Bank Supervision Annual Report, prepared by the Central Bank of Kenya, is available on the Internet: http://www.centralbank.go.ke
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VISION STATEMENT

The Central Bank of Kenya will be a model institution guided by law, public interest and best practice in performing its legal functions of achieving monetary and financial stability and ensuring efficient payments systems.

THE BANK’S MISSION

The Central Bank of Kenya has the following primary missions:-

• 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 license and supervise authorized dealers.
• To formulate and implement such policies as best promote the establishment, regulation, and supervision of efficient and effective payment, clearing and settlement systems.
• To act as banker and adviser to, and as fiscal agent to the Government and
• To issue currency notes and coins.

VALUES STATEMENT

In fulfilling our vision and mission, we shall:-

• Work with utmost integrity, transparency and accountability.
• Conduct business professionally and efficiently.
• Respect and be collegial to each other.
• Be committed to pursuing public interest.
FOREWORD

One of the principal functions of Central Bank of Kenya endeavors to foster liquidity and proper functioning of a stable market-based financial system. This, alongside its role in promoting and maintaining price stability and an efficient payments system, constitutes the Bank’s primary functions as mandated by the Central Bank of Kenya Act. This report provides highlights on a number of developments relating to performance and stability of the financial sector under the ambit of the Central Bank, namely the banking sector and Foreign Exchange Bureaus in 2006.

Overall, the banking sector remained stable in 2006, while the financial performance improved significantly as evidenced by impressive growth in institutions’ balance sheets and pre-tax profits. In addition, lending to the private sector increased substantially, while ratios of non-performing loans declined. This positive growth is mainly attributed to the improved economic performance of the country as well as enhanced corporate governance and risk management by the institutions.

During the year under review, the Central Bank continued to improve its regulatory and supervisory functions through the introduction of various reforms in the legal and regulatory framework. The most notable of these changes involved amendments to the Banking Act that resulted in the ceding of supervisory powers to the Central Bank. Implementation of revised prudential guidelines relating to corporate governance and new provisioning methodologies and implementation of the Risk Based Supervision framework were some of the key measures towards improved supervision. A comprehensive review of the Banking Act commenced during the year and the outcome of this exercise will be an alignment of the Banking Act with best practices as outlined in the Basel Core Principles for Effective Banking Supervision.

Of equal importance, the proceeds of crime and Anti-money Laundering Bill, 2007 was published for enactment by Parliament. When enacted, this law will provide a legal framework for combating money laundering activities leading to improved integrity of the financial system. These reforms will go along way in enhancing financial sector efficiency, stability and access. It is also anticipated that the introduction of a credit information sharing framework in Kenya, governed under the Banking Act,
will provide the much needed mechanism for addressing the non-performing loans problem created by serial defaulters in the banking sector. This information sharing arrangement will be expanded to cover all financial depository institutions in the near future.

As the Central Bank of Kenya, in collaboration with the Government, move forward in implementing and reviewing the various sector reforms and Strategies look forward to partnering with the banking sector players and other key stakeholders in order to introduce new and innovative products and services in the market. This collaboration will result in a vibrant, efficient and stable financial sector capable of mobilizing resources across the various segments of the population that are needed for the transformation of Kenya’s financial system into a globally competitive sector that will serve as the gateway for international capital flow into the region. As a result, the financial services sector will play a central role in the realization of the country’s Vision 2030.
Chapter 1

The Banking Sector

1.1. Structure of the Banking Sector

The banking sector comprised of 45 institutions, 41 of which were commercial banks, 2 mortgage finance companies, one non-bank financial institution and one building society as at December 2006. There were no changes in the number of financial institutions.

Out of the 45 institutions, 34 are locally owned and 11 foreign owned as shown in chart 1. The foreign owned banks comprise of 6 locally incorporated foreign banks and 5 branches of foreign incorporated institutions.

As depicted in chart 2, local banks dominate the Kenyan banking sector in terms of numbers, but only account for 48.2% of the sectors total assets closely followed by the foreign owned banks with 43% of the sectors total assets.
Local private institutions dominate the sector, both in number and value of assets.

Chart 1: Structure of the Banking Sector

Chart 2: Banking Sector

Local private institutions dominate the sector, both in number and value of assets.
1.2 Branch and Automated Teller Machines (ATM) Network

The banking sector had a total of 575 branches, (up from 534 in 2005) and 617 ATMs country wide. Most institutions embarked on branch expansion programs in the period under review, in response to improved economic performance to tap emerging business potential, especially from small and medium size enterprises (SMEs).

Table 1 below depicts the regional distribution of branch network in the period under review.

**Table 1: Regional Distribution of Branch Network**

<table>
<thead>
<tr>
<th>Province</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central</td>
<td>71</td>
<td>80</td>
<td>1.7%</td>
</tr>
<tr>
<td>Coast</td>
<td>72</td>
<td>75</td>
<td>0.6%</td>
</tr>
<tr>
<td>Eastern</td>
<td>39</td>
<td>36</td>
<td>-0.6%</td>
</tr>
<tr>
<td>Nairobi</td>
<td>214</td>
<td>239</td>
<td>4.7%</td>
</tr>
<tr>
<td>North Eastern</td>
<td>4</td>
<td>4</td>
<td>0.0%</td>
</tr>
<tr>
<td>Nyanza</td>
<td>40</td>
<td>41</td>
<td>0.2%</td>
</tr>
<tr>
<td>Rift Valley</td>
<td>75</td>
<td>82</td>
<td>1.3%</td>
</tr>
<tr>
<td>Western</td>
<td>19</td>
<td>18</td>
<td>-0.2%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>534</td>
<td>575</td>
<td>7.7%</td>
</tr>
</tbody>
</table>

1.3 Distribution of Foreign Exchange (Forex) Bureaus

As at the close of the year, there were 95 Forex Bureaus operating in Kenya, distributed mainly in cities and major towns as indicated in table 2 below.

**Table 2: Distribution of Forex Bureaus**

<table>
<thead>
<tr>
<th>No</th>
<th>City/ Town</th>
<th>No. of Bureaus</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Nairobi</td>
<td>74</td>
</tr>
<tr>
<td>2</td>
<td>Mombasa</td>
<td>11</td>
</tr>
<tr>
<td>3</td>
<td>Malindi</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Nakuru</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Kisumu</td>
<td>2</td>
</tr>
<tr>
<td>6</td>
<td>Eldoret</td>
<td>2</td>
</tr>
<tr>
<td>7</td>
<td>Lokichogio</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Namanga</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>Narok</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>95</strong></td>
</tr>
</tbody>
</table>
During the year under review, only 2 additional forex bureaus were licensed due to a moratorium issued by Central Bank to allow for the review and development of revised guidelines to govern the operations of Forex Bureaus.

### 1.4 Market Share

The peer grouping criteria for institutions was reviewed in December 2005 resulting in the reduction of peer groups from 5 to 3 namely, large, medium and small. The large peer group consists of institutions with gross assets above Ksh.15bn, the medium peer group of institutions with gross assets above Ksh.5bn but less than Ksh15bn, while the small peer group comprises of institutions with gross assets below Ksh.5bn. There were 13 banks in the large peer group category whereas medium and small categories had 12 and 15 respectively. Housing Finance Company of Kenya and Family Finance Building Society were in medium category where Savings & Loan and Prime Capital and Credit were classified in the small category.

As shown in chart 3, the large peer group dominated the market in terms of net assets, customer deposits, net advances, capital and profits.
Chart 3: Market Share

- **Total Net Assets**: Large 79.0%, Medium 12.6%, Small 8.4%
  - Total: 755,306
- **Customer Deposits**: Large 79.7%, Medium 12.7%, Small 7.6%
  - Total: 597,874
- **Net Advances**: Large 73.1%, Medium 13.3%, Small 13.6%
  - Total: 396,149
- **Capital & Reserves**: Large 86.7%, Medium 13.3%
  - Total: 97,581
- **Pre-Tax Profits**: Large 86.7%, Medium 7.8%, Small 5.5%
  - Total: 27,055
Chapter II

Developments in the Banking Industry in 2006

2.1 Introduction

The continued expansion of the banking industry has witnessed a 23.7% increase in the number of employees compared to last year. The industry has further increased the number of banks that have invested in new electronic banking applications. The salutary effect of this has seen a shift from the traditionally conservative industry experiment to diverse new electronic based products.

After many years of being seen as unprofitable business, there is renewed interest in the Small and Medium Enterprises (SMEs) segment with a growing number of banks investing in branch expansion networks in the otherwise previously un-banked rural and remote town centres.

2.2 Developments in Information and Communication Technology (ICT)

During the year, institutions continued to invest in ICT infrastructure with the objective of improving quality of customer service through offering alternative ICT based products and delivery channels.

Some of the new developments in this area include introduction of E-Banking and SMS-Banking Softwares by a number of institutions.

Installation of additional Automated Teller Machines (ATM) and expansion of the networks countrywide during the year was also a significant development. The growth of ATMs is expected to decongest banking halls and reduce incidences of long queues in banking halls. ICT based financial services have made a significant contribution in lowering the cost of offering financial services.

