2014 and 5.3 percent in 2015 largely on account of increased exports driven by stronger growth in advanced economies, solid consumption and faster investment. However, expected slowing growth in China from 7.7 percent in 2013 to 7.5 percent in 2014 will affect other economies, notably the commodity exporters among the emerging markets and developing economies.

### 3.2 The Regional Economy

Sub-Saharan region economies registered growth of 4.9% in 2013.

In Sub-Saharan Africa, economic activity remained robust, with GDP growth stabilizing at 4.9 percent in 2013, supported by strong domestic demand associated with investment in infrastructure and household consumption. Medium-term growth prospects for Sub-Saharan Africa are strong. The region's GDP growth is projected to increase to 5.4 percent in 2014. This is largely associated with the anticipated higher global growth notably in advanced economies. The main risks to this outlook include prolonged decline in commodity prices brought on by increased output and weaker demand; second-round effects from the tightening of monetary conditions as the U.S. Federal Reserve begins to taper its asset purchases; and domestic risks from political unrest, security problems and adverse weather shocks.

### 3.3 The Domestic Economy

Kenya's economy grew by 4.7% in 2013 up from 4.6% in 2012.

The Kenyan economy grew by 4.7 percent in 2013 compared with 4.6 percent in 2012 and 4.4 percent in 2011. Real GDP growth in 2013 reflects good performance of the wholesale and retail trade, mining and quarrying, financial intermediation and transport and communication sectors. Of the total volume produced in 2013, Agriculture and Forestry contributed 20.6 percent while, Transport and Communication, Wholesale and Retail Trade, and Manufacturing contributed 12.6 percent, 11.5 percent and 9.5 percent, respectively. On a quarterly basis, economic performance was strong in the first three quarters of 2013 with real GDP rising by 5.7 percent in the first quarter of 2013, by 4.7 percent in the second quarter of 2013 and by 4.6 percent in the third quarter compared with growths of 3.8 percent, 4.5 percent and 4.6 percent in the first three quarters of 2012, respectively. Quarterly growth however slowed down to 3.9 percent in the fourth quarter of 2013 compared with 5.2 percent in the fourth quarter of 2012. Slower growth in the fourth quarter of 2013 reflects subdued performance from agriculture, manufacturing and construction.

### 3.4 Inflation

Food prices pushed up inflation in 2013 but remained within CBK target range.

Overall 12-month inflation rose in 2013 from 3.67 percent in January to 7.15 percent in December 2013 but remained within the CBK target range of 2.5% - 7.5%. This acceleration was largely reflected in food inflation which increased from 2.40 percent to 10.41 percent on account of adverse weather conditions in the last quarter of 2013 and implementation of VAT in September 2013. The non-food, non-fuel inflation (NFNF) registered marginal increase from 4.53 percent in January 2013 to 4.71 percent in December 2013. The stability in the NFNF inflation points to an absence of demand driven inflation and thus stability in inflationary expectations.

### 3.5 Exchange Rates

The Kenya shilling weakened against most of the major currencies in 2013.

In 2013, the Kenya Shilling on average strengthened by 17.5 percent to the Japanese Yen but weakened by 0.3 percent to the US Dollar, 3.4 percent to the Pound Sterling and 5.7 percent to the Euro to trade at an average of 86.31 per US Dollar, 142.39 per Pound Sterling, 119.22 per Euro and 82.42 per 100 Japanese Yen as indicated in Table 12. The steep weakening of the Japanese Yen largely reflected policies to depreciate the Yen in order to boost the Japanese economic growth.

At the regional level, the Kenya Shilling strengthened to the Tanzanian Shilling and Rwandan Franc to trade at an average of Tsh 18.62 and RWF 7.75. Over the same period the Kenya shilling weakened against Ugandan Shilling and Burundi Franc to trade at an average of Ush 29.17 and BIF 17.85.

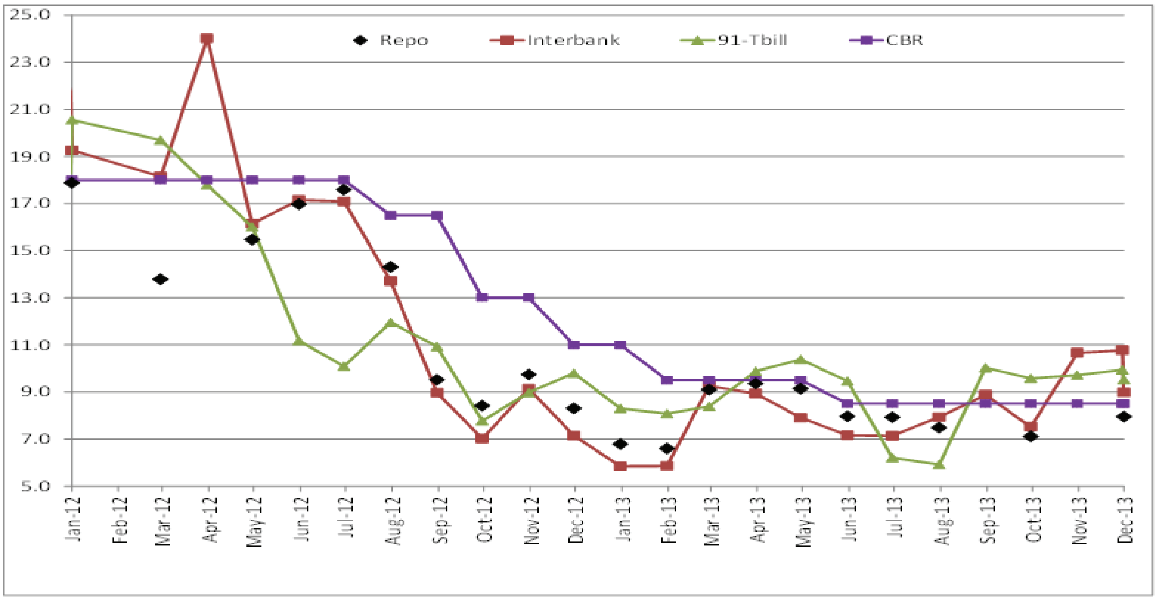
| Table 12: Kenya Shilling Exchange Rate Against Major Currencies | | | |
|---|---|---|---|
| **Currency** | **Dec-12** | **Dec-13** | **% change** |
| US Dollar | 86.03 | 86.31 | 0.3% |
| Sterling Pound | 139.02 | 142.39 | 3.4% |
| Euro | 113.56 | 119.22 | 5.7% |
| 100 Jap Yen | 99.9 | 82.42 | -17.5% |
| Uganda Shilling | 31.26 | 29.17 | -2.1% |
| Tanzania Shilling | 18.42 | 18.62 | 0.2% |
| Rwanda Franc | 7.18 | 7.75 | 0.6% |
| Burundi Franc | 17.87 | 17.85 | 0.0% |

### 3.6 Interest Rates

CBR remained at 8.5% from May 2013.

Interest rates on all financial instruments on average declined in 2013 compared to averages in 2012 when the Central Bank pursued a tight monetary policy. The Central Bank Rate (CBR) which signals the stance of monetary policy was lowered twice in the year 2013, from 11.0 percent in December 2012 to 9.5 percent in January 2013 and to 8.5 percent in May 2013 as shown in Appendix XIV. The easing of the monetary policy stance followed reduced inflationary pressures and stability in the exchange rate. In subsequent reviews of domestic economic developments condition, the Monetary Policy Committee (MPC) sustained this policy stance to facilitate the uptake of private sector credit and to re-align interest rates in the economy.

Chart 6 Short term interest rates

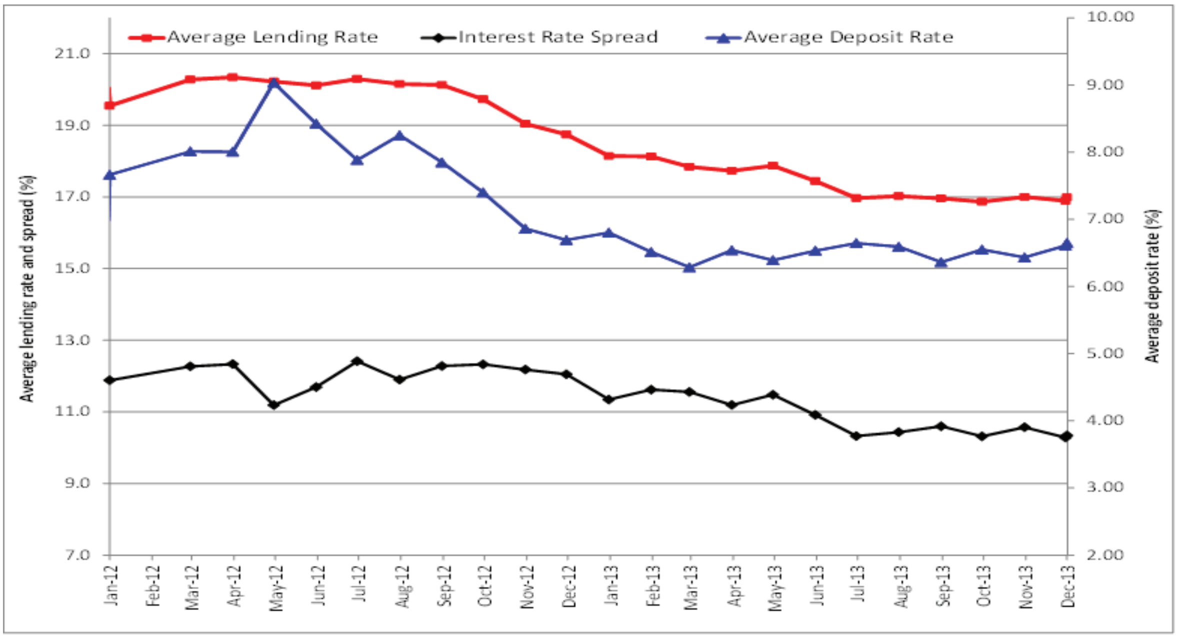


Meanwhile, the CBR coordinated movements of short-term interest rates in 2013, resulting in less volatility compared to a steep decline in 2012 as indicated in Chart 6. The short-term money market rates therefore eased in response to the lowering of CBR in 2013. The interbank rate averaged 8.41 percent in the year 2013 compared with 13.64 percent in 2012 and the Repo rate averaged 8.07 percent compared with 12.61 percent in 2012.

The 91-day and 182-day Treasury bill rates, which reflect the government borrowing profile, increased marginally; with the 91-day Treasury bill rate 144 basis points higher from 8.07 percent in January 2013 to 9.52 percent in December 2013 and averaged 8.92 percent for the year 2013. The 182-day Treasury bill rate also increased from 8.09 percent in January 2013 to 10.41 percent in December 2013 and averaged 9.29 percent in the year.

The commercial banks' average lending rate declined from 18.13 percent in January 2013 to 16.99 percent in December 2013 and the average interest rate paid by banks on deposits increased to 6.65 percent from 6.51 percent over the same period. Consequently, the interest rate spread narrowed from 11.62 percent in January 2013 to 10.34 percent in December 2013 reflecting a larger decline in the lending rate as shown in Chart 7.

Chart 7 – Commercial Banks interest rates




### 3.7 Balance of Payments

Balance of payments remained positive in 2013.

Kenya maintained a positive balance of payments position albeit the fall in the surplus from US$ 1,454 million in 2012 to US$ 858 million in 2013. The reduction reflected a widening Current account deficit that more than offset the improvement in the Capital and Financial account surplus.

The 12-month cumulative current account deficit widened from $ 4,256 million in 2012 to $ 4,788 million in 2013 and this is attributed to developments in the Merchandise account. Earnings from merchandise exports declined to $ 5,819 million in 2013 from $ 6,182 million in 2012 while import bill increased to $ 16,062 million from $ 15,537 million in 2012. The surplus in trade in international services increased to $ 2,657 million from $ 2,461 million in 2012 largely reflecting increased earnings from telecommunication services. The surplus in the current transfers increased to $ 3,136 million from $ 2,810 million in 2012 and this is largely attributed to increased inflows of remittances from the Diaspora which increased to $ 1,291 million from $ 1,171 million in 2012. The Capital and Financial account surplus improved to $ 5,397 million from $ 5,180 million in 2012 largely on account of increased short term net capital flows.

### 3.8 Fiscal Developments

Total revenue and grants increased by Ksh 81.1 billion during the first half of fiscal year 2013/14, to Ksh 469.0 billion from Ksh 387.9 billion in a similar period in 2012/13 and was 9.7 percent below the targeted amount of Ksh 519.1 billion. During the same period, total expenditure and net lending amounted to Ksh 574.2 billion compared with Ksh 506.4 billion and was 16.2 percent below the targeted amount of Ksh 685.0 billion. The Government budgetary operations for the first half of fiscal year 2012/13 therefore resulted in a deficit of Ksh 105.2 billion (2.7 percent of GDP) on commitment basis, compared with Ksh 118.5 billion (3.1 percent of GDP), incurred in the same period of the previous fiscal year. The deficit was financed through Ksh 67.9 billion and Ksh 11.3 billion in domestic borrowing and external borrowing, respectively. The underperformance in revenues and expenditures is attributed to lower than anticipated level of economic activity and challenges in utilization of capital related expenditures, respectively.

Total revenues increased by Ksh. 81.1 billion in June 2013.

### 3.9 Performance of the Banking Sector

The banking sector registered enhanced performance during the period ended December 2013. The sector recorded a 16.6 percent growth in pre-tax profits during the year. Total net assets and total deposits held by commercial banks recorded growth rates of 16.0 percent and 13.3 percent respectively. The sector also recorded strong capitalization levels as a result of retention of profits and additional capital injection.

However, asset quality registered a decline with the non-performing loans (NPLs) ratio increasing from 4.7 percent in 2012 to 5.2 percent in 2013. The increase in NPLs was partly attributed to high interest rates and reduced economic activities as a result of the March 2013 general elections. Institutions that experienced deterioration in asset quality were closely monitored during the year.

The rating of the banking sector in December 2013 remained strong as in December 2012.

### 3.10 Commercial Banks Balance Sheet Analysis

Banking sector balance sheet grew by 16%.

The banking sector registered higher performance in the year 2013, with total net assets recording an increase of 16.0 percent from Ksh. 2,330.3 billion in December 2012 to Ksh. 2,703.4 billion in December 2013 as indicated in Table 13. The Loans and advances, government securities and placements which accounted for 56.7 percent, 21.7 percent and 5.5 percent of the total net assets respectively remained the main components of the banks' balance sheet.

Net loans and advances registered an increase of 18.2 percent from Ksh. 1,296.5 billion in December 2012 to Ksh. 1,532.4 billion in December 2013.

**Table 13: Global Balance Sheet Analysis (Ksh. M)**

| | 2012 | 2013 | % Change |
|---|---|---|---|
| Assets | | | |
| Cash | 49,207 | 56,868 | 15.57% |
| Balances at Central Bank | 143,991 | 118,266 | -17.87% |
| Placements | 102,342 | 147,467 | 44.09% |
| Government Securities | 516,765 | 585,352 | 13.27% |
| Investments | 20,023 | 14,349 | -28.34% |
| Loans and Advances (Net) | 1,296,452 | 1,532,387 | 18.20% |
| Other assets | 201,556 | 248,705 | 23.39% |
| **Total Assets** | **2,330,335** | **2,703,394** | **16.01%** |
| **Liabilities and Shareholders Funds** | | | |
| Customer Deposits | 1,707,834 | 1,935,661 | 13.34% |
| Other Liabilities | 260,319 | 335,555 | 28.90% |
| Capital and Reserves | 362,182 | 432,178 | 19.33% |
| **Total Liabilities and Shareholders Funds** | **2,330,335** | **2,703,394** | **16.01%** |
| **Source: CBK** | | | |

The customer deposits which are the key source of the banks funding grew by 13.3 percent from Ksh. 1,707.8 billion in December 2012 to Ksh. 1,935.7 billion in December 2013. The growth was supported by branch expansion and enhanced deposits mobilization strategies.

**Sectoral Distribution of Gross Loans, Loan Accounts and Non-Performing Loans**

About 26% of the banking sector credit was extended to personal/household sector.

Substantial share of the banking sector loans and advances were extended to personal, trade, real estate and manufacturing sectors which accounted for 73 percent of gross loans in 2013. Over the same period, 79 percent of the sector's loan accounts were in personal/household sector which accounted for over 25 percent of the banking sector credit and 26 percent of the NPLs. Trade, real estate and manufacturing sectors accounted for 47.1 percent of the sector's credit and 44.9 percent of NPLs as shown in Table 14.

| Table 14: Sectoral Distribution of Loan Accounts, Gross Loans and NPLs - December 2013 (Ksh. M | | | | | | |
|---|---|---|---|---|---|---|
| **Sectors** | **No. of Loan Accounts** | **% of Total** | **Gross Loans** | **% of Total** | **Gross NPLs** | **% of Total** |
| Agriculture | 130,211 | 4.2% | 68,926 | 4.4% | 5,588 | 6.8% |
| Manufacturing | 24,442 | 0.8% | 204,131 | 12.9% | 5,580 | 6.8% |
| Building and Construction | 13,460 | 0.4% | 72,406 | 4.6% | 6,185 | 7.6% |
| Mining and Quarrying | 1,753 | 0.1% | 16,322 | 1.0% | 482 | 0.6% |
| Energy and Water | 5,971 | 0.2% | 66,190 | 4.2% | 1,118 | 1.4% |
| Trade | 356,434 | 11.5% | 316,707 | 20.1% | 20,236 | 24.7% |
| Tourism, Restaurant and Hotels | 8,464 | 0.3% | 37,956 | 2.4% | 2,610 | 3.2% |
| Transport and Communication | 37,950 | 1.2% | 108,831 | 6.9% | 6,435 | 7.9% |
| Real Estate | 51,859 | 1.7% | 222,735 | 14.1% | 10,998 | 13.4% |
| Financial Services | 17,185 | 0.6% | 56,397 | 3.6% | 1,361 | 1.7% |
| Personal/Household | 2,448,548 | 79.1% | 408,168 | 25.9% | 21,266 | 26.0% |
| **Total** | **3,096,277** | **100.0%** | **1,578,768** | **100.0%** | **81,857** | **100.0%** |
| **Source: CBK** | | | | | | |

### 3.11 Asset Quality

The increase in NPLs was partly attributed to high interest rates and slow down of economic activities during the period towards and after the March 2013 general elections. In addition, realignment of the National Government operations and the County Governments as per the requirements of the Constitution of Kenya 2010 also impacted negatively on the economic activities including delayed payments for the services rendered. Consequently, NPLs increased by 32.3 percent from Ksh. 61.9 billion in December 2012 to Ksh. 81.9 billion in December 2013. Similarly, the ratio of gross NPLs to gross loans increased from 4.7 percent to 5.2 percent in December 2013 as shown in Table 15 and Appendix III.

NPLs rose due to high interest rates and slow-down in economic activities.

| Table 15: Asset Quality and Provisions (Ksh. M) | | | |
|---|---|---|---|
| | **2012** | **2013** | **% Change** |
| Net Assets | 2,330,335 | 2,703,394 | 16.0% |
| Gross Loans | 1,330,365 | 1,578,768 | 18.7% |
| Total loans | 1,318,570 | 1,564,635 | 18.7% |
| Net loans | 1,296,452 | 1,532,387 | 18.2% |
| Gross Non-Performing loans | 61,917 | 81,857 | 32.2% |
| Interest in Suspense | 11,795 | 14,133 | 19.8% |
| Total Non-Performing Loans | 50,122 | 67,724 | 35.1% |
| Specific Provisions | 27,185 | 32,247 | 18.6% |
| Net Non-Performing Loans | 22,937 | 35,476 | 54.7% |
| | | | |
| Gross Loans/ Net Assets (%) | 57.1% | 58.4% | 1.3% |
| Gross NPLs/ Gross Loans (%) | 4.7% | 5.2% | 0.5% |
| Net NPLs/ Gross Loans (%) | 1.7% | 2.2% | 0.5% |
| **Source: CBK** | | | |

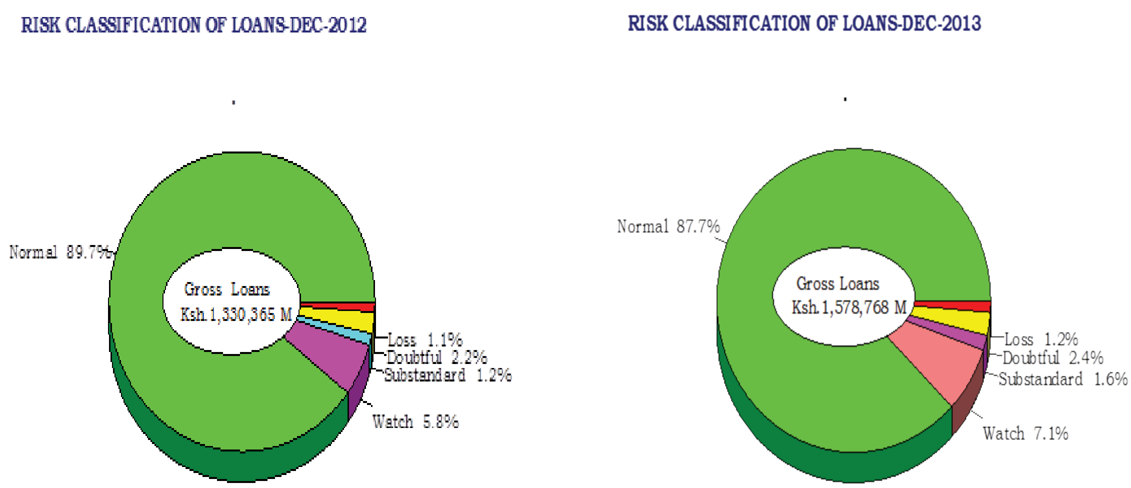
**Risk Classification of Loans and Advances**

The Central Bank has issued a guideline on "Risk Classification of Assets Provisioning and Limitation on Interest Recoverable on Non-Performing Loans". This guideline requires commercial banks to classify the facilities extended to their customers based on performance. The performance criteria is based on repayment capability of the borrower and loans are classified as either, normal, watch, substandard, doubtful or loss.

| Table 16: Risk Classification of Loans and Advances (Ksh. M) | | | | |
|---|---|---|---|---|
| | **2012** | **% of Total** | **2013** | **% of Total** |
| Normal | 1,192,833 | 89.7% | 1,385,663 | 87.7% |
| Watch | 76,789 | 5.8% | 111,794 | 7.1% |
| Substandard | 16,370 | 1.2% | 24,841 | 1.6% |
| Doubtful | 29,798 | 2.2% | 37,525 | 2.4% |
| Loss | 14,575 | 1.1% | 18,945 | 1.2% |
| **Total** | **1,330,365** | **100.0%** | **1,578,768** | 100.0% |
| **Source: CBK** | | | | |

The loans and advances in normal risk category increased by 16.2 percent from Ksh. 1,192.8 billion in December 2012 to Ksh. 1,385.7 billion in December 2013 as shown in Table 16. The increase was occasioned by the increased demand for credit from various economic sectors during the year. However, the proportion of loans in normal, watch, substandard and loss categories increased in 2013 compared with the year 2012 as shown in Chart 8.

Chart 8: Risk Classification of Loans and Advances



The spill-over of the high interest rates witnessed in 2012 and reduced economic activities due to the March 2013 general elections impacted negatively on the banking sector credit.

### 3.12 Capital Adequacy

CBK has issued guidelines, which prescribe prudential capital adequacy ratios to be complied with by the commercial banks. The minimum regulatory capital adequacy requirement which is measured by the ratio of Core Capital and Total Capital to Total Risk Weighted Assets is 8.0 percent and 12.0 percent respectively. These ratios decreased from 20 percent and 23 percent in year 2012 to 18 percent and 21 percent respectively in year 2013 as shown in Table 17. The decline is attributable to higher increase in total risk weighted assets, which grew by 32.1 percent compared to increase in the total core capital and total capital, which grew by 17.3 percent and 18.5 percent respectively. Over the same period, the ratio of core capital to total deposits increased from 17 percent in 2012 to 19 percent in 2013. The growth was attributable to increase in banks capital base funded by retained earnings and injection of fresh capital.

Core capital and total capital to risk weighted assets ratios declined in 2013.

**Table 17: Capital Adequacy Ratios**

| | 2010 | 2011 | 2012 | 2013 | Minimum Capital Adequacy Ratios |
|---|---|---|---|---|---|
| Core Capital/TRWA* | 20% | 18% | 20% | 18% | **8%** |
| Total Capital/TRWA | 22% | 21% | 23.0% | 21% | **12%** |
| Core Capital/Total Deposits | 17% | 16% | 17.0% | 19% | **8%** |

*Total Risk Weighted Assets

**Source: CBK**

### 3.13 Liquidity

CBK requires commercial banks to observe the minimum liquidity ratio of 20 percent. Liquidity level indicates bank's ability to fund increases in assets and meet obligations as they fall due. Liquidity is one of the important financial stability indicators as liquidity shortfall in one bank can cause systemic crisis in the banking sector due to their interrelated operations.

Banking sector average liquidity stood at 38.6%.

The banking sector's average liquidity in the twelve months to December 2013 was above the statutory minimum requirement of 20 percent, with all the banks meeting the minimum requirement. Liquidity ratio was 38.6 percent as at December 2013 compared to 41.9 percent registered in 2012. The decline in liquidity ratio is attributable to increased lending in 2013 as evidenced by the increase in loans to deposits ratio from 77.9% to 81.6% over the same period.

### 3.14 Profit and Loss

Sector's profit increased by 16.6%.

The banking sector recorded improved performance in 2013 with profit before tax increasing by 16.6 percent from Ksh. 107.9 billion in December 2012 to Ksh. 125.8 billion in December 2013 as shown in Table 18. The growth was largely supported by the growth in the credit portfolio, investment in government securities, commissions and earnings from foreign exchange trading.

#### Income

Sector's income increased marginally by 1.7%.

The banking sector total income rose marginally by 1.7 percent from Ksh. 356.3 billion in December 2012 to Ksh. 362.2 billion in December 2013. The increase in income was largely attributed to increase in fees and commissions and interest on government securities, which in total grew by Ksh. 13.5 billion. However, interest on advances declined from Ksh. 216.8 billion in December 2012 to Ksh. 211.4 billion in December 2013. The decline was partly attributed to reduction in lending interest rates occasioned by the signaling by the Central Bank Rate (CBR). CBR which signals the stance of the monetary policy was lowered from 11.0 percent in December 2012 to 9.5 percent in January 2013 and subsequently to 8.5 percent in May 2013. As a result, the average lending rate declined from 18.13 percent in January 2013 to 16.99 percent in December 2013.

**Table 18: Income and Expenditure Items as a Percentage of Total Income**

| | 2012 | | 2013 | |
|---|---|---|---|---|
| **Income** | Ksh. M | % of Total Income | Ksh. M | % of Total Income |
| Interest on Advances | 216,807 | 60.8% | 211,391 | 58.4% |
| Fees and Commission for Loans and Advances | 14,700 | 4.1% | 19,676 | 5.4% |
| Other Fees and Commission Income | 32,836 | 9.2% | 33,869 | 9.4% |
| Interest on Government Securities | 48,262 | 13.5% | 56,752 | 15.7% |
| Interest on Placement | 7,058 | 2.0% | 5,344 | 1.5% |
| Other Income | 36,643 | 10.3% | 35,144 | 9.7% |
| Total Income | 356,305 | 100.0% | 362,177 | 100.0% |
| **Expenses** | | | | |
| Interest Expenses | 110,911 | 31.1% | 83,793 | 23.1% |
| Bad Debts Charge | 12,312 | 3.5% | 12,876 | 3.6% |
| Salaries and Wages | 59,546 | 16.7% | 68,820 | 19.0% |
| Other Expenses | 65,637 | 18.4% | 70,928 | 19.6% |
| Total Expenses | 248,406 | 69.7% | 236,416 | 65.3% |
| Profit Before Tax | 107,899 | 30.3% | 125,760 | 34.7% |
| **Source: CBK** | | | | |

**Expenses**

The banking sector expenses declined by 4.8 percent from Ksh. 248.4 billion in December 2012 to Ksh. 236.4 billion in December 2013. The reduction in CBR impacted on interest rates on deposits with banks registering decrease in interest expense by Ksh. 27.1 billion in 2013. Consequently, interest expense as a percentage of total income reduced from 31.1 percent in 2012 to 23.1 percent in 2013. Similarly, the average cost of deposits decreased from 5.9 percent in 2012 to 3.8 percent in 2013 as shown in Appendix III. However, other expenses which included training, advertising, printing and management fees increased by 8.1 percent from Ksh. 65.6 billion in December 2012 to Ksh. 70.9 billion in December 2013 as a result of increase in capacity building costs. Salaries and wages increased by 15.6 percent from Ksh. 59.5 billion in December 2012 to Ksh. 68.8 billion in December 2013.

Sector's expenses declined by 4.8% in 2013.

## 3.15 Performance Rating

The Central Bank has adopted the Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity (CAMEL) rating system in assessing the soundness of the commercial banks.

Sector maintained strong rating in 2013.

The banking sector was rated strong in 2013, a similar rating attained in 2012. The institutions rated strong, satisfactory and fair in December 2013 were 18, 20 and 5 respectively. This was a slight departure from ranking order recorded in the period ending December 2012 as shown in Table 19.

**Table 19: Banking Sector Performance Rating (Ksh. M)**

| **Performance** | **2012** | | | **2013** | | |
|---|---|---|---|---|---|---|
| | No. of Institutions | Total Net Assets | Market Share | No. of Institutions | Total Net Assets | Market Share |
| Strong | 18 | 1,763,390 | 75.7% | 18 | 1,816,286 | 67.2% |
| Satisfactory | 21 | 483,293 | 20.7% | 20 | 834,769 | 30.9% |
| Fair | 4 | 83,652 | 3.6% | 5 | 52,339 | 1.9% |
| Marginal | 0 | 0 | 0.0% | 0 | 0 | 0.0% |
| Unsatisfactory | 0 | 0 | 0.0% | 0 | 0 | 0.0% |
| **Total** | **43** | **2,330,335** | **100.0%** | **43** | **2,703,394** | **100.0%** |
| **Overall Rating** | **Strong** | | | **Strong** | | |
| * Charterhouse Bank | | | | | | |
| **Source: CBK** | | | | | | |

Institutions rated strong registered a decline in their total net assets market share from 75.7 percent in December 2012 to 67.2 percent in December 2013 mainly due to a lower increase in deposits than the increase recorded by the institutions rated satisfactory. Institutions rated satisfactory declined from 21 to 20 and registered an increase in their market share from 20.7 percent in December 2012 to 30.9 percent in December 2013 mainly due to increased loans and advances funded by increased deposit levels.

### 3.16 Compliance with Supervisory and Regulatory requirements

Various remedial actions were taken against institutions that were non-compliant.

As at 31st December 2013, four banks were in violation of the Banking Act and CBK Prudential Guidelines. This translated into six incidences of non-compliance affecting five sections of the Banking Act and Prudential guidelines. In the previous year, 2012, six banks were not compliant with ten sections of the Banking Act.