2.3 Bank Charges and New Products

Under section 44 of the Banking Act, no institution can increase its rate of banking or other charges except with the prior approval of the Minister. To streamline the procedures for approval of bank charges, the Minister of Finance published regulations in May 2006 under Legal Notice No. 34 that delegated the approval of bank charges to the Central Bank.
In considering every application, Central bank takes into account:

a) the impact of the proposed increase in relation to the Government’s policy of entrenching a market oriented economy in Kenya; and

b) the average underlying inflation rate prevailing over the twelve months immediately preceding the application.

Prior to year 2005 the Central Bank published charges and tariffs for selected services offered by banking institutions in the print media. However, the publication of bank charges and lending rates in the print media was suspended after findings of an impact survey, carried out in 2005, indicated that the publications were not achieving the intended objective. However, the Central Bank of Kenya continues to post selected common bank charges on its website as a point of reference for comparing the cost of financial services across the sector. A market survey on the publication of bank charges, is currently being carried out by an independent market research firm and a public relations agency to establish the various segments of Kenyan banking customers. A targeted communication strategy of the charges and rates will then be developed for each segment. The survey is expected to be completed by the end of July 2007.

During the year, a wide range of new products, prompted by increased competition, embracing Information & Communication Technologies and enhanced customer needs, were introduced. As a marketing strategy, the new products offered in this segment of the market, continued to assume locally developed brand names to suit the domestic environment targeting the larger local customer base.

Among the most significant developments in new products, was the growth in Islamic banking products. The Islamic banking solutions, first introduced in December 2005, took the form of deposit products tailored in line with Shariah principles. Currently, four banks:- Barclays Bank of Kenya, Kenya Commercial Bank, K-Rep Bank and Dubai Bank have so far introduced Islamic banking products in the market.

The key distinguishing factors between Islamic banking and conventional banking are as summarized in Table 3 below:-
Distinguishing Factor

1. Interest (Riba)  
   - Conventional Banking: Acceptable  
   - Islamic Banking: Not acceptable. Returns are based on profit and loss sharing

2. Uncertainty  
   - Conventional Banking: Allowable  
   - Islamic Banking: Any contract based on the non-occurrence of a future uncertain event, within Islamic banking, is not generally allowable e.g. hedging, derivatives.

3. Prohibited activities/commodities  
   - Conventional Banking: can finance such.  
   - Islamic Banking: The Sharia prohibits financing of enterprises involved in pork, pornography, conventional financial services, arms or ammunitions, cinema, tobacco, gambling and alcohol.

4. Mobilization of funds  
   - Conventional Banking: Funds may be mobilized through interest bearing deposits  
   - Islamic Banking: Islamic Banks cannot mobilize funds by paying interest to their depositors. Funds are mobilized on the basis of the profit and loss sharing contracts by which Islamic banks agree to manage the funds of customers (investment account holders) in return for receiving a share of the profits from investing the funds and the account holders agree to bear any losses incurred from investing their funds.

5. Investment activities  
   - Conventional Banking: May lend funds and charge interest  
   - Islamic Banking: Islamic banks cannot lend money by charging interest but have to engage in permissible investment and trading activities.

**Table 3: Conventional Banking vs Islamic Banking**

<table>
<thead>
<tr>
<th>Distinguishing Factor</th>
<th>Conventional Banking</th>
<th>Islamic Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Interest (Riba)</td>
<td>Acceptable</td>
<td>Not acceptable. Returns are based on profit and loss sharing</td>
</tr>
<tr>
<td>2. Uncertainty</td>
<td>Allowable</td>
<td>Any contract based on the non-occurrence of a future uncertain event, within Islamic banking, is not generally allowable e.g. hedging, derivatives.</td>
</tr>
<tr>
<td>3. Prohibited activities/commodities</td>
<td>Conventional bank can finance such.</td>
<td>The Sharia prohibits financing of enterprises involved in pork, pornography, conventional financial services, arms or ammunitions, cinema, tobacco, gambling and alcohol.</td>
</tr>
<tr>
<td>4. Mobilization of funds</td>
<td>Funds may be mobilized through interest bearing deposits</td>
<td>Islamic Banks cannot mobilize funds by paying interest to their depositors. Funds are mobilized on the basis of the profit and loss sharing contracts by which Islamic banks agree to manage the funds of customers (investment account holders) in return for receiving a share of the profits from investing the funds and the account holders agree to bear any losses incurred from investing their funds.</td>
</tr>
<tr>
<td>5. Investment activities</td>
<td>Conventional banks may lend funds and charge interest</td>
<td>Islamic banks cannot lend money by charging interest but have to engage in permissible investment and trading activities.</td>
</tr>
</tbody>
</table>

---

**2.4 Employment Trends in the industry**

Employment in the banking sector rose from 12,589 in 2005 to 15,568 in 2006 as shown in Table 4 below. The increase in staffing was in response to the expansion of the institutions’ branch network and expanded business volumes attributed to economic growth. The table below shows the category and shift in employment amongst various cadres in the banking sector:
Table 4: Employment in the Banking Industry

<table>
<thead>
<tr>
<th>Category</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management</td>
<td>3,479</td>
<td>3,981</td>
<td>14.4%</td>
</tr>
<tr>
<td>Supervisory &amp; Section Heads</td>
<td>2,978</td>
<td>3,258</td>
<td>9.4%</td>
</tr>
<tr>
<td>Clerical &amp; Secretarial staff</td>
<td>5,902</td>
<td>7,227</td>
<td>22.5%</td>
</tr>
<tr>
<td>Other Support Staff</td>
<td>230</td>
<td>1,102</td>
<td>379.1%</td>
</tr>
<tr>
<td>Total</td>
<td>12,589</td>
<td>15,568</td>
<td>23.7%</td>
</tr>
</tbody>
</table>

2.5 Future Outlook

The banking industry is expected to sustain the strong performance into 2007, benefiting from an improved domestic economy, expanding business opportunities and a robust monetary policy stance. Institutions are expected to continue rolling out new products as they expand the branch and ATM Networks in the forth coming year.

It is likely that year 2007 will see new entrants in the banking industry. During the year, Family Finance Building Society sought approval to convert to a commercial bank. A leading indigenous regional banking group in sub-saharan Africa, has shown interest to strengthen its presence in East Africa.

Competition is likely to increase with the planned entry of fully-fledged Islamic banks after the Minister for Finance opened a window for sharia-compliant products in his budget speech for 2006/2007 financial year. Promoters of Islamic banks, who have already expressed interest, are encouraged that Africa is an attractive emerging market for Islamic finance, with Kenya positioned as the gateway to East and Central Africa.

It is also anticipated that further consolidation will take place in the industry through mergers and acquisitions as institutions seek to achieve economies of scale required to effectively compete and expand into the increasingly lucrative mass market.
Chapter III
Macroeconomic Conditions and Banking Sector Performance

3.1 Global economic conditions

The global economy achieved its fourth consecutive year of strong economic growth. The global economy is estimated to have grown by 5.1 per cent in 2006, slightly higher than the 4.9 per cent growth achieved in 2005. However, high fuel prices and inflationary pressures emanating from low spare oil capacity posed a significant risk to growth prospects. The expansion was broad based with impressive growth being maintained in emerging markets as well as low income countries in Africa. The effect of this positive prospect fed into Kenya’s economic performance with an estimated growth of 6.1 per cent in 2006 compared with 5.8 per cent in 2005.

3.2 The Regional Economy

Regionally, the three East African economies remained vibrant with Kenya’s economic resurgence continuing to boost the growth of its neighbours. Tanzania has continued to achieve strong economic growth for the past ten years despite increase in oil prices and the negative effect of drought on the agricultural sector. On the other hand, Uganda’s economy continued to withstand energy shocks. The regional outlook is promising with Tanzania and Uganda accruing benefits from the strength of Kenya’s economy.

3.3 The Domestic Economy

The growth momentum in Kenya was supported by increased credit to the productive private sectors in the economy. In tandem with this economic growth, financial institutions in Kenya took advantage of the favourable operating economic environment. Supported by stable interest rates, lending to the productive sectors of the economy increased significantly further boosting the growth momentum. Similarly, a number of corporate companies in the telecommunication sector benefited from the favourable growth and raised capital through issue of debt instruments such as commercial paper and corporate bonds to finance their expansion programmes.

Kenya’s economy is expected to sustain the growth momentum into 2007. The improved performance was underpinned by aggressive marketing of Kenya as a tourist destination, increased activity in building and construction, manufacturing, revival of agricultural institutions and improved governance. Stable interest rates and floating market determined exchange rates continued to provide a conducive macroeconomic environment for investments. In addition, remittances from abroad increased as well as public spending on development projects.
3.4 Inflation

Overall inflation increased from 7.6 per cent in December 2005 to 15.6 per cent in December 2006 and was attributed mainly to effects of the 2005 drought which spilled over to year 2006. Despite recent high levels of overall inflation, underlying inflation remained below 5 per cent. During the period under review, underlying inflation declined from 4.9 per cent in December 2005 to 4.3 % in December 2006. Inflation is expected to remain stable in 2007.