The specific incidences of non-compliance as at 31st December 2013 were:

- Two institutions were in violation of section 10(1) of the Banking Act, which restricts lending to a single borrower to an amount not more than 25% of its Core Capital.
- One institution was in violation of section 11(1) (c) & (d) of the Banking Act, which requires all insider borrowings to be fully secured.
- One institution was in violation of section 12(c) of the Banking Act and CBK prudential guideline (CBK/PG/07) which requires that institutions investment in land and buildings should not be more than 20% of Core Capital.
- Two institutions were in violation of consumer protection guideline and one institution was in violation of CBK Prudential Guideline (CBK/PG/02 Part 3.3.3 which requires every member of the board to attend at least 75% of the board meetings of an institution in any financial year.

Appropriate remedial action was taken on the concerned institutions by the Central Bank in respect of these violations.

### 3.17 Performance of Microfinance Banks

MFBs profit before tax increased by 26%.

The microfinance banks' profit before tax increased by 26 percent from Ksh. 420 million for the period ended December 2012 to Ksh. 530 million for the period ended December 2013 as shown in Table 20. The increase in profits is attributable to continued expansion through the establishment of new branches, marketing units and increased workforce.

The increase in customer deposits by Ksh. 9.3 billion in the year 2013 is partly attributed to the aggressiveness of the institutions in deposit mobilization, the growth in number of branches and marketing offices. The branch network grew from 74 branches in 2012 to 91 branches in 2013 while the marketing offices grew from 5 to 42. Out of the deposit base of Ksh. 24.7 billion, 37 percent comprised of cash collateral held by the microfinance banks as security for loans granted. Similarly, the size of net loan portfolio increased by 38.2 percent from Ksh. 19.9 billion in 2012 to Ksh. 27.5 billion in 2013 demonstrating increased demand for credit.

| Table 20: Performance of MFBs - Ksh. 'M' | | | |
|---|---|---|---|
| **Parameter** | **2012** | **2013** | **% Change** |
| Pre-Tax Profits | 420 | 530 | 26% |
| Customer Deposits | 15,409 | 24,745 | 61% |
| Loan Portfolio (Net) | 19,908 | 27,477 | 38% |
| Core Capital/Total Risk Weighted Assets | 15% | 15% | - |
| Total Capital/Total Risk Weighted Assets | 19% | 20% | 5% |
| Return on Assets | 1% | 2% | 100% |
| Return on Shareholder's Funds | 7% | 15% | 114% |
| Number of Branches | 74 | 91 | 23% |
| Total Number of Staff | 3,383 | 3,903 | 15% |
| **Source: CBK** | | | |

As at December 2013, MFBs' ratio of core capital to risk weighted assets remained at 15 percent and was above the minimum requirement of 10 percent as shown in Appendix X. The ratio of total capital to total risk weighted assets was 20 percent for the period ended December 2013 against the minimum statutory requirement of 12 percent.

The 9 microfinance banks had a total staff compliment of 3,903 in 2013 compared to 3,383 staff in 2012. The increased level of staff was occassioned by the expansion of MFBs operations. The inclusion of microfinance banks in the Credit Information Sharing mechanism is expected to enhance their credit risk appraisal processes. It is also expected that credit referencing will go a long way in inculcating credit discipline in borrowers.

### 3.18 Credit Reference Bureaus Reports

Credit information sharing (CIS) mechanism was rolled out in the banking sector in July 2010, with the objective of promoting access to affordable credit to members of the public. The year ended 31st December 2013 marked three and half years since inception of the CIS mechanism.

3.5 million credit reports had been requested by commercial banks in Dec. 2013.

During the year, CBK undertook a comprehensive review of the Banking (Credit Reference Bureau) Regulations, 2008 which culminated in the revised Credit Reference Bureau Regulations, 2013. The revision of the Regulations was necessitated by the need to incorporate amendments to the Banking Act and the Microfinance Act which allowed Commercial Banks and Microfinance Banks to share both positive and negative (full file) credit information and also to enhance the robustness of the existing CIS framework. The full file information sharing requirement will take effect in 2014.

In September 2013, CBK together with the Kenya Bankers Association (KBA) hosted the Second Regional Conference on Credit Information Sharing. The conference whose theme was **"Credit Information Sharing – Unlocking Access to Affordable Credit"** was aimed at building on the progress made during the first Regional Conference held in July 2011 and covered developments and emerging issues including CIS international benchmarks and trends. The conference provided participants with an opportunity to discuss and share experiences on fundamental issues on the subject of credit information sharing. The Association of Kenya Credit Providers (AKCP), which brings different credit providers under one umbrella body in the sharing of credit information, was also launched during the conference.

Meanwhile the CIS mechanism continued witnessing significant growth in usage by both banks and customers during the year. As at 31st December 2013, a total of 3.5 million and 55,094 credit reports had been requested by banks and customers respectively from the two licensed CRBs since 2010. The credit reports requested by banks increased by 25.6 percent from 1,015,327 in 2012 to 1,275,522 in 2013 while requests made by customers increased by 16.2 percent from 22,692 to 26,361 over the same period.

The commencement of full file credit information sharing and the inclusion of Microfinance Banks and other credit providers will go a long way towards enriching the CRBs database and CIS mechanism in general. It is also expected to usher in credit scoring and other analytics by the CRBs for credit appraisal processes.

CHAPTER FOUR

## DEVELOPMENTS IN SUPERVISORY FRAMEWORK

### 4.1 Introduction

The Central Bank continued to strengthen its supervisory framework for the banking sector in 2013. The Banking Act was amended to explicitly empower the Central Bank to make regulations under the Act. This is a milestone as the functional independence of the Bank has been enhanced. This should enable the Central Bank to proactively respond to the rapidly changing banking sector terrain.

Further, the Banking Act was amended in 2013 to increase penalties for violation of the Banking Act. These penalties will deter conduct by market players which undermines the safety, stability and soundness of the sector as a whole. Through this deterrence, the Central Bank fulfils its legal mandate of maintaining a safe, stable and well-functioning market based financial system.

In a fast growing financial sector such as Kenya's with a high demand for credit, there is a clear need for alternative collateral technology to support borrowings. Assessment of credit worthiness of a prospective borrower based on the borrower's credit history can act as a reliable form of alternative collateral for credit. In recognition of this need, the Banking and Microfinance statutes were amended in 2013 to allow for the sharing of both positive and negative credit information of bank customers. This will go a long way in providing a holistic assessment of an individual's or entity's credit history and credit worthiness which will in turn enable providers of credit to make accurate and credible decisions when determining credit applications. In addition sufficient legal safeguards were introduced to protect institutions, entities and other persons sharing information with credit reference bureaus in good faith, from any associated liability.

In the deposit-taking microfinance arena, prompt corrective measures were introduced in the law to enable the Central Bank to exercise enhanced supervisory powers over the microfinance banks. Prompt corrective powers of the Central Bank are exercised whenever deficiencies are detected in the capital levels of deposit-taking microfinance institutions (since renamed 'microfinance banks) or whenever other violations have been committed by these institutions. This will go a long way in promoting the stability, safety and soundness of the microfinance bank sub-sector and the broader banking sector.

### 4.2 Finance Act, 2013

A number of policy measures were introduced through the Finance Act 2013.

His Excellency the President assented to the Finance Act, 2013 on 24th October 2013. The Act came into force on 25th October 2013 upon its gazettement. The Act amended several statutes including the Banking Act. The key amendments to the Banking Act were:-

i) Recognition of deposits held by Kenyan banks incorporated abroad as branches as part of the deposits of the parent bank in Kenya. Prior to the amendment, the Banking Act only recognized deposits in Kenya and did not take into account deposits held by branches of Kenyan banks abroad. The amendment therefore made it a requirement that such deposits be treated as deposit liabilities of the parent bank. This facilitates computation of the total deposit liabilities of the institution for which risk management measures should be put in place.

ii) The monetary penalty against institutions violating the Banking Act has been enhanced from Ksh. 1,000,000 to Ksh. 5,000,000. This serves to strengthen deterrence against conduct by market players which undermines the safety, stability and soundness of the banking sector.

iii) The Central Bank was given the power to make regulations generally for carrying out the purposes and provisions of the Banking Act. This amendment was in line with the independence of the Central Bank under Article 231 of the Constitution which requires the Central Bank to be independent in the discharge of its functions. This was also in line with international and EAC regional requirement that supervisors of banks should have functional independence.

iv) While the Banking Act (section 31) permitted the Central Bank of Kenya (CBK), Deposit Protection Fund Board (DPFB), institutions licensed under the Banking Act and institutions licensed under the Microfinance Act to share credit information, the Act did not adequately protect institutions, entities and other persons who engage in information sharing under the Act from liability arising from sharing information. The amendment therefore extended protection to CBK, DPFB, credit reference bureaus (CRBs), institutions, persons carrying out inspections and other persons/authorities from liability arising from disclosure in good faith of information under section 31 of the Banking Act. This was intended to instil confidence in the information sharing framework.

v) Both the Banking Act and the Microfinance Act were amended to allow institutions licensed under the two Acts to share both positive and negative information with credit reference bureaus. This will hasten the building of information capital, address credit information asymmetry, avail to institutions credible information on which to assess their customers' credit worthiness and generally improve the integrity in the financial sector.

vi) Institutions have been facing challenges in identifying, selecting and acquiring agents. Institutions could not subcontract agents because the law required them to sign individual contracts with the agents. This requirement was impeding the growth of the agency banking model.

The law was therefore amended to allow agents to contract sub-agents to provide limited banking services on behalf of institutions. This new framework will also allow specialized entities such as agent acquirers/ network managers to identify, select and acquire sub-agents for institutions. This is expected to increase the uptake of banking products as availability and accessibility to these products have been extended to a wider population of Kenya.

### 4.3 Microfinance (Amendment) Act, 2013

His Excellency the President assented to the Microfinance (Amendment) Act, 2013 on 27th November 2013. A number of major changes have been introduced to the Microfinance Act through this Amendment Act. These are:

Microfinance Act amended for Deposit Taking Microfinance Institutions - DTMs to be referred to Microfinance Banks - MFBs.

i) The Association of Microfinance Institutions (AMFI) approached Parliament and sought amendments to section 2 of the Microfinance Act to change the name of deposit taking microfinance institutions to microfinance banks. The Act was therefore amended to enable deposit taking microfinance institutions to be referred to as microfinance banks. Even though they are called banks, they will still operate under the Microfinance Act and will not be affected by the Banking Act under which commercial banks are licensed.

ii) Institutions licensed under the Microfinance Act were facing challenges in identifying, selecting and acquiring agents. Institutions could not subcontract agents because the law required them to sign individual contracts with the agents. This requirement was impeding the growth of the agency model. The law was therefore amended to allow agents to contract sub-agents to provide limited microfinance bank services on behalf of institutions. This new framework will also allow specialized entities such as agent acquirers/network managers to identify, select and acquire sub-agents for institutions. This is expected to increase the uptake of microfinance bank products as availability and accessibility to these products has been extended to a wider populace.

iii) Both the Banking Act and the Microfinance Act were amended to allow institutions licensed under the two Acts to share both positive and negative information with credit reference bureaus. This will hasten the building of information capital, address credit information asymmetry, avail to institutions credible information on which to assess their customers' credit worthiness and generally improve the financial integrity of Kenyans.

Secondly the Microfinance Act was amended to provide protection from liability to CBK, DPFB, CRBs, institutions, persons carrying out inspections and other persons/authorities arising from sharing in good faith credit information. This was intended to build confidence in the credit information sharing framework.

iv) Prompt Corrective Action (PCA) measures were introduced. Prompt Corrective Action is a proactive approach to supervision in which problems in institutions are identified early and dealt with in a timely and progressive manner. A number of amendments were effected in the Act to give CBK more powers as regards prompt corrective action. Secondly, important definitions such as "significantly undercapitalized" and "undercapitalized" were introduced to provide for circumstances under which CBK may intervene especially as regards capital deficiencies. External auditors of supervised institutions were also mandated to draw the Central Bank's attention to any observations made in the course of their examinations which, in their view, would warrant supervisory concern and intervention.

v) At the request of the Association of Microfinance Institutions (AMFI), Parliament amended section 14(1) of the Microfinance Act to allow microfinance banks to issue third party cheques, open current accounts and engage in foreign trade operations. This will enable microfinance banks to participate in the national payment system.

**4.4 Guideline on Non-Operating Holding Companies issued in 2013**

Guideline on non-operating holding companies was issued.

In October 2013, the Bank issued a new Prudential Guideline on Non-Operating Holding Companies. The Guideline on Non-operating Holding Companies enables non-operating holding companies to obtain control of an institution as part of an initiative to strengthen capital requirements at the consolidated level, reduce complexity of structures to enable efficient resolution of financial institutions and to contain risks within the groups. Non-operating holding companies will therefore be allowed to own, subject to Central Bank's prior approval, twenty five (25%) of the shareholding in an institution.

**4.5 Guideline on Incidental Business Activities issued in 2013**

Guideline on incidental business activities was issued.

Effective 1st October 2013, the Central Bank of Kenya issued a Prudential Guideline on Incidental Business Activities which is applicable to all institutions licensed under the Banking Act (Cap 488). Formulation of this guideline was informed by the desire to expand financial access by allowing the sharing of infrastructure by financial sector players to offer a variety of financial services and products. In this regard, the Banking Act was amended through the Finance Act, 2012 to broaden the definition of the term "banking business". This meant that banks were henceforth allowed to offer incidental financial services subject to clearance from the Central Bank of Kenya (CBK).

According to the Prudential Guideline on Incidental Business Activities, an incidental business activity means any financial service which can lawfully be carried on alongside banking business without breaching the Banking Act or any other written law. Allowing banks to partner with non-bank financial service providers to offer incidental financial services in their widely distributed banking channels is an avenue of enhancing formal financial inclusion.

The salient provisions in the Prudential Guideline on Incidental Business Activities include:-

- The financial business activities that a bank may undertake in addition to its core banking and financial business. These activities include forming partnerships with other financial service providers for purposes of cross-selling or marketing authorized financial services and products through their branch networks.
- Allowing banks to use their branch networks as distribution channels for authorized and regulated financial services such as insurance, underwriting, securities and investment services.
- The approval process and the periodic reporting requirements for banks seeking to offer incidental business activities.

The Prudential Guideline further stipulates what the banks are not permitted to do in respect to the guideline. A bank should not:

- Undertake or engage in the actual business of insurance underwriting and securities brokerage or any other financial business which it is not authorized to undertake by the Central Bank. The involvement of banks will be limited to acting as distribution channels in the provision of the incidental financial services.

- Give the impression to its customers or imply in any way as to being the actual service provider of the incidental financial services or products other than selling or marketing on behalf of or in partnership with other regulated financial service providers.

- Engage in other business activity other than that permitted under the guideline and of which approval has been obtained from the Central Bank.

- Increase its rates or other charges on the permitted business activities except with the prior approval of the Central Bank pursuant to Section 44 of the Banking Act.

- Provide the incidental financial services or products in a manner that contravenes any law that applies to or affects those services or products.

As at 31st December 2013, more than five banks had already embraced the provisions of the Prudential Guideline and had partnered with insurance companies to offer what is commonly known as bancassurance services. It is envisaged that more banks will embrace the provisions of the Prudential Guideline as they aspire towards being a one-stop shop for financial services.

### 4.6 Revised Guideline on Capital Adequacy - Incorporation of Operational and Market Risk

Operational risk requirements to take effect from January 2014.

In November 2012, the Central Bank of Kenya issued a set of revised and new prudential guidelines applicable to institutions licensed under the Banking Act in Kenya. Among the guidelines that were revised was the guideline on capital adequacy. The need to revise the guideline on capital adequacy was largely driven by the global regulatory reform initiatives aimed at strengthening bank regulatory regimes to address weaknesses that were exposed during the 2008/2009 global financial crisis. Specifically the capital adequacy guideline was revised to address the following requirements:

a) Improve quality of tier one capital by moving capital definition towards more purer, loss absorbing capacity capital on a going concern basis.

b) Introduction of capital conservation buffer to enable banks to build capital base during good economic times in order to cushion the banks during periods of economic and financial stress.

c) Introduction of capital charge for market risk.

d) Introduction of capital charge for operational risk.

e) Introduction of internal capital adequacy assessment processes (ICAAP).

In terms of market risk, institutions are required to asses, measure and apply capital charges in respect of their market risks in their trading book. Market risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market prices. For the purposes of the guideline the risks subject to this requirement are those arising from interest rate related instruments, foreign exchange risk and commodities risk throughout the bank. Equities risk is excluded from the computation of market risk since trading in equities by institutions is prohibited in the Banking Act.

For the measurement of market risk, the basis and framework to be used by the institutions to apply capital charges in respect to specific and general market risks will be done using the Standardized Measurement Approach. Under this approach, market risk is measured by a standardized risk-weighting system in which the risk weights are based on the types of positions and financial instruments held by an institution.

The guideline also requires institutions to compute capital charge for operational risk. Because of the non-sophisticated nature of the Kenyan banking sector, CBK requires institutions to use the Basic Indicator Approach in calculating the capital charge against operational risk. Under the Basic Indicator Approach method, capital charge for operational risk is a fixed percentage of the average positive annual gross income of the institution over the past three years.

With the introduction of ICAAP, institutions are required to ensure that at all times they plan their capital ahead for a minimum of three years and ideally for five years. They should establish and maintain on an ongoing basis an adequate level of capital, which would include an appropriate buffer, as determined by the board, above the regulatory required minimum capital. This requires institutions to put in place appropriate and proportionate capital management strategy. However, as an internal capital planning process CBK expects banks to embrace ICAAP according to the risks they are likely to be exposed to and not as a compliance issue.

To allow the institutions to adequately prepare and adjust to the new capital adequacy requirements, the implementation of the new requirements was staggered for between 12 and 24 months period. For compliance with the market and operational risk requirement, institutions were granted a 12 month observation period to January 2014 after which they were to comply with the guideline. On the other hand, institutions were granted 24 months up to 2015 to build up their capital conservation to the required levels provided in the guideline after which they have to comply with the requirement of 2.5% buffer over and above their current minimum statutory capital adequacy ratios.

### 4.7 Money Remittance Regulations, 2013

Money remittances regulations were gazetted in April 2013.

Kenya Vision 2030, the Government's National Policy Blue Print, recognizes the role Diaspora remittances could play in national development and therefore highlights Diaspora inflows as one of the flagship projects under the financial sector. The role of the Central Bank under this initiative is to among others, collect data on remittance flows through formal channels, analyze the cost of remitting funds, disseminate information on remittances to stakeholders for policy formulation and develop legal and regulatory frameworks for regulating money remittances services in the country. The Central Bank of Kenya Act was amended in 2012 by expanding the definition of authorized dealers to include Money Remittance Providers. Following this amendment, the Money Remittance Regulations were formulated and published in the Kenya Gazette Supplement No. 56 of 19th April 2013 and thereby creating a legal framework for licensing stand-alone Money Remittance Providers.

The formulation of the Regulations was informed by the following:

- Developments in the national, regional and global arena that call for the adoption of best practices to enable the achievement of internationally accepted pillars of sound, safe, transparent and competitive remittance services.
- Need to reduce barriers and lower the cost of sending and receiving money and increase transparency.
- Foster competition, enhance innovations and increase access to money remittance products and services to the low income group.
- Create an enabling environment to increase the flows of remittances through formal financial delivery channels.
- Need to subject money remittance providers to enhanced Anti-Money Laundering / Criminal and Financing of Terrorists standards not only in Kenya, but also in the originating jurisdictions.

**MONEY REMITTANCE REGULATIONS, 2013**

The salient features of the Money Remittance Regulations 2013 are:

- All persons wishing to transact in money remittance business shall be licensed by the Central Bank of Kenya;
- The minimum core capital shall on commencement of operations be Ksh.10 million and be increased to Ksh. 20 million by 31st December 2014;
- Shareholders, directors and management will be vetted prior to appointment;
- Application and license fees will be Ksh. 20,000 and Ksh. 100,000 respectively;
- Money Remittance Providers will be required to obtain a security bond of not less than Ksh. 5 million. This amount will be held as security for performance of obligations to customers who deposit money for remittance purposes.
- Money remittance providers will be required to maintain a sound information system and adequate records including identification documents used to verify the identity of customers, transaction receipts and the source of funds among others;
- The Money Remittance Providers will be required to comply with the Proceeds of Crime and Anti-Money Laundering Act, 2009 and relevant Regulations;

- The Central Bank of Kenya will have powers to regulate and supervise all licensed money remittance providers to ensure compliance with the laws of Kenya.

Following the issuance of the Money Remittance Regulations 2013, one Money Remittance Provider had been licenced as at 31st December 2013 and a number of applications for licence were at various stages of processing.

### 4.8 Consolidated Supervision and Establishment of Supervisory Colleges

Following a progressive effort towards adoption of consolidated supervision of banking groups, the Central Bank of Kenya (CBK) issued a Prudential Guideline on Consolidated Supervision, which came into effect from 1st January 2013. This empowered the CBK to henceforth supervise banking groups on a consolidated basis. CBK developed consolidated supervision procedures which were applied in supervision of all banking groups in 2013.

As part of the Central Bank of Kenya's consolidated supervision drive, CBK developed a framework for supervisory colleges in 2012. Supervisory colleges refer to multilateral working groups of supervisors that are formed for the collective purpose of enhancing effective consolidated supervision of banking groups on an ongoing basis through continuous collaboration and information sharing. To this end, CBK formed the initial supervisory college for Kenya Commercial Bank (KCB) Group in 2012 and convened the inaugural supervisory college meeting for the group in October 2012. KCB Group was chosen as the first banking group to pioneer supervisory colleges in the region given that it operates in all the five East African Community (EAC) member states as well as in South Sudan.

In 2013, CBK formed two additional supervisory colleges for Equity Bank and Diamond Trust Bank, which have operations in most of the EAC member states and beyond. In October 2013, CBK convened three concurrent supervisory college meetings for Kenya Commercial Bank (KCB), Equity Bank and Diamond Trust Bank (DTB). The college meetings brought together banking sector regulators from all the five EAC member states (Burundi, Kenya, Rwanda, Tanzania and Uganda) as well as South Sudan.

As at 31st December 2013, eleven Kenyan banks had subsidiaries across the EAC region and beyond. The eleven banks had two hundred and eighty eight branches within EAC region and South Sudan. In this regard, CBK envisages setting up another three supervisory colleges by 2015 for banking groups with significant cross-border operations.

The three supervisory colleges that have already been set up have proved useful to the regional banking sector regulators. The colleges have served as avenues to share supervisory experiences among the regulators. The colleges have also served as an avenue for the regulators to harmonise their supervisory practices by embracing global best practices promulgated by international standard setting bodies such as the Basel Committee for Banking Supervision and the Financial Stability Board. The regulators have also strengthened their resolve to continuously share information on the cross-border operations of banking groups as an avenue towards a stable and efficient regional banking sector.

### 4.9 DEVELOPMENTS IN ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM

AML/CFT framework strengthened in 2013.

2013 saw further progress made towards strengthening the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) legal and regulatory framework. Some of the notable developments include:

Enactment of enabling legislation

a) **The Proceeds of Crime and Anti-Money Laundering Act (POCAMLA)**

1. The Proceeds of Crime and Anti-Money Laundering Regulations, 2013 were issued by the Minister for Finance on 5th April 2013. The Regulations cover a wide range of issues including the requirement on the part of institutions:

i. to report suspicious transactions to the Financial Reporting Centre.

ii. to carry out a money laundering risk assessment to enable it identify, assess, monitor, manage and mitigate the risks associated with money laundering.

iii. to carry out due diligence on customers both at the account opening stage and during any transaction.

2. On 19th April 2013, the Central Bank of Kenya issued the Money Remittance Regulations, 2013 which provide for the regulation and supervision of money remittance providers.

The Regulations cover in-bound and out-bound money remittances. They are also intended to bring on board the informal money remittance providers such as hawalas and mainstream them into the formal financial sector.

3. The Financial Reporting Centre (FRC) and various domestic financial sector regulators entered into a Memorandum of Understanding to facilitate information sharing and coordination of activities relating to anti-money laundering and combating the financing of terrorism.

4. On 30th September 2013, the Financial Reporting Centre and the Central Bank of Kenya signed a Memorandum of Understanding to enhance the bilateral cooperation on anti - money laundering and combating the financing of terrorism and supervision of financial in stitutions licensed by the Bank.

b) **Amendment to the Prevention of Terrorism Act, 2012**

The Prevention of Terrorism Act, 2012 (PoTA) was amended vide the Finance Act, 2013 to strengthen the offence of collection or provision of property and services for commission of terrorist acts. Kenya continued to face a serious challenge of terrorist attacks and there was need to address deficiencies in PoTA to cover different scenarios where such terrorist acts are planned and sometimes committed. It is now an offence for a person to directly or indirectly, collect, attempt to collect, provide, attempt to provide or invite a person to provide or make available any property, funds or a service intending, knowing or having reasonable grounds to believe that such property, funds or service shall be used for the commission of, or facilitating the commission of a terrorist act or any other act which constitutes an offence within the scope of, and as defined in any of the treaties listed in the annex to the 1999 International Convention for the Suppression of the Financing of Terrorism. The punishment for this kind of offence is imprisonment for a term not exceeding twenty years.

c) **The Prevention of Terrorism Regulations, 2013**

The Prevention of Terrorism (Implementation of the United Nations Security Council Resolutions on Suppression of Terrorism) Regulations, 2013 were issued by the Cabinet Secretary for Interior and Co-ordination of National Government on 22nd November 2013. These Regulations apply to entities designated under Resolutions 1267/1989 (Al-Qaida), entities designated under Resolution 1373, entities designated under Resolution 1718 or Resolution 1988 and specified entities in respect of which an order has been issued under section 3 of the Prevention of Terrorism Act. It establishes a Counter Financing of Terrorism Inter-Ministerial Committee whose functions are:

- to oversee the implementation of Resolution 1267, 1373, 1718 and resolutions relating to the suppression of terrorism financing and the prevention, suppression and disruption of the proliferation of, and financing of, dealings with weapons of mass destruction;
- to formulate and supervise the implementation of the National Strategy and Action Plan on Counter Financing of Terrorism; and
- to perform such other functions as may be conferred on it by any other written law.

**Strategic Implementation Plan**

Kenya's revised Post Evaluation Implementation Plan (PEIP) was considered and approved by the Task Force of Senior Officials during the April 2013 meeting in Arusha, Tanzania as recommended by the Mutual Evaluations Working Group (MEWG). PEIP is a report intended to help the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) countries prioritize and sequence the implementation of "core" and "key" Financial Action Task Force (FATF) Recommendations to:

- Allocate resources efficiently and effectively;
- Identify and assign a lead agency responsible for implementation; and
- Set out realistic completion dates for key outputs and recommendations.

Kenya has taken considerable steps towards improving its AML/CFT regime, including the issuance of AML Regulations and the Money Remittance Regulations, which address deficiencies regarding preventive measures and supervision. The FATF however encouraged Kenya to address its remaining deficiencies and continue the process of implementing its action plan.

**AML Training and Awareness Initiatives:**

Kenya continued to build its capacity on AML/CFT by undertaking training of officers in collaboration with its international partners such as Australia, USA and Denmark. A number of awareness campaigns were also conducted during the year. These trainings and awareness initiatives are outlined below:

- On 28th – 31st January 2013, the Australian Transaction Reports & Analysis Centre (AUSTRAC) and the Kenyan Financial Reporting Centre (FRC) held a four day tactical analysis, dissemination & coordination Workshop in Nairobi. The participants at the workshop were drawn from organizations/ institutions from both the public and private sectors involved in the fight against money laundering and combating the financing of terrorism. The aim of the forum was to discuss and equip the participants with knowledge to undertake tactical analysis and dissemination of financial information.
- On 4th-6th February 2013, the Embassy of the United States of America facilitated a Knowledge Exchange visit for the Interim Director of the Financial Reporting Centre and an IT expert to study the IT systems of the Belgian Financial Inteligence Unit.
- FRC partnered with other stakeholders to undertake AML/CFT awareness and provide AML/CFT training to various sectors of reporting institutions. It conducted sensitization workshops in conjunction with the Financial Services Volunteer Corps (FSVC) for the capital markets and insurance sectors on 11th - 13th February 2013 and 7th – 9th May 2013 respectively.
- The FRC also partnered with the Danish Government in disseminating AML awareness for officers from the Criminal Investigations Department. The two entities also initiated a capacity building program for regulatory institutions which was undertaken at the Kenya School of Monetary Studies (KSMS).
- On 18th – 20th July 2013, officers from the Central Bank and Financial Reporting Centre went on a study tour to the Financial Crimes Enforcement Network (FINCEN) in Washington, USA. The officers were enlightened on

the functions of FINCEN, how to collect information on financial crimes, the software for analysing information and procedures on enforcement and forfeiture of assets.

# CHAPTER FIVE

## REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

### 5.1 Introduction

CBK participated in regional and international fora in 2013.

During the year ended December 2013, CBK participated in various meetings, workshops and conferences organized by regional and international organizations and groups. Participation in these fora helped to inform appropriate policy and regulatory framework for the banking sector which is in tandem with international best practices and standards. Specifically, CBK participated in the activities organized by the following organizations:

- Monetary Affairs Committee (EAC).
- East African Monetary Union (EAMU).
- Common Market for Eastern and Southern Africa (COMESA).
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).
- Alliance for Financial Inclusion (AFI).
- Financial Stability Board Regional Consultative Group (FSB).
- IMF's East Africa Technical Assistance Centre (East-AFRITAC).
- Bank Supervision Application (BSA).

### 5.2 Regional and International Initiatives

#### Monetary Affairs Committee of the East African Community

The Monetary Affairs Committee (MAC) of the East African Community (EAC) is composed of the Governors' of the five EAC member states Central Banks. The main task of MAC is to progress implementation of EAC decisions towards the envisaged full integration of the member states financial systems. MAC meetings are attended by the Central Bank Governors as well as technical officials. The key activities undertaken by MAC in respect to banking supervision and financial stability in 2013 include:-

i) The 16th Ordinary Monetary Affairs Committee (MAC) meeting was convened in May 2013 in Kampala to discuss the status of implementation of previous MAC resolutions including priority activities towards the envisaged East African Community Monetary Union (EAMU). In respect to banking supervision, the meeting resolved that the on-going development of convergence criteria for harmonisation of the EAC Central Banks Supervisory rules and practices should be fast tracked. The harmonisation of the supervisory rules and practices is one of the prerequisites in readiness to the envisaged EAMU.

ii) A follow up meeting was convened in October 2013 in Kampala, Uganda to review the implementation status of recommendations of the proposals by the G20 and Basel Committee on post crisis regulatory framework.

Most of these recommendations are part of Basel III, which was reviewed by the member states Central Banks when it was promulgated and the relevant aspects to the EAC were agreed to be adopted. These aspects relate to strengthening capital adequacy, liquidity, corporate governance and macro-economic stability.

### East African Monetary Union

Monetary Union is provided for in Article 5 (2) of the Treaty for the Establishment of the East African Community (EAC) (hereinafter referred to as the Treaty) which in part states that "... the Partner States undertake to establish among themselves and in accordance with the provisions of this Treaty, a Customs Union, a Common Market, subsequently a Monetary Union and ultimately a political federation". Furthermore, Chapter Fourteen (Articles 82, 83, 84, 85, 86, 87 and 88) of the Treaty provides for Cooperation in Monetary and Financial Matters.

Monetary Union Protocol was signed by EAC Heads of State in November, 2013.

In accordance with the Treaty, Partner States have so far established among themselves a Customs Union that came into force in 2005. The East African Community Common Market Protocol was signed in November, 2009 and its implementation started on 1st July 2010.

Building on the foundation of the first two milestones of the EAC integration, Partner States embarked on the third pillar of establishing an EAC Monetary Union. Therefore negotiations for the establishment of the monetary union commenced in January 2011 and were finalized in 2013 following the signing of the East African Monetary Union (EAMU) Protocol by the EAC Heads of State on 30th November 2013 in Kampala, Uganda.

**Objective and Scope of Monetary Union**

The objective of the Monetary Union shall be to promote and maintain monetary and financial stability aimed at facilitating economic integration to attain sustainable growth and development within the East African Community.

The scope of the Monetary Union shall among other issues require Partner States to:

- Harmonize and coordinate their fiscal policies.
- Formulate and implement a single monetary policy and a single exchange rate policy.
- Adopt common principles and rules for the regulation and supervision of the financial system.
- Adopt a single currency.

**Pre-requisites for the EAC Monetary Union**

In order to achieve the EAC Monetary Union, Partner States shall among other issues:

- Fully implement the Protocol Establishing the EAC Customs Union and the Protocol establishing the EAC Common Market.
- Harmonize and coordinate their fiscal policies.
- Harmonise their payments and settlements systems.
- Integrate their financial systems and adopt common principles and rules for the regulation and supervision of the financial system.

- Attain and maintain macroeconomic convergence criteria:-
  - o a ceiling on headline inflation of 8%;
  - o a ceiling on fiscal deficit, including grants of 3% of Gross Domestic Product;
  - o a ceiling on gross public debt of 50% of Gross Domestic Product in Net Present Value terms; and
  - o a reserve cover of 4.5 months of imports.

**EAMU Roadmap for the realization of the Monetary Unions**

Upon signing of EAC Monetary Union Protocol, the EAC Heads State directed:

- The Partner States to conclude ratification process of the EAMU Protocol by July 2014.
- The Council of Ministers to implement the Roadmap to single currency as indicated in the schedule on the EAMU Protocol.

Upon ratification of the EAMU Protocol, a number of activities shall be undertaken with a view to introducing a single currency by 2024 on condition that at least three Partner States would have met the entry pre-requisites. Some of the activities provided in the Roadmap include:

- Partner States to fully implement the Customs Union and Common Market Protocols by 2015.
- Establishment of the East African Monetary Institute (EAMI) by 2015. EAMI will coordinate the various activities towards establishment of the Monetary Union.
- Integration of the financial systems and adoption of common principles and rules for the regulation and supervision of the financial system by 2018.
- Partner States to harmonize the relevant national laws and frameworks to facilitate the establishment of the monetary union by 2020.
- Partner States to attain macroeconomic convergence criteria by 2021.
- Enactment of the legal instrument establishing the East African Central Bank by 2024.
- Introduction of single currency by 2024.

**Articles that have a direct impact on Banking Supervision**

The EAMU Protocol has a total of 31 Articles. The following are the Articles that have a direct impact on Banking Supervision operations:

- Article 4 on the Scope of Co-operation in the Monetary Union Paragraph 2(d) – Partner States shall adopt common principles and rules for the regulation and prudential supervision of the financial system.
- Article 5 on the Pre-Requisites for the Monetary Union Paragraph 1(h) – Partner States shall integrate their financial systems and adopt common principles and rules for the regulation and supervision of the financial system.
- Article 14 on the Financial System, Paragraph 2, Partner States shall among other things:

a) Promote the development of the financial system.

b) Promote financial inclusion and deepening.

c) Facilitate regulation and prudential supervision of the financial sector.

d) Facilitate early identification of risks or shocks to the financial system.

e) Promote a comprehensive, accurate and systematic assessment of financial stability.

f) Promote adoption of preventive and timely risk mitigation policies.

g) Facilitate coordination and promotion of a speedy region-wide response to a crisis within the financial system.

h) Ensure market efficiency and stability.

i) Promote confidence and protection of consumers and investors.

### Initiatives by COMESA Countries

The Common Market for Eastern and Southern Africa (COMESA) member countries have adopted the Financial System Stability Assessment Framework, which is a comprehensive and structured SHIELDS (Solvency Conditions; Home Economic Conditions; Institutional Quality; Earnings Conditions; Liquidity Conditions; Default Conditions; and Systemic Loss) Rating System that is used to assess the financial stability over time and across nations. The Central Bank of Kenya and other central banks of COMESA member states are at various stages of implementing this framework.

During the 19th Meeting of Governors of COMESA held in Lilongwe, Malawi in November 2013, the Governors took note of the progress registered by the various countries in the implementation of the COMESA Financial Stability Assessment Framework. The Governors further made the following decisions:

i) **Workshop and training on Financial Stability**

a) The COMESA Monetary Institute (CMI) should conduct hands on training on SHIELDS ratings based on a fully fledged case study and develop a stylised sample solution in 2014; and

b) CMI should continue to conduct hands on training on financial system stability assessments and econometric modelling using structural value at risk and macro stress testing.

ii) **Preparation of Financial Stability Reports**

a) Financial Stability Reports should discuss the risks, transmission channels, impact and measures available to mitigate the risks. The Reports should discuss what might happen in the future rather than describe historical developments;

b) The priority in all Financial Stability Reports should be to provide the stakeholders with analytically supported assessment of vulnerabilities and risks that could threaten financial stability in a systemic way in the country; and

c) Member state Central Banks should attempt to move towards the standardization of Financial Stability Reports.

iii) **On Micro stress testing, COMESA member countries to:**

a) Expand and enhance data collection to include real estate prices, cross-border and sectoral exposures;

b) Improve micro stress testing approaches and skills; and

c) Improve micro-prudential analysis and the design of mitigation measures through greater and more analytical use of financial soundness indicators.

iv) **On Macro stress testing, COMESA member countries to:**

a) Formalise the involvement of high level management of the central banks in the approval of scenarios as well as the results and in discussions with banks regarding their individual results and capital conservation plans;

b) Gather information and have regular meetings with primary sources of information, such as the real estate developers, banks and microfinance institutions. These discussions should provide input into stress test scenario formulation;

c) Review the existing stress testing methodologies that are employed to assist in identification of systemic vulnerabilities in the financial system;

d) Redesign their communication policies to inform what goes into the Financial Stability Reports; and

e) Continue to build their data bases over longer periods of time to enhance their macro stress testing capabilities.

### The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG)

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is among the eight regional Financial Action Task Force Style Regional Bodies (FSRBs) that form part of the Financial Action Task Force's (FATF) global network. In 2013, the Bank Supervision Department being the host of the Secretariat to the National Task Force on Anti-Money Laundering and Combating the Financing of Terrorism (NTF), continued to coordinate Kenya's participation in ESAAMLG activities including:

- The 25th ESAAMLG Task Force of Senior Officials Meeting held in Aru sha Tanzania from 8th to 12th April 2013.

- The 26th ESAAMLG Task Force of Senior Officials Meeting and the 13th Council of Ministers' Meeting held in Swakopmund, Namibia from 2nd to 8th September, 2013.

Key highlights of the April 2013 and September 2013 meetings were as follows;

**Mutual Evaluation Programme**

a. **Mutual Evaluation Procedures**

- Following the revision of the Standards and the Methodology for assessing compliance with the FATF Recommendations, the FATF was to revise its mutual evaluation procedures to take into account the lessons learnt from the previous procedures.
- The ESAAMLG Mutual Evaluation and Post Evaluation Implementation Monitoring Procedures were revised to take into account the new FATF Standards and Recommendations. The Secretariat prepared draft Mutual Evaluation Procedures for assessment of member countries' compliance with the FATF Standards and follow up process, which would be used during the second round of mutual evaluations. The draft procedures would be submitted to the ESAAMLG Council of Ministers for consideration and adoption.

b. **Mutual Evaluation Training**

- The adoption of the revised FATF Standards necessitated the need for training of assessors and countries to take into account the new requirements in assessing compliance with the standards. At the 26th ESAAMLG Taskforce of Senior Officials Meeting, the FATF reported that the training modules were finalized and that training under the revised FATF Standards would commence in November and December 2013.
- Following the finalization of the FATF training modules on the revised FATF Standards, the Task Force discussed the training programme for ESAAMLG assessors and countries to be assessed and agreed to commence in January 2014. The Task Force further agreed that member countries should sponsor additional experts to participate in the training programmes organized by the ESAAMLG Secretariat.

**FATF Developments**

The Executive Secretary briefed the Task Force on the developments in the FATF.

- The Task Force noted that six ESAAMLG countries (including Kenya) undergoing the ICRG process continued to report progress in implementing the agreed action plans with the FATF to address strategic deficiencies identified in their AML/CFT regimes. It further noted that the countries under the ICRG process had given high level political commitment to implement the agreed action plans.
- The FATF Secretariat updated the Task Force on the recent developments in the FATF. In February 2013, FATF adopted the new Methodology for Assessing Technical Compliance with the FATF Recommendations and the Effectiveness of AML/CFT Systems. It was noted that the ESAAMLG member countries would be assessed under the new Methodology in the second round of mutual evaluations. The FATF Secretariat at the April 2013 meeting in Arusha made comprehensive presentations on both the technical compliance and effectiveness.
- The FATF Secretariat also informed the Task Force at its September 2013 Meeting that it was in the process of finalising its mutual evaluation procedures for its fourth round of mutual evaluations. In addition, the FATF also informed the Task Force that in light of the changes brought by the new Standards, it had restructured its Working Groups to enable it to function effectively.

**Promoting Financial Inclusion and Implementation of FATF Standards in the ESAAMLG Region**

- The meeting was informed that the Alliance for Financial Inclusion (AFI) and the Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) conducted surveys on Financial Integrity and Financial Inclusion Frameworks and Compliance Practices from July to November 2012 to collect data from both the private and public sectors. The main objective of the surveys was to identify the key areas where the Ad-hoc Working Group on Financial Inclusion could contribute to the development of policy, law and practices to align financial inclusion and financial integrity objectives in the ESAAMLG region.
- A report on the findings of the surveys was presented by AFI and discussed by the Task Force at its 26th meeting in Namibia. From the survey, the following recommendations were made;
    - Member countries which did not participate in the public and private sector surveys should do so and submit their findings to the Secretariat by end of February 2014.
    - Financial sector regulators were urged to develop a platform that would facilitate exchange of experiences on financial inclusion

and they were also encouraged to engage the private sector in order to appreciate challenges they faced in complying with AML/CFT requirements.

- Members of ESAAMLG were urged to conduct their respective national risk assessments and share their experiences.
- The survey also recommended to member countries to share their experiences on how they handled risks associated with cross-border remittances, as remittances were an important issue in the region.

**Post Evaluation Monitoring Process to Promote Implementation of FATF Standards**

The Task Force noted that Kenya had made notable strides to address deficiencies identified in its Mutual Evaluation Report. It noted that Kenya had passed the Proceeds of Crime and Anti-Money Laundering Regulations, 2013 and the Money Remittance Regulations, 2013. Kenya was commended for the good progress it had made.

**ESAAMLG AML/CFT Technical Assistance and Training Co-ordination**

- The AML/CFT Technical Assistance and Training Coordination Forum gave a summary of the technical assistance needs which were of priority to ESAAMLG at regional and bilateral levels. The Forum reported that nearly all member countries required training on how to carry out National ML/TF Risk Assessment in line with the new FATF Recommendation 1 and implementation of UNSCRs relating to Recommendation 6. The Task Force adopted this as an urgent need for technical assistance for the whole of ESAAMLG.
- The Task Force at its meeting in Swakopmund, Namibia September, 2013, considered and adopted a proposal to have a regional workshop on national risk assessment back to back with the Task Force of Senior Officials meeting in March/April 2014. The Task Force also adopted the proposal by the Forum for the Secretariat to facilitate face to face meetings between member countries and COSUNs (Cooperating Organisations and Supporting Nations) on the margins of the Task Force meeting to discuss urgent technical assistance requirements at bilateral level.

**The G8 Public- Private Sector Dialogue on AML/CFT**

- The Forum discussed various issues which included correspondent banking, investing in Africa, customer due diligence, challenges faced in dealing with high risk customers with a keen interest in Politically Exposed Persons (PEP), National Risk Assessment, Financial Inclusion and challenges of balancing financial inclusion and financial integrity in meeting AML/CFT requirements and finally the non-traditional financial sector particularly the opportunities and risks presented by new payment methods that include mobile money and remittance services. Participants from various countries including Kenya shared their experiences in handling some of the issues. The presenters acknowledged the fact that the non-traditional payment methods specifically mobile money and agency banking had played a major role in facilitating financial inclusion especially in the rural areas where the financial infrastructure was underdeveloped.

- Some of the recommendations made included:

  The importance of carrying out the National Risk Assessment - the NRA helps countries to identify money laundering and/or terrorism financing risks thus enabling the countries to develop laws, regulations and policies to counter the vices. In addition, it facilitates prioritization and efficient allocation of resources by authorities.

  As a result of challenges facing the private sector in implementation of financial inclusion measures and AML/CFT frameworks, the regulators were challenged to come up with platforms/forums that allow the private sector to share and discuss the challenges that the private sector were facing in their endeavours to comply with various policies and other AML/CFT legal frameworks.

**The International Cooperative Review Group (ICRG) Process of the Financial Action Task Force (FATF)**

The Financial Action Task Force's International Co-operation Review Group (ICRG) identifies and engages with jurisdictions that have strategic deficiencies in their AML/CFT regimes. Since 2009 Kenya has been subject to this process and is on the "dark grey" list. Countries that are subject to review under this process are required to give updates on the progress made towards addressing weaknesses in their AML/CFT regime as identified by the ICRG. A specific action plan is then developed by the ICRG for this purpose.

1. The ICRG Process

   The action plan is reviewed by the relevant Regional Review Group (RRG) (in Kenya's case, the Africa/Middle East Regional Review Group) during the Group's meetings. The Africa/Middle East Regional Review Group then forwards its recommendations to the FATF/ ICRG Group for discussion during the FATF plenary meetings. A public statement is afterwards issued on the progress made by the country in addressing the strategic AML/CFT deficiencies. This is forwarded back to the country under review for further action. This cycle is repeated three times a year. In order to be removed from the dark grey list and effectively removed from the ICRG process, a country needs to demonstrate that it has adequately addressed the outstanding deficiencies listed in the country's action plan.

2. Key deficiencies leading to Kenya being listed:

i) Failure to criminalise terrorist financing in line with the FATF standards and relevant conventions.

   The Prevention of Terrorism Act (PoTA) was enacted in 2012 to address this deficiency. However the RRG found the Prevention of Terrorism Act, 2012 to have the following two deficiencies in the criminalization of Terrorist Financing (TF).

a) The TF offense linked the funding of terrorist persons or organizations to the commission of a `terrorist act.

b) The scope of terrorist activity, the financing of which was prohibited under section 5(a) of the PoTA, was too narrow.

These deficiencies were addressed by amending PoTA in October 2013 which repealed section 5 of the Act and replaced it with a new section 5 which adequately addressed the deficiencies.

ii) Failure to implement the UNSCRs 1267 and 1373 through law, regulations or other necessary measures, and ensure that there are appropriate procedures to freeze, seize and confiscate terrorist funds

This deficiency was addressed on 25 November 2013, when Kenya brought into force the Prevention of Terrorism (Implementation of the United Nations Security Council Resolution on Suppression of Terrorism) Regulations, 2013 (TF Regulations) which provide for freezing of terrorist funds pursuant to United Nations Security Council Resolutions.

iii) Failure to address limitations with respect to the qualification under section 17(2) of Proceeds of Crime and Anti-Money Laundering Act (POCAMLA) with regard to overriding the financial secrecy provision

POCAMLA 2009 was amended in 2012 to address this deficiency.

iv) Failure to provide for:

- forfeiture of property of the corresponding value both under the conviction based (criminal) forfeiture and non-conviction based (civil) forfeiture; and
- the authority to take steps to prevent or void actions, whether contractual or otherwise, where the persons involved knew or should have known that as a result of those actions the authorities would be prejudiced in their ability to recover property subject to confiscation.

POCAMLA 2009 was amended in 2012 to address this deficiency.

3. RRG Report on Key Progress made by Kenya in 2013 in addressing deficiencies:

The RRG of the FATF's International Co-operation Review Group (ICRG) noted that:

- The Prevention of Terrorism Act, 2012 (PoTA) contained good provisions which could be applied in combating terrorism. It further noted that the amendment to PoTA effected through the Finance Act, 2013 addressed the deficiencies in the criminalization of terrorism financing as per the FATF standards.

CBK signed MOU with FRC in 2013.

- The Financial Reporting Centre (FRC) and various domestic financial sector regulators signed/entered into Memoranda of Understanding (MOU) concerning cooperation on AML/CFT and supervision of financial institutions on the following dates:
  - On 30th September 2013 with the Central Bank of Kenya (CBK).
  - On 30th October 2013 with the Insurance Regulatory Authority (IRA).
  - On 8th November 2013 with the Capital Markets Authority (CMA).
- Over 90 reporting institutions had registered with the FRC as at 2nd December 2013. 46% of the institutions were from the banking sector with the balance being from institutions spread across the financial sector ( Forex Bureaus, Deposit Taking Microfinance Institutions, Telecos, Insurance and institutions in the capital markets).

The RRG Progress Report on Kenya would be presented to the FATF/ ICRG Meeting in Paris, France in February 2014 for its consideration. If the FATF/ICRG Meeting were to adopt the RRG Report, Kenya would be subject to onsite visit in May 2014 to determine whether there was political will, institutional capacity and technical compliance to continue with the reforms.

### Alliance for Financial Inclusion

The Alliance for Financial Inclusion (AFI), is a global network of financial policy makers from developing and emerging countries working together to increase access to appropriate financial services for the poor. The Central Bank of Kenya (CBK) has been a member of AFI since May 2012 and has participated in key AFI initiatives as detailed below:

i). **The 2013 Global Policy Forum (GPF)**

The Global Policy Forum (GPF) is a keystone event organized annually by AFI for its membership. Each year, the event is co-hosted by a different member institution in a different region of the world. The forum is focused on the development and improvement of national financial inclusion strategies and policies, and is used as a platform for senior financial regulators to exchange ideas and engage in peer-to-peer learning activities.

As of September 2013, AFI had 108 member institutions representing more than 80 nations across the globe, making the GPF the most important and comprehensive forum for regulatory institutions with an interest in the promotion of financial inclusion policy. CBK participated in the GPF 2013 which was co-hosted by Bank Negara Malaysia (BNM) from 10th to 12th September 2013 in Kuala Lumpur, Malaysia. Under the overarching theme, “Driving policies for optimal impact,” the forum provided AFI members the opportunity to exchange knowledge and experiences, and work together in taking the financial inclusion agenda forward.

The Forum specifically brought together over 400 senior policy makers, central bank governors, partners from international organizations and private sector leaders to debate and examine policy strategies to optimize impact on development through balancing the three related policy objectives of financial stability, integrity, and inclusion in order to exploit their complementarities while minimizing potential conflicts between them.

ii). **Africa Mobile Financial Services Policy Initiative (AMPI)**

In February 2013, African policy makers and regulators from Alliance for Financial Inclusion (AFI) network member institutions met to launch the first African Mobile Phone Financial Services Policy Initiative (AMPI) in Zanzibar, Tanzania. Hosted by Bank of Tanzania (BoT), Central Bank of Kenya (CBK) and AFI, participants at this event included high level financial sector policy makers and regulators from 18 African regulatory institutions. Other participants included representatives from financial services providers, telecommunications companies and international development agencies.

The meeting deliberated on effective methods to support policy initiatives for mobile phone financial services (MFS) in Africa from a regional perspective. The thrust of the discussions was to establish effective ways to learn and share knowledge and experiences centered on MFS. The basis of this was that MFS development had not been even across Africa despite its latent potential as a critical tool for enhancing financial inclusion. AMPI was therefore proposed as a framework through which African AFI Network members will seek to determine effective solutions for advancing MFS across the African continent.

**The work of AMPI is coordinated through two key mechanisms:**

a) AMPI African Leaders Roundtable meeting, which provides a platform for high level African AFI members to meet annually to coordinate efforts and take a lead role in the overall development of MFS policy and regulatory frameworks in their countries.

b) AMPI Help Desk tasked with providing a virtual help desk to facilitate all technical coordination towards the implementation of AMPI's objectives and activities and provide liaison/contact point between AFI African members.

The strategic guidance, vision and high level leadership of AMPI is offered by a Chair assisted by a Vice Chair while the technical coordination is offered by the AMPI Virtual Help Desk. The CBK Governor, Professor Njuguna Ndung'u, was elected to a one-year tenure as the Chair of AMPI, assisted by the Banque Centrale des États de l'Afrique de l'Ouest (BCEAO) Governor Tiémoko Meyliet Kone who was appointed as the Vice Chair for the period February 2013 to February 2014.

In the year under review, 2013, AMPI engaged in a number of critical activities:

a) Facilitating the establishment of the AMPI Help Desk Organizational Set up: The AMPI Virtual Help Desk was established in April 2013 with a set-up of six (6) regional Help Desks situated in the key sub-regions of Africa (Eastern Africa, Central Africa, Southern Africa, West African Economic and Monetary Union (WAEMU) and West African Monetary Zone (WAMZ)). Each regional Help Desk has a designated contact person.

The Help Desk under the leadership of CBK, as Chair, achieved the following key milestones:

CBK hosted AMPI help desk in 2013.

i. Hosting the first Help Desk Technical Meeting: The CBK hosted the first Help Desk Technical meeting on July 9th 2013, which brought together nominated help desk members who discussed among other things; the operationalization of the Help Desk, the guidelines, working rules and workplan as well as ongoing and upcoming activities for AMPI. In addition, the members emphasized on the role of AMPI as a policy driving force for MFS in Africa by identifying the following activities to be carried out by the AMPI Help Desk.

a) Facilitating successful policy dialogues with private sector to address impeding factors to the expansion of MFS in Africa.

b) Identifying and disseminating success factors and stories to achieving MFS scale in Africa and worldwide.

c) Providing strategic support to AMPI members who wish to increase MFS penetration in their country.

d) Determining the gaps and needs of AMPI members to fulfill the AMPI objectives and mandate.

e) Tracking MFS trends and progress in Africa.

ii. Policy Dialogue with the private sector: The AMPI Help Desk members participated in the Public-Private sector roundtable on digital financial inclusion in Africa held on 11th July 2013 in Nairobi Kenya. This forum provided a platform for members to reflect on the challenges and opportunities for MFS across Africa. Also discussed were ways that AMPI members and the private sector can improve mutual learning, increase efficiency and scale up MFS to create inclusive financial systems and cash-lite economies. Some of the proposals deliberated in this regard include:

- The private sector's engagement with AMPI policy makers and regulators is important in providing better understanding to enable innovative ideas to be translated into products with appropriate regulatory support. Periodic structured dialogue is particularly important to enhance market cooperation and extend MFS in the continent which AMPI can facilitate.
- A coordinated approach for data collection and analysis amongst policy makers and private sector players is critical in optimizing its use in policy making and critical decision making.

iii. Regional Cooperation Meeting: This was held and facilitated by the AMPI Chair during the annual AFI Global Policy Forum (GPF) in September 2013 in Kuala Lumpur, Malaysia. During this meeting the AMPI's progress and that of its specific members towards achieving its objectives in enhancing financial inclusion using MFS solutions within the African continent was shared. The Forum also provided an environment to forge relationships, expand ideas and foster the growth of MFS not only in Africa but also globally. The regional cooperation meeting contributed to reinforcing the commitments and willingness of AMPI members to move toward the identification and implementation of effective policy solutions to removing the barriers and obstacles to scaling up financial inclusion in Africa through increased uptake of MFS.

iv. Other Achievements: AMPI has been able to provide strategic support to its members through the AMPI Help Desk. This has been achieved by making sure that all in country advisory requests are addressed on a timely manner. In addition, AMPI has managed to keep track of MFS trends and progress in Africa through the adoption and use of the set indicators developed by AFI Working Groups and the use of elaborate reports on specific milestones in Africa. Further, Strategic Partnerships for instance with the Groupe Speciale Mobile Association (GSMA) have been achieved.

### Financial Stability Board Regional Consultative Group

The Central Bank of Kenya actively participated in the activities of the Financial Stability Board (FSB) Regional Consultative Group (RCG) for Sub-Saharan Africa in 2013. FSB's RCG for Sub-Saharan Africa is one of the six RCGs established by FSB in 2011 to expand and formalise financial stability outreach beyond FSB membership.

The other RCGs are the Americas, Commonwealth of Independent States, Europe, the Middle East and North Africa. The aim of the RCGs is to bring together financial authorities from FSB member and non-member countries to exchange views on vulnerabilities affecting financial systems and ways by which to promote financial stability.

The Central Bank of Kenya (CBK) was privileged to be the founding non-FSB member to be Co-Chair of the FSB's RCG for Sub-Saharan Africa with the South African Reserve Bank, which is a member of FSB.

### 3rd Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa

CBK was honoured to host the third meeting of the FSB's RCG for Sub-Saharan Africa in February 2013 in Nairobi, Kenya. The meeting participants exchanged views on vulnerabilities affecting financial systems as well as the current and potential initiatives to promote regional and global financial stability.

CBK hosted the 3rd FSB - RCG meeting for Sub-Saharan Africa in 2013.

In particular, the meeting discussed the risks in advanced economies and their possible impact on the region. Participants also discussed financial stability issues and risks specifically pertaining to the region, such as capital flows, rapid credit growth and exposures to other emerging market regions.

Drawing upon lessons from the global financial crisis, members considered the importance of macro-prudential policy frameworks as a complement to traditional micro-prudential supervision. Participants also exchanged views on the types of macro-prudential measures that are appropriate for the region and potential challenges with their implementation.

The meeting reviewed how supervisory cooperation and information sharing among financial sector authorities can be enhanced in the region, including the potential role of supervisory colleges. Microfinance in Sub-Saharan Africa, was also dwelt upon, including how ministries of finance, central banks and supervisory authorities can balance the promotion of financial inclusion with the maintenance of effective oversight.

**4th Meeting of the Financial Stability Board Regional Consultative Group for Sub-Saharan Africa**

The Central Bank of Kenya also participated at the fourth meeting of the FSB's RCG for SSA which was hosted by the Bank of Mauritius in September 2013 in Port Louis, Mauritius. During the meeting, CBK passed on the baton of co-chairing the FSB's RCG for Sub-Saharan Africa as a non-FSB member to the Bank of Mauritius. South African Reserve Bank continues as the FSB member co-chair since South Africa is the only FSB member in Sub-Saharan Africa.

The fourth meeting focused on vulnerabilities and regional financial stability issues, crisis management and resolution as well as cross-border information cooperation as avenues of promoting regional banking sector stability. In this regard, the meeting agreed to organise a regional workshop on resolution regimes in 2014 to review existing resolution practices and recommend the best resolution practices. It was also agreed to establish a cross-border cooperation working group to review existing cross-border cooperation arrangements and establish essentials of cross-border cooperation that are necessary to promote financial stability.

The fifth meeting of FSB's RCG for SSA expected to be hosted by Bank of Ghana in the second quarter of 2014.

### International Monetary Fund's (IMF's) East African Technical Assistance Centre (East AFRITAC)

The Central Bank of Kenya (CBK) has benefited from East AFRITAC's technical assistance in developing a stronger and effective banking sector regulatory and supervisory framework. The main activities undertaken by CBK's Bank Supervision Department in 2013 with the support of the East AFRITAC include:-

- Joint hosting of the 15th East AFRITAC Steering Committee meeting in April 2013 in Naivasha, Kenya by the Central Bank of Kenya and the National Treasury. The meeting reviewed the progress of East AFRITAC's technical assistance and capacity building programmes for 2012/13 in the seven member countries and also considered and approved East AFRITAC's proposed work plan for the upcoming financial year 2013/14.

- East AFRITAC consultants facilitated a one-week capacity building session on consolidated supervision of banking groups for supervisory staff of all the five East African Community Central Banks and Bank of South Sudan, which was hosted by CBK in October 2013 at the Kenya School of Monetary Studies.
- The East AFRITAC's Banking Supervision Advisor and a consultant observed the second supervisory college meeting for Kenya Commercial Bank Limited as well as the inaugural supervisory college meetings for Equity Bank Limited and Diamond Trust Bank Limited in October 2013.
- An East AFRITAC mission offered technical assistance on the implementation of the Internal Capital Adequacy Assessment Process (ICAAP), and Supervisory Review and Evaluation Process (SREP) in July 2013. ICAAP and SREP are part of the amendments introduced in the revised capital adequacy guideline in 2013 in an effort to ensure that banks fully embrace risk management in their capital management.

### Bank Supervision Application (BSA)

The Bank Supervision Application (BSA) is a system designed to automate banking supervision functions and processes in order to enhance speed and efficiency. Since its inception in 2003 the system has undergone three major upgrades and currently it is running on BSA Version 3.0. The current enhanced version of the system integrates the three main functionalities of the system namely workflows management, data management, data transmission onto one platform. The CBK has deployed the upgraded system successfully which has greatly improved the efficiency of the data transmission mechanism between CBK and regulated institutions as well as the management information within the Bank.

The CBK through Bank Supervision Department was the chair of the BSA Stakeholders for two years from October 2011 to September 2013. The BSA Stakeholders is a forum comprising of the directors of IT and Bank Supervision from the twelve East and Southern Africa Central Banks that implemented the BSA system. During its tenure as the chair of the BSA Stakeholders CBK presided over the successful upgrading of the BSA to Version 3.0 and its deployment in all the twelve user central banks in East, Central and Southern Africa. As the chair of BSA Stakeholders, the CBK was also responsible for the co-ordination of activities and the oversight of the BSA Support Office currently based in Maputo Mozambique.

### Memorandum of Understanding (MOUs)

In an effort to enhance its relationship with foreign banking regulators, the Central Bank of Kenya continued to explore the possibility of entering into formal arrangements for supervisory cooperation with other banking regulators. This was with a view to promoting cross border banking supervisory cooperation

CBK signed MOUs with 3 foreign central banks.

as recommended by the Basel Committee on Banking Supervision. The MOUs with these regulators would govern areas of mutual cooperation and collaboration, help define and guide the working relationships between regulators and enable the smooth exchange of supervisory information.

In 2013, the Central Bank of Kenya (CBK) signed Memoranda of Understanding with the Reserve Bank of Malawi, Reserve Bank of Zimbabwe and Bank of Zambia as shown in Appendix XII. CBK continued to establish contacts with more central banks from various countries with a view to negotiating MOUs. These included the Reserve Bank of India, the Democratic Republic of Congo (Banque Centrale du Congo), the State Bank of Pakistan and the China Banking Regulatory Commission amongst others.