3.5 Exchange Rates

The Kenya Shilling appreciated against the US dollar and the Japanese Yen in 2006 but depreciated against the Sterling Pound and the Euro as shown in table 5 and Chart 4 below. The Kenya Shilling remained strong against regional currencies throughout year 2006. As Central Bank continues to pursue prudent macroeconomic policies and maintain market determined exchange rate, it is expected that the shilling will remain stable in 2007.

Table 5: Major currency movements

<table>
<thead>
<tr>
<th>No.</th>
<th>Currency</th>
<th>2005</th>
<th>2006</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>US Dollar</td>
<td>73.11</td>
<td>69.63</td>
<td>-3.5</td>
</tr>
<tr>
<td>2.</td>
<td>Sterling Pound</td>
<td>127.62</td>
<td>136.79</td>
<td>9.2</td>
</tr>
<tr>
<td>3.</td>
<td>Euro</td>
<td>86.69</td>
<td>91.04</td>
<td>4.3</td>
</tr>
<tr>
<td>4.</td>
<td>100 Japanese Yen</td>
<td>61.63</td>
<td>57.76</td>
<td>-3.9</td>
</tr>
<tr>
<td>5.</td>
<td>Tshs</td>
<td>15.99</td>
<td>18.62</td>
<td>2.66</td>
</tr>
<tr>
<td>6.</td>
<td>Ushs</td>
<td>24.81</td>
<td>26.07</td>
<td>1.31</td>
</tr>
</tbody>
</table>
3.6 Interest rates

Short term interest rates dropped from 8.07 per cent in 2005 to 5.7 per cent in December 2006. In line with the monetary policy operations, the Bank reviewed the Central Bank Rate (CBR) from 9.5 per cent in August 2006 to 10 per cent in December 2006. CBR, which is the rate of interest Central Bank lends to commercial banks was launded on 31st May 2006. The revision signalled monetary tightening by Central Bank. Short term interest rates, however, declined in December 2006. The average 91-day Treasury bill rate declined from 8.07 per cent to 5.7 per cent in December 2006. The average interbank rate similarly declined from 7.79 per cent in December 2005 to 6.34 per cent in December 2006. On the other hand, lending rates increased from 13.2 per cent in 2005 to 13.7 per cent in 2006, while the average deposit rate declined from 4.5 in December 2005 to 4.1 per cent in December 2006. As a result, the spread between lending and deposit rates increased from 8.7 per cent in December 2005 to 9.6 per cent in 2006 thereby leading to increased profitability in the banking sector. As interest rates are determined by the market, continued implementation of prudent monetary policy this is thus expected to foster interest rate stability.
3.7 Balance of Payments

The surplus in Kenya’s overall balance of payments increased from US$275 million in 2005 to US$ 691 million in 2006. This improvement reflected increased private financial inflows into the capital and financial account, which more than financed the widening current account deficit.

3.8 Fiscal Developments

Government budgetary operations in the first half of the fiscal year 2006/07 resulted in a budget deficit of Ksh 22.9 billion or 1.4 per cent of GDP compared with Ksh 15.4 billion or 1.5 per cent of GDP in the previous year. However the deficit was within the target of Ksh 33.9 billion or 2.0 per cent of GDP for the period. The performance of the budget during the period was attributed to a substantial growth in tax revenue coupled with lower than budgeted Government expenditure.

Continued economic growth and improved macroeconomic and regulatory environment enhanced stability and performance in the financial sector. The scenario has helped improve business confidence and increased demand for credit. Credit to the private sector grew by 15.1 per cent in the year under review compared to a growth of 10.4 per cent in a similar period in 2005.
3.9 Vision 2030

3.9.1 Background

In January 2005, the Government of Kenya inaugurated the National Economic and Social Council of Kenya (NESC), consisting of a team of eminent persons appointed to advise the Government on critical issues on the country’s overall development. The Governor of Central Bank of Kenya is a member of the NESC, whose membership is drawn from the public and private sectors, the academia and civil society. The team was tasked with conceptualizing Kenya’s long term vision, dubbed Vision 2030, to provide a roadmap for the attainment of middle-income status by the year 2030. In executing its activities, the Council has worked closely with research institutions such as Kenya Institute for Public Policy & Analysis (KIPPRA) and Central Bureau of Statistics (CBS) and other government organizations as well as private sector organizations.

Vision 2030 will guide Government planning after the Economic Recovery Strategy for Wealth and Employment Creation (ERS) expires in the 2007/08 financial year. In developing the Vision, the Government appointed teams, professional consultants and other key stakeholders, including representatives from the Central Bank of Kenya.

3.9.2 Content

The Vision is anchored on three pillars. These are:

1. **Economic Pillar:**
   Maintain a sustained economic growth of over 10 percent per annum over the next 25 years.

2. **Social Pillar:**
   Achieve a just and cohesive society, enjoying equitable social development in a clean and secure environment.

3. **Political Pillar:**
   Develop an issue-based, people-centred, result-oriented and accountable democratic political system.

Vision 2030 offers tangible approaches, which Kenya will pursue to achieve the set objectives and the government has prioritized sectors that will drive growth. These priority sectors include agriculture, tourism, manufacturing, wholesale and retail trade, Business Process Outsourcing (BPO) and Financial services.
3.9.3 The financial sector

The financial sector will particularly be very important in realising the aspirations of Vision 2030 since investments in 20 flagship projects worth Ksh 500 billion will be required over the next five years. This is equivalent to Kenya’s annual budget and mobilisation of such resources will require a strong and vibrant financial sector. The role of Central Bank in developing a strong and vibrant financial sector is therefore critical to the success of the Vision 2030. The active participation of the Central Bank and other financial sector stakeholders will therefore be expected to translate the financial industry to a vibrant sector and a globally competitive arena driving high level services, as well as serving as the gateway for the inflow of international capital into the region. Details of Vision 2030 will be unveiled when it will be formally launched in 2007.

3.10 Performance of the Banking Sector

The favourable macroeconomic environment in 2006 was characterized by moderate and broad based growth in economic activities, increase in real private and government expenditure, stable interest rates and supportive fiscal policy, all of which provided a conducive environment and investment opportunities which created demand for credit.

The overall financial performance of the banking industry improved compared to the previous year. The banking industry remained stable in 2006, except for one bank that was put under statutory management following heightened adverse publicity related to its alleged malpractices.

The sector performed relatively well during the year under review. Total deposits and assets held by financial institutions both recorded growth rates of 19 per cent each. The sector also recorded an impressive 31 per cent growth in pre-tax profits during the year. The stability in the sector was attributed to the stable macro economic environment and stringent supervisory oversight. The introduction of Risk Management Programmes improved credit appraisal and administration standards. This contributed to the overall decline in the non-performing loans portfolio.

The economic recovery, registered in the last four years, is expected to continue both in 2007 and in the medium term as envisaged in the Vision 2030 outlook. The anticipated growth will be supported by increased credit to the private sector with investment flows channelled to the productive areas of the economy. The ongoing liberalization in telecommunications, energy and transport is expected to boost growth in these sectors.
3.11 Balance Sheet Analysis

The banking sector’s total assets expanded by 18.6 per cent to Kshs755.3 billion in 2006 from Kshs636.9 billion in December 2005, as shown in Table 5.

Net loans and advances stood at Kshs396.1 billion in December 2006 compared to Kshs338.4 as at December 2005. The increase in loans and advances was attributed to lending to private households, transport and communications, building and construction and manufacturing sectors. However, the proportion of loans to assets declined from 53% in 2005 to 52% in 2006.

Government securities increased by 26.3 per cent to Kshs144.6 billion from Kshs114.5 billion in December 2005. Government Treasury Bonds accounted for 71.9 per cent of Government securities as Bonds offered relatively higher returns than the 91-day Treasury bills. Investments in instruments increased by 15.3 percent mainly due to investment in corporate bonds and commercial paper issued by other corporate entities.

Table 6: Global Balance Sheet

<table>
<thead>
<tr>
<th>Ksh. millions</th>
<th>2006</th>
<th>2005</th>
<th>%Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash</td>
<td>15,632</td>
<td>13,087</td>
<td>19.45%</td>
</tr>
<tr>
<td>Balances at Central Bank of Kenya</td>
<td>40,421</td>
<td>35,351</td>
<td>14.34%</td>
</tr>
<tr>
<td>Placements (Local &amp; Overseas)</td>
<td>50,161</td>
<td>41,182</td>
<td>21.80%</td>
</tr>
<tr>
<td>Government securities</td>
<td>144,601</td>
<td>114,480</td>
<td>26.31%</td>
</tr>
<tr>
<td>Investments</td>
<td>3,315</td>
<td>2,026</td>
<td>63.61%</td>
</tr>
<tr>
<td>Loan and Advances</td>
<td>396,149</td>
<td>338,399</td>
<td>17.07%</td>
</tr>
<tr>
<td>other assets</td>
<td>105,027</td>
<td>92,428</td>
<td>13.63%</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>755,306</strong></td>
<td><strong>636,952</strong></td>
<td>18.58%</td>
</tr>
<tr>
<td><strong>Liabilities and Share Holders Funds</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Customer Deposits</td>
<td>597,874</td>
<td>503,900</td>
<td>18.65%</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>59,850</td>
<td>50,702</td>
<td>18.04%</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td>97,581</td>
<td>82,350</td>
<td>18.50%</td>
</tr>
<tr>
<td><strong>Total Liabilities &amp; Shareholders Funds</strong></td>
<td><strong>755,306</strong></td>
<td><strong>636,952</strong></td>
<td>18.58%</td>
</tr>
</tbody>
</table>
Deposit liabilities in the banking system, including accrued interest, increased by 18.65 per cent to Kshs597.87 billion as at the end of 2006 from Kshs503.90 billion in 2005. This increase in deposit base was attributed to external donor inflows to various government agencies and non-governmental organizations coupled with the increase in earnings from tourism and exports.

3.12 Asset Quality

Non-performing loans, net of interest in suspense, declined by 4.8% to Kshs65.4 billion in 2006 from Kshs68.6 billion in 2005 as shown in Table 6. Asset quality, measured by the ratio of net non-performing loans to gross loans, improved from 7.1 per cent in 2005 to 5 per cent in 2006. The decline in the level of non-performing loans was as a result of enhanced corporate governance and risk management as well as the enforcement of strict provisioning policy by the Central Bank.

Table 7: Asset Quality

<table>
<thead>
<tr>
<th>Ksh. Million</th>
<th>2006</th>
<th>2005</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Assets</td>
<td>755.3</td>
<td>636.9</td>
<td>18.6%</td>
</tr>
<tr>
<td>Gross Loans</td>
<td>473.1</td>
<td>415.3</td>
<td>13.9%</td>
</tr>
<tr>
<td>Total Loans*</td>
<td>437.9</td>
<td>377.4</td>
<td>16.0%</td>
</tr>
<tr>
<td>Gross Non-performing loans</td>
<td>100.7</td>
<td>106.5</td>
<td>-5.5%</td>
</tr>
<tr>
<td>Interest in Suspense</td>
<td>35.3</td>
<td>37.9</td>
<td>-6.9%</td>
</tr>
<tr>
<td>Total Non-Performing Loans</td>
<td>65.3</td>
<td>68.6</td>
<td>-4.8%</td>
</tr>
<tr>
<td>Specific Provisions</td>
<td>41.7</td>
<td>39.0</td>
<td>6.9%</td>
</tr>
<tr>
<td>Net Non-Performing Loans</td>
<td>23.6</td>
<td>29.6</td>
<td>-20.3%</td>
</tr>
<tr>
<td>Gross Loans/ Net Assets (%)</td>
<td>62.6%</td>
<td>65.2%</td>
<td>-3.9%</td>
</tr>
<tr>
<td>Gross NPLs/ Gross Loans (%)</td>
<td>21.3%</td>
<td>25.7%</td>
<td>-17.0%</td>
</tr>
<tr>
<td>Total NPLs/ Total Loans (%)</td>
<td>14.9%</td>
<td>18.2%</td>
<td>-17.9%</td>
</tr>
<tr>
<td>Net NPLs/ Gross Loans (%)</td>
<td>5.0%</td>
<td>7.1%</td>
<td>-29.9%</td>
</tr>
</tbody>
</table>

* Total loans = Gross loans net of Interest in suspense
As shown in Table 7 and Chart 7 below, there was a marked shift of loans classification in 2006 with a reduction in the proportion of loans in the loss category by 6.6 percentile points and an increase in the normal category by 6.6 percentile points. This is a reflection of the improved quality of loan portfolio in the market which is a reflection of asset quality of loan portfolio in the market.

Table 8: Risk Classification of Loans

<table>
<thead>
<tr>
<th>No.</th>
<th>Category</th>
<th>December 2006</th>
<th>December 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Amount</td>
<td>Percentage (%)</td>
<td>Amount</td>
</tr>
<tr>
<td>1</td>
<td>Normal</td>
<td>327,226</td>
<td>69</td>
</tr>
<tr>
<td>2</td>
<td>Watch</td>
<td>46,180</td>
<td>10</td>
</tr>
<tr>
<td>3</td>
<td>Substandard</td>
<td>14,147</td>
<td>3</td>
</tr>
<tr>
<td>4</td>
<td>Doubtful</td>
<td>60,272</td>
<td>13</td>
</tr>
<tr>
<td>5</td>
<td>Loss</td>
<td>26,253</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>Total Loans</td>
<td>474,078</td>
<td>100</td>
</tr>
</tbody>
</table>

Chart 6: Risk Classification of Loans

3.13 Capital Adequacy

During the year under review, the banking sector remained well capitalised with capital and reserves increasing by 18.5 per cent to Kshs97.6 billion in 2006 from Kshs82.3 billion in 2005. The increase in capital and reserves in the sector was a result of fresh capital injection and retention of profits. The sector’s core and supplementary capital (total capital) increased by 10 per cent or Ksh. 8.1 billion from Ksh.79.6 billion in 2005 to Ksh. 87.7 in 2006. Total risk assets increased by Ksh. 41.7 billion or 8.8 percent from Ksh. 471.3 billion to Ksh. 513.0 billion over the period. Consequently,
the sector’s capital adequacy index, as measured by the ratio of total capital to total risk weighted assets ratio, remained constant at 16 per cent, well above the minimum 8% requirement.

### 3.14 Liquidity

Liquidity is measured by the ratio of net liquid assets to total deposits, including short term liabilities and reflects an institution’s ability to meet its maturing obligations as they fall due. Liquidity of the banking sector remained strong as in the previous year. The high liquidity is a reflection of the sector’s preference for liquid assets notably risk free government securities. Commercial banks maintained an average liquidity ratio of 44.8 per cent compared with the minimum requirement of 20 per cent. Mortgage finance companies and other non-bank financial institutions maintained an average liquidity ratio of 28.8 per cent, while the only building society in the sector maintained an average liquidity level of 47.7 per cent.

### 3.15 Profit and Loss

#### 3.15.1 Overview

The banking sector pre-tax profits grew by 31.2 per cent to Ksh.27 billion for the year ending December 2006 compared to Ksh.20.6 billion in 2005.

![Chart 7: Profit Before Tax vs Total Assets](chart)

As shown in Chart 8 above, there has been a trend of increased profitability in the last 5 years. Over the five year period, assets have grown by 64 per cent whereas profits increased by 350 per cent. This is because of increased volume of transactions based and related fees and commissions charged.
Out of 45 financial institutions, 43 made aggregate profits while 2 posted losses. Despite the increase in banking sector profits over the years, the distribution of profits remained skewed with four major banks, whose assets market share is 46 per cent, having contributed 54.3 per cent of the sector’s total pre-tax profits.

3.15.2 Income

Interest income on advances increased by 17.3 per cent to Kshs46.7 billion from Kshs39.8 billion in 2005 and accounted for 49 per cent of total income in 2006, down from 51 per cent in 2005 as shown in Table 8.

The increase in interest income was attributed to substantial growth in loans and advances and increase in the interest margin.

Similarly interest income on government securities increased by 34.3 per cent to

<table>
<thead>
<tr>
<th>Table 9: Income and Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>KSh. Million</td>
</tr>
<tr>
<td>Income</td>
</tr>
<tr>
<td>Interest On advances</td>
</tr>
<tr>
<td>Fees &amp; Commission for loans and ad</td>
</tr>
<tr>
<td>Other Fees &amp; Commission Income</td>
</tr>
<tr>
<td>Interest on government securities</td>
</tr>
<tr>
<td>Interest on placement</td>
</tr>
<tr>
<td>Other Income</td>
</tr>
<tr>
<td>Total Income</td>
</tr>
<tr>
<td>Expenses</td>
</tr>
<tr>
<td>Interest Expenses</td>
</tr>
<tr>
<td>Bad Debts Charge</td>
</tr>
<tr>
<td>Salaries and wages</td>
</tr>
<tr>
<td>Other Expenses</td>
</tr>
<tr>
<td>Total Expenses</td>
</tr>
<tr>
<td>Profit Before Tax</td>
</tr>
</tbody>
</table>
Kshs13.4 billion in 2006 from Kshs9.9 billion in 2005. The increase in income from government securities was due to an increase in interest rates in 2006 and an increase in holding of government securities.

The share of fees and commissions income increased by 13 per cent from Kshs 14.54 billion in 2005 to Kshs16.44 billion and accounted for 17.3 percent of the banking sector’s gross income. This increase is attributed to growth in business and transaction volumes in the sector. On an overall basis, total income increased by 22.5 % from Kshs. 77.5 billion in 2005 to 95 billion in the year under review as shown in Table 7.

3.15.3 Expenses

Total expenses increased by 19.3 per cent from Kshs.56.9 billion in 2005 to Kshs.67.9 billion in 2006 as shown in Table 8. Interest expenses on deposits accounted for 24.8 per cent of total expenses in 2006 compared to 23 per cent in 2005. Staff costs increased by 22 per cent to Kshs.20.5 billion in 2006 from Kshs.16.8 billion in 2005 and accounted for 30.2 per cent of total expenses. Interest expenses and staff costs consumed 17 per cent and 22 per cent of total income respectively.