### Knowledge Exchanges

Kenya and in particular, the Central Bank of Kenya, has championed innovative financial inclusion initiatives in the East African region and beyond. As a result, CBK received several delegations from within Africa and beyond in 2013 for study tours and knowledge exchange visits. The visits were part of efforts by the various supervisory authorities to explore new supervisory approaches, share regulatory experiences and build long-term partnerships. The specific study tours and knowledge exchange visits received by CBK in 2013 are as shown in Table 21.

| Table 21: Knowledge Exchanges hosted by CBK in 2013 | | | |
|---|---|---|---|
| | **Period** | **Institution(s)** | **Area(s) of Interest** |
| 1. | January 2013 | • Reserve Bank of Zimbabwe<br>• Zimbabwe Bankers Association<br>• Zimbabwe Ministry of Finance | Financial inclusion |
| 2. | February 2013 | • Bank of Uganda<br>• Uganda Communications Commission | Agent banking and mobile banking services. |
| 3. | April 2013 | National Bank of Rwanda | • Risk Based Supervision<br>• Licensing and regulation of foreign exchange bureaus |
| 4. | April 2013 | Bank of South Sudan | Risk Based Supervision |
| 5. | May 2013 | Central Bank of Nigeria | Mobile financial services and other financial inclusion initiatives |
| 6. | August 2013 | Bank of Somaliland | Licensing of banks, surveillance, deposit insurance and shariah compliant banking. |
| 7. | August 2013 | Officials of the Government of the Republic of the Philippines | National Payments System including mobile payments |
| 8. | September 2013 | • Bank of Zambia<br>• Zamtel Zambia<br>• Ministry of Telecommunications of Zambia | • Agent banking and mobile banking services.<br>• Banking sector legal and regulatory framework |
| 9. | October 2013 | Reserve Bank of Malawi | Agent banking and mobile banking services. |
| 10. | November 2013 | Central Bank of Lesotho | e-money and mobile banking services |
| 11. | November 2013 | Financial sector regulators and Government officials from Peru | e-money and mobile banking services |

## 5.3 Kenyan Banks Regional Footprint

As at 31st December 2013, eleven Kenyan banks had subsidiaries operating in the East African Community (EAC) Member States and South Sudan. These banks are:

Kenya Commercial Bank (KCB), Diamond Trust Bank Kenya, Commercial Bank of Africa (CBA), Bank of Africa, Guaranty Trust Bank (formally Fina Bank), Equity Bank, I & M Bank, Imperial Bank, African Banking Corporation (ABC), NIC Bank and the Co-operative Bank of Kenya. The respective presence is as shown in Table 22.

11 Kenyan banks had established 288 branches within EAC Partner States and S. Sudan in 2013.

| Table 22: Branches of Kenyan Banks Subsidiaries in the Region | | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Institution** | **Uganda** | **Tanzania** | **Rwanda** | **Burundi** | **South Sudan** | **TOTAL** |
| 1 | KCB | 14 | 12 | 11 | 1 | 21 | **59** |
| 2 | Diamond Trust | 28 | 19 | - | 4 | - | **51** |
| 3 | CBA | 1 | 11 | - | - | - | **12** |
| 4 | Bank of Africa | 28 | 19 | - | - | - | **47** |
| 5 | Guaranty Trust Bank (Formally Fina Bank) | 7 | - | 18 | - | - | **25** |
| 6 | Equity Bank | 38 | 6 | 8 | - | 9 | **61** |
| 7 | I & M Bank | - | 6 | 13 | - | - | **19** |
| 8 | Imperial Bank | 4 | - | - | - | - | **4** |
| 9 | ABC | 2 | - | - | - | - | **2** |
| 10 | NIC Bank | 1 | 6 | - | - | - | **7** |
| 11 | The Co-operative Bank of Kenya | - | - | - | - | 1 | **1** |
| **TOTAL** | | **123** | **79** | **50** | **5** | **31** | **288** |

In addition, I & M Bank (K) has shareholding equivalent to 50% in Bank One Limited in Mauritius while Prime Bank (K) has shareholding equivalent to 11.4% in First Merchant Bank in Malawi.

Commercial Bank of Africa and the Co-operative Bank of Kenya opened their respective subsidiaries in Uganda and South Sudan during the later part of 2013.

The performance analysis of the subsidiaries of the eleven banks as at 31st December 2013 based on number of branches, number of employees, assets, loans, deposits and profits is as highlighted below:

Performance Highlights:

**i) Branches**

The subsidiaries had opened 288 branches as at December 31, 2013 compared to 282 in 2012.

- 123 of the branches were operating in Uganda.
- Nine banks had opened operations in Uganda and seven had opened operations in Tanzania. Others were Rwanda(4), Burundi(2) and South Sudan(3).

**ii) No. of Employees**

The subsidiaries had a total of 5,219 employees compared to 4,751 the previous year.

- Uganda had the highest number of employees at 36.6% possibly as a result of the largest number of subsidiaries located there.

**iii) Total assets**

Total assets of subsidiaries stood at Ksh. 306.3 billion.

- Subsidiaries operating in Tanzania accounted for 37.3% of the total assets.
- Subsidiaries operating in South Sudan accounted for 21.5% of the total assets, although only three banks had presence there.
- Subsidiaries operating in Uganda accounted for 26.8% of the total assets.

**iv) Gross loans**

Gross loans of subsidiaries were worth Ksh. 149.6 billion against Ksh. 127.3 billion in 2012.

- Subsidiaries operating in Tanzania accounted for 44.3% of the total loans.
- Subsidiaries operating in Uganda accounted for 30.5% of the total loans.
- Subsidiaries operating in South Sudan accounted for 8.5% of the total loans.

**v) Deposits**

Subsidiaries had gross deposits worth Ksh. 236.5 billion compared to Ksh. 208.7 billion in 2012,

- Subsidiaries operating in Tanzania accounted for 38% of the total deposits.
- Subsidiaries operating in South Sudan accounted for 22.8% of the total deposits.
- Subsidiaries operating in Uganda accounted for 24.8% of the total deposits.

**vi) Profitability**

The subsidiaries registered a total profit before tax of Ksh. 5.2 billion.

- Subsidiaries operating in Tanzania accounted for 25.5% of the total profits.
- Subsidiaries operating in South Sudan accounted for 52.4% of the total profits, although only three banks had operations there.
- Subsidiaries operating in Uganda accounted for 8% of the total profits.
- A total of eight subsidiaries registered losses in various countries in the region. Four of the subsidiaries that registered losses before tax were operating in Uganda, indicating stiff competition though one of them had the subsidiary set up in year 2013 and is therefore still new to the market. The rest are subsidiaries in Tanzania (2), South Sudan (1) and Rwanda (1).

Appendix I

| | BANKING SECTOR BALANCE SHEET - DECEMBER 2013 - Ksh. M | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | BANKS TOTAL | NBFIs TOTAL | GRAND TOTAL | % OF TOTAL | BANKS TOTAL | NBFIs TOTAL | GRAND TOTAL | % OF TOTAL |
| A | **ASSETS** | | | | | | | | |
| 1 | Cash balances (both local and foreign) | 49,068 | 139 | 49,207 | 2.1% | 56,735 | 133 | 56,868 | 2.1% |
| 2 | Balances due from Central Bank of Kenya | 142,961 | 1,030 | 143,991 | 6.2% | 116,660 | 1,606 | 118,266 | 4.4% |
| 3 | Government and other securities held for dealing purposes | 104,353 | - | 104,353 | 4.5% | 33,112 | - | 33,112 | 1.2% |
| 4 | Kenya Government securities | 411,688 | 724 | 412,412 | 17.7% | 552,240 | - | 552,240 | 20.4% |
| 5 | Foreign Currency Treasury bills and bonds | 537 | - | 537 | 0.0% | 3,499 | - | 3,499 | 0.1% |
| 6 | Investments securities | 19,963 | 60 | 20,023 | 0.9% | 13,909 | 440 | 14,349 | 0.5% |
| 7 | Deposits and balances due from local banking institutions | 39,437 | 6,662 | 46,099 | 2.0% | 65,927 | 6,827 | 72,754 | 2.7% |
| 8 | Deposits and balances due from banking institutions abroad | 56,224 | 18 | 56,242 | 2.4% | 74,682 | 31 | 74,713 | 2.8% |
| 9 | Tax recoverable | 1,103 | 47 | 1,150 | 0.0% | 3,841 | - | 3,841 | 0.1% |
| 10 | Loans and advances to customers (Net) | 1,266,158 | 30,294 | 1,296,452 | 55.6% | 1,497,171 | 35,216 | 1,532,387 | 56.7% |
| 11 | Balances due from group companies | 39,203 | - | 39,203 | 1.7% | 44,224 | - | 44,224 | 1.6% |
| 12 | Investment in associates | 3,401 | - | 3,401 | 0.1% | 3,690 | - | 3,690 | 0.1% |
| 13 | Investment in subsidiary companies | 29,200 | 255 | 29,455 | 1.3% | 37,492 | 255 | 37,747 | 1.4% |
| 14 | Investment in joint ventures | 1,246 | 87 | 1,332 | 0.1% | 1,499 | 191 | 1,690 | 0.1% |
| 15 | Investment properties | 616 | - | 616 | 0.0% | 793 | - | 793 | 0.0% |
| 16 | Property & equipment | 47,548 | 711 | 48,259 | 2.1% | 54,461 | 939 | 55,401 | 2.0% |
| 17 | Prepaid lease rentals | 1,268 | 41 | 1,309 | 0.1% | 1,228 | 40 | 1,268 | 0.0% |
| 18 | Intangible assets | 17,450 | 10 | 17,460 | 0.7% | 17,447 | 396 | 17,843 | 0.7% |
| 19 | Deferred tax asset | 8,974 | 220 | 9,194 | 0.4% | 11,219 | 313 | 11,532 | 0.4% |
| 20 | Retirement benefit asset | - | - | - | 0.0% | 1,837 | - | 1,837 | 0.1% |
| 21 | Other assets | 49,253 | 388 | 49,641 | 2.1% | 64,974 | 367 | 65,341 | 2.4% |
| **22** | **TOTAL ASSETS** | **2,289,649** | **40,686** | **2,330,335** | **100.0%** | **2,656,639** | **46,755** | **2,703,394** | **100.0%** |
| | | | | | | | | | |
| B. | **LIABILITIES** | | | | | | | | |
| 23 | Balances due to Central Bank of Kenya | - | - | - | 0.0% | 8,174 | - | 8,174 | 0.3% |
| 24 | Customer deposits | 1,684,866 | 22,968 | 1,707,834 | 73.3% | 1,909,072 | 26,589 | 1,935,661 | 71.6% |
| 25 | Deposits and balances due to local banking institutions | 30,729 | - | 30,729 | 1.3% | 59,637 | - | 59,637 | 2.2% |
| 26 | Deposits and balances due to banking institutions abroad | 47,275 | - | 47,275 | 2.0% | 44,611 | - | 44,611 | 1.7% |
| 27 | Other Money Markets deposits | 2 | - | 2 | 0.0% | 266 | - | 266 | 0.0% |
| 28 | Borrowed funds | 76,288 | 11,915 | 88,204 | 3.8% | 94,454 | 14,016 | 108,470 | 4.0% |
| 29 | Balances due to group companies | 32,481 | 0 | 32,481 | 1.4% | 53,927 | - | 53,927 | 2.0% |
| 30 | Taxation payable | 9,423 | - | 9,423 | 0.4% | 2,549 | 69 | 2,618 | 0.1% |
| 31 | Dividends payable | 48 | 24 | 72 | 0.0% | 61 | 48 | 109 | 0.0% |
| 32 | Deferred tax liability | 1,281 | - | 1,281 | 0.1% | 759 | - | 759 | 0.0% |
| 33 | Retirement benefits liability | 809 | - | 809 | 0.0% | 255 | - | 255 | 0.0% |
| 34 | Other liabilities | 49,411 | 632 | 50,043 | 2.1% | 56,377 | 351 | 56,729 | 2.1% |
| **35** | **TOTAL LIABILITIES** | **1,932,613** | **35,540** | **1,968,153** | **84.5%** | **2,230,143** | **41,073** | **2,271,216** | **84.0%** |
| | | | | | | | | | |
| C | **SHAREHOLDERS' FUNDS** | | | | | | | | |
| 36 | Paid up/ assigned capital | 78,683 | 1,153 | 79,836 | 3.4% | 87,217 | 1,155 | 88,372 | 3.3% |
| 37 | Share premium/(discounts) | 63,349 | 1,552 | 64,901 | 2.8% | 67,605 | 1,555 | 69,160 | 2.6% |
| 38 | Revaluation reserves | (1,262) | 512 | (749) | 0.0% | 299 | 512 | 812 | 0.0% |
| 39 | Retained earnings /accumulated losses | 168,219 | 1,474 | 169,693 | 7.3% | 234,754 | 1,919 | 236,673 | 8.8% |
| 40 | Statutory loan loss reserve | 22,077 | 242 | 22,319 | 1.0% | 12,807 | 259 | 13,066 | 0.4% |
| 41 | Proposed dividend (gross) | 22,649 | 161 | 22,810 | 1.0% | 21,371 | 231 | 21,603 | 0.8% |
| 42 | Capital grants | 3,323 | 51 | 3,373 | 0.1% | 2,443 | 51 | 2,494 | 0.1% |
| **43** | **TOTAL SHAREHOLDERS' FUNDS** | **357,037** | **5,146** | **362,182** | **15.5%** | **426,496** | **5,682** | **432,178** | **16.0%** |
| **44** | **TOTAL LIABILITIES & SHAREHOLDERS' FUNDS** | **2,289,649** | **40,686** | **2,330,335** | **100.0%** | **2,656,639** | **46,755** | **2,703,394** | **100.0%** |

**Source**: Banks Published Financial Statements

Appendix II

**BANKING SECTOR PROFIT AND LOSS ACCOUNT - DECEMBER 2013 - Ksh. M**

| | | 2012 | | | | 2013 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | BANKS TOTAL | NBFIs TOTAL | GRAND TOTAL | % OF TOTAL | BANKS TOTAL | NBFIs TOTAL | GRAND TOTAL | % OF TOTAL |
| **1.0** | **INTEREST INCOME** | | | | | | | | |
| 1.1 | Loans and advances | 212,518 | 4,288 | 216,807 | 60.8% | 206,503 | 4,888 | 211,391 | 58.4% |
| 1.2 | Government Securities | 48,199 | 63 | 48,262 | 13.5% | 56,705 | 47 | 56,752 | 15.7% |
| 1.3 | Deposits and placements with banking institutions | 6,341 | 717 | 7,058 | 2.0% | 4,839 | 505 | 5,344 | 1.5% |
| 1.4 | Other interest income | 3,287 | - | 3,287 | 0.9% | 2,504 | - | 2,504 | 0.7% |
| **1.5** | **Total Interest Income** | **270,345** | **5,069** | **275,414** | **77.3%** | **270,551** | **5,440** | **275,991** | **76.2%** |
| | | | | | | | | | |
| **2.0** | **INTEREST EXPENSES** | | | | | | | | |
| 2.1 | Customers deposits | 96,133 | 2,297 | 98,430 | 39.6% | 70,491 | 1,599 | 72,090 | 30.5% |
| 2.2 | Deposits and placements from banking institutions | 7,046 | - | 7,046 | 2.8% | 5,912 | - | 5,912 | 2.5% |
| 2.3 | Other interest expenses | 4,613 | 822 | 5,435 | 2.2% | 4,502 | 1,288 | 5,791 | 2.4% |
| **2.4** | **Total Interest Expenses** | **107,792** | **3,119** | **110,911** | **44.6%** | **80,906** | **2,887** | **83,793** | **35.4%** |
| | | | | | | | | | |
| **3.0** | **NET INTEREST INCOME/(LOSS)** | **162,553** | **1,950** | **164,503** | | **189,645** | **2,553** | **192,198** | |
| | | | | | | | | | |
| **4.0** | **NON-OPERATING INCOME** | | | | | | | | |
| 4.1 | Fees and Commissions on loans and advances | 14,561 | 139 | 14,700 | 4.1% | 19,520 | 156 | 19,676 | 8.3% |
| 4.2 | Other fees and commissions | 32,773 | 63 | 32,836 | 9.2% | 33,820 | 50 | 33,869 | 14.3% |
| 4.3 | Foreign exchange trading income/(loss) | 20,925 | - | 20,925 | 5.9% | 20,289 | 2 | 20,290 | 8.6% |
| 4.4 | Dividend income | 591 | 1 | 593 | 0.2% | 1,309 | 2 | 1,311 | 0.6% |
| 4.5 | Other income | 11,768 | 70 | 11,837 | 3.3% | 10,944 | 95 | 11,039 | 4.7% |
| 4.6 | **Total Non Interest Income** | **80,617** | **273** | **80,890** | 22.7% | **85,881** | **304** | **86,185** | **36.5%** |
| 4.7 | **TOTAL INCOME (1.5 + 4.6)** | **350,963** | **5,342** | **356,305** | | **356,432** | **5,744** | **362,177** | **100.0%** |
| **5.0** | **TOTAL OPERATING INCOME** | **243,170** | **2,223** | **245,393** | | **275,527** | **2,857** | **278,384** | **76.9%** |
| | | | | | | | | | |
| **6.0** | **OPERATING EXPENSES** | | | | | | | | |
| 6.1 | Loan loss provision | 12,114 | 198 | 12,312 | 5.0% | **12,595** | **281** | 12,876 | 5.4% |
| 6.2 | Staff costs | 58,864 | 682 | 59,546 | 24.0% | 68,016 | 804 | 68,820 | 29.1% |
| 6.3 | Directors emoluments | 1,674 | 14 | 1,688 | 0.7% | 2,267 | 11 | 2,279 | 1.0% |
| 6.4 | Rental charges | 6,467 | 19 | 6,487 | 2.6% | 7,375 | 23 | 7,398 | 3.1% |
| 6.5 | Depreciation on property and equipment | 9,090 | 61 | 9,151 | 3.7% | 9,186 | 69 | 9,255 | 3.9% |
| 6.6 | Amortization charges | 2,872 | 3 | 2,875 | 1.2% | 3,886 | 10 | 3,897 | 1.6% |
| 6.7 | Other expenses | 45,093 | 345 | 45,437 | 18.3% | 47,654 | 445 | 48,099 | 20.3% |
| 6.8 | **Total Other Operating Expenses** | **136,174** | **1,321** | **137,495** | 55.4% | **150,980** | **1,644** | **152,624** | **64.6%** |
| 6.9 | **TOTAL EXPENSES (2.4 + 6.8)** | **243,967** | **4,440** | **248,406** | | **231,885** | **4,531** | **236,416** | |
| | | | | | | | | | |
| 7.0 | **Profit/(loss) before tax and exceptional items** | **106,996** | **902** | **107,898** | | **124,547** | **1,213** | **125,760** | |
| 8.0 | Exceptional items | (8) | - | (8) | | 828 | - | 828 | |
| **9.0** | **Profit/(loss) after exceptional items** | **106,988** | **902** | **107,890** | | **123,719** | **1,213** | **124,932** | |
| 10.0 | Current tax | 35,621 | 353 | 35,974 | | 38,562 | 497 | 39,059 | |
| 11.0 | Deferred tax | (2,985) | (138) | (3,123) | | (2,864) | (93) | (2,957) | |
| **12.0** | **Profit/(loss) after tax and exceptional items** | **74,352** | **687** | **75,039** | | **88,021** | **809** | **88,830** | |
| | **Source**: Banks Published Financial Statements | | | | | | | | |

Appendix III

**BANKING SECTOR OTHER DISCLOSURES - DECEMBER 2013 - Ksh. M**

| | 2012 | | | 2013 | | | |
|---|---|---|---|---|---|---|---|
| | **BANKS TOTAL** | **NBFIs TOTAL** | **GRAND TOTAL** | **BANKS TOTAL** | **NBFIs TOTAL** | **GRAND TOTAL** | **ANNUAL % GROWTH** |
| **NON-PERFORMING LOANS AND ADVANCES** | | | | | | | |
| Gross non-performing loans and advances | 59,586 | 2,331 | 61,917 | 78,647 | 3,210 | 81,857 | 32.2% |
| Less: | | | | | | | |
| Interest in suspense | 11,561 | 234 | 11,795 | 13,942 | 191 | 14,133 | 19.8% |
| **Total non-performing loans and advances(a-b)** | 48,024 | 2,098 | 50,122 | 64,705 | 3,019 | 67,724 | 35.1% |
| Less: | | | | | | | |
| Loan loss provision | 26,803 | 383 | 27,185 | 31,726 | 522 | 32,247 | 18.6% |
| **Net Non-performing Loans (c-d )** | 21,222 | 1,715 | 22,937 | 32,979 | 2,497 | 35,476 | 54.7% |
| Discounted value of securities | 19,705 | 1,715 | 21,420 | 28,537 | 2,497 | 31,034 | 44.9% |
| **Net NPLs Exposure (e-f)** | 1,517 | - | 1,517 | 4,442 | - | 4,442 | 192.9% |
| **INSIDER LOANS,ADVANCES AND OTHER FACILITIES** | | | | | | | |
| Directors, shareholders and associates | 25,294 | - | 25,294 | 23,069 | - | 23,069 | -8.8% |
| Employees | 44,043 | 799 | 44,842 | 51,562 | 815 | 52,377 | 16.8% |
| **Total Insider Loans, Advances and Other Facilities** | 69,337 | 799 | 70,136 | 74,632 | 815 | 75,446 | 7.6% |
| **OFF BALANCE SHEET** | | | | | | | |
| Letters of credit, guarantees, acceptances | 344,234 | 14 | 344,248 | 378,868 | 32 | 378,900 | 10.1% |
| Forwards, swaps and options | | | | 225,868 | - | 225,868 | |
| Other contingent liabilities | 152,975 | - | 152,975 | 24,351 | - | 24,351 | -84.1% |
| **Total Contingent Liabilities** | **497,208** | **14** | **497,222** | **629,087** | **32** | **629,118** | **26.5%** |
| **CAPITAL STRENGTH** | | | | | | | |
| Core capital | 303,841 | 4,179 | 308,021 | 357,451 | 3,994 | 361,445 | 17.3% |
| Minimum statutory capital | 43,000 | 1,000 | 44,000 | 42,000 | 1,000 | 43,000 | -2.3% |
| Excess/(defficiency) | 260,841 | 3,179 | 264,021 | 315,451 | 2,994 | 318,445 | 20.6% |
| Supplementary capital | 42,631 | 2,269 | 44,900 | 54,456 | 2,252 | 56,708 | 26.3% |
| **Total capital (a + d)** | **346,472** | **6,448** | **352,921** | **411,908** | **6,246** | **418,154** | **18.5%** |
| Total risk weighted assets | 1,509,620 | 21,848 | 1,531,468 | 1,994,114 | 28,946 | 2,023,060 | 32.1% |
| **Core capital/total deposit liabilities** | **17.2%** | **18.2%** | **17.2%** | **18.7%** | **15.0%** | **18.7%** | **1%** |
| **Minimum Statutory Ratio** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **0%** |
| Excess/(deficiency) | 9.2% | 10.2% | 9.2% | 10.7% | 7.0% | 10.7% | 1% |
| **Core Capital/Total Risk Weighted Assets** | **20.1%** | **19.1%** | **20.1%** | **17.9%** | **13.8%** | **17.9%** | **-2%** |
| **Minimum Statutory Ratio** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **0%** |
| Excess/(Defficiency) | 12.1% | 11.1% | 12.1% | 9.9% | 5.8% | 9.9% | -2% |
| **Total capital/total risk weighted assets** | **23.0%** | **29.5%** | **23.0%** | **20.7%** | **21.6%** | **20.7%** | **-2%** |
| **Minimum Statutory Ratio** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **0%** |
| Excess/(Defficiency) | 11.0% | 17.5% | 11.0% | 8.7% | 9.6% | 8.7% | -2% |
| **Liquidity** | | | | | | | |
| **Liquidity Ratio** | **43.0%** | **35.0%** | **42.0%** | **38.8%** | **32.6%** | **38.6%** | **-3%** |
| **Minimum Statutory Ratio** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **0%** |
| Excess/(Defficiency) (a-b) | 23.0% | 15.0% | 22.0% | 18.8% | 12.6% | 18.6% | -3% |
| | | | | | | | |
| **Performance Indicators** | | | | | | | |
| Yield on Earning Assets | 15.7% | 13.6% | 15.7% | 13.5% | 13.0% | 13.5% | -2.2% |
| Cost of Funding Earning Assets | 4.1% | 0.7% | 4.1% | 3.5% | 6.7% | 3.6% | -0.5% |
| Interest Margin on Earning Assets | 11.6% | 12.9% | 11.6% | 10.0% | 6.3% | 9.9% | -1.7% |
| Yield on Adavances | 16.6% | 14.0% | 16.6% | 13.7% | 13.8% | 13.7% | -2.9% |
| Cost of Deposits | 5.9% | 10.0% | 5.9% | 3.8% | 6.0% | 3.8% | -2.1% |
| Return on Assets (ROA) | 4.7% | 2.2% | 4.6% | 4.7% | 2.6% | 4.7% | 0.1% |
| Return on Equity (ROE) | 30.0% | 17.5% | 29.8% | 29.2% | 21.4% | 29.1% | -0.7% |
| Overheads to Earnings | 40.1% | 40.1% | 40.1% | 43.6% | 51.0% | 43.7% | 3.6% |
| Gross NPLs/Gross Loans | 4.6% | 7.5% | 4.6% | 5.1% | 8.9% | 5.2% | 0.5% |
| Net NPLs/Gross Loans | 1.6% | 5.5% | 1.7% | 2.1% | 6.9% | 2.2% | 0.5% |
| | | | | | | | |
| **RATINGS** | | | | | | | |
| Capital Adequacy | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 | |
| Asset Quality | 1.00 | 2.00 | 1.00 | 1.00 | 2.00 | 1.00 | |
| Earnings | 1.00 | 2.00 | 1.00 | 1.00 | 2.00 | 1.00 | |
| Liquidity | 1.00 | 1.00 | 1.00 | 1.00 | 2.00 | 1.00 | |
| Composite Score | 1.00 | 1.50 | 1.00 | 1.00 | 1.75 | 1.00 | |
| **Performance Category** | **Strong** | **Satisfactory** | **Strong** | **Strong** | **Satisfactory** | 1.00 | |

| **Rating** | **PERFORMANCE CATEGORY** | **CAPITAL ADEQUACY** Total Capital/TRWA (%) | **ASSET QUALITY** (NPA-Provisions)/ Gross Advances (%) | **MANAGEMENT** Total Weighted Score | **EARNINGS** Net Profits/Total Assets (%) | **LIQUIDITY** Net Liquid Assets/Total (%) | **COMPOSITE RATING** Average Score |
|---|---|---|---|---|---|---|---|
| 1 | Strong | 19.50% and above | 0-5% | 1.0 - 1.4 | Over 3% | Over 34% | 1.0-1.4 |
| 2 | Satisfactory | 15.60%-19.49% | 5.1%-10.0% | 1.5 - 2.4 | 2.0%-2.9% | 26%-34% | 1.5-2.4 |
| 3 | Fair | 12.00%-15.59% | 10.1%-15.0% | 2.5 - 3.4 | 1.0%-1.9% | 20%-25% | 2.5-3.4 |
| 4 | Marginal | 8.31%-11.99% | 15.1%-20.0% | 3.5 - 4.4 | 0.0%-0.9% | 15%-19% | 3.5-4.4 |
| 5 | Unsatisfactory | 8.30 and below | Over 20% | 4.5 - 5.0 | Net Loss | Under 15% | 4.5-5.0 |

| | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | | | | **Appendix IV** |
| | | **BANKING SECTOR MARKET SHARE - DECEMBER 2013 - Ksh. M** | | | | | | | | | | |
| | | **MARKET SIZE INDEX** | **NET ASSETS** | **% OF THE MARKET** | **TOTAL DEPOSITS** | **% OF THE MARKET** | **TOTAL CAPITAL** | **% OF THE MARKET** | **TOTAL NUMBER OF DEPOSIT ACCOUNTS (Millions)** | **% OF THE MARKET** | **TOTAL NUMBER OF LOAN ACCOUNTS (Millions)** | **% OF THE MARKET** |
| | **Weighting** | | **0.33** | | **0.33** | | **0.33** | | **0.005** | | **0.005** | |
| | **Large Peer Group>5%** | | | | | | | | | | | |
| 1 | Kenya Commercial Bank Ltd | 12.83% | 323,312 | 12.0% | 237,213 | 12.3% | 62,391 | 14.4% | 1.721 | 7.90% | 0.208 | 6.7% |
| 2 | Equity Bank Ltd | 9.79% | 238,194 | 8.8% | 158,527 | 8.2% | 50,687 | 11.7% | 7.392 | 33.92% | 0.840 | 27.1% |
| 3 | Co-operative Bank of Kenya Ltd | 8.61% | 228,874 | 8.5% | 174,776 | 9.0% | 35,652 | 8.2% | 2.313 | 10.61% | 0.348 | 11.2% |
| 4 | Standard Chartered Bank (K) Ltd | 8.09% | 220,524 | 8.2% | 154,720 | 8.0% | 36,030 | 8.3% | 0.196 | 0.90% | 0.051 | 1.6% |
| 5 | Barclays Bank of Kenya Ltd | 7.65% | 207,010 | 7.7% | 151,122 | 7.8% | 32,371 | 7.5% | 1.240 | 5.69% | 0.285 | 9.2% |
| 6 | CFC Stanbic Bank (K) Ltd | 5.43% | 170,726 | 6.3% | 95,708 | 4.9% | 22,353 | 5.2% | 0.102 | 0.47% | 0.034 | 1.1% |
| | **Sub-Total** | **52.39%** | **1,388,641** | **51.37%** | **972,066** | **50.2%** | **239,484** | **55.4%** | **12.964** | **59.48%** | **1.766** | **57.0%** |
| | **Medium Peer Group> 1% & < 5%** | | | | | | | | | | | |
| 7 | Commercial Bank of Africa Ltd | 4.40% | 124,882 | 4.6% | 90,993 | 4.7% | 13,749 | 3.2% | 5.653 | 25.94% | 0.897 | 29.0% |
| 8 | Diamond Trust Bank (K) Ltd | 4.26% | 114,136 | 4.2% | 84,672 | 4.4% | 18,568 | 4.3% | 0.170 | 0.78% | 0.014 | 0.4% |
| 9 | I&M Bank Ltd | 4.19% | 110,316 | 4.1% | 74,494 | 3.8% | 20,525 | 4.7% | 0.016 | 0.07% | 0.008 | 0.3% |
| 10 | NIC Bank Ltd | 4.17% | 112,917 | 4.2% | 84,236 | 4.4% | 17,631 | 4.1% | 0.068 | 0.31% | 0.026 | 0.8% |
| 11 | National Bank of Kenya Ltd | 3.39% | 92,493 | 3.4% | 77,993 | 4.0% | 11,848 | 2.7% | 0.522 | 2.40% | 0.076 | 2.5% |
| 12 | Citibank N.A. Kenya | 2.83% | 71,243 | 2.6% | 43,762 | 2.3% | 15,964 | 3.7% | 0.002 | 0.01% | 0.001 | 0.0% |
| 13 | Chase Bank Ltd | 2.40% | 76,569 | 2.8% | 51,942 | 2.7% | 7,487 | 1.7% | 0.035 | 0.16% | 0.025 | 0.8% |
| 14 | Bank of Baroda (K) Ltd | 1.93% | 52,022 | 1.9% | 41,877 | 2.2% | 7,569 | 1.8% | 0.041 | 0.19% | 0.002 | 0.1% |
| 15 | Bank of Africa (K) Ltd | 1.77% | 52,683 | 1.9% | 36,740 | 1.9% | 6,539 | 1.5% | 0.045 | 0.20% | 0.016 | 0.5% |
| 16 | Prime Bank Ltd | 1.74% | 49,461 | 1.8% | 40,562 | 2.1% | 5,816 | 1.3% | 0.026 | 0.12% | 0.004 | 0.1% |
| 17 | Family Bank Ltd | 1.62% | 43,501 | 1.6% | 34,615 | 1.8% | 5,968 | 1.4% | 1.326 | 6.09% | 0.098 | 3.2% |
| 18 | Imperial Bank Ltd | 1.55% | 43,006 | 1.6% | 34,065 | 1.8% | 5,719 | 1.3% | 0.048 | 0.22% | 0.011 | 0.3% |
| 19 | Housing Finance Co. of Kenya Ltd | 1.46% | 46,755 | 1.7% | 26,589 | 1.4% | 5,682 | 1.3% | 0.061 | 0.28% | 0.006 | 0.2% |
| 20 | Bank of India | 1.15% | 30,721 | 1.1% | 22,778 | 1.2% | 5,087 | 1.2% | 0.015 | 0.07% | 0.001 | 0.0% |
| 21 | Ecobank Kenya Ltd | 1.15% | 36,907 | 1.4% | 25,351 | 1.3% | 3,390 | 0.8% | 0.125 | 0.57% | 0.013 | 0.4% |
| 22 | Guaranty Trust Bank Ltd | 1.09% | 25,638 | 0.95% | 18,447 | 1.0% | 6,091 | 1.4% | 0.017 | 0.08% | 0.001 | 0.0% |
| | **Sub-Total** | **39.09%** | **1,083,250** | **40.1%** | **789,114** | **40.8%** | **157,633** | **36.5%** | **8.171** | **37.49%** | **1.199** | **38.7%** |
| | **Small Peer Group<1%** | | | | | | | | | | | |
| 23 | African Banking Corporation Ltd | 0.70% | 19,639 | 0.7% | 15,905 | 0.8% | 2,450 | 0.6% | 0.024 | 0.11% | 0.002 | 0.1% |
| 24 | Gulf African Bank Ltd | 0.62% | 16,054 | 0.6% | 12,970 | 0.7% | 2,686 | 0.6% | 0.049 | 0.22% | 0.005 | 0.1% |
| 25 | Equatorial Commercial Bank Ltd | 0.53% | 15,562 | 0.58% | 13,856 | 0.7% | 1,371 | 0.3% | 0.012 | 0.06% | 0.006 | 0.2% |
| 26 | Giro Commercial Bank Ltd | 0.52% | 13,623 | 0.5% | 11,457 | 0.6% | 2,087 | 0.5% | 0.009 | 0.04% | 0.002 | 0.1% |
| 27 | Victoria Commercial Bank Ltd | 0.51% | 13,644 | 0.5% | 9,044 | 0.5% | 2,528 | 0.6% | 0.003 | 0.02% | 0.000 | 0.0% |
| 28 | Consolidated Bank of Kenya Ltd | 0.50% | 16,779 | 0.6% | 11,711 | 0.6% | 1,242 | 0.3% | 0.045 | 0.21% | 0.010 | 0.3% |
| 29 | Development Bank of Kenya Ltd | 0.47% | 15,581 | 0.6% | 8,419 | 0.4% | 1,822 | 0.4% | 0.002 | 0.01% | 0.001 | 0.0% |
| 30 | K - Rep Bank Ltd | 0.47% | 13,199 | 0.5% | 9,165 | 0.5% | 1,868 | 0.4% | 0.230 | 1.06% | 0.047 | 1.5% |
| 31 | Guardian Bank Ltd | 0.46% | 12,835 | 0.5% | 11,181 | 0.6% | 1,494 | 0.3% | 0.009 | 0.04% | 0.001 | 0.0% |
| 32 | Fidelity Commercial Bank Ltd | 0.46% | 12,779 | 0.5% | 11,263 | 0.6% | 1,411 | 0.3% | 0.009 | 0.04% | 0.002 | 0.1% |
| 33 | Habib Bank A.G. Zurich | 0.42% | 11,009 | 0.4% | 8,336 | 0.4% | 1,843 | 0.4% | 0.006 | 0.03% | 0.000 | 0.0% |
| 34 | First Community Bank Ltd | 0.40% | 11,305 | 0.4% | 9,932 | 0.5% | 1,210 | 0.3% | 0.075 | 0.35% | 0.002 | 0.1% |
| 35 | Trans - National Bank Ltd | 0.39% | 9,658 | 0.4% | 7,181 | 0.4% | 1,869 | 0.4% | 0.039 | 0.18% | 0.029 | 0.9% |
| 36 | Habib Bank Ltd | 0.32% | 8,078 | 0.3% | 5,599 | 0.3% | 1,667 | 0.4% | 0.004 | 0.02% | 0.000 | 0.0% |
| 37 | Jamii Bora Bank Ltd | 0.32% | 7,010 | 0.3% | 3,421 | 0.2% | 2,251 | 0.5% | 0.104 | 0.48% | 0.019 | 0.6% |
| 38 | Paramount Universal Bank Ltd | 0.30% | 8,029 | 0.3% | 6,601 | 0.3% | 1,230 | 0.3% | 0.011 | 0.05% | 0.001 | 0.0% |
| 39 | Oriental Commercial Bank Ltd | 0.29% | 7,007 | 0.3% | 5,377 | 0.3% | 1,524 | 0.4% | 0.006 | 0.03% | 0.000 | 0.0% |
| 40 | Credit Bank Ltd | 0.28% | 7,309 | 0.3% | 5,512 | 0.3% | 1,238 | 0.3% | 0.010 | 0.05% | 0.002 | 0.1% |
| 41 | Middle East Bank (K) Ltd | 0.22% | 5,766 | 0.2% | 3,649 | 0.2% | 1,175 | 0.3% | 0.002 | 0.01% | 0.000 | 0.0% |
| 42 | UBA Kenya Ltd | 0.17% | 3,710 | 0.1% | 2,483 | 0.1% | 1,059 | 0.2% | 0.003 | 0.02% | 0.000 | 0.0% |
| 43 | Dubai Bank Ltd | 0.14% | 2,927 | 0.1% | 1,418 | 0.1% | 1,036 | 0.2% | 0.007 | 0.03% | 0.000 | 0.0% |
| 44 | Charterhouse Bank Ltd | 0.00% | - | 0.0% | - | 0.0% | - | 0.0% | - | 0.00% | - | 0.0% |
| | **Sub-Total** | **8.51%** | **231,503** | **8.6%** | **174,481** | **9.0%** | **35,061** | **8.1%** | **0.660** | **3.03%** | **0.131** | **4.2%** |
| | **Grand-Total** | **100%** | **2,703,394** | **100%** | **1,935,661** | **100%** | **432,178** | **100%** | **21.796** | **100%** | **3.096** | **100%** |
| | Market share index is the composite of net assets, deposits, capital , number of loan accounts and number of deposit accounts | | | | | | | | | | | |
| | **Source**: Banks Published Financial Statements | | | | | | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| | | | | | | **Appendix V** |
| | **BANKING SECTOR PROFITABILITY- DECEMBER 2013 - Ksh. M** | | | | | |
| | | **1** | **2** | **3** | **4** | **5** |
| | | | **RETURN ON ASSETS** | | **RETURN ON EQUITY** | |
| | **BANKS** | **PROFIT BEFORE TAX** | **NET ASSETS** | **RETURN ON ASSETS (1/2) %** | **SHAREHOLDERS EQUITY** | **RETURN ON EQUITY (1/4) %** |
| 1 | Equity Bank Ltd | 18,233 | 238,194 | 7.7% | 50,687 | 36.0% |
| 2 | Kenya Commercial Bank Ltd | 17,746 | 323,312 | 5.5% | 62,391 | 28.4% |
| 3 | Standard Chartered Bank (K) Ltd | 13,316 | 220,524 | 6.0% | 36,030 | 37.0% |
| 4 | Barclays Bank of Kenya Ltd | 11,921 | 207,010 | 5.8% | 32,371 | 36.8% |
| 5 | Co-operative Bank of Kenya Ltd | 10,705 | 228,874 | 4.7% | 35,652 | 30.0% |
| 6 | CFC Stanbic Bank (K) Ltd | 7,005 | 170,726 | 4.1% | 22,353 | 31.3% |
| 7 | I&M Bank Ltd | 6,060 | 110,316 | 5.5% | 20,525 | 29.5% |
| 8 | Diamond Trust Bank (K) Ltd | 5,566 | 114,136 | 4.9% | 18,568 | 30.0% |
| 9 | NIC Bank Ltd | 5,221 | 112,917 | 4.6% | 17,631 | 29.6% |
| 10 | Citibank N.A. Kenya | 4,984 | 71,243 | 7.0% | 15,964 | 31.2% |
| 11 | Commercial Bank of Africa Ltd | 4,464 | 124,882 | 3.6% | 13,749 | 32.5% |
| 12 | Bank of Baroda (K) Ltd | 2,505 | 52,022 | 4.8% | 7,569 | 33.1% |
| 13 | Imperial Bank Ltd | 2,494 | 43,006 | 5.8% | 5,719 | 43.6% |
| 14 | Chase Bank Ltd | 2,251 | 76,569 | 2.9% | 7,487 | 30.1% |
| 15 | Prime Bank Ltd | 1,893 | 49,461 | 3.8% | 5,816 | 32.5% |
| 16 | National Bank of Kenya Ltd | 1,779 | 92,493 | 1.9% | 11,848 | 15.0% |
| 17 | Family Bank Ltd | 1,758 | 43,501 | 4.0% | 5,968 | 29.5% |
| 18 | Bank of India | 1,253 | 30,721 | 4.1% | 5,087 | 24.6% |
| 19 | Bank of Africa (K) Ltd | 1,028 | 52,683 | 2.0% | 6,539 | 15.7% |
| 20 | Victoria Commercial Bank Ltd | 586 | 13,644 | 4.3% | 2,528 | 23.2% |
| 21 | African Banking Corporation Ltd | 578 | 19,639 | 2.9% | 2,450 | 23.6% |
| 22 | K - Rep Bank Ltd | 557 | 13,199 | 4.2% | 1,868 | 29.8% |
| 23 | Habib Bank Ltd | 500 | 8,078 | 6.2% | 1,667 | 30.0% |
| 24 | Habib Bank A.G. Zurich | 474 | 11,009 | 4.3% | 1,843 | 25.7% |
| 25 | Gulf African Bank Ltd | 434 | 16,054 | 2.7% | 2,686 | 16.1% |
| 26 | Guaranty Trust Bank Ltd | 413 | 25,638 | 1.6% | 6,091 | 6.8% |
| 27 | Guardian Bank Ltd | 384 | 12,835 | 3.0% | 1,494 | 25.7% |
| 28 | Giro Commercial Bank Ltd | 383 | 13,623 | 2.8% | 2,087 | 18.4% |
| 29 | Fidelity Commercial Bank Ltd | 316 | 12,779 | 2.5% | 1,411 | 22.4% |
| 30 | Development Bank of Kenya Ltd | 274 | 15,581 | 1.8% | 1,822 | 15.0% |
| 31 | Trans - National Bank Ltd | 225 | 9,658 | 2.3% | 1,869 | 12.0% |
| 32 | First Community Bank Ltd | 200 | 11,305 | 1.8% | 1,210 | 16.6% |
| 33 | Oriental Commercial Bank Ltd | 178 | 7,007 | 2.5% | 1,524 | 11.7% |
| 34 | Equatorial Commercial Bank Ltd | 152 | 15,562 | 1.0% | 1,371 | 11.1% |
| 35 | Paramount Universal Bank Ltd | 99 | 8,029 | 1.2% | 1,230 | 8.1% |
| 36 | Jamii Bora Bank Ltd | 90 | 7,010 | 1.3% | 2,251 | 4.0% |
| 37 | Middle East Bank (K) Ltd | 81 | 5,766 | 1.4% | 1,175 | 6.9% |
| 38 | Credit Bank Ltd | 72 | 7,309 | 1.0% | 1,238 | 5.9% |
| 39 | Dubai Bank Ltd | 16 | 2,927 | 0.5% | 1,036 | 1.5% |
| 40 | Charterhouse Bank Ltd ** | - | - | 0.0% | - | - |
| 41 | Consolidated Bank of Kenya Ltd | (142) | 16,779 | -0.8% | 1,242 | -11.5% |
| 42 | UBA Kenya Ltd | (278) | 3,710 | -7.5% | 1,059 | -26.2% |
| 43 | Ecobank Kenya Ltd | (1,231) | 36,907 | -3.3% | 3,390 | -36.3% |
| | **Sub-Total** | **124,547** | **2,656,639** | **4.7%** | **426,496** | **29.2%** |
| | **NBFIs** | | | | | |
| 1 | Housing Finance Co. of Kenya Ltd | 1,213 | 46,755 | 2.6% | 5,682 | 21.4% |
| | **Sub-Total** | **1,213** | **46,755** | **2.6%** | **5,682** | **21.4%** |
| | **Grand Total** | **125,760** | **2,703,394** | **4.7%** | **432,178** | **29.1%** |
| | ** Did not publish accounts for 2013 | | | | | |
| | **Source**: Banks Published Financial Statements | | | | | |

Appendix VI

**BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS- DECEMBER 2013 - Ksh. M**

| | BANKS | CORE CAPITAL | TOTAL CAPITAL | OVERALL RISK WEIGHTED ASSETS | CORE CAPITAL TO RISK WEIGHTED ASSETS RATIO | TOTAL CAPITAL TO RISK WEIGHTED ASSETS RATIO |
|---|---|---|---|---|---|---|
| 1 | Kenya Commercial Bank Ltd | 50,905 | 61,199 | 272,565 | 18.7% | 22.5% |
| 2 | Equity Bank Ltd | 34,759 | 44,151 | 187,346 | 18.6% | 23.6% |
| 3 | Co-operative Bank of Kenya Ltd | 32,123 | 43,195 | 205,152 | 15.7% | 21.1% |
| 4 | Barclays Bank of Kenya Ltd | 31,798 | 33,172 | 191,652 | 16.6% | 17.3% |
| 5 | Standard Chartered Bank (K) Ltd | 25,831 | 30,721 | 147,682 | 17.5% | 20.8% |
| 6 | CFC Stanbic Bank (K) Ltd | 21,778 | 25,125 | 119,641 | 18.2% | 21.0% |
| 7 | Diamond Trust Bank (K) Ltd | 15,508 | 18,484 | 87,817 | 17.7% | 21.0% |
| 8 | Citibank N.A. Kenya | 15,431 | 15,786 | 44,600 | 34.6% | 35.4% |
| 9 | I&M Bank Ltd | 14,700 | 18,547 | 97,526 | 15.1% | 19.0% |
| 10 | NIC Bank Ltd | 14,108 | 14,108 | 95,220 | 14.8% | 14.8% |
| 11 | Commercial Bank of Africa Ltd | 10,378 | 10,927 | 81,060 | 12.8% | 13.5% |
| 12 | National Bank of Kenya Ltd | 10,312 | 10,948 | 45,333 | 22.7% | 24.1% |
| 13 | Bank of Baroda (K) Ltd | 7,414 | 7,663 | 35,458 | 20.9% | 21.6% |
| 14 | Chase Bank Ltd | 6,596 | 7,086 | 47,133 | 14.0% | 15.0% |
| 15 | Family Bank Ltd | 5,631 | 5,896 | 31,127 | 18.1% | 18.9% |
| 16 | Ecobank Kenya Ltd | 5,079 | 7,018 | 22,968 | 22.1% | 30.6% |
| 17 | Prime Bank Ltd | 4,951 | 4,951 | 26,914 | 18.4% | 18.4% |
| 18 | Bank of India | 4,951 | 5,068 | 12,205 | 40.6% | 41.5% |
| 19 | Bank of Africa (K) Ltd | 4,803 | 5,587 | 43,923 | 10.9% | 12.7% |
| 20 | Imperial Bank Ltd | 4,663 | 4,755 | 31,709 | 14.7% | 15.0% |
| 21 | Guaranty Trust Bank Ltd | 4,142 | 4,353 | 12,892 | 32.1% | 33.8% |
| 22 | Gulf African Bank Ltd | 2,668 | 2,686 | 14,804 | 18.0% | 18.1% |
| 23 | Victoria Commercial Bank Ltd | 2,300 | 2,373 | 11,980 | 19.2% | 19.8% |
| 24 | Giro Commercial Bank Ltd | 2,005 | 2,087 | 7,212 | 27.8% | 28.9% |
| 25 | K - Rep Bank Ltd | 1,818 | 1,852 | 8,654 | 21.0% | 21.4% |
| 26 | Trans - National Bank Ltd | 1,807 | 1,869 | 5,956 | 30.3% | 31.4% |
| 27 | African Banking Corporation Ltd | 1,774 | 1,873 | 12,429 | 14.3% | 15.1% |
| 28 | Habib Bank A.G. Zurich | 1,765 | 1,835 | 5,533 | 31.9% | 33.2% |
| 29 | Habib Bank Ltd | 1,603 | 1,660 | 4,477 | 35.8% | 37.1% |
| 30 | Development Bank of Kenya Ltd | 1,553 | 1,640 | 6,944 | 22.4% | 23.6% |
| 31 | Guardian Bank Ltd | 1,494 | 1,494 | 8,312 | 18.0% | 18.0% |
| 32 | Jamii Bora Bank Ltd | 1,396 | 1,447 | 5,600 | 24.9% | 25.8% |
| 33 | Oriental Commercial Bank Ltd | 1,316 | 1,372 | 4,510 | 29.2% | 30.4% |
| 34 | Fidelity Commercial Bank Ltd | 1,309 | 1,402 | 7,574 | 17.3% | 18.5% |
| 35 | Equatorial Commercial Bank Ltd | 1,216 | 1,485 | 12,122 | 10.0% | 12.3% |
| 36 | Credit Bank Ltd | 1,199 | 1,256 | 4,719 | 25.4% | 26.6% |
| 37 | Paramount Universal Bank Ltd | 1,175 | 1,220 | 2,914 | 40.3% | 41.9% |
| 38 | First Community Bank Ltd | 1,140 | 1,140 | 7,702 | 14.8% | 14.8% |
| 39 | Middle East Bank (K) Ltd | 1,138 | 1,165 | 3,212 | 35.4% | 36.3% |
| 40 | UBA Kenya Ltd | 1,059 | 1,059 | 2,258 | 46.9% | 46.9% |
| 41 | Dubai Bank Ltd | 1,012 | 1,036 | 6,023 | 16.8% | 17.2% |
| 42 | Consolidated Bank of Kenya Ltd | 843 | 1,217 | 11,254 | 7.5% | 10.8% |
| 43 | Charterhouse Bank Ltd ** | - | - | - | - | - |
| | **Sub-Total** | **357,451** | **411,908** | **1,994,114** | **17.9%** | **20.7%** |
| | **NBFIs** | | | | | |
| 1 | Housing Finance Co. of Kenya Ltd | 3,994 | 6,246 | 28,946 | 13.8% | 21.6% |
| | **Sub-Total** | **3,994** | **6,246** | **28,946** | **13.8%** | **21.6%** |
| | **Grand Total** | **361,445** | **418,154** | **2,023,060** | **17.9%** | **20.7%** |

** Did not publish accounts for 2013

**Source**: Banks Published Financial Statements

**Appendix VII**

**BANKING SECTOR ACCESS TO FINANCIAL SERVICES - DECEMBER 2013**

| | | | **Total Number of Deposit Accounts** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | **Peer** | | **DEC. 2012** | | | **DEC. 2013** | | |
| | **BANKS** | **Group** | **< 100,000** | **>100,000** | **Total** | **< 100,000** | **>100,000** | **Total** | **% change** |
| 1 | Kenya Commercial Bank Ltd | Large | 1,152,391 | 131,061 | 1,283,452 | 1,578,225 | 142,582 | 1,720,807 | 34.1% |
| 2 | Standard Chartered Bank Ltd | Large | 116,699 | 54,678 | 171,377 | 137,378 | 58,253 | 195,631 | 14.2% |
| 3 | Barclays Bank of Kenya Ltd | Large | 1,026,161 | 107,712 | 1,133,873 | 1,132,589 | 107,029 | 1,239,618 | 9.3% |
| 4 | Co-operative Bank of Kenya Ltd | Large | 2,202,325 | 123,854 | 2,326,179 | 2,169,005 | 144,289 | 2,313,294 | -0.6% |
| 5 | CFC Stanbic Bank Ltd | Large | 69,310 | 18,296 | 87,606 | 80,531 | 21,719 | 102,250 | 16.7% |
| 6 | Equity Bank Ltd | Large | 6,831,145 | 194,117 | 7,025,262 | 7,173,297 | 219,184 | 7,392,481 | 5.2% |
| 7 | Bank of India | Medium | 6,529 | 7,026 | 13,555 | 6,573 | 8,617 | 15,190 | 12.1% |
| 8 | Bank of Baroda Ltd | Medium | 20,896 | 17,828 | 38,724 | 21,781 | 19,259 | 41,040 | 6.0% |
| 9 | Commercial Bank of Africa Ltd | Medium | 1,047,822 | 15,749 | 1,063,571 | 5,635,593 | 17,895 | 5,653,488 | 431.6% |
| 10 | Prime Bank Ltd | Medium | 11,560 | 11,561 | 23,121 | 14,122 | 11,992 | 26,114 | 12.9% |
| 11 | National Bank of Kenya Ltd | Medium | 442,404 | 32,279 | 474,683 | 486,825 | 35,298 | 522,123 | 10.0% |
| 12 | Citibank N.A. | Medium | 462 | 1,545 | 2,007 | 455 | 1,479 | 1,934 | -3.6% |
| 13 | Bank of Africa Kenya Ltd | Medium | 29,726 | 7,162 | 36,888 | 36,624 | 7,898 | 44,522 | 20.7% |
| 14 | Chase Bank Ltd | Medium | 48,254 | 6,806 | 55,060 | 26,218 | 9,277 | 35,495 | -35.5% |
| 15 | Imperial Bank Ltd | Medium | 27,797 | 12,936 | 40,733 | 32,797 | 15,283 | 48,080 | 18.0% |
| 16 | NIC Bank Ltd | Medium | 33,961 | 18,209 | 52,170 | 47,206 | 20,738 | 67,944 | 30.2% |
| 17 | Guaranty Trust Bank Ltd | Medium | 10,502 | 6,480 | 16,982 | 10,484 | 6,448 | 16,932 | -0.3% |
| 18 | I&M Bank Ltd | Medium | 35,590 | 22,572 | 58,162 | 1,332 | 14,558 | 15,890 | -72.7% |
| 19 | Diamond Trust Bank Kenya Ltd | Medium | 68,673 | 22,907 | 91,580 | 143,958 | 26,189 | 170,147 | 85.8% |
| 20 | Family Bank Ltd | Medium | 1,117,774 | 32,694 | 1,150,468 | 1,285,019 | 41,383 | 1,326,402 | 15.3% |
| 21 | Housing Finance Co. of Kenya Ltd | Medium | 43,891 | 10,179 | 54,070 | 50,119 | 10,813 | 60,932 | 12.7% |
| 22 | Ecobank Ltd | Medium | 43,503 | 30,376 | 73,879 | 116,640 | 8,573 | 125,213 | 69.5% |
| 23 | Habib Bank Ltd | Small | 2,266 | 2,048 | 4,314 | 2,081 | 1,941 | 4,022 | -6.8% |
| 24 | Oriental Commercial Bank Ltd | Small | 4,012 | 1,913 | 5,925 | 4,327 | 1,504 | 5,831 | -1.6% |
| 25 | Habib A.G. Zurich | Small | 3,615 | 2,979 | 6,594 | 3,499 | 2,980 | 6,479 | -1.7% |
| 26 | Middle East Bank Ltd | Small | 750 | 1,153 | 1,903 | 727 | 1,073 | 1,800 | -5.4% |
| 27 | Dubai Bank Ltd | Small | 5,423 | 732 | 6,155 | 6,161 | 788 | 6,949 | 12.9% |
| 28 | Consolidated Bank of Kenya Ltd | Small | 38,855 | 6,335 | 45,190 | 37,615 | 7,635 | 45,250 | 0.1% |
| 29 | Credit Bank Ltd | Small | 6,523 | 2,117 | 8,640 | 7,675 | 2,389 | 10,064 | 16.5% |
| 30 | Trans - National Bank Ltd | Small | 33,388 | 3,126 | 36,514 | 36,037 | 3,404 | 39,441 | 8.0% |
| 31 | African Banking Corporation Ltd | Small | 12,754 | 5,698 | 18,452 | 18,090 | 5,596 | 23,686 | 28.4% |
| 32 | Giro Commercial Bank Ltd | Small | 4,546 | 4,524 | 9,070 | 4,710 | 4,729 | 9,439 | 4.1% |
| 33 | Equatorial Bank Ltd | Small | 6,558 | 3,539 | 10,097 | 8,845 | 3,435 | 12,280 | 21.6% |
| 34 | Paramount Universal Bank Ltd | Small | 1,979 | 7,728 | 9,707 | 1,986 | 8,641 | 10,627 | 9.5% |
| 35 | Jamii Bora Bank Ltd | Small | 96,984 | 631 | 97,615 | 103,036 | 1,030 | 104,066 | 6.6% |
| 36 | Victoria Commercial Bank Ltd | Small | 1,156 | 2,062 | 3,218 | 1,105 | 2,188 | 3,293 | 2.3% |
| 37 | Guardian Bank Ltd | Small | 5,396 | 2,630 | 8,026 | 6,193 | 2,755 | 8,948 | 11.5% |
| 38 | Development Bank of Kenya Ltd | Small | 736 | 820 | 1,556 | 794 | 1,049 | 1,843 | 18.4% |
| 39 | Fidelity Commercial Bank Ltd | Small | 5,566 | 2,881 | 8,447 | 4,625 | 4,013 | 8,638 | 2.3% |
| 40 | Charterhouse Bank Ltd | Small | 3,478 | 1,282 | 4,760 | 3,478 | 1,282 | 4,760 | 0.0% |
| 41 | K-Rep Bank Ltd | Small | 203,010 | 7,561 | 210,571 | 221,931 | 8,086 | 230,017 | 9.2% |
| 42 | Gulf African Bank Ltd | Small | 34,044 | 7,074 | 41,118 | 40,728 | 7,926 | 48,654 | 18.3% |
| 43 | First Community Bank Ltd | Small | 40,647 | 6,833 | 47,480 | 31,193 | 44,304 | 75,497 | 59.0% |
| 44 | UBA Bank Ltd | Small | 2,286 | 377 | 2,663 | 3,044 | 401 | 3,445 | 29.4% |
| | **Sub-Total** | | **14,901,347** | **960,070** | **15,861,417** | **20,734,651** | **1,065,905** | **21,800,556** | **37.4%** |
| | | | | | | | | | |
| | **MICRO-FINANCE BANKS (MFBs)** | | | | | | | | |
| 1 | Kenya Women Finance Trust Ltd | Large | 1,025,541 | 5,073 | 1,030,614 | 1,034,218 | 7,141 | 1,041,359 | 1.0% |
| 2 | Faulu Kenya Ltd | Large | 379,569 | 4,609 | 384,178 | 448,828 | 16,649 | 465,477 | 21.2% |
| 3 | SMEP Ltd | Large | 304,917 | 530 | 305,447 | 361,510 | 836 | 362,346 | 18.6% |
| 4 | Rafiki Ltd | Large | 27,551 | 312 | 27,863 | 56,763 | 637 | 57,400 | 106.0% |
| 5 | Remu Ltd | Medium | 3,902 | 64 | 3,966 | 6,491 | 68 | 6,559 | 65.4% |
| 6 | Sumac Ltd | Medium | - | - | - | 852 | 35 | 887 | - |
| 7 | Uwezo Ltd | Small | 1,407 | 41 | 1,448 | 2,121 | 45 | 2,166 | 49.6% |
| 8 | Century Ltd | Small | - | - | - | 4,339 | 27.00 | 4,366 | - |
| 9 | U & I Ltd | Small | - | - | - | 6,279 | 20.00 | 6,299 | - |
| | **Sub-Total** | | **1,742,887** | **10,629** | **1,753,516** | **1,921,401** | **25,458** | **1,946,859** | 11.0% |
| | **Grand Total** | | **16,644,234** | **970,699** | **17,614,933** | **22,656,052** | **1,091,363** | **23,747,415** | **34.8%** |