3.16 Performance Rating

The Central Bank uses the CAMEL rating system to assess the soundness of financial institutions. The acronym for Capital adequacy, Asset quality, Management quality, Earnings quality, Liquidity.

The current CAMEL rating system is being reviewed to incorporate sensitivity to market risk (S) and further expand the range of financial soundness indicators that can be used to determine a specific rating parameter.

Table 9 below shows that 13 institutions, with a market share of 27 per cent in terms of assets were rated strong in 2006 compared with only 6 institutions with a market share of 8 per cent in 2005.

Table 10: Banking Sector Performance Rating

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No. of Inst</td>
<td>Assets*</td>
</tr>
<tr>
<td>Strong</td>
<td>13</td>
<td>200.7</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>25</td>
<td>488.9</td>
</tr>
<tr>
<td>Fair</td>
<td>7</td>
<td>65.7</td>
</tr>
<tr>
<td>Marginal</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Unsatisfactory</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td></td>
<td>45</td>
<td>755.3</td>
</tr>
</tbody>
</table>

* Net Assets in Ksh. Billion
Institutions rated satisfactory declined from 28 in 2005 to 25 in 2006. The market share for these institutions also declined from 78% to 65% over the same period. Institutions rated fair and below declined from 11, with a market share of 15% in 2005 to only 7, with a market share of 9% in 2006. No institution was rated marginal and unsatisfactory.

Overall, there was an improvement in the performance of individual institutions and the entire banking sector during the year. This indicates an improvement in financial stability from last year, although the overall rating for the sector remained satisfactory in 2006.
Chapter IV
Developments in Supervisory Framework

4.1 Introduction

During the year under review, the Banking Act was amended while the Microfinance Act, 2006 and the Finance Act, 2006 were enacted. In addition, the Proceeds of Crime and Anti-Money Laundering Bill, 2006 was published.

4.2 The Banking Act

His Excellency the President assented to the Banking (Amendment) Act, 2006 on December 30, 2006 effectively enacting it into law. The Banking (Amendment) Act, 2006 becomes effective on May 1, 2007. Key provisions contained in the Banking (Amendment) Act, 2006 were:

1. Ceding of operational supervisory powers of licensing, revocation of licenses, opening and closing of places of business and statutory management from the Minister of Finance to the Central Bank of Kenya. This enhanced the operational independence of the Central Bank of Kenya.

2. Vetting of Significant Shareholders (holding more than five per cent of the share capital) by the Central Bank of Kenya.

3. No charges will be imposed on savings, seven day call or fixed deposit account and interest is to be paid on savings accounts so long as the minimum balance is maintained. This is to promote savings and wealth creation.

4. The introduction of the “In-Duplum” Rule which restricts the interest charged on a loan to the principal amount when it becomes non-performing. This is intended to curb growth in non-performing loans due to accrual of interest.

4.3 The Finance Act 2006

The Finance Act, 2006 was granted assent by H. E. The President on December 30, 2006, becoming effective in January 1, 2007.

The Finance Act amended the following provisions of the Banking Act:

- Section 2 of the Banking Act varied the definition of the term ‘branch’, which was expanded to include places of business outside Kenya.
• Section 3 of the Banking Act restricts the use of the words ‘bank’ or ‘finance’ or their derivatives. Amendment to Section 3 of the Banking Act was effected in order to ensure that applicants who are granted Ministerial consent to use the words “bank” or “finance” but do not obtain a licence within twelve months of such grant, automatically lose the right to use the restricted words.

• Section 8 of the Banking Act provides for the establishment of foreign subsidiaries. The Finance Act repealed and replaced Section 8A of the Banking Act to make it mandatory for institutions wishing to establish foreign subsidiaries to first apply to the Minister for approval. The section was also expanded to define the criteria that the Minister will use in considering whether or not to grant such approval.

• Section 12 of the Banking Act was amended to reintroduce the provisos to that section that were inadvertently removed by the amendments contained in the Finance Act of 2005.

• Section 31 (3) (b) of the Banking Act was amended by introducing a new section 31 (3)(b), making it mandatory for institutions licensed under the Banking Act to exchange adverse information on their customers relating to non-performing loans. The amendment further provided protection to institutions or officers who disclose, in good faith, such information under section 31(2) of the Banking Act.

• Sections 32 and 48 of the Banking Act were introduced to provide for assessment of professional and moral suitability of persons managing or controlling institutions, from time to time. Amendment to section 48 of the Banking Act was necessary to make it consistent with the newly introduced Section 32A. This amendment empowers the Central Bank to vet sitting directors whenever this is deemed necessary.

• Section 53(1) of the Banking Act was introduced to broaden the powers of the Minister to grant exemptions under the Banking Act.

### 4.4 Micro Finance Act

The Microfinance Sector

Microfinance in Kenya has experienced considerable transformation over the past twenty years, growing from a fledgling industry dominated by a few donor and church-based NGOs to a vibrant sector increasingly driven by commercialization. Microfinance institutions are now recognized as legitimate providers of financial services and as the
key to unlocking economic growth for entrepreneurs and poor families, especially in rural areas. Unarguably, the most innovative and promising initiatives to increasing access to financial services for impoverished and ordinary Kenyans is done by microfinance institutions. The Central Bank anticipates this trend to expand as institutions are licensed to intermediate deposits into new financial products.

A significant step in the development of the microfinance industry in Kenya is the enactment of the Microfinance Act in December 2006. The Act has been introduced to enhance the performance of this sector by putting in place the necessary laws and regulatory framework for the establishment, licensing and supervision of deposit-taking microfinance institutions focused on providing services and products focused to low income households and enterprises. The overriding rationale for microfinance regulation and supervision is to create an enabling environment that will promote the performance and sustainability of deposit-taking microfinance institutions, while at the same time protecting depositors’ interests. The Act envisages two tiers of microfinance institution, i.e. nationwide microfinance institutions whose minimum core capital is prescribed at Ksh 60m, and community microfinance institutions with a minimum core capital of Ksh 20m.

In this regard, the Central Bank of Kenya has developed the prudential microfinance regulations that will endeavour to enhance efficiency and promote a broader and deeper access to financial services and products, while ensuring safety and soundness of the financial system as a whole. In general, it is envisaged that the regulatory requirements and prudential norms that the Central Bank of Kenya has developed for microfinance institutions will be flexible and reflect the specific characteristics and stage of evolution of the industry in Kenya. The Act is expected to be effective during the second half of 2007.

4.4.1 Survey on Access to Financial Services

During the year, the Banking Supervision Department, in collaboration with representatives from the financial sector, commissioned a national survey to measure the demand and access to financial services in Kenya. The survey’s objective was to establish the basic aspects of financial behaviour of Kenyan citizens across the financial spectrum - from rich to poor. A total of 4420 interviews were targeted. Questions covered all providers of financial services including the major financial institutions, banks and finance companies, SACCOs, micro-finance institutions, insurance companies, pension funds together with the more informal and less immediate obvious sources such Rotating and Accumulating Savings and Credit Associations (ROSCAs & ASCAs) informal money lenders, employers, NGOs, friends and family.
The findings of this survey revealed the following aspects ranging from product usage to challenges in gaining access to financial services:

- only 19% of Kenyans are banked and thus have formal access to financial services through commercial banks, building societies and the Post Bank.
- An additional 8% are served by SACCOs and MFIs and 35% depend primarily on informal financial services such as ROSCAs (Rotating Savings and Credit Associations) and ASCAs (Accumulating Savings and Credit Associations). These constitute the financially included, who have access to formal and other informal financial services.
- 38% of Kenyans are financially excluded, i.e. they have no access to financial services and are classified as ‘unbanked’, reporting no usage of either formal or informal products.
- The study also revealed that access to financial services varies across the country and is highest in Nairobi, which has the greatest number of bank branches (194 out of 443).

The top-line findings of the survey are freely available to interested consumers. However, customized material can be made available to interested institutions at a fee from http://www.fsdkenya.org/finaccess.

4.5 Revised Forex Bureau Guidelines

During the year, it became necessary to streamline the Forex Bureau sub-sector by reviewing the Forex Bureau Guidelines. Specifically, Central bank sought to enhance the regulatory and supervisory requirements with respect to telegraphic transfers, bank drafts and third-party cheques. The revised Forex Bureau Guidelines issued at the end of 2006 became effective from January 1, 2007.

The following are the key highlights of the revised Forex Bureau Guidelines:

1. The license application fee was increased from Ksh. 5,000 to Kshs. 10,000. The application fee is a one-off payment applicable only to new forex bureaus. This implies that no processing fees shall be levied for renewal of licenses.

2. Consistent with the Central Bank of Kenya Act, the annual licence and renewal fee was increased from Kshs. 50,000 to Kshs. 65,000. This fee applies to forex bureaus seeking both new licence and renewal of licence.
3. The minimum capital was raised from US$ 25,000 to US$ 30,000. Accordingly, all operating bureaus shall enhance their capital to the new level within one year effective January 1, 2007.

4. With regard to the non-interest bearing deposit held at the Central Bank, all new forex bureaus will now pay a non-interest bearing deposit of US$30,000 before they are licensed. However, already licensed bureaus which paid a non-interest bearing deposit of US$5,000 will be required to increase their deposit to US$10,000 within one year from January 1, 2007.

5. Operations of forex bureaus, cover all spot transactions, telegraphic transfers, third party cheques, travellers cheques, and personal cheques. In view of this, the revised guidelines maintain the provision that new products will be introduced in the market only after consultation and approval of the Central Bank.

6. Penalties for non-compliance with forex bureau guidelines will be levied to enforce discipline. The penalty ceiling is US$ 2,000 and the same must be paid within 90 days of the notice. The Central Bank may prescribe additional penalties of Kshs 1,000 for each day the violations and/or payments of the penalty are outstanding after the expiry of the 90 days. Forex bureaus will be given notice to explain their case before such penalties are applied.

7. Forex Bureaus will transact telegraphic transfers and bank drafts in amounts not exceeding an equivalent of US$ 10,000 per transaction. This limit is designed to enable Forex Bureaus focus their services to market segments largely excluded from the mainstream banking sector due to the limited size and frequency of transactions. Further, a forex bureau shall not allow or process transactions that are or appear to have been deliberately split into small amounts of US$ 10,000 or less to avoid the requirement of documentation.

8. With regard to western union money transfers/money gram, the revised guidelines now require that all forex bureaus seek a no-objection approval from the Central Bank in writing, attaching copies of the agency agreement.

9. In dealing with personal third-party cheques, Forex Bureaus were allowed to buy foreign currency dominated cheques subject to a transaction limit of US$ 10,000, and observance of the requisite KYC procedures. However, Forex Bureaus shall avoid dealing in repeat third-party cheque transactions that appear to be split to avoid documentation.
4.6 Proceeds of Crime and Anti Money Laundering Bill, 2006

The Proceeds of Crime and Anti Money Laundering Bill was published on October 30, 2006 and tabled in Parliament for the first reading on November 22, 2006. Unfortunately, the Bill lapsed with the end of the Parliamentary session on December 7, 2006, necessitating its republication. The Bill is scheduled to be tabled, again, in Parliament in 2007.

The Bill meets the Financial Action Task Force’s (FATF) 40 Recommendations and its main features are:

• It criminalizes money laundering and extends the definition of money laundering beyond the realm of drug trafficking to include all indictable offences. It also provides for money laundering to be included as one of the offences that falls under the Extradition Act and it also enables the extradition of fugitives to countries that Kenya does not have Extradition Treaties.

• It establishes a Financial Reporting Centre (FRC), whose main task will be to collect and collate information on suspicious transactions reports (STR), and to analyze, conduct preliminary investigations and transfer such information to the law enforcement agencies for action.

• It contains extensive forfeiture and seizure provisions.

• It seeks to establish a special agency where proceeds obtained from money launderers shall be kept and may be applied to support the operations of the FRC and the anti-money laundering law enforcement agencies.

• The draft Bill places a duty on financial institutions and designated non financial businesses and professionals (reporting institutions) to report suspicious unusual transactions to the FRC.

The following provisions are included in the Bill:

1) Synchronized modalities of tracing, seizing and freezing suspected money laundering accounts.

2) Confiscation of the proceeds of crime, including proceeds of money laundering once the crime has been established.

3) Introduction of mandatory Know Your Customer (KYC) policies for the financial sector in the areas of customer identification, financial status, nature of business, and source of funds.
4) Outlaw the maintenance of anonymous bank accounts.

5) Requirement for banks to store financial records for a minimum of 7 years.

6) Introduction of mandatory reporting for any suspicious transactions and cash reporting transactions above US$ 10,000 threshold, after amending the banks secrecy laws to protect the reporting banks from liability.

7) Strengthens the declaration procedure for cash transactions across boarders.

8) Requirement for banks to co-operate with the law enforcement and the prosecuting authorities in money laundering cases.
Chapter V

Current Supervisory Issues

5.1 Introduction

The Central Bank was involved in various national, regional and international supervisory initiatives aimed at fostering financial system stability.

5.2 Risk Management Programs

The Central Bank continued with its focus on inculcating a “Risk Management Culture” in the banking sector, following a shift to Risk Based Supervision whose bedrock is the proactive detection of threats to banking sector stability and prompt corrective action. One of the key prerequisites for the implementation of Basel II is the adoption of Risk Based Supervision.

Following the issuance of Risk Management Guidelines in November 2005, all financial institutions operating within the banking sector were required to submit their individual Risk Management Programmes (RMPs) to Central Bank for review by May 2006. All banks met this deadline and the RMPs presented gave an outline of how individual institutions identify, measure and mitigate risks inherent in their business operations.

Going forward, it is anticipated that the RMPs will form the basis of establishing Central Bank’s future supervisory relationship with institutions and will contribute towards cultivating a “risk management culture” in the financial sector.

5.3 International Financial Reporting Standards (IFRS 7 & 30)

5.3.1 Regional Supervisory Developments in Implementation of IFRS

5.3.1.1 Background

The three East African Central Banks, the Central Bank of Kenya (CBK), the Bank of Uganda (BOU) and the Bank of Tanzania (BOT) held a regional workshop on IFRS in July 2006. The objective of the workshop was to arrive at a common regional approach in the implementation of IFRS vis a vis regulatory requirements.
The workshop noted that the adoption of IFRS is inevitable as they have currently been adopted in over 100 countries and have become the “international language of accounting.” IFRS enhance comparability of information across countries which in turn facilitates cross border investments.

5.3.1.2 Country Experiences

a) Kenya

Kenya adopted IFRS in 1999 and the CBK has had to amend its Prudential Guidelines to take into account some of the IFRS requirements. With regard to the divergence in provisioning requirements between IAS 39 and Prudential Guidelines, CBK has taken the “Parallel” approach in the revised Prudential Guidelines issued in November 2005 which require institutions to compute provisions using both Prudential and IFRS requirements.

b) Tanzania

Tanzania adopted IFRS in 2004 and the BOT, just like the CBK, has also adopted the “Parallel” approach with regard to IFRS and Prudential provisioning requirements.

(c) Uganda

Uganda adopted IFRS with effect from 31st December 2005. To develop a way forward on IFRS implementation, the BOU had requested for technical assistance from the International Monetary Fund/East AFRITAC. BOU was also to draw from CBK’s and BOT’s experiences in IFRS implementation in arriving at its’ position regarding the divergences between IFRS and Prudential requirements.

5.3.1.3 Challenges in IFRS Implementation

The following key challenges in IFRS implementation were noted by BOT and CBK: -

- Growing complexity of the standards.
- Frequent changes and revisions to the standards.
- Some aspects of the IFRS are not easily applicable in emerging markets such as East Africa.
- Lack of human resource competences in IFRS amongst regulators, banks and even the external auditors.
5.3.5 Recommendations of the Workshop

The three Central Banks made the following recommendations at the end of the Workshop:-

• There is need to upgrade the skills of regulators, banks and even external auditors in IFRS to facilitate their adoption and implementation.
• The three Central Banks will adopt the “Parallel Approach” of requiring institutions to maintain two sets of books for IFRS and Prudential Reporting for a transition period of three to four years.
• During the transition period, IFRS human resource competences in the Central Banks and institutions should be enhanced. In addition, the regulators should ensure that institutions put in place adequate risk management frameworks to support the implementation of IFRS.
• After the transition period, it is anticipated that there will be convergence between regulatory and prudential requirements to reduce the cost of maintaining two sets of books by institutions and enhance comparability of information across the three countries.

5.3.6.1 International Financial Reporting Standard (IFRS) 7 & 30

5.3.7 Introduction

On 18 August 2005, the International Accounting Standards Board (IASB) issued IFRS 7 Financial Instruments: Disclosures. The standard adds new disclosures on financial instruments to those currently required by IAS 32 Financial Instruments: Disclosure and Presentation and replaces the disclosure requirements imposed on financial institutions by IAS 30: Disclosures in the Financial Statements of Banks and Similar Financial Institutions. IFRS 7 is effective for annual periods beginning on or after 1 January 2007, with earlier application encouraged.