**Source**: CBK

Appendix VIII

**BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2013 - Ksh. M**

| | BANKS | PEER GROUPS | 2012 INSURED DEPOSITS | 2012 CUSTOMER DEPOSITS | 2013 INSURED DEPOSITS | 2013 CUSTOMER DEPOSITS | CHANGE IN INSURED DEPOSITS | CHANGE IN CUSTOMER DEPOSITS |
|---|---|---|---|---|---|---|---|---|
| 1 | Kenya Commercial Bank Ltd | Large | 24,620 | 223,493 | 26,799 | 237,213 | 8.9% | 6.1% |
| 2 | Standard Chartered Bank Ltd | Large | 7,531 | 140,525 | 8,004 | 154,720 | 6.3% | 10.1% |
| 3 | Barclays Bank of Kenya Ltd | Large | 17,187 | 137,915 | 16,706 | 151,122 | -2.8% | 9.6% |
| 4 | Co-operative Bank of Kenya Ltd | Large | 26,263 | 162,267 | 30,722 | 174,776 | 17.0% | 7.7% |
| 5 | CFC Stanbic Bank Ltd | Large | 2,656 | 75,633 | 3,147 | 95,708 | 18.5% | 26.5% |
| 6 | Equity Bank Ltd | Large | 49,251 | 140,286 | 54,396 | 158,527 | 10.4% | 13.0% |
| 7 | Bank of India Ltd | Medium | 906 | 18,282 | 1,093 | 22,778 | 20.6% | 24.6% |
| 8 | Bank of Baroda Ltd | Medium | 2,215 | 38,382 | 2,370 | 41,877 | 7.0% | 9.1% |
| 9 | Commercial Bank of Africa Ltd | Medium | 2,283 | 79,996 | 4,557 | 90,993 | 99.6% | 13.7% |
| 10 | Prime Bank Ltd | Medium | 1,377 | 36,715 | 1,439 | 40,562 | 4.5% | 10.5% |
| 11 | National Bank of Kenya Ltd | Medium | 6,362 | 55,191 | 6,584 | 77,993 | 3.5% | 41.3% |
| 12 | Citibank N.A. | Medium | 165 | 44,012 | 157 | 43,762 | -4.6% | -0.6% |
| 13 | Bank of Africa Ltd | Medium | 1,044 | 35,100 | 1,164 | 36,740 | 11.5% | 4.7% |
| 14 | Chase Bank Ltd | Medium | 923 | 36,506 | 1,270 | 51,942 | 37.6% | 42.3% |
| 15 | Imperial Bank Ltd | Medium | 1,692 | 27,581 | 1,990 | 34,065 | 17.6% | 23.5% |
| 16 | NIC Bank Ltd | Medium | 2,495 | 77,466 | 2,841 | 84,236 | 13.9% | 8.7% |
| 17 | Guaranty Trust Bank Ltd | Medium | 806 | 13,747 | 801 | 18,447 | -0.7% | 34.2% |
| 18 | I & M Bank Ltd | Medium | 2,892 | 65,640 | 2,181 | 74,494 | -24.6% | 13.5% |
| 19 | Diamond Trust Bank Ltd | Medium | 3,027 | 72,505 | 3,679 | 84,672 | 21.6% | 16.8% |
| 20 | Family Bank Ltd | Medium | 5,799 | 24,630 | 7,187 | 34,615 | 23.9% | 40.5% |
| 21 | Housing Finance Co. of Kenya Ltd | Medium | 133 | 22,968 | 1,696 | 26,589 | 1173.2% | 15.8% |
| 22 | Ecobank Ltd | Medium | 3,510 | 21,475 | 1,349 | 25,351 | -61.6% | 18.0% |
| 23 | Habib Bank Ltd | Small | 1,601 | 5,195 | 256 | 5,599 | -84.0% | 7.8% |
| 24 | Oriental Commercial Bank Ltd | Small | 269 | 4,806 | 200 | 5,377 | -25.7% | 11.9% |
| 25 | Habib A.G. Zurich | Small | 238 | 7,748 | 385 | 8,336 | 61.6% | 7.6% |
| 26 | Middle East Bank Ltd | Small | 390 | 3,907 | 124 | 3,649 | -68.2% | -6.6% |
| 27 | Dubai Bank Ltd | Small | 120 | 1,361 | 127 | 1,418 | 5.7% | 4.2% |
| 28 | Consolidated Bank of Kenya Ltd | Small | 1,016 | 13,325 | 1,352 | 11,711 | 33.1% | -12.1% |
| 29 | Credit Bank Ltd | Small | 282 | 4,781 | 314 | 5,512 | 11.3% | 15.3% |
| 30 | Trans-National Bank Ltd | Small | 496 | 6,535 | 532 | 7,181 | 7.3% | 9.9% |
| 31 | African Banking Corporation Ltd | Small | 774 | 15,255 | 781 | 15,905 | 0.9% | 4.3% |
| 32 | Giro Commercial Bank Ltd | Small | 511 | 10,420 | 532 | 11,457 | 4.0% | 10.0% |
| 33 | Equatorial Bank Ltd | Small | 445 | 12,963 | 444 | 13,856 | -0.1% | 6.9% |
| 34 | Paramount Universal Bank Ltd | Small | 875 | 6,084 | 977 | 6,601 | 11.6% | 8.5% |
| 35 | Jamii Bora Bank Ltd | Small | 394 | 1,213 | 445 | 3,421 | 12.8% | 182.0% |
| 36 | Victoria Commercial Bank Ltd | Small | 240 | 7,561 | 250 | 9,044 | 4.3% | 19.6% |
| 37 | Guardian Bank Ltd | Small | 349 | 10,374 | 365 | 11,181 | 4.5% | 7.8% |
| 38 | Development Bank of Kenya Ltd | Small | 98 | 6,953 | 121 | 8,419 | 23.6% | 21.1% |
| 39 | Fidelity Commercial Bank Ltd | Small | 346 | 10,527 | 470 | 11,263 | 35.8% | 7.0% |
| 40 | Charterhouse Bank Ltd | Small | 170 | - | 172 | - | 1.2% | - |
| 41 | K-Rep Bank Ltd | Small | 2,237 | 6,650 | 2,361 | 9,165 | 5.6% | 37.8% |
| 42 | Gulf African Bank Ltd | Small | 1,074 | 11,684 | 1,221 | 12,970 | 13.7% | 11.0% |
| 43 | First Community Bank Ltd | Small | 969 | 8,833 | 4,850 | 9,932 | 400.3% | 12.4% |
| 44 | UBA Kenya Bank Ltd | Small | 58 | 1,343 | 62 | 2,483 | 7.6% | 84.9% |
| | **Total** | | **176,087** | **1,707,834** | **196,473** | **1,935,661** | **11.6%** | **13.3%** |
| | | | | | | | | |
| | **MICRO-FINANCE BANKS (MFBs)** | | | | | | | |
| 1 | Kenya Women Finance Trust Ltd | Large | 7,830 | 9,354 | 8,983 | 12,954 | 14.7% | 38.5% |
| 2 | Faulu Kenya Ltd | Large | 2,568 | 4,465 | 7,697 | 8,684 | 199.7% | 94.5% |
| 3 | SMEP Ltd | Large | 799 | 1,014 | 773 | 1,274 | -3.3% | 25.6% |
| 4 | Rafiki Ltd | Large | 117 | 485 | 518 | 1,419 | 342.7% | 192.6% |
| 5 | Remu Ltd | Medium | 18 | 68 | 24 | 183 | 33.3% | 169.1% |
| 6 | Sumac Ltd | Medium | - | - | 10 | 99 | - | - |
| 7 | Uwezo Ltd | Small | 9 | 22 | 13 | 32 | 44.4% | 45.5% |
| 8 | Century Ltd | Small | - | - | 20 | 66 | - | - |
| 9 | U & I Ltd | Small | - | - | 15 | 34 | - | - |
| | **Total** | | **11,341** | **15,408** | **18,053** | **24,745** | **59.2%** | **60.6%** |
| | **Grand Total** | | **187,428** | **1,723,242** | **214,526** | **1,960,406** | **14.5%** | **13.8%** |

**Source**: Banks Published Financial Statements

Appendix IX

| | MFBs BALANCE SHEET AND PROFIT & LOSS ACCOUNT-DECEMBER 2013- Ksh. M | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | **FAULU KENYA** | **KWFT** | **SMEP** | **REMU** | **RAFIKI** | **UWEZO** | **CENTURY** | **SUMAC** | **U & I** | **TOTAL** |
| **A** | **STATEMENT OF FINANCIAL POSITION** | | | | | | | | | | |
| 1.0 | **ASSETS** | | | | | | | | | | |
| 1.1 | Cash Balances (Both Local and Foreign) | 480 | 1,032 | 71 | 12 | 212 | 1 | 9 | 24 | 9 | 1,850 |
| 1.2 | Short term deposits with banks | 971 | 3,398 | 290 | 131 | 965 | 9 | 7 | - | 12 | 5,783 |
| 1.3 | Government securities | 753 | 116 | - | - | - | - | - | - | 13 | 882 |
| 1.4 | Advances to customers | 8,725 | 14,530 | 1,799 | 161 | 1,866 | 73 | 82 | 204 | 36 | 27,476 |
| 1.5 | Due from related organisations | - | - | - | - | - | - | - | 6 | 1 | 7 |
| 1.6 | Other receivables | 557 | 233 | 71 | 10 | 188 | 6 | 16 | 20 | 2 | 1,103 |
| 1.7 | Deferred Tax | 2 | 241 | - | 6 | 21 | 4 | 31 | 4 | 1 | 310 |
| 1.8 | Other investment | - | - | - | 4 | - | - | - | - | - | 4 |
| 1.9 | Investment in associate companies | 38 | - | - | - | - | 0 | 1 | 0 | 0 | 39 |
| 1.10 | Intangible assets | 178 | 37 | 12 | 2 | 26 | 3 | - | 7 | - | 265 |
| 1.11 | Property and equipment | 730 | 2,165 | 247 | 11 | 401 | 11 | 18 | 42 | 6 | 3,631 |
| | **TOTAL ASSETS** | **12,434** | **21,752** | **2,490** | **337** | **3,679** | **107** | **164** | **307** | **80** | **41,350** |
| | | | | | | | | | | | |
| 2.0 | **LIABILITIES** | | | | | | | | | | |
| 2.1 | Cash collaterals held | 1,486 | 7,498 | 21 | 9 | 7 | 8 | 11 | - | - | 9,040 |
| 2.2 | Customer deposits | 7,198 | 5,456 | 1,253 | 174 | 1,412 | 24 | 55 | 99 | 34 | 15,705 |
| 2.3 | Borrowings | 2,090 | 4,995 | 511 | 16 | 754 | 5 | - | 8 | | 8,379 |
| 2.4 | Deferred income | 15 | - | - | - | 568 | - | - | - | | 583 |
| 2.5 | Deferred tax liability | - | 30 | 17 | - | 8 | - | - | - | | 55 |
| 2.6 | Due to related organisations | 1 | 686 | 5 | - | 364 | - | - | - | | 1,056 |
| 2.7 | Other liabilities | 846 | 190 | 31 | 6 | 100 | 3 | 8 | 17 | 1 | 1,202 |
| | **TOTAL LIABILITIES** | **11,636** | **18,855** | **1,838** | **205** | **3,213** | **40** | **74** | **124** | **35** | **36,020** |
| 3.0 | **SHARE CAPITAL & RESERVES** | | | | | | | | | | - |
| 3.1 | Share capital | 120 | 146 | 464 | 158 | 500 | 83 | 165 | 150 | 45 | 1,831 |
| 3.2 | Share premium | 274 | 1,558 | 80 | 6 | - | - | - | 33 | - | 1,951 |
| 3.3 | Retained earnings | 58 | 992 | 46 | (33) | (34) | (16) | (75) | (3) | - | 935 |
| 3.4 | Revaluation reserve | 104 | - | 42 | - | - | - | - | 3 | - | 149 |
| 3.5 | Statutory reserve | 242 | 201 | 20 | 1 | | - | - | - | - | 464 |
| | **TOTAL SHAREHOLDERS' FUNDS** | **798** | **2,897** | **652** | **132** | **466** | **67** | **90** | **183** | **45** | **5,330** |
| | **TOTAL LIABILITIES AND EQUITY** | **12,434** | **21,752** | **2,490** | **337** | **3,679** | **107** | **164** | **307** | **80** | **41,350** |
| **B** | **STATEMENT OF COMPREHENSIVE INCOME** | | | | | | | | | | |
| **1.0** | **Income** | | | | | | | | | | - |
| 1.1 | Interest on Loan Portfolio | 1,624 | 4,708 | 477 | 27 | 304 | 19 | 7 | 56 | 9 | 7,231 |
| 1.2 | Fees and Commission on Loan Portfolio | 376 | 852 | 77 | 7 | 53 | 4 | 4 | 22 | 4 | 1,399 |
| 1.3 | Government Securities | 55 | 8 | - | - | 111 | - | - | - | 2 | 176 |
| 1.4 | Deposit and Balances with other institutions | 102 | 173 | 46 | 9 | - | - | 2 | - | - | 332 |
| 1.5 | Other Investments | - | - | - | 1 | 78 | - | - | - | - | 79 |
| 1.6 | Other Operating Income | 197 | 72 | 18 | 2 | 9 | 1 | 1 | 2 | - | 302 |
| 1.7 | Non-Operating Income | 8 | - | - | | - | - | - | | 1 | 9 |
| | **Total Income** | **2,362** | **5,813** | **618** | **46** | **555** | **24** | **14** | **80** | **16** | **9,528** |
| **2.0** | **Expenses** | | | | | | | | | | - |
| 2.1 | Interest and Fee Expense on Deposits | 378 | 413 | 17 | 9 | 49 | 1 | 3 | 1 | - | 871 |
| 2.2 | Other Fees and Commissions expense | 101 | 56 | - | 2 | 16 | - | 1 | 2 | - | 178 |
| 2.3 | Provision for Loan Impairment | 70 | 106 | 36 | 1 | 24 | - | 3 | 12 | 1 | 253 |
| 2.4 | Staff Costs | 606 | 2,132 | 229 | 22 | 168 | 14 | 21 | 12 | 5 | 3,209 |
| 2.5 | Director's Emoluments | 8 | 73 | 9 | - | 1 | 1 | 1 | 3 | - | 96 |
| 2.6 | Rental Charges | 90 | 193 | 47 | 5 | 52 | 2 | 3 | 7 | 2 | 401 |
| 2.7 | Depreciation Charges | 80 | 255 | 12 | 2 | 25 | 2 | 2 | 7 | 1 | 386 |
| 2.8 | Amortization Charges | 17 | 7 | 5 | 1 | 4 | 1 | 1 | 2 | - | 38 |
| 2.9 | Other Administrative Expense | 557 | 1,266 | 170 | 12 | 119 | 6 | 17 | 35 | 4 | 2,186 |
| 2.1 | Non-Operating Expense | | | 1 | - | - | - | | | 1 | 2 |
| | **Total Expenses** | **1,907** | **4,501** | **526** | **54** | **458** | **27** | **52** | **81** | **14** | **7,620** |
| **3.0** | **Operating Profit** | **455** | **1,312** | **92** | **(8)** | **97** | **(3)** | **(38)** | **(1)** | **2** | 1,908 |
| 4.0 | Interest and Fee Expense on Borrowings(Finance Costs) | 218 | 741 | (65) | - | 82 | - | - | 15 | - | 991 |
| **5.0** | **Profit/(Loss) before tax** | **237** | **571** | **27** | **(8)** | **15** | **(3)** | **(38)** | **(16)** | **2** | **787** |
| 6.0 | Current Tax | 72 | 200 | 8 | | 6 | - | (11) | - | 1 | 276 |
| 6.1 | Deferred Tax | | (24) | 13 | 2 | | (1) | - | (5) | - | (15) |
| **7.0** | **Net Profit (After Taxes and Before Donations)** | **165** | **395** | **6** | **(6)** | **9** | **(2)** | **(27)** | **(11)** | **1** | **530** |
| **8.0** | Donations for Operating Expense | - | 4 | | | | | | | | 4 |
| **9.0** | **Net Profit After Taxes** | **165** | **391** | **6** | **(6)** | **9** | **(2)** | **(27)** | **(11)** | **1** | **526** |
| 10.0 | Surplus on revaluation of building | 25 | - | 60 | - | - | | | | | 85 |
| 11.0 | Deferred tax on revaluation surplus | (7) | - | (18) | - | - | | | | | (25) |
| | **Total Comprehensive Income** | **183** | **395** | **48** | **(6)** | **9** | **(2)** | **(27)** | **(11)** | **1** | **590** |
| | **Source**: MFBs Published Financial Statements | | | | | | | | | | |

Appendix X

| | MFBs OTHER DISCLOSURES-DECEMBER 2013- Ksh. M | FAULU KENYA | KWFT | SMEP | REMU | RAFIKI | UWEZO | CENTURY | SUMAC | U & I | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **1** | **NON-PERFORMING LOANS AND ADVANCES** | | | | | | | | | | |
| (a) | Gross Non-Performing Loans and Advances | 467 | 1089 | 219 | 33 | 187 | 22 | 6 | 21 | 3 | 2,047 |
| | Less: | | | | | | | | | | - |
| (b) | Interest in Suspense | 135 | 96 | 16 | 4 | 4 | 3 | - | 3 | | 261 |
| (c) | Total Non-Performing Loans and Advances (a-b) | 332 | 993 | 203 | 29 | 183 | 19 | 6 | 18 | 3 | 1,786 |
| (d) | Impairment Loss Allowance | 141 | 402 | 155 | 5 | 36 | 5 | 5 | 12 | 2 | 763 |
| **(e)** | **Net Non-Performing Loans (c-d)** | **191** | **591** | **48** | **24** | **147** | **14** | **1** | **6** | **1** | **1,023** |
| (f) | Realizable Value of Securities | 191 | 591 | 47 | | 134 | 216 | 1 | 6 | 1 | 1,187 |
| (g) | Net NPLs Exposure (e-f) | - | - | 1 | 24 | 13 | (202) | - | - | - | (164) |
| **2** | **INSIDER LOANS AND ADVANCES** | | | | | | | | | | |
| (a) | Directors, Shareholders and Associates | 5 | 38 | 199 | 12 | | - | - | 13 | 8 | 275 |
| (b) | Employees | 110 | 232 | 80 | 1 | | 2 | 2 | 1 | 1 | 429 |
| (c) | Total Insider Loans, Advances and Other Facilities | 115 | 270 | 279 | 13 | 2 | 2 | 2 | 14 | 9 | 706 |
| **3** | **OFF-BALANCE SHEET ITEMS** | | | | | | | | | | |
| (a) | Guarantees and Commitments | 300 | - | | - | - | - | - | - | - | 300 |
| (b) | Other Contingent Liabilities | 10 | 32 | | - | - | - | - | - | - | 42 |
| (c) | Total Contigent Liabilities | 310 | 32 | - | - | - | - | - | - | - | 342 |
| **4** | **CAPITAL STRENGTH** | | | | | | | | | | |
| (a) | Core Capital | 453 | 2,696 | 610 | 133 | 466 | 62 | 90 | 176 | 45 | 4,731 |
| **(b)** | **Minimum Statutory Capital** | **60** | **60** | **60** | **60** | **60** | **20** | **60** | **60** | **20** | **460** |
| (c) | Excess/(Deficiency) (a-b) | 393 | 2,636 | 550 | 73 | 406 | 42 | 30 | 116 | 25 | 4,271 |
| (d) | Supplementary Capital | 375 | 816 | 20 | - | 221 | - | - | 3 | - | 1,435 |
| **(e)** | **Total Capital (a+b)** | **828** | **3,512** | **630** | **133** | **687** | **62** | **90** | **179** | **45** | **6,166** |
| (f) | Total Risk Weighted Assets | 8,541 | 17,759 | 1,570 | 219 | 2,527 | 94 | 150 | 287 | 15 | **31,162** |
| (g) | Core Capital/ Total Deposit Liabilities | 5.0% | 20.8% | 49.0% | 73.0% | 33.0% | 193.0% | 137.0% | 177.0% | 132.0% | 19.1% |
| **(h)** | **Minimum Statutory Ratio** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** | **8.0%** |
| (i) | Excess/(Deficiency) (g-h) | -3.0% | 12.8% | 41.0% | 65.0% | 25.0% | 185.0% | 129.0% | 169.0% | 124.0% | 11.1% |
| (j) | Core Capital/ Total Risk Weighted Assets | 5.0% | 15.8% | 39.0% | 60.0% | 18.0% | 66.0% | 60.0% | 61.0% | 310.0% | 15.2% |
| **(k)** | **Minimum Statutory Ratio** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** | **10.0%** |
| (l) | Excess/(Deficiency) (j-k) | -5.0% | 5.8% | 29.0% | 50.0% | 8.0% | 56.0% | 50.0% | 51.0% | 300.0% | 5.2% |
| (m) | Total Capital/ Total Risk Weighted Assets | 10.0% | 19.8% | 41.0% | 60.0% | 27.0% | 66.0% | 60.0% | 62.0% | 310.0% | 19.8% |
| **(n)** | **Minimum Statutory Ratio** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** | **12.0%** |
| (O) | Excess/(Deficiency) (m-n) | -2.0% | 7.8% | 29.0% | 48.0% | 15.0% | 54.0% | 48.0% | 50.0% | 298.0% | 7.8% |
| 5 | **LIQUIDITY** | | | | | | | | | | |
| (a) | Liquidity Ratio | 23.0% | 27.0% | 26.0% | 67.0% | 42.0% | 25.0% | 24.4% | 21.0% | 63.4% | 36.0% |
| **(b)** | **Minimum Statutory Ratio** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** | **20.0%** |
| (c) | Excess/(Deficiency) (a-b) | 3.0% | 7.0% | 6.0% | 47.0% | 22.0% | 5.0% | 4.4% | 1.0% | 43.4% | 16.0% |

**Source**: MFBs Published Financial Statements

Appendix XI

**RESIDENTIAL MORTGAGES MARKET DEVELOPMENT – SURVEY DECEMBER 2013**

| | | Dec-12 | | | | Dec-13 | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Institution | Mortgage Outstanding (Ksh. M) | No. of Mortgages Accounts | Value of NPLs Mortgage (Ksh. M) | No. of Mortgages NPLs Accounts | Mortgage Outstanding (Ksh. M) | No. of Mortgages Accounts | Value of NPLs Mortgage (Ksh. M) | No. of Mortgages NPLs Accounts |
| 1 | Kenya Commercial Bank Ltd | 31,455 | 5,091 | 2,218 | 282 | 34,030 | 5,343 | 2,468 | 291 |
| 2 | Housing Finance Company Ltd | 30,293 | 5,235 | 2,331 | 396 | 35,279 | 5,402 | 3,209 | 594 |
| 3 | CFC Stanbic Ltd | 9,488 | 1,340 | 190 | 24 | 11,621 | 1,441 | 147 | 36 |
| 4 | Standard Chartered Bank Ltd | 8,061 | 1,137 | 162 | 30 | 10,099 | 1,385 | 67 | 16 |
| 5 | Co-operative Bank of Kenya Ltd | 6,643 | 398 | 312 | 33 | 5,911 | 439 | 479 | 50 |
| 6 | Barclays Bank Ltd | 4,341 | 1,021 | 19 | 6 | 4,640 | 1,064 | 57 | 13 |
| 7 | National Bank of Kenya Ltd | 4,123 | 221 | 572 | 15 | 5,150 | 214 | 568 | 44 |
| 8 | Consolidated Bank Ltd | 3,848 | 566 | 286 | 28 | 3,686 | 523 | 340 | 36 |
| 9 | Equity Bank Ltd | 3,684 | 702 | 35 | 10 | 5,277 | 1,091 | 205 | 37 |
| 10 | Development Bank Ltd | 2,617 | 579 | 147 | 45 | 2,711 | 529 | 188 | 56 |
| 11 | Commercial Bank of Africa Ltd | 2,375 | 308 | 35 | 6 | 2,889 | 352 | 64 | 11 |
| 12 | I&M Bank Ltd | 2,309 | 293 | 26 | 4 | 2,743 | 320 | 12 | 3 |
| 13 | Chase Bank | 1,531 | 163 | 28 | 17 | 1,947 | 156 | 104 | 15 |
| 14 | African Banking Corporation Ltd | 1,506 | 103 | 37 | 10 | 2,075 | 137 | 42 | 8 |
| 15 | Bank of Africa Ltd | 1,212 | 143 | 5 | 1 | 1,735 | 113 | 44 | 5 |
| 16 | Eco-bank Ltd | 1,136 | 302 | 183 | 30 | 1,393 | 254 | 311 | 42 |
| 17 | Gulf African Bank Ltd | 1,069 | 145 | 3 | 1 | 1,197 | 178 | 36 | 4 |
| 18 | NIC Bank Ltd | 715 | 133 | - | - | 1,618 | 178 | 22 | 2 |
| 19 | Bank of Baroda Ltd | 434 | 127 | 2 | 4 | 394 | 54 | 2 | 3 |
| 20 | Diamond Trust Bank of Kenya Ltd | 423 | 50 | - | - | 442 | 47 | - | - |
| 21 | Prime Bank Ltd | 350 | 31 | - | - | 473 | 36 | - | - |
| 22 | Imperial Bank Ltd | 293 | 52 | 40 | 2 | 459 | 52 | 39 | 4 |
| 23 | Fidelity Bank Ltd | 261 | 28 | 115 | 1 | 117 | 19 | 26 | 4 |
| 24 | Guardian Bank Ltd | 234 | 16 | - | - | 257 | 19 | - | - |
| 25 | Giro Comercial Bank Ltd | 222 | 33 | 2 | 1 | 393 | 41 | 2 | 2 |
| 26 | Jamii Bora Bank Ltd | 218 | 184 | 7 | 6 | 626 | 309 | 15 | 1 |
| 27 | Trans- National Bank Ltd | 192 | 49 | 25 | 2 | 98 | 18 | 3 | 3 |
| 28 | Family Bank Ltd | 191 | 33 | - | - | 393 | 71 | - | - |
| 29 | First Community Bank Ltd | 119 | 21 | 2 | 1 | 129 | 30 | - | - |
| 30 | Bank of India | 101 | 38 | - | - | 91 | 21 | - | - |
| 31 | Paramount Universal Bank Ltd | 64 | 23 | - | - | 56 | 18 | | |
| 32 | Middle East Bank Ltd | 46 | 7 | 1 | 1 | 14 | 2 | - | - |
| 33 | Victoria Commercial Bank Ltd | 32 | 4 | - | - | 9 | 2 | - | - |
| 34 | Oriental Commercial Bank Ltd | 17 | 5 | - | - | 9 | 5 | - | - |
| 35 | Dubai Bank Ltd | 3 | 2 | - | - | 3 | 2 | - | - |
| 36 | Habib Bank Ltd | 3 | 4 | - | - | - | - | - | - |
| 37 | Equatorial Commercial Bank Ltd | - | - | - | - | 145 | 14 | - | - |
| 38 | UBA Bank of Kenya Ltd | - | - | - | - | - | - | - | - |
| 39 | K-Rep Bank Ltd | - | - | - | - | - | - | - | - |
| 40 | Habib A.G. Zurich | - | - | - | - | - | - | - | - |
| 41 | Guaranty Trust Bank Ltd | - | - | - | - | - | - | - | - |
| 42 | Credit Bank Ltd | - | - | - | - | - | - | - | - |
| 43 | Citibank N.A. | - | - | - | - | - | - | - | - |
| 44 | Charterhouse Bank Ltd | - | - | - | - | - | - | - | - |
| | **Total** | **119,610** | **18,587** | **6,781** | **956** | **138,111** | **19,879** | **8,451** | **1,280** |
| | **Source: Commercial Banks** | | | | | | | | |

*In 2012, number and value of residential mortgages were restated to exclude banks' staff.*

| | | |
|---|---|---|
| | | **Appendix XII** |
| | **A Summary of Signed MOUs** | |
| | **Memorandum of Understanding (MOU)** | **Date of Signing** |
| 1 | Multilateral MOU by the Central Banks of the East African community member states (Bank of the Republic of Burundi (BRB), Central Bank of Kenya (CBK), National Bank of Rwanda (NBR), Bank of Uganda (BOU) and Bank of Tanzania (BOT) | 28.01.2009 |
| 2 | Multilateral MOU by the Domestic Financial Sector Regulators (Capital Markets Authority, Central Bank of Kenya (CBK), Insurance Regulatory Authority (IRA) and Retirement Benefit Authority (RBA) | 31.08.2009<br>Amended on 28.08.2013 |
| 3 | Bilateral MOU between South Africa Reserve Bank (SARB) and Central Bank of Kenya (CBK) | 01.07.2010 |
| 4 | Bilateral MOU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK) | 23.06.2011 |
| 5 | Bilateral MOU between Bank of Mauritius (BoM) and Central Bank of Kenya (CBK) | 08.08.2011 |
| 6 | Bilateral MOU on Technical Cooperation between the Bank of South Sudan and the Central Bank of Kenya | 19.12.2012 |
| 7 | Bilateral MOU between Reserve Bank of Malawi (RBM) and Central Bank of Kenya (CBK) | 23.04.2013 |
| 8 | Bilateral MOU between Reserve Bank of Zimbambwe (RBZ) and Central Bank of Kenya (CBK) | 15.05.2013 |
| 9 | Bilateral MOU between Bank of Zambia (BoZ) and Central Bank of Kenya (CBK) | 12.06.2013 |
| 10 | Bilateral MOU between the Financial Reporting Centre and Central Bank of Kenya (CBK) | 30.09.2013 |

Appendix XIII

**BANKS BRANCH NETWORK BY COUNTY - DECEMBER 2013**

| | | Number of Branches | | |
|---|---|---|---|---|
| | **County** | **2012** | **2013** | **Increase/Decrease** |
| 1 | Baringo | 8 | 8 | - |
| 2 | Bomet | 7 | 8 | 1 |
| 3 | Bungoma | 17 | 18 | 1 |
| 4 | Busia | 9 | 11 | 2 |
| 5 | Elgeyo/Marakwet | 1 | 3 | 2 |
| 6 | Embu | 9 | 10 | 1 |
| 7 | Garissa | 7 | 7 | - |
| 8 | Homa Bay | 9 | 11 | 2 |
| 9 | Isiolo | 6 | 6 | - |
| 10 | Kajiado | 31 | 38 | 7 |
| 11 | Kakamega | 16 | 17 | 1 |
| 12 | Kericho | 13 | 14 | 1 |
| 13 | Kiambu | 59 | 70 | 11 |
| 14 | Kilifi | 28 | 31 | 3 |
| 15 | Kirinyaga | 14 | 14 | - |
| 16 | Kisii | 22 | 24 | 2 |
| 17 | Kisumu | 38 | 40 | 2 |
| 18 | Kitui | 14 | 14 | - |
| 19 | Kwale | 11 | 12 | 1 |
| 20 | Laikipia | 13 | 13 | - |
| 21 | Lamu | 6 | 8 | 2 |
| 22 | Machakos | 18 | 18 | - |
| 23 | Makueni | 10 | 11 | 1 |
| 24 | Mandera | 2 | 2 | - |
| 25 | Marsabit | 5 | 5 | - |
| 26 | Meru | 38 | 40 | 2 |
| 27 | Migori | 10 | 10 | - |
| 28 | Mombasa | 108 | 118 | 10 |
| 29 | Murang'a | 20 | 21 | 1 |
| 30 | Nairobi City | 518 | 530 | 12 |
| 31 | Nakuru | 57 | 58 | 1 |
| 32 | Nandi | 11 | 11 | - |
| 33 | Narok | 10 | 10 | - |
| 34 | Nyamira | 4 | 4 | - |
| 35 | Nyandarua | 8 | 8 | - |
| 36 | Nyeri | 26 | 26 | - |
| 37 | Samburu | 2 | 2 | - |
| 38 | Siaya | 6 | 6 | - |
| 39 | Taita/Taveta | 9 | 10 | 1 |
| 40 | Tana River | 3 | 3 | - |
| 41 | Tharaka - Nithi | 3 | 3 | - |
| 42 | Trans Nzoia | 12 | 12 | - |
| 43 | Turkana | 3 | 3 | - |
| 44 | Uasin Gishu | 38 | 39 | 1 |
| 45 | Vihiga | 6 | 6 | - |
| 46 | Wajir | 5 | 6 | 1 |
| 47 | West Pokot | 2 | 3 | 1 |
| | **TOTAL** | **1,272** | **1,342** | **70** |

**Source: CBK**

Appendix XIV

BANKING CIRCULARS ISSUED IN 2013

| Circular No. | Date | Title | Subject |
|---|---|---|---|
| 1 | 11th January 2013 | Review of Central Bank Rate (CBR) | The Monetary Policy Committee revised the Central Bank Rate from 11.00% to 9.50% |
| 2 | 8th May 2013 | Review of Central Bank Rate (CBR) | The Monetary Policy Committee revised the Central Bank Rate from 9.50% to 8.50% |
| 3 | 27th September 2013 | Issuance of Prudential Guidelines on Incidental Business Activities and Non-operating Holding Companies | Issuance of two new Prudential Guidelines on Incidental Business Activities and Non-operating Holding Companies |

**Appendix XV**

**DIRECTORY OF COMMERCIAL BANKS AND NON-BANKS FINANCIAL INSTITUTIONS IN KENYA AS AT DECEMBER 2013**

**A: COMMERCIAL BANKS**

1. **African Banking Corporation Limited**

Group Managing Director: Mr. Shamaz Savani

Postal Address: P.O Box 46452-00100, Nairobi

Telephone: +254-20-4263000, 2223922, 22251540/1,

0701700700, 217856/7/8, 4443482

Fax: +254-20-4447354

Email: headoffice@abcthebank.com; talk2us@abcthebank.com

Website: http://www.abcthebank.com

Physical Address: ABC Bank House, Mezzanine Floor, Koinange Street.

Date Licensed: 08-12-1994

Peer Group: Small

Branches: 11

2. **Bank of Africa Kenya Limited**

Managing Director: Mr. Bartholomew Kwame Ahadzi

Postal Address: P. O. Box 69562-00400 Nairobi

Telephone: +254-20- 3275000, 2211175, 3275200,2333357,

2633358, 2633360, 0703058000

Fax: +254-20-2211477

Email: headoffice@boakenya.com

Website: www.boakenya.com

Physical Address: Re-Insurance Plaza, Ground Floor –

Taifa Road

Date Licenced: July 2004

Branches: 31

3. **Bank of Baroda (K) Limited**

Managing Director: Mr. Yatish Chander Tewari

Postal Address: P. O Box 30033 – 00100 Nairobi

Telephone: +254-20-2248402/12, 2226416, 2220575,

2227869, 2248402/12, 2226416, 310439

Fax: +254-20-316070, 310439

Email: ho.kenya@bankofbaroda.com, Kenya@bankofbaroda.com

Website: www.bankofbaroda kenya.com

Physical Address: Baroda House, Koinange Street

Date Licenced: 01-07-1953

Peer Group: Medium

Branches: 11 - Proposed Branch 1

4. **Bank of India**

Chief Executive Officer: Mr. Raj Kamal Verma

Postal Address: P. O. Box 30246 - 00100 Nairobi

Telephone: +254-20-2221414/5/6/7, 0720606707, 0734636737

Fax: +254-20-2221417

Email: cekenya@boikenya.com

Website: www.bankofindia.com

Physical Address: Bank of India Building. Kenyatta

Avenue.

Date Licenced: 05-06-1953

Peer Group: Medium

Branches: 5

5. **Barclays Bank of Kenya Limited**

Managing Director: Mr. Jeremy Awori

Postal Address: P. O. Box 30120 – 00100, Nairobi

Telephone: +254-20-4254000, 4254601

Fax: +254-20-2213915

Email: barclays.kenya@barclays.com

Website: www.barclayskenya.co.ke

Physical Address: Barclays Westend, Waiyaki Way, Westlands.

Date Licenced: 1916

Peer Group: Large

Branches: 107, Sales Centre – 1, Warehouse 1

6. **CFC Stanbic Bank Limited**

Managing Director: Mr. Greg Brackenridge

Postal Address: P. O. Box 72833 - 00200 Nairobi

Telephone: +254-20-3638000/11/17/18/20/21, 3268000, 3269000, 0711-0688000

Fax: +254-20-3752901/7

Email: cfcstanbic@stanbic.com

Website: http://www.cfcstanbicbank.co.ke

Physical Address: CFC Centre, Chiromo Road, Westlands

Date Licensed: 01-06-2008

Peer Group: Large

Branches: 24, Staff Office- 1

7. **Charterhouse Bank Limited**

UNDER - STATUTORY MANAGEMENT

Postal Address: P. O. Box 43252 -00100 Nairobi

Telephone: +254-20-2242246/47/48/49

Fax: +254-20-2219058, 2223060, 2242248

Email: info@charterhouse-bank.com

Website:

Physical Address: Longonot Place, 6th Floor,

Kijabe Street.

Date Licensed: 01-08-1998

Peer Group: Small

Branches: 10

8. **Chase Bank (K) Limited**

Managing Director: Mr. Dancan Kabui

Postal Address: P. O. Box 66015-00800 Nairobi

Telephone: +254-20- 2774000, 0732174100/0703174000/0736432026

070307400, 0736-432025

Fax: +254-20-4454816/4454800-10

Email: info@chasebank.co.ke,

atyouservice@chasebank.co.ke

Website: http://www.chasebankkenya.co.ke

Physical Address: Riverside Mews. Riverside Drive.

Date Licenced: 01-04-1991

Peer Group: Medium

Branches: 28; Sub-Branch 1

Mini-Branch 1

Proposed Branches 7

9. **Citibank N.A Kenya**

Chief Executive Officer: Mr. Daniel Joseph Connelly

Postal Address: P. O. Box 30711 - 00100 Nairobi

Telephone: +254-20-2754000, 2711221

Fax: +254-20-2714810/1

Email: Kenya.citiservice@citi.com

Website: http://www.citibank.co.ke

Physical Address: Citibank House, Upper Hill Road, Upper Hill

Date Licenced: 01-07-1974

Peer Group: Medium

Branches: 3; Agency 1

10. **Commercial Bank of Africa Limited**

Chief Executive Officer: Mr. Jeremy Ngunze

Postal Address: P. O. Box 30437 – 00100, Nairobi

Telephone: +254-20-2884000, 2884444, 0711056000, 0732156000

Fax: +254-20-2734599

Email: iqueries@cbagroup.com, contact@cbagroup.com

Website: www.cbagroup.com

Physical Address: CBA Building, Mara /Ragati Road, Upper Hill

Date Licenced: 01-01-1967

Peer Group: Medium

Branches: 23 - Agencies 5

11. **Consolidated Bank of Kenya Limited**

Ag. Chief Executive Officer: Mr. Japheth Kisilu

Postal Address: P. O. Box 51133 - 00200, Nairobi

Telephone: +254-20-340208/340836, 340551, 340298,

340747,340298,211950, 0703016000

Fax: +254-20-340836

Email: headoffice@consolidated-bank.com

Website: www.consolidated-bank.com

Physical Address: Consolidated Bank House,

6th Floor,

Koinange Street.

Date Licenced: 18-12-1989

Peer Group: Small

Branches: 17 Agency 1

12. **Co-operative Bank of Kenya Limited**

Managing Director: Mr. Gideon M. Muriuki

Postal Address: P. O. Box 48231 - 00100 Nairobi

Telephone: +254-20-3276000, 2776000,

0703027000,

0736690101

Fax: +254-20-2245506

Email: customerservice@co-opbank.co.ke

Website: www.co-opbank.co.ke

Physical Address: Co-operative House,

4th Floor Annex,

Haile Selassie Avenue.

Date Licenced: 01-07-1968

Peer Group: Large

Branches: 138; Money Gram Centre 1

13. **Credit Bank Limited**

Chief Executive Officer: Mr. Sunil Sahdev

Postal Address: P. O. Box 61064-00200 Nairobi

Telephone: +254-20-2222300/2220789/2222317/2283000, 0728607701, 0738222300

Fax: +254-20-2216700

Email: info@creditbankltd.co.ke

Website: www.creditbank.co.ke

Physical Address: Mercantile House, Ground Floor, Koinange Street

Date Licenced: 30-11-1994

Peer Group: Small

Branches: 11

14. **Development Bank of Kenya Limited**

Chief Executive Officer: Mr. Victor Kidiwa

Postal Address: P. O. Box 30483 - 00100, Nairobi

Telephone: +254-20-340401 /2 /3, 340416, 2251082, 340198,340478, 317449,344184, 2250143,317449, 340416 0724253980/1

Fax: +254-20-2250399

Email: dbk@devbank.com

Website: www.devbank.com

Physical Address: Finance House,16th Floor

Loita Street.

Date Licenced: 20-09-1996

Peer Group: Small

Branches: 3

15. **Diamond Trust Bank Kenya Limited**

Managing Director: Mrs. Nasim M. Devji

Postal Address: P. O. Box 61711 – 00200, Nairobi

Telephone: +254-20-2849000, 0732121000, 0719031000

Fax: +254-20-2245495

Email: info@dtbafrica,com

Website: http://www.dtbafrica.com

Physical Address: Nation Centre, 8th Floor, Kimathi Street

Date Licenced: 15-11-1994

Peer Group: Medium

Branches: 50

16. **Dubai Bank Kenya Limited**

Chief Executive Officer: Mr. Binay Dutta

Postal Address: P. O. Box 11129 – 00400, Nairobi

Telephone: +254-20-311109/14/23/24/32,

0720777776, 0788404024

Fax: +254-20-2245242

Email: info@dubaibank.co.ke

Website: www.dubaibank.co.ke

Physical Address: I.C.E.A. Building, Ground Floor, Kenyatta Avenue

Date Licenced: April 2000

Peer Group: Small

Branches: 5

17. **Ecobank Kenya Limited**

Managing Director: Mr. Ehouman Kassi

Postal Address: P. O Box 49584-00100 Nairobi

Telephone: +254-20-2883000, 4968000, 0719098000

Fax: +254-20-2883304, 2883815

Email: info@ecobank.com

Website: www.ecobank.com

Physical Address: Ecobank Towers, Muindi  Mbingu Street.

Date Licenced: 16-06-2008

Peer Group: Medium

Branches: 27

18. **Equatorial Commercial Bank Limited**

Managing Director: Mr. Sammy Itemere

Postal Address: P. O. Box 52467-00200 Nairobi

Telephone: +254-20- 4981000, 0713600724, 0733333780

Fax: +254-20-2719625

Email: ecbcustomerservice@ecb.co.ke

Website: www.equatorialbank.co.ke

Physical Address: Equatorial Fidelity Centre, Waiyaki way - Westlands

Date Licenced: 23-06-1995

Peer Group: Small

Branches: 13

19. **Equity Bank Limited**

Managing Director & C.E.O: Dr. James N. Mwangi

Postal Address: P. O. Box 75104-00200, Nairobi

Telephone: +254-20- 2262000, 0711026000,

0711025000, 0734108000

Fax: +254-20-2737276

Email: info@equitybank.co.ke

Website: http://www.equitybank .co.ke

Physical Address: Equity Centre, 9th Floor, - Hospital Road- Upper Hill

Date Licenced: 28-12-2004

Peer Group: Large

Branches: 153; Upcoming

Branches: 1

20. **Family Bank Limited**

Managing Director: Peter Maina Munyiri

Postal Address: P. O. Box 74145-00200 Nairobi

Telephone: +254-020- 318173, 318940/2/7,

2244166, 2240601, 0733332300, 0728120444/555

Fax: +254-020- 318174

Email: info@familybank.co.ke

Website: www.familybank.co.ke

Physical Address: Family Bank Towers, 6th Floor, Muindi Mbingu Street

Date Licenced: 01-05-2007

Peer Group: Medium

Branches: 71

21. **Fidelity Commercial Bank Limited**

Managing Director: Mr. Rana Sengupta

Postal Address: P. O. Box 34886-00100 Nairobi

Telephone: +254-20-2242348, 2245369, 2220845, 2243461, 315917, 0722372531, 0733911835

Fax: +254-20-2243389/2245370

Email: customerservice@fidelitybank.co.ke

Website: www.fidelitybank.co.ke

Physical Address: I.P.S Building, 7th Floor, Kimathi Street.

Date Licenced: 07-03-1996

Peer Group: Small

Branches: 11, Approved new Branch 1

22. **Guaranty Trust Bank (K) Limited (Formely-Fina Bank Limited)**

Managing Director: Mr. Sonola Adekunle Bankole

Postal Address: P. O. Box 20613 – 00200, Nairobi

Telephone: +254-20-3284000, 073084000

Fax: +254-20-342024

Email: banking@gtbank.com

Website: www.gtbank.com

Physical Address: Fina House, Kimathi Street.

Date Licenced:13-01-1995

Peer Group: Medium

Branches: 15

23. **First Community Bank Limited**

General Manager: Mr. Omar Sheikh

Postal Address: P. O. Box 26219-00100, Nairobi

Telephone: +254-20-2843000 -3, 0726-736833, 0738-407521,

Fax: +254-20-344101

Email: info@fcb.co.ke

Website: www.firstcommunitybak.co.ke

Physical Address: Prudential Assurance Building, 1st Floor, Wabera Street

Date Licenced: 29-04-2008

Peer Group: Small
Branches: 18

24. **Giro Commercial Bank Limited**

Chief Executive Officer: Mr. Sanjay Gidoomal

Postal Address: P. O. Box 13400-00800, Nairobi

Telephone: +254-20-4229000, 0722823684, 0733999044, 0704406619

Fax: +254-20-229300

Email: girobank@girobankltd.com

Website:

Physical Address: Eldama Park- Eldama

Ravine Road-Off Peponi Road - Westlands

Date Licenced: 17-12-1992

Peer Group: Small

Branches: 7

25. **Guardian Bank Limited**

Managing Director: Mr. Vasant K. Shetty

Postal Address: P. O. Box 67681 – 00200, Nairobi

Telephone: +254-020-2226771, 2226774, 2226341, 222483, 0722-282213, 0733888060

Fax: +254-020 -2216633

Email:biashara@guardian-bank.com, headoffice@guardian-bank.com

Website:www. guardian-bank.com

Physical Address: Guardian Centre, Biashara Street

Date Licenced: 20-12-1995

Peer Group: Small

Branches: 9

26. **Gulf African Bank Limited**

Chief Executive Officer: Mr. Abdallah Abdulkhalik

Postal Address: P. O. Box 43683 – 00100, Nairobi

Telephone: +254-20-2740000, 2718608/9, 2740111, 0711075000

Fax: +254-20-2715655

Email: info@gulfafricanbank.com

Website: www.gulfafricanbank.com

Physical Address: Gemina Insurance Plaza, Kilimanjaro Avenue, Upper Hill

Date Licenced: 01-11-2007

Peer Group: Small

Branches: 16

27. **Habib Bank A.G Zurich**

Country Manager: Mr. Mohamed Ali Hussain

Postal Address: P. O. Box 30584 - 00100 Nairobi

Telephone: +254-20-341172/76/77, 340835,

310694, 0720208259

Fax: +254-20-2217004/2218699

Email: habibbank@wananchi.com

Website: www.habibbank.com

Physical Address: Habib House, Koinange Street.

Date Licenced: 01-07-1978

Peer Group: Small

Branches: 5

28. **Habib Bank Limited**

Country Manager: Imran Bukhari

Postal Address: P. O. Box 43157–00100,Nairobi

Telephone: +254-20-2226433, 2222786, 2226401/7, 0727531143

Fax: +254-20-2224636, 2214636

Email: hblro@hblafrica.com

Website: www.hbl.com

Physical Address: Exchange Building, Koinange Street.

Date Licenced: 02-03-1956

Peer Group: Small

Branches: 4

29. **Imperial Bank Limited**

Managing Director: Mr. Abdulmalek Janmohamed

Postal Address: P. O. Box 44905–00100, Nairobi

Telephone: +254-20-2874000, 0711019000,

0732119000

Fax: +254-20-2719705/2719652, 342374, 2719498

Email: info@imperialbank.co.ke

Website: www.imperialbank.co.ke

Physical Address: Imperial Court - Westlands Road – Westlands

Date Licenced: 08-12-1994

Peer Group: Medium

Branches: 26

30. **I & M Bank Limited**

Chief Executive Officer: Mr. Arun S. Mathur

Postal Address: P.O. Box 30238 – 00100, Nairobi

Telephone: +254-20-3221000, 3271375/27, 0719088000, 0753221000

Fax: +254-20-2711994

Email: invest@imbank.co.ke

Website: http://www.imbank.com

Physical Address: I & M Bank House, 2nd Ngong Avenue, Off Ngong Road

Date Licenced: 27-03-1996

Peer Group: Medium

Branches: 29

31. **Jamii Bora Bank Limited**

Chief Executive Officer: Mr. Samuel Kimani

Postal Address: P. O. Box 22741 – 00400, Nairobi

Telephone: +254-20- 2224238/9, 2214976, 2219626,

2210338/9, 0722-201112, 0734600682

Fax: +254-20-341825

Email: info@jamiiborabank.co.ke

Website: http://www.jamiiborabank.co.ke

Physical Address: Jamii Bora House, Koinange Street

Date Licenced: 02-03-2010

Peer Group: Small

Branches: 19

32. **Kenya Commercial Bank Limited**

Chief Executive Officer: Mr. Joshua Oigara

Postal Address: P. O. Box 48400 – 00100, Nairobi

Telephone: +254-20-3270000, 2851000, 2852000, 0711012000, 0734108200

Fax: +254-20-2242408, 2216405

Email: kcbhq@kcb.co.ke

Website: http//www.kcbbankgroup.com

Physical Address: Kencom House, 8th Floor, Moi Avenue

Date Licenced: 01-01-1896

Peer Group: Large

Branches: 182

33. **K-Rep Bank Limited**

Managing Director: Mr. Albert Ruturi

Postal Address: P. O. Box 25363 – 00603, Nairobi

Telephone: +254-20- 3906000-7, 0711-058000-7, 0732-158000

Fax: +254-20-3568995

Email: registry@k-repbank.com,

Website: www.k-repbank.com

Physical Address: K-Rep Centre. Wood Avenue, Kilimani

Date Licenced: 23-03-1999

Peer Group: Small

Branches: 24

Sub-Branches 13

Agency: 1

34. **Middle East Bank (K) Limited**

Managing Director: Mr. Dhirendra Rana

Postal Address: P. O. Box 47387 - 0100 Nairobi

Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903, 0733-333441

Fax: +254-20-343776/2256901

Email: ho@mebkenya.com

Website: www.mebkenya.com

Physical Address: Mebank Tower - Milimani Road, Milimani

Date Licenced: 15-12-1980

Peer Group: Small

Branches: 4

35. **National Bank of Kenya Limited**

Managing Director: Mr. Munir S. Ahmed

Postal Address: P. O. Box 72866 - 00200 Nairobi

Telephone: +254-20-2828000, 0711-038000

Fax: +254-20-311444/2223044

Email: info@nationalbank.co.ke.

Website: www.nationalbank.co.ke

Physical Address: National Bank Building, 2nd Floor, Harambee Avenue

Date Licenced: 01-01-1968

Peer Group: Medium

Branches: 71

36. **NIC Bank Limited**

Group Managing Director: Mr. John Mburu Gachora

Postal Address: P. O. Box 44599 - 00100 Nairobi

Telephone: +254-20-2888000, 4849000, 0711041000, 0732141000

Fax: +254-20-2888505/13

Email: info@nic-bank.com

Website: http://www.nic-bank.com

Physical Address: N.I.C House, Masaba Road – Upper Hill

Date Licenced: 28-09-1995

Peer Group: Medium

Branches: 27

37. **Oriental Commercial Bank Limited**

Chief Executive Officer: Mr. R.B. Singh

Postal Address: P.O BOX 14357-00800, Nairobi

Telephone: +254-20-3743278/87, 3743289/98, 0714611466, 0733610410

Fax: +254-20-3743270

Email: info@orientalbank.co.ke

Website: www.orientalbank.co.ke

Physical Address: Apollo Centre, 2nd Floor, Ring Road-Westlands.

Date Licenced: 8/2/1991

Peer Group: Small

Branches: 9

38. **Paramount Universal Bank Limited**

Chief Executive Officer: Mr. Ayaz A. Merali

Postal Address: P. O. Box 14001 -00800 Nairobi

Telephone: +254-20-4449266/7/8, 446106 /7,

4441528, 4441527, 0723564254, 0734258020,

Fax: +254-20-449265

Email: info@paramountbank.co.ke

Website: www.paramountbank.co.ke

Physical Address: Sound Plaza Building, 4th Floor, Woodvale Grove, Westlands

Date Licenced: 05-07-1995

Peer Group: Small

Branches: 6

39. **Prime Bank Limited**

Chief Executive Officer: Mr. Bharat Jani

Postal Address: P. O. Box 43825 – 00100, Nairobi

Telephone: +254-20-4203000 /116 /148, 0722205491, 0733611494

Fax: +254-20-4451247

Email: headoffice@primebank.co.ke

Website: www.primebank.co.ke

Physical Address: Prime Bank Building,

Chiromo Lane / Riverside Drive.-Junction, Westlands

Date Licenced: 03-09-1992

Peer Group: Medium

Branches: 18

40. **Standard Chartered Bank Kenya Limited**

Chief Executive Officer: Mr. Lamin Kemba Manjang

Postal Address: P. O. Box 30003 - 00100 Nairobi

Telephone: +254-20-3293000, 3293900, 3291000,

3294000, 0719081000, 0732104000, 0703093000

Fax: +254-20-3747880

Email: Talk-Us@sc.com

Website: www.standardchartered .com

Physical Address: Standard Chartered Building – Westlands Road- Chiromo Lane- Westlands

Date Licenced: 10-01-1910

Peer Group: Large

Branches: 39, Agencies 1, Sales & Service Centre 1

41. **Trans-National Bank Limited**

Chief Executive Officer: Mr. Sammy Langat

Postal Address: P. O. Box 75840-00200 Nairobi

Telephone: +254-20-2252216/19, 2224235/6, 2252188/90/91, 0720081772, 0733505656

Fax: +254-20-2252225

Email: info@tnbl.co.ke

Website: www.tnbl.co.ke

Physical Address: Transnational Plaza, City Hall Way.

Date Licenced: 08-01-1985

Peer Group: Small

Branches: 13, Sub-Branches 3, Agencies 3

42. **UBA Kenya Bank Limited**

Managing Director: Mr. Adetunji Adeniyi

Postal Address: P. O. Box 34154 - 00100 Nairobi

Telephone: +254-020- 3612000 /1 / 2,

Fax: +: +254-020-3612049

Email: ubakenya@ubagroup.com

Website: www. ubagroup.com

Physical Address: Apollo Centre, 1st Floor, Ring Road/Vale Close, Westlands

Date Licenced: 25-09-2009

Peer Group: Small

Branches: 4

43. **Victoria Commercial Bank Limited**

Managing Director: Mr. Yogesh K Pattni

Postal Address: P. O. Box 41114 - 00100 Nairobi

Telephone: +254-20-2719499, 2719815, 2710271, 2716108,

2719814.2713208, 2716196, 0721328183

Fax: +254-20-2713778/2715857

Email: victoria@vicbank.com

Website: www.victoriabank.co.ke

Physical Address: Victoria Towers, Mezzanine Floor, Kilimanjaro Avenue, Upper Hill

Date Licenced: 11-01-1996

Peer Group: Small

Branches: 3

**B: NON-BANKS FINANCIAL INSTITUTIONS (NBFIs)**

**Housing Finance Company Limited**

Managing Director: Mr. Frank M. Ireri

Postal Address: P. O. Box 30088 -00100 Nairobi

Telephone: +254-20- 3262000, 317474, 2221101, 0722201174, 0722201175, 0733617682/3

Fax: +254-20-340299/2250858

Email: housing@housing.co.ke

Website: www.housing.co.ke

Physical Address: Rehani House, 2nd Floor, Kenyatta Avenue, Koinange Street - Junction.

Date Licenced: 07-05-1965

Peer Group: Medium

Branches: 12; Agencies 3

## C: KENYA BANKERS ASSOCIATION

**Kenya Bankers Association**

Chief Executive Officer: Mr. Habil Olaka

Postal Address: P. O. Box 73100--00200 Nairobi

Telephone: +254-20-2221704, 2217757, 2224014, 2224015, 0733812770, 0711562910

Fax: +254-20-2221792

Email: ceo@kba.co.ke

Website: www.kba.co.ke

Physical Address: International House, 13th Floor, Mama Ngina Street.

## D: MICROFINANCE BANKS

1. **Century Microfinance Bank Limited**

Chief Executive Officer: Mrs. Pauline Githugu

Postal Address: P. O. Box 38319-00623 Nairobi

Telephone: 020-2664282, 6768326, 0722168721, 0733155652

Fax: -

Email: info@century.co.ke

Website: www.century.co.ke

Physical Address: K.K. Plaza, 1st Floor, New Pumwani Road- Gikomba

Date Licensed: 17-09-2012

Branches: 2

2. **Faulu Microfinance Bank Limited**

Managing Director: Mr. John Mwara Kibochi

Postal Address: P. O. Box 60240 – 00200, Nairobi

Telephone: +254-20- 3877290 -3/73872183/4, 0720716482

Fax: +254-20-3867504, 3874875

Email: info@faulukenya.com, customercare@faulukenya.com, contact@faulukenya.com

Website: www.faulukenya .com

Physical Address: Faulu Kenya House, Ngong Lane - Off Ngong Road

Date Licenced: 21.05.2009

Branches: 31

3. **Kenya Women Microfinance Bank Limited**

Managing Director: Mr. James Mwangi Githaiga

Postal Address: P. O. Box 4179-00506, Nairobi

Telephone: +254-20-3067000, 2470272-5/2715334-5, 0729920920, 0732633332, 070 - 3067000

Fax:

Email: info@kwftdtm.com

Website: www.kwftdtm.com

Physical Address: Akira House, Kiambere Road, Upper Hill

Date Licenced: 31.03.2010

Branches: 28

4. **Rafiki Microfinance Bank Limited**

Chief Executive Officer: Mr. Daniel Mavindu

Postal Address: P. O. Box 12755-00400, Nairobi

Telephone:+254-020-2166401/0719804370/0734000323

Fax:

Email: info@rafiki.co.ke

Website: www.rafiki.co.ke

Physical Address: Rafiki House, Biashara Street

Date Licensed: 14-06-2011

Branches: 13

5. **Remu Microfinance Bank Limited**

General Manager: Mrs. Lydia Kibaara

Postal Address: P. O. Box 20833-00100 Nairobi

Telephone: 2214483/2215384/ 2215387/8/9,

2631070, 2215380, 2215384/5/7/8/9, 0733-554555

Fax:

Email: info@remultd.co.ke

Website: www.remultd.co.ke

Physical Address: Finance House, 14th Floor,

Loita Street

Date Licensed: 31.12.2010

Branches: 3

6. **SMEP Microfinance Bank Limited**

Chief Executive Officer: Mrs. Phyllis Mbungu

Postal Address: P. O. Box 64063-00620 Nairobi

Telephone: 020-3572799/2055761, 2673327/8, 0711606900

Fax:

Email: info@smep.co.ke

Website: www.smep.co.ke

Physical Address: SMEP Building - Kirichwa Road, Off Argwings Kodhek Road

Date Licensed: 14.12.2010

Branches: 7

7. **Sumac Microfinance Bank Limited**

Chief Executive Officer: Mr. Duncan Mwaniki

Postal Address: P. O. Box 11687-00100 Nairobi

Telephone:020-2212587,2210440, 0738637245, 0725223499

Fax: -2210430

Email: info@sumacdtm.co,ke

Website: www.sumacdtm.co,ke

Physical Address: Consolidated Bank House, 2nd Floor, Koinange Street

Date Licensed: 29-10-2012

Branches: 3

8. **U & I Microfinance Bank Limited**

Chief Executive Officer: Mr. Simon Mwangi Ngigi

Postal Address: 15825-00100 Nairobi

Telephone: 020 - 2367288, 0713 112 791

Fax: -

Email: info@uni-microfinance.co.ke

Website: www.uni-microfinance.co.ke

Physical Address: 1st Floor Asili Complex, River Road

Date Licensed: 08-04-2013

Branches: 2

9. **UWEZO Microfinance Bank Limited**

General Manager: Mr. Henry Mutahi

Postal Address: 1654-00100 Nairobi

Telephone: 2212917/9, 0720350808, 0733350808

Fax: -

Email: info@uwezodtm.com

Website: www.uwezodtm.com

Physical Address: Park Plaza Building, Ground Floor, Moktar Daddah Street

Date Licensed: 08.11.2010

Branches: 2

## E:- AUTHORISED REPRESENTATIVE OFFICES OF FOREIGN INSTITUTIONS IN KENYA

1. **HDFC Bank Limited**

Representative Office

Chief Representative Officer: Designate Mr. Jasmeet Singh

Address: P.O. Box 14235-00800 – Nairobi, Kenya

Telephone No.: +254-20 - 3601732; (Mobile No. : +254-713- 597593/738-905141)

Fax: +254-20 -3601100

E-mail: Jasmeet.Singh@hdfcbank.com

Physical Address: Prosperity House-Westlands Road- Off Museum Hill, Westlands

Date Authorised: 26th June 2008

2. **Nedbank Limited**

Nedbank Eastern Africa Representative Office

Chief Representative Officer: Mr. Stewart Laird Henderson

Address: P.O Box 1063 – 00502, Nairobi, Kenya

Telephone: +254-20 - 8045102

Email: contact@nedbankea.com

Physical Address: Nairobi Business Park, 2nd Floor Unit B, Ngong Road, Nairobi

Date Authorised: 18th June 2010

3. **The Hong Kong and Shanghai Banking Corporation (HSBC) Plc**

Kenya Representative Office

Chief Representative Officer: Mr. Jacob van Luijk

Address: P.O. Box 38613 Parklands 00623

Telephone No.: +254 20 4451412

Fax: +254 20 4451421

Email Address: jaap.vanluijk@za.hsbc.com

Physical Address: Arlington Block, 4th Floor, Unit 6, Suite 4B, 14 Riverside Business Park, Off Riverside Drive, Nairobi.