The primary objective of IFRS 7 is to provide risk and financial disclosures that enable users to evaluate the significance of financial instruments to an entity’s financial position and performance.
Furthermore, IFRS 7 requires disclosures of the nature and extent of risks arising from financial instruments to which an entity is exposed and how those risks have been managed. Importantly, the level of disclosure required will depend on the extent of the entity’s use of financial instruments and its exposure to financial risk. Quantitative disclosures will need to be based on information provided internally to key management personnel.
5.3.6.2 Disclosure Requirements

Some of the mandatory disclosures previously required by IAS 32 have been eliminated. At the same time, IFRS 7 introduces a number additional and far reaching disclosure requirements. The most significant additions include:

- requirement to provide quantitative data of exposures to the relevant financial risk at the reporting date based on information reported internally to key management personnel of the entity;

- preparation of a market risk sensitivity analysis for each type of market risk to which the entity is exposed at the reporting date showing how profit or loss and equity would have been affected by changes in the relevant risk variable that were reasonably possible at that date (alternatively, a sensitivity analysis, such as value-at-risk, that is used to manage financial risks may be used);

- disclosure of the credit quality of financial assets that are neither past due nor impaired;

- presentation of various disclosures for financial assets that are either past due or impaired;

- Disclosure of the carrying amount and fair values of financial assets and financial liabilities by classes of financial instruments

- Introduction of sensitivity analysis for each type of market risk, covering interest rate, currency and price risk.

- Description of liquidity risk management approach and maturity analysis for financial liabilities by remaining contractual maturities as well as committed outflows for financial instruments, which are not yet recognized on balance sheet.

5.3.6.3 Challenges

- The requirement to present a market risk sensitivity analysis, as well as other quantitative disclosures, represents some of the most significant challenges to an entity. It will require the development of and/or investment in additional systems and processes.
• Striking the balance – disclosing too much or too little is one of the many issues that will need to be addressed by the institutions.

• Institutions need to guard against disclosing insufficient information since the users of the financial statements may interpret this as a sign of poor financial risk management.

• Similarly, institutions should ensure that internal risk and financial reporting provides an appropriate base, in terms of quantity, quality and depth of information, on which externally provided financial information is generated.

Whilst there are many challenges that institutions will face in implementing IFRS 7, institutions have opportunity to provide users with enhanced financial instrument disclosures. The disclosure requirements are designed to enable users to evaluate the significance of financial instruments on the financial position and performance of an entity and to provide stakeholders with greater transparency regarding the manner in which financial risk is monitored, measured and managed.

5.4 Development of Anti-Money Laundering and Combating the Financing of Terrorism Regime in Kenya

5.4.1 Introduction

The integrity of a financial system is dependent on the strength of its framework for safeguarding its financial system against the effects of money laundering. Kenya has set out seven key strategic objectives for the proceeds of crime and anti-money laundering prevention. These are crucial pillars which are intended to deliver relevant, effective and better results in the on-going fight against money laundering. It builds on and takes into account the progress already made over the past few years. These strategies are expected to help the country meet the international standards within the next few years. The strategy is based on an assessment of national systems against international standards and the results of the recent mutual, independent evaluation of Kenya’s anti-money laundering/combating of financing of terrorism (AML/CFT) systems.
5.4.2 Summary of Strategy Objectives

- Introduce and implement comprehensive AML/CFT Legislation, and issue relevant regulations.
- Improve the supervision of national financial systems in order to protect financial businesses against the risk of fraud, corruption, abuse by terrorists and money laundering.
- Improve security and safety of the financial institutions, designated non financial businesses and professions. This requires that measures be put in place to deter potential abusers of financial systems, to make crime unattractive and to stop criminal elements from financing further criminal activities.
- Effective International Co-operation. This requires the country to actively participate in the regional and international fora on AML and CFT. Similarly over time it shall require the country to enact comprehensive Mutual Legal Assistance Act, amend the Extraditions Act and strengthen sharing of information with competent authorities.
- Effective self-regulation by business. In this regard the Government’s national regulatory bodies will undertake systematic compliance checks to ensure that this self-regulation is effective.
- Effective Strategic Management Control. This shall involve carrying out self-evaluation as a nation, and agreeing to a mutual evaluation by peers on a periodic basis.

5.4.3 Capacity Building

In order to enhance the capacity of the Banking Supervision staff on AML, five members of the National Task Force on Anti-Money Laundering were trained to be trainers by the USA Government, in September 2006 and additional two attended the World Bank’s Capacity Enhancement Program on AML/CFT- Phase 1: “Train the Trainer” workshop in Abuja Nigeria, in November 2006. These resulted in drawing-up a strategy of training stakeholders, which is currently being implemented.

5.4.4 Technical Assistance

A number of development partners have expressed their willingness in providing technical and financial assistance to Kenya on issues related to developing a sound AML regime.

- Conduct awareness and sensitization workshop for Parliamentarians;
- Assist in creating awareness in the banking industry in conjunction with Kenya Bankers Association;
• Strengthen capacity of CBK to implement and monitor AML/CFT system in Kenya;

• Assist in capacity building for staff earmarked to work in the Financial Reporting Centre that shall require to be set up;

• Assist in strengthening the private sector in implementing AML measures provided for under the Bill.

As a follow up of the above understanding, the Task Force met representatives from the American Embassy with a view to firming up their support for sensitization workshops for Parliamentarians. It was felt that this workshop was of paramount importance so as to ensure sufficient support for the Bill is obtained from a majority of the members.

5.5 International Convergence of Capital Measurement and Standards – Implementation of Basel II Accord

The Basel II Accord on capital adequacy issued by the Basel Committee on Banking Supervision came into effect on December 31, 2006. The Accord envisages a three pillar approach as set out here below:-

• Pillar I-Minimum Capital Requirements - requires banks to set aside capital for the credit, market and operational risks they face. This is an enhancement over the Basel I Accord which only required a capital charge for credit and market risks.

• Pillar II-Supervisory Review- Requires supervisors to ensure that banks maintain capital that is commensurate with their risk profile.

• Pillar III-Market Discipline-Seeks to provide bank customers with information/disclosures on institutions risk management frameworks to facilitate their choice of banking products.

It is widely acknowledged that emerging countries such as Kenya will not be able to implement the Accord at the onset as they are yet to implement the prerequisites of Basel II. In this regard, the three East African Central Banks resolved in May 2005 to only implement Basel II after fulfilling its’ key prerequisites which are:-

• Full implementation of the Basel I Accord, in particular the Market Risk Amendment.
• Compliance with the Basel Core Principles for Effective Banking Supervision.
• Adoption of Risk Based Supervision (RBS).
The fulfillment of these prerequisites is a critical component of Central Bank of Kenya 2006 to 2009 strategy with the following key initiatives already underway:

- Comprehensive review of the Banking Act.
- Implementation of RBS.
- Formulation of a Consolidated Supervision Framework to take into account the diversification by Kenyan banks into other sectors of the financial system such as insurance.
- Adoption of the Market Risk Amendment to the Basel I Accord. Central Bank will, from the second half of 2007, engage the banking industry, the Institute of Certified Public Accountants of Kenya (ICPAK) and other stakeholders on developing a clear roadmap for Basel II implementation with the following specific initiatives slated for 2007:-
  - Banking Sector Basel II implementation readiness survey.
  - Stakeholders’ engagement to formulate a Basel II implementation plan/roadmap.
  - Formulation and adoption of a Basel II policy paper to guide its’ implementation.
  - Formation of a Basel II Project Team including representatives from the banking industry to spearhead Basel II implementation.
  - Continued participation in national, regional and international forums on Basel II to share and learn from experiences in other jurisdictions.
  - Sourcing of technical assistance from development partners and other stakeholders to facilitate preparation for Basel II implementation.
5.6 Comprehensive Review of the Banking Act

A comprehensive review of the Banking Act was embarked on with the overarching objective of aligning it to international best practice as set by the Basel Committee on Banking Supervision. Under the Financial and Legal Sector Technical Assistance Project (FLSTAP), Central Bank conducted a comprehensive review of the Banking Act in 2006. FLSTAP is a World Bank funded project intended to address the weaknesses in the Kenyan financial system identified by the Financial Sector Assessment Program carried out by the International Monetary Fund and the World Bank in 2003/4.

The Banking Act review was carried out by an FLSTAP funded consultant and aimed at aligning the Banking Act to international best practice and sharpening “CBK’s legislative teeth.” Best practice in banking supervision is set by the Basel Committee on Effective Banking Supervision. In 1997, the Committee issued 25 Core Principles for Effective Banking Supervision. These principles set out the fundamental tenets of an effective supervisory regime which include:-

- Independence of the Supervisors.
- Development and implementation of Prudential Rules and Requirements for ongoing operations of banks.
- Methods used by Supervisors to monitor banks on an ongoing basis.
- Information that banks are required to submit to the supervisors.
- Formal powers of supervisors to take corrective actions against errant institutions.

The broad areas considered in the Banking Act review include:-

- Independence of the Central Bank - A number of operational supervisory powers including licensing of institutions, license revocation, approval of places of business, intervention in non-compliant institutions and issuance of regulations lie with the Minister of Finance. It is envisaged that these powers will be ceded to the Central Bank to enhance its operational independence.

- Permissible Activities - The range of activities that banks can engage in is currently very narrowly defined restricting product innovation and diversification. Consideration will be given to expanding the definition to enable for instance banks to offer insurance products referred to as bank assurance which is a growing practice internationally.
• Consolidated Supervision-This is a method of supervision through which a bank supervisor assesses the risks to which banks are subject as a result of their affiliations with other entities such as insurance and, securities companies. In addition, consolidated supervision extends to foreign subsidiaries of banks. An increasing number of Kenyan banks have non-bank subsidiaries including overseas establishments. It is therefore imperative that the Banking Act enables the Central Bank to effectively supervise such conglomerate/group structures.