Date Authorised: 7th April 2011

4. **FirstRand Bank Limited**

Representative Office

Chief Representative Officer: Mrs. Alfetta Koome Mungai

Address: P.O. Box 35909, 00200 – Nairobi, Kenya

Telephone No.: +254 20 233 7927/ 2337931

Email: Alfetta.Koome@rmb.co.za

Fax No.: +254 20 2337931

Physical Address: Geminia Plaza, 3rd Floor, Upper Hill, Nairobi

Date Authorised: 29th November 2011

5. **Bank of China Limited**

Representative Office

Chief Representative Officer: Mr. Qi Wang

Address: P.O. Box 21357 - 00505 – Nairobi, Kenya

Telephone No.: +254 - 20 – 3862811, 20 - 3862811/2

Mobile: +254 - 788808600

Email: wangq@bankofchina.com

Physical Address: Unit 1, 5th Floor, Wing B, Morningside Office Park, Ngong Road, Nairobi

Date Authorised: 29th June 2012

6. **Bank of Kigali Limited**

Representative Office

Chief Representative Officer: Mr. Patrick Masumbuko

Address: P.O. Box 73279-00200 GPO– Nairobi, Kenya

Telephone No.: +254(0) 701630588

Email: pmasumbuko@bk.rw

Physical Address: Ground Floor, Capitol Hill Square,

Off Chyulu Road, Upper Hill, Nairobi

Date Authorised: 12th February 2013

7. **Central Bank of India**

Representative Office

Chief Representative Officer: Mr. S.S. Rao
Address: P.O. Box 14077-00800 Nairobi, Kenya

Telephone No.: +254 20 4270000, 20 4270000,

0732144000

Mobile: +254 (0)732283722

Email: cronairobi@centralbank.co.in

Physical Address: Suite No. 5A, MMID Studios,

Westlands Road, Westlands-Nairobi

Date Authorised: 12th February 2013

## F: CREDIT REFERENCE BUREAUS

1. **Credit Reference Bureau Africa Limited (Trading as TransUnion)**

   Chief Executive Officer: Mr. Wachira Ndege

   Postal Address: P.O. Box 46406, 00100

   Telephone: +254-020-3751799/3751360/2/4/5

   Fax: +254-020-3751344

   Email: info@crbafrica.com

   Website: www.crbafrica.com

   Physical Address: CRB Centre, Prosperity House, Westlands Road

2. **Metropol Credit Reference Bureau Limited**

   Managing Director: Mr. Sam Omukoko

   Postal Address: P.O. Box 35331, 00200

   Telephone: +254-020-2713575

   Email: info@metropol.co.ke

   Website: www.metropolcorporation.com

   Physical Address: 1st Floor, ShelterAfrique Centre, Upper Hill

**Appendix XVI**

**FOREX BUREAUS AND MONEY REMITTANCE PROVIDERS DIRECTORY AS AT DECEMBER 31, 2013**

**A: FOREX BUREAUS**

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 1 | Alpha Forex Bureau Ltd<br>P. O. Box 476 – 00606,Nairobi<br>Tel: 4451435/7 | Pamstech House, Woodvale Grove, Westlands, Nairobi | Alpha-forex@yahoo.com<br>Mital@dvlexx.com<br>alphaforexbureau@hotmail.com<br>**Fax: 254-2-4451436** |
| 2 | Amal Express Forex Bureau Ltd<br>P. O. Box 3165 – 00100<br>Nairobi<br>Tel: 765141/0722725667/0721942426 | Amal Plaza, 1st Avenue ,Eastleigh, Nairobi | amalforexbureau@hotmail.com<br>migoori786@yahoo.com<br>amalexpressforex@hotmail.com<br>**Fax: 254-2-6761315** |
| 3 | Amana Forex Bureau Ltd<br>P. O. Box 68578 – 00622<br>Nairobi<br>Tel: 0716-322001,020-6761296/020-2379824/0726547530 | Amana Shopping Complex, Captain Mungai Street, Eastleigh, Nairobi | Amanaexpress236@hotmail.com<br>amanaforex@hotmail.com<br>info@amanaforexbureau.co.ke<br>**Fax: 254-2-6760137** |
| 4 | Arcade Forex Bureau Ltd<br>P. O. Box 21646 – 00505<br>Nairobi<br>Tel: 2347192<br>Cell: 0724 – 613891, 0723 - 922946 | Adams Arcade, Ngong Road, Nairobi | arcadeforex@yahoo.com<br>**Fax: 254-2-571924** |
| 5 | Aristocrats Forex Bureau Ltd<br>P. O. Box 10884 – 00400<br>Nairobi<br>Tel: 245247/228080 | Kenindia House, Loita Street, Nairobi | aristoforex@nbi.ispkenya.com<br>aristocratsforex@gmail.com<br>**Fax: +254 – 2- 342453** |
| 6 | Avenue Forex Bureau Ltd, (formerly Qadisia Forex Bureau Ltd)<br>P. O. Box 1755 – 80100<br>Mombasa<br>Tel: 041-2319750 | Motor Mart Building, Moi Avenue, Mombasa | avenueforex@gmail.com<br>info@avenueforex.com |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 7 | Bakaal Express Forex Bureau Ltd<br>P. O. Box 71248 – 00622<br>Nairobi<br>Tel: 020 – 2462345/<br>2463456<br>Cell : 0726 - 455838 | Amco Shopping Mall, Door S14, 1st Avenue, Eastleigh, Nairobi | bakaalnbi@hotmail.com |
| 8 | Bamburi Forex Bureau Ltd<br>P. O. Box 97803 - 80112<br>Mombasa<br>Tel: 041-5486950, 0722-412649<br>Cell: 0733-466729/041-4477004 | City Mall, Nakumatt Nyali, Mombasa | bamburiforex@hotmail.com<br>Bamburiforex@yahoo.com<br>**Fax: 254-41-5486948** |
| 9 | Bay Forex Bureau Ltd<br>P.O. Box 46154 – 00100 Nairobi<br>Nairobi<br>Tel: 2244186/2248289/2244188/0704482421/0700510000 | The Stanley Bldg. Kenyatta Avenue, Nairobi | info@bayforexbureau.com<br>bayforex@swiftkenya.com<br>**Fax: 254-2-229665/248676** |
| 10 | Capital Bureau De Change Ltd<br>P. O. Box 54210 – 00200<br>Nairobi<br>Tel: 2251704/8 | Jubilee Insurance House, Nairobi | capital_bureau@yahoo.com<br>info@capitalbureau.co.ke<br>**Fax: 254-2-241307** |
| 11 | Cashline Forex Bureau Ltd<br>P. O. Box 14024– 00800<br>Nairobi<br>Tel: 4452296/97/98 | Sound Plaza, Woodvale Groove Road, Westlands, Nairobi | cash@cashlinefx.co.ke<br>**Fax: 254-20-4452299** |
| 12 | CBD Forex Bureau Ltd<br>P. O. Box 10964 – 00400<br>Nairobi<br>Tel: 316123/2250853 | Clyde House, Kimathi Street, Nairobi | cbdforex@gmail.com<br>**Fax: 254-2-318895** |
| 13 | Central Forex Bureau Ltd<br>P. O. Box 43966 – 00100<br>Nairobi<br>Tel: 2226777/ 2224729/317217<br>Cell: 0720226777 | I. P. S. Building, Ground Floor, Kaunda Street, Nairobi (Standard Building, Wabera Street, Nairobi) | centralforex@swiftkenya.com<br>**Fax: 254-2-249016** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 14 | City Centre Forex Bureau Ltd<br>P. O. Box 40253 – 00100<br>Nairobi<br>Tel: 224669/3/4/5<br>Cell: 0729-888555 | Nginyo Towers, Ground Floor, Koinange Street, Nairobi | info@citycentreforex.co.ke<br>**Fax No: 254-02-246696** |
| 15 | Classic Forex Bureau Ltd<br>P.O. Box 76694 – 00508<br>Nairobi<br>Tel: 3862343/4/5 | Prestige Plaza, 1st Floor, Ngong Rd, Nairobi | info@classicforex.co.ke<br>**Fax No. 3862346** |
| 16 | Commercial Forex Bureau Ltd<br>P. O. Box 47452 – 00100<br>Nairobi<br>Tel. 020-2210307/8 | (KCS) Vedic House, Mama Ngina Street, Nairobi | Commercialfx08@yahoo.com<br>info@commercialforex.co.ke |
| 17 | Conference Forex Bureau Company Ltd<br>P. O. Box 32268 – 00600<br>Nairobi<br>Tel. 3581293, 020-3586802 / 2219617/219069/218880/219518 | KICC, Ground Floor, Nairobi | cfbltd@akarim.net<br>**Fax: 254-2-224126** |
| 18 | Continental Forex Bureau Ltd<br>P. O. Box 49580 – 00100<br>Nairobi<br>Tel: 2222140, 3168025/330883 | Old Mutual Building, Kimathi Street, Nairobi | continentalforex@yahoo.com<br>**Fax: 254-2-216163** |
| 19 | Cosmos Forex Bureau Ltd<br>P. O. Box 10284 – 00100<br>Nairobi<br>Tel: 2250582/5 | Rehema House, Nairobi, Ambalal Hse – Nkrumah Road, Mombasa | cosmosforex@yahoo.com<br>**Fax: 254-2-2250591** |
| 20 | Crater Forex Bureau Ltd<br>P. O. Box 130 – 20100<br>Nakuru<br>Tel: 051- 2214183, 2216524<br>Mobile: 0774-143583/0770-412965 | Westside Mall, Kenyatta Avenue, Nakuru | craterforex@awl.co.ke<br>**Fax: 254-51-2214183** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 21 | Crossroads Forex Bureau Ltd<br>P. O. Box 871 – 00502<br>Nairobi, 0203884131/2<br>Cell: 0729-888444 | Crossroads Shopping Centre, Karen, Nairobi | info@crossroadsforex.com<br><br>**Fax: 254-02-3884133** |
| 22 | Crown Bureau De Change Kenya Ltd<br>P. O. Box 22515– 00400<br>Nairobi<br>Tel: 2250720/1/2 | Sai Office, James Gichuru Road, Nairobi | info@crown.co.ke<br><br>**Fax: 254-2-252365** |
| 23 | Dalmar Exchange Bureau Ltd<br>P. O. Box 16381 – 00610<br>Nairobi<br>Tel: 6761628/6760476 | 1st Floor, Olympic Shopping Centre 1st Ave., 7th Street, Eastleigh, Nairobi | dalmarforex@gmail.com<br><br>**Fax: 254-2-6760470** |
| 24 | Downtown Cambio Forex Bureau Ltd<br>P. O. Box 31346 – 00600<br>Nairobi<br>Tel: 6007721/608659/609547/607721 | Wilson Airport, Nairobi | ken@downtownforex.com<br><br>**Fax: 254-2-608354** |
| 25 | Forex Bureau Afro Ltd<br>P. O. Box 101414 – 00101<br>Nairobi<br>Tel: 2247041/2250676/2222950 | Jamia Plaza, Kigali Street, Nairobi | forexafro@gmail.com<br><br>**Fax: 254-2-2251078** |
| 26 | Gala Forex Bureau Ltd<br>P. O. Box 35021 – 00100<br>Nairobi<br>Tel: 020-310241<br>Cell: 0729-750000 | 20th Century 1st Floor Mama Ngina/ Kaunda Street | galaforexbureau@gmail.com<br><br>**Fax: 254-20-310261** |
| 27 | Gateway Forex Bureau Ltd<br>P. O. Box 11500 – 00100<br>Nairobi<br>Tel: 2212955/45/49, 0700-003435<br>Cell: 0722-970897 | Town House, Kaunda Street, Nairobi | info@gatewayforex.co.ke<br><br>**Fax: 254-20-2212942** |
| 28 | Giant Forex Bureau de Change Ltd<br>P. O. Box 56947 – 00200<br>Nairobi<br>Tel: 2680516 | JKIA, Unit 1- Departure, Nairobi | giantforex@mitsuminet.com<br><br>**Fax: 254-2-825327** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 29 | Give and Take Forex Bureau Ltd<br>P. O. Box 51463 – 00200<br>Nairobi<br>Tel: 7120581/3562152 | Gigiri, China Garden 1st Floor, Nairobi | giventakeforex@wananchi.com<br><br>**Fax: 254-2-7120046** |
| 30 | Global Forex Bureau Ltd (formerly Tawfiq Forex Bureau Ltd)<br>P. O. Box 47583 – 00100<br>Nairobi<br>Tel: 020-2321972 | 2nd Floor, Taisir Shopping Complex, 1st Ave. Eastleigh, Nairobi | globalfrx@gmail.com |
| 31 | Glory Forex Bureau Ltd<br>P. O. Box 42909 – 00100<br>Nairobi<br>Tel: 2244333/2245614/2243115 | Norwich Union House, Kimathi Street, Nairobi | gloryforex@yahoo.com<br><br>**Fax: 252-2-245614** |
| 32 | GNK Forex Bureau Ltd<br>P. O. Box 14297 – 00100<br>Nairobi<br>Tel: 020 – 2461598/ 890303/891243/891848/892048; | Jubilee Centre, Karen, Nairobi | gnkforex@swiftkenya.com<br><br>**Fax: 254-2-892266** |
| 33 | Grand Royal Forex Bureau Ltd.<br>P.O. Box 17773 – 00100<br>Nairobi<br>Tel: 2240540<br>Mobile: 0727 699669/ 0772 699669 | Hamilton House, Kaunda Street, Nairobi | grandroyalforex@gmail.com |
| 34 | Green Exchange Forex Bureau Ltd<br>P. O. Box 20809 – 00100<br>Nairobi<br>Tel: 020-2214547/8/9 | Emperor Plaza, Ground Floor, Koinange Street, Nairobi | greenexchange.forex@yahoo.com<br><br>**Fax: 254-2-2214550** |
| 35 | Hodan Global Forex Bureau Ltd.<br>P. O. Box 68811 – 00622<br>Nairobi<br>Tel: 6763035, 020 - 2084862<br>Cell: 0722 – 839744/ 0723 - 931081 | Hong Kong Shopping Mall, 2nd Fl, Kipanga Athumani St, Off 1st Avenue, Eastleigh, Nairobi | hodanforex2008@hotmail.com<br><br>**Fax: 254-2-6763035** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 36 | Hurlingham Forex Bureau Ltd<br>P.O. Box 85-00400<br>Nairobi<br>Tel: 2714409/ 2727662/ 2727663 | China Centre, Ngong Road, Nairobi | info@ hurlinghamforex.com<br><br>**Fax: 254-2-2731981** |
| 37 | Iftin Forex Bureau Ltd<br>P.O Box 100184 – 00101 Nairobi<br>Nairobi<br>Tel: 2629818 | 2nd Floor AMCO Shopping Mall along 1st Avenue Eastleigh, Nairobi | iftinforex@gmail.com<br><br>Fax: 020-6767466 |
| 38 | Industrial Area Forex Bureau Ltd<br>P. O. Box 45746 – 00100<br>Nairobi<br>Tel: 551186/551198 | Bunyala Road, Industrial Area, Nairobi | indafx@gmail.com<br><br>**Fax: 254-2-551186** |
| 39 | Island Forex Bureau Ltd<br>P. O. Box 84300 - 80100<br>Mombasa<br>Tel: 041-2223988/ 2229626/2319997<br>Mobile: 0724- 755299 | Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa | islandforex1@gmail.com<br><br>**Fax: 254-41-2227057** |
| 40 | Junction Forex Bureau Ltd<br>P. O. Box 43888 – 00100<br>Nairobi<br>Tel: 3861268/9,2011124<br>Cell: 0725-852840/ | The Junction Mall on Ngong Road/ Dagoreti Corner, Nairobi | junctionforexbureaultd@ yahoo.com |
| 41 | Kaah Forex Bureau Ltd<br>P. O. Box 10327 – 00400<br>Nairobi<br>Tel: 6767494/6760504 | Eastleigh, 8th Street, Nairobi | kaahforex@hotmail.com<br><br>**Fax: 254-2-6767543** |
| 42 | Kenza Exchange Bureau Ltd<br>P. O. Box 21819 – 00400<br>Nairobi<br>Tel: 822504/827608<br>Mobile: 0710320345/0735320345 | JKIA, International Arrivals | okambua@yahoo.com<br><br>**Fax: 254-2-827304** |
| 43 | La'che Forex Bureau Ltd<br>P. O. Box 13464 – 00800<br>Nairobi<br>Tel: 2221305/6 | Laico Regency Hotel, Loita Street, Nairobi | lachekenya@gmail.com<br><br>**Fax: 254-2-2221306** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 44 | Leo Forex Bureau Ltd<br>P. O. Box 3073– 80100<br>Mombasa<br>Tel: 041-2230396/7/8, 2230399 | T. S. S. Towers, Nkrumah Road, Mombasa | info@leoforex.com<br><br>**Fax: 254-41-230399** |
| 45 | Link Forex Bureau Ltd<br>P. O. Box 11659 – 00400<br>Nairobi<br>Tel: 2213619/21 | Uganda House, Kenyatta Avenue, Nairobi | linkforexbureau@yahoo.com<br><br>**Fax: 254-2-213620** |
| 46 | Lion Bureau De Change Ltd<br>P. O. Box 4581 – 00200<br>Nairobi<br>Tel: 020-2600072<br>Mobile: 0722803779 | Taj Shopping Mall, North Airport, Embakasi | anthony.nyuguto@gmail.com<br>info@lionbureau.com |
| 47 | Loki Forex Bureau Ltd.<br>P. O. Box 12523 – 00100<br>Nairobi<br>Tel: 2668586 | T&L Centre, Industrial Area, Nairobi | info@lokiforex.com |
| 48 | Magnum Forex Bureau De Change Ltd<br>P. O. Box 46434 – 00100<br>Nairobi<br>Tel: 652 532<br>Cell: 0732736575 | Nakumatt Mega, Uhuru Highway, Nairobi | magnumkenya@gmail.com<br><br>**Fax: 254-2-652559** |
| 49 | Maritime Forex Bureau Ltd<br>P. O. Box 43296 – 80100<br>Mombasa<br>Tel: 041- 2319175/6/7<br>Cell: 0724 – 244644 | Idd House, Nkrumah Road, Mombasa | maritimeforex@africa1.co.ke<br><br>**Fax: 254-41-2319178** |
| 50 | Metropolitan Bureau De Change Ltd<br>P. O. Box 7080 – 00300<br>Nairobi<br>Tel: 827963 | Galleria Mall, Langata Road, Nairobi | info@metroforex.co.ke<br>joeg@metroforex.co.ke<br><br>**Fax: 254-2-252116** |
| 51 | Middletown Forex Bureau Ltd<br>P. O. Box 41830 – 00100<br>Nairobi<br>Tel: 2211227/211798/2211798 | Westminister House, Kaunda Street, Nairobi | mtforex@iconnect.co.ke<br>mtforex@yahoo.com<br><br>**Fax: 254-2-332534** |
| 52 | Mona Bureau De Change Ltd<br>P. O. Box 46180 – 00100<br>Nairobi<br>Tel: 828111/2<br>Cell: 0733-744348/0711262136 | Panari Sky Centre, Mombasa Road , Nairobi | monaforex@ymail.com<br>monaraj@ymail.com<br><br>**Fax: 254-2-828113** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 53 | Moneypoint Forex Bureau Ltd<br>P. O. Box 3338-00100<br>Nairobi<br>Tel: 020-2211346/7 | ANSH Plaza, Kimathi street/ Tubman Road, Nairobi | moneypointforex@hotmail.com<br>**Fax : 254-2 - 2211342** |
| 54 | Morgan Forex Bureau De Change Ltd<br>P. O. Box 79012 – 00400<br>Nairobi<br>Tel: 020-4444073 | Kipro Centre, Westlands, Nairobi | morgankenya@gmail.com<br>**Fax: 254 -2-4444074** |
| 55 | Mustaqbal Forex Bureau Ltd<br>P. O. Box 100745 – 00101<br>Nairobi<br>Tel: 020 – 6766651/2497344 | Mosque House 1st Avenue , 6th street Eastleigh, Nairobi | mustaqbalforex@yahoo.com<br>**Fax: 254-2-6766650** |
| 56 | Muthaiga-ABC Forex Bureau Ltd<br>P.O. Box 63533-00619<br>Nairobi<br>Tel:<br>2135761/0715123456/0736123456 | Muthaiga Shopping Centre, Triad House Nairobi | mfbfx@mafxgroup.com<br>abcfx@mafxgroup.com<br>ajariwalla@gmail.com |
| 57 | Nairobi Bureau De Change Ltd<br>P. O. Box 644 – 00621, Village Mkt<br>Nairobi<br>Tel: 822158<br>Cell: 0717- 110231 | Unit 2 JKIA, Nairobi | www.nairobibureau.com<br>info@NairobiForex.com<br>**Fax: 254-2-822884** |
| 58 | Nairobi Forex Bureau Ltd<br>P. O. Box 12523 – 00100<br>Nairobi<br>Tel: 2244767/2223039/2250602 | Gujarat House, Junction of Biashara and Muindi Mbingu Street, Nairobi | Nfbwesternunion@yahoo.com<br>info@NairobiForex.com<br>**Fax: 254-2-244767** |
| 59 | Namanga Forex Bureau Ltd<br>P. O. Box 12577 – 00100<br>Nairobi<br>Tel: 02-213642/ 045-5132476<br>Cell: 0735 791 714 | Namanga | Namangaforexbureau@yahoo.com |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 60 | Nawal Forex Bureau Ltd<br>P. O. Box 43888 – 00100<br>Nairobi<br>Tel: 2720111<br>Cell: 0720342578 | Chaka Place, Chaka Road, Nairobi | nawalforexbureau@yahoo.com<br><br>**Fax: 254-2-272011** |
| 61 | Nevada Forex Bureau Ltd<br>P. O. Box 1544 – 00606<br>Nairobi<br>Tel: 020 – 2113898/057-2522822<br>Cell: 0722-519399 | Westlands Square, Nairobi | nevadaforex10@gmail.com |
| 62 | Net Forex Bureau Ltd<br>P. O .Box 102348-00101<br>Nairobi<br>Tel : 020-3599134/2212781<br>Cell: 0737 – 664688, 0717 – 157175, 0752- 299572 | Ground Floor, Metro Building, Koinange Street | netforexbureau@yahoo.com<br>'info@netforex.co.ke'<br><br>**Fax: 254-2-2212781** |
| 63 | Offshore Forex Bureau Ltd<br>P. O. Box 26650 – 00100<br>Nairobi<br>Tel: 020 – 310837/8 | Cianda House, Ground Floor, Koinange Street, Nairobi | offshoreforex@hotmail.com<br><br>**Fax: 254-02-310839** |
| 64 | Pacific Forex Bureau Ltd<br>P. O. Box 24273 – 00100<br>Nairobi<br>Tel: 310880, 310882/3 | Lonhro House, Standard Street, Nairobi | pacificbc@yahoo.com |
| 65 | Peaktop Exchange Bureau Ltd<br>P. O. Box 13074 – 00100<br>Nairobi<br>Tel: 2244371/313438<br>Cell: 0722 – 332518 | 20th Century Plaza, on Mama Ngina/ Kaunda Streets, Nairobi | info@peaktop.co.ke<br><br>**Fax: 254-2-210210** |
| 66 | Pearl Forex Bureau Ltd<br>P. O. Box 58059 – 00200<br>Nairobi<br>Tel: 2724769/ 2724778 | Hurlingham Shopping Centre, Nairobi | pearlforex@rocketmail.com<br><br>**Fax: 254-2-2724770** |
| 67 | Pel Forex Bureau Ltd<br>P. O. Box 957 – 40100<br>Kisumu<br>Tel: 057-2024134/2044425 /2020399 | Allmamra Plaza Oginga Odinga Road, Kisumu | pel@swiftkisumu.com<br>pel@vicweb.com<br><br>**Fax: 254-57-2022495** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 68 | Penguin Forex Bureau Ltd<br>P. O. Box 3438 – 80100<br>Mombasa<br>Tel: 041- 2228201/2228170 | Kiganjo House, Nyerere Avenue, Mombasa | info@penguinforex.co.ke<br><br>**Fax: 254-41-2228194** |
| 69 | Princess Forex Bureau Ltd<br>P. O. Box 104140 - 00101<br>Nairobi<br>Tel: 020-2217978 | City House, Standard Street Nairobi | princessforexbureau@gmail.com |
| 70 | Pwani Forex Bureau Ltd<br>P. O. Box 41572 – 80100<br>Mombasa<br>Tel: 041-2221727/2221734/2221845/<br>Cell: 0733-831218 | Mombasa Block 404, XV11/ M1 Abdel Nasseiz, Mombasa | forex@pwaniforex.com<br><br>**Fax: 254-41-2221734** |
| 71 | Rainbow Forex Bureau Ltd<br>P. O. Box 5781 – 80200<br>Malindi<br>Tel: 042-2120173/4 | Vera Cruz Shopping Complex, Lamu Road , Malindi | rainbowforex@gmail.com<br><br>**Fax: 254-42-2120303** |
| 72 | Rand Forex Bureau Ltd<br>P. O. Box 30923 - 00100<br>Nairobi<br>Tel:<br>Mobile: 0722200815 | Kampus Tower, Moi Avenue, Nairobi | ann_nyagah@yahoo.com<br>info@randforex.co.ke |
| 73 | Real Value Forex Bureau Ltd<br>P. O. Box 2903 – 00100<br>Nairobi<br>Tel: 236044/55/66/77 | Shariff Complex, 5th Avenue, Eastleigh, Nairobi | Hudaifa-04@hotmail.com<br>realvaluefx@gmail.com |
| 74 | Regional Forex Bureau Ltd<br>P. O. Box 634 – 00100, Nairobi<br>Tel. 313479/80,311953<br>Cell: 0722 722 337 | Kimathi House, Kimathi Street, Nairobi | regionalfx@gmail.com<br><br>Fax No. 312296 |
| 75 | Rift Valley Forex Bureau Ltd<br>P. O. Box 12165 - 20100<br>Nakuru<br>Tel: 051-2212495/2210174 | Merica Hotel Building, Court Road, Nakuru | riftvalleyforex@yahoo.com<br><br>**Fax: 254-51-2210174** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 76 | Safari Forex Bureau Ltd<br>P. O. Box 219 - 30100<br>Eldoret<br>Tel: 053-2063347 | KVDA Plaza, Eldoret | safariforex@africaonline.co.ke<br>safariforexbureau@yahoo.com_<br>**Fax: 254-053-2063995** |
| 77 | Satellite Forex Bureau Ltd<br>P. O. Box 43617– 00100<br>Nairobi<br>Tel: 2218140/1<br>Cell: 0721-411300 | City House, Standard Street, Nairobi | satelliteforex@swiftkenya.com<br>satellitefb@hotmail.com<br>**Fax: 254-20-230630** |
| 78 | Simba Forex Bureau Ltd<br>P. O. Box 66886 – 00800<br>Nairobi<br>Tel: 020– 445995/8008844<br>Cell: 0722 – 703121 | Moi International Airport, Mombasa | simbaforexmombasa@gmail.com<br>**Fax: 254-2- 8008844** |
| 79 | Sisi Forex Bureau Ltd<br>P.O. Box 60770 - 00200<br>Nairobi<br>Tel: 2445846/0722-382995 | Agip House, Haile Selasie Avenue, Nairobi. | SISIFOREX@SISI.CO.KE |
| 80 | Sky Forex Bureau Ltd<br>P. O. Box 26150 – 00100<br>Nairobi<br>Tel: 020-242062/3 | 20th Century, Mama Ngina/ Kaunda Street, Nairobi | skyforex@sahannet.com<br>**Fax No. 254-2-242064** |
| 81 | Solid Exchange Bureau Ltd<br>P. O. Box 19257– 00501<br>Nairobi<br>Tel: 822922/0722-853769 | JKIA-Unit 2, Nairobi | solidexchangebureau@gmail.com_<br>**Fax: 254-2-822923** |
| 82 | Sterling Forex Bureau Ltd<br>P. O. Box 43673 – 00200<br>Nairobi<br>Tel: 2228923/340624 | Laxmi Plaza, Biashara Street, Nairobi | info@sterlingforexbureau.com<br>**Fax: 254-2-330894** |
| 83 | Sunny Forex Bureau Ltd<br>P. O. Box 34166 – 00100<br>Nairobi<br>Tel: 2252013/252079 | Uniafric House, Koinange Lane, Nairobi | sunnyfoexbureau@yahoo.com<br>**Fax: 254-2-252076** |
| 84 | Taipan Forex Bureau Ltd<br>P. O. Box 42909 – 00100<br>Nairobi<br>Tel: 7122901/122473 | Village Market Complex, Limuru Road, Nairobi | info@taipanforex.com<br>**Fax: 254-2-827377/229665** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 85 | Tawakal Forex Bureau Ltd<br>P. O. Box 71623 – 00622<br>Nairobi<br>Tel: 6766171 | Ubah Centre, Eastleigh, Nairobi | tfbureau@yahoo.com<br><br>**Fax: 254-2-6765756** |
| 86 | Tower Forex Bureau Ltd<br>P.O. Box 25934 - 00100<br>Nairobi<br>Tel: 0723434343, 0739270511, 0772372744 | I & M Bank Tower Kenyatta Avenue | towerforex@hotmail.com<br><br>nim711@hotmail.com |
| 87 | Trade Bureau De Change Ltd<br>P. O. Box 7080 – 00300<br>Nairobi<br>Tel: 2241107/ 2241256/2252116 | Cotts House, City Hall Way, Transnational Bank, Nairobi | tradeforex@ymail.com<br><br>**Fax: 254-2-317759** |
| 88 | Travellers Forex Bureau Ltd<br>P. O. Box 13580 – 00800<br>Nairobi<br>Tel: 447204/5/6 | The Mall Westlands, Nairobi | travellersforex@yahoo.com<br>karenforexkenya@yahoo.com<br><br>**Fax: 254-2-443859** |
| 89 | Travel Point Forex Bureau Ltd<br>P. O. Box 75901 – 00200<br>Nairobi<br>Tel: 827872, 827877/827827 | JKIA, International Arrivals Terminal, Nairobi | info@travelpoint.co.ke<br><br>**Fax: 254-2-827872** |
| 90 | UAE Exchange Forex Bureau (K) Ltd<br>P. O. Box 51695 – 00100<br>Nairobi<br>Tel: 2220101 | IPS Building, Kimathi Street | kimathistreet.branch@ke.uaeexchange.com<br><br>**Fax: 254-2-2220102** |
| 91 | Union Forex Bureau Ltd<br>P.O. Box 430 – 00606<br>Nairobi<br>Tel: 4441855/4448327/4447618 | Sarit Centre Westlands, Nairobi | unionforex@hotmail.com<br><br>**Fax: 254-2-4441855** |
| 92 | Vantage Forex Bureau Ltd<br>P.O. Box 48129 – 00100<br>Nairobi<br>Tel: 343933/4 | Pan Africa House, 3rd Floor Kenyatta Avenue Nairobi | vantagefb@gmail.com<br><br>**Fax: 254-2-343935** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 93 | Ventures Forex Exchange Bureau Ltd<br>P.O. Box 2665- 00200<br>NAIROBI<br>Tel: 0722650195 | Bishop Magua Centre, 1st floor, along Ngong Road, Nairobi | venturesforexbureau@gmail.com<br>Wanjiru101@yahoo.com |
| 94 | Victoria Forex Bureau De Change Ltd<br>P. O. Box 705 – 40100<br>Kisumu<br>Tel :057-2025626/2021134/2023809 | Sansora Building, Central Square, Kisumu | victoriaforex@yahoo.com<br>**Fax: 254 – 057 – 2025636** |
| 95 | Wall Street Bureau De Change Ltd<br>P. O. Box 6841- 30100<br>Eldoret<br>Tel: 053-2062907 | Barngetuny Plaza Uganda Road, Eldoret | wallstreet@jambo.co.ke<br>**Fax: 254- 53-2062907** |
| 96 | Wanati Forex Bureau Ltd<br>P. O. Box 88309 – 80100<br>Mombasa<br>Tel: 040-3202661<br>Cell: 0726925090/0733702668 | Diani, Mombasa | wanatiforex@yahoo.com<br>**Fax: 254-2-3202662** |
| 97 | Warwick Forex Bureau Ltd<br>P. O. Box 49722 – 00100<br>Nairobi<br>Tel: 7124072<br>Cell: 0721253664 | The Warwick Centre, Gigiri, Nairobi | warwickforex@wananchi.com<br>warwickforex@gmail.com<br>**Fax: 254-2-520997** |
| 98 | Westlands Forex Bureau Ltd<br>P. O. Box 45746 – 00100<br>Nairobi<br>Tel: 3748786/3748785 | Westgate, Westlands, Nairobi | info@westforex.co.ke<br>**Fax: 254-2-3748785** |
| 99 | Yaya Centre Exchange Bureau Ltd<br>P. O. Box 76302 – 00508<br>Nairobi<br>Tel: 02-3869097 | Argwings Kodhek Road, Yaya Centre, Nairobi | rmutungi@gmail.com<br>nkiswii@yahoo.com<br>info@yayaforex.co.ke<br>**Fax: 254-2-3870869** |

| No | Name of Bureau | Location | E-mail Address & Fax |
|---|---|---|---|
| 100 | Zahur Forex Bureau Ltd<br>P. O. Box 75666 – 00100<br>Nairobi<br>Tel: 0729-341000/0728-366100/0700-710123 | Hong Kong Shopping Mall,<br>1st Avenue<br>Eastleigh | zahurnairobi@hotmail.com |
| 101 | ZTA Forex Bureau Ltd<br>P.O. Box 51779 - 00200<br>Nairobi<br>Tel: 020-5230094, 0722792279, 0739484942 | Green House, 1st floor, along Ngong Road, Nairobi | ztaforex@gmail.com<br>wesula@yahoo.com |
| 1 | **B. MONEY REMITTANCE PROVIDERS**<br><br>Dahabshiil Money Transfer Company Ltd<br>P. O. BOX 68991 – 00622 Nairobi<br>TEL: 2222728/9, 0720169999 | 20th Century, Kaunda Street<br>Nairobi | ken.dmtc@dahabshiil.com<br>Contact Person:<br>Abdi Mohamed Abdi<br>hkim4u@hotmail.com |