• Prompt Corrective Action (PCA)-PCA is a series of increasingly severe enforcement actions that are applied to institutions that regularly violate laws and regulations. The actions should be detailed in a transparent manner and should be time bound. Whereas the Central Bank is currently empowered to take corrective action, there is need to enhance these provisions further to ensure that these actions are taken in a timely and transparent manner based on a prescribed criteria for Central Bank intervention.

• Credit Bureaus-Credit information sharing is critical to addressing the challenge of non-performing loans in the banking sector and enhancing access to banking products and services particularly for small and medium size enterprises and individuals engaged in the informal sector. A legal and regulatory framework for credit reference bureaus which are expected to be the focal point of the credit information sharing mechanism is to be incorporated into the Banking Act.

• Mobile Phone Banking-Money transfer through the use of mobile phones is seen as the next frontier in expanding access to financial services and products in view of the rapid expansion of mobile telephony in Africa. This is an emerging area that is not explicitly covered in the Banking Act. The review recommended appropriate changes to accommodate this emerging frontier.

• Anti Money Laundering-Obligations of financial institutions to monitor and report suspected money laundering activity, verify customer identity, maintain customer records and develop and maintain internal control procedures are proposed to be incorporated in the Banking Act from the Proceeds of Crime and Anti Money Laundering Bill, 2006.

The revised Banking Act was reviewed by Stakeholders in the first half of 2007. It is anticipated that it will be submitted to Parliament for enactment in the second half of 2007.
5.7 Access to Financial Services

One of the key pillars of the financial sector reforms is to increase access of financial services and products to the majority of the Kenyan population. However, poverty has been identified as one of the main obstacles for a majority of the population to access financial services. Although the Kenyan economy grew by 6.1% in 2006, it was still below the levels necessary for significant poverty reduction. It is estimated that about 56 per cent of the population live below the poverty line; with and estimated 80 per cent of the population living in the rural areas and engaged in subsistence farming activities. However, Kenya's economic resurgence in the last four years has helped boost growth mainly in tourism and agricultural sectors, which in effect generated substantial incomes and hence created demand for banking services.

In order to tap increased demand for banking services, a number of institutions put in place strategic programmes to expand their outreach to rural areas that are not adequately served. Consequently, the banking sector branch network increased by 7.7% from 534 branches in December 2005 to 575 branches in December 2006. The total number of accounts increased by 31% from 2.6 million to 3.3 million over the same period. As indicated in chart ......insured deposits in commercial banks constituted 93.4% of the total, Non-Bank Financial institutions comprised 4.1% while Building Societies had 2.5%.

As shown in Appendix VII, the total number of deposit accounts in the sector increased by 31% from 2.6 in 2005 to 3.3 in 2006.

Individual institution’s insured deposits is shown in Appendix VIII.

Kenya Commercial Bank Ltd, in the large banks category maintained the highest level of insured deposits at Kshs 19.6 billion, followed by K-Rep Bank and Chase Bank Ltd in the medium and small Peer Group Category respectively.

In the large banks category, CFC Bank Ltd registered the highest growth of 110 per cent in the level of insured deposits, up from Kshs 647m in 2005 to Kshs 1,361m in 2006.

Bank of India and Chase Bank Ltd in the medium and small peer group category recorded an increase in their DPFB exposure by 139 per cent and 753 per cent respectively.

Overall increase in the level of DPF exposure in the banking industry was 14 per cent; from Kshs 80.4m in 2005 to Kshs 91.56m in 2006.
### B: BANKING SECTOR BALANCE SHEET

#### A: ASSETS

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Cash balances (both local and foreign)</td>
<td>638,822</td>
<td>755,306</td>
</tr>
<tr>
<td>2. Balances due from Central Bank of Kenya</td>
<td>54,241</td>
<td>40,421</td>
</tr>
<tr>
<td>3. Government securities</td>
<td>11,425</td>
<td>144,735</td>
</tr>
<tr>
<td>4. Foreign Currency Treasury bills and bonds</td>
<td>320</td>
<td>-</td>
</tr>
<tr>
<td>5. Deposits and balances due from local banking institutions</td>
<td>100.0%</td>
<td>18.5%</td>
</tr>
<tr>
<td>6. Deposits and balances due from banking institutions abroad</td>
<td>100.0%</td>
<td>18.6%</td>
</tr>
<tr>
<td>7. Balances due from group companies</td>
<td>35,241</td>
<td>40,306</td>
</tr>
<tr>
<td>8. Tax paid</td>
<td>31,641</td>
<td>597,874</td>
</tr>
<tr>
<td>9. Other assets</td>
<td>24,062</td>
<td>25,632</td>
</tr>
</tbody>
</table>

#### B: LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Balances due to Central Bank of Kenya</td>
<td>0</td>
<td>0.0%</td>
</tr>
<tr>
<td>2. Customer deposits</td>
<td>487,723</td>
<td>597,874</td>
</tr>
<tr>
<td>3. Deposits and balances due to local banking institutions</td>
<td>16,058</td>
<td>17,742</td>
</tr>
<tr>
<td>4. Deposits and balances due to banking institutions abroad</td>
<td>1,002</td>
<td>4,265</td>
</tr>
<tr>
<td>5. Other Money Markets deposits</td>
<td>97</td>
<td>323</td>
</tr>
<tr>
<td>6. Borrowed funds</td>
<td>7,664</td>
<td>5,626</td>
</tr>
<tr>
<td>7. Balances due to group companies</td>
<td>2,994</td>
<td>2,902</td>
</tr>
<tr>
<td>8. Tax paid</td>
<td>866</td>
<td>1,867</td>
</tr>
<tr>
<td>9. Dividends payable</td>
<td>403</td>
<td>418</td>
</tr>
<tr>
<td>10. Deferred tax liability</td>
<td>463</td>
<td>418</td>
</tr>
<tr>
<td>11. Retirement benefits liability</td>
<td>79</td>
<td>35</td>
</tr>
<tr>
<td>12. Other liabilities</td>
<td>22,059</td>
<td>26,043</td>
</tr>
<tr>
<td>13. Total liabilities</td>
<td>537,362</td>
<td>657,724</td>
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</table>

#### C: SHAREHOLDERS' FUNDS

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Paid-up nominal capital</td>
<td>63,920</td>
<td>43,609</td>
</tr>
<tr>
<td>2. Share premium/(discount)</td>
<td>7,279</td>
<td>4,322</td>
</tr>
<tr>
<td>3. Retention reserves</td>
<td>2,388</td>
<td>3,888</td>
</tr>
<tr>
<td>4. Total shareholders' funds</td>
<td>64,048</td>
<td>48,648</td>
</tr>
<tr>
<td>5. Total liability &amp; shareholders' funds</td>
<td>616,702</td>
<td>755,306</td>
</tr>
</tbody>
</table>

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Bank Supervision Annual Report
### BANKING SECTOR PROFIT AND LOSS ACCOUNT

#### 1.0 INTEREST INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans and advances</td>
<td>38,273</td>
<td>39,803</td>
<td>4.5%</td>
</tr>
<tr>
<td>Government Securities</td>
<td>8,797</td>
<td>9,597</td>
<td>9.2%</td>
</tr>
<tr>
<td>Deposits and placements with banking institutions</td>
<td>2,140</td>
<td>2,371</td>
<td>10.4%</td>
</tr>
<tr>
<td>Other interest income</td>
<td>347</td>
<td>347</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>50,557</td>
<td>52,508</td>
<td>4.2%</td>
</tr>
</tbody>
</table>

#### 2.0 INTEREST EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers deposits</td>
<td>11,504</td>
<td>12,079</td>
<td>4.8%</td>
</tr>
<tr>
<td>Deposits and placements from banking institutions</td>
<td>765</td>
<td>876</td>
<td>28.5%</td>
</tr>
<tr>
<td>Other interest expenses</td>
<td>315</td>
<td>324</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total Interest Expenses</strong></td>
<td>24,296</td>
<td>25,030</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

#### 3.0 NET INTEREST INCOME/(LOSS)

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>50,557</td>
<td>52,508</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Total Interest Expenses</strong></td>
<td>24,296</td>
<td>25,030</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Net Interest Income</strong></td>
<td>2,515</td>
<td>2,518</td>
<td>0.1%</td>
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#### 4.0 NON-OPERATING INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interests and commissions on loans and advances</td>
<td>11,504</td>
<td>12,079</td>
<td>5.0%</td>
</tr>
<tr>
<td>Foreign exchange trading income/loss</td>
<td>2,140</td>
<td>2,371</td>
<td>10.4%</td>
</tr>
<tr>
<td>Dividends</td>
<td>288</td>
<td>307</td>
<td>6.7%</td>
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<tr>
<td>Other income</td>
<td>1,866</td>
<td>2,087</td>
<td>11.3%</td>
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<tr>
<td><strong>Total Non-Interest Income</strong></td>
<td>24,296</td>
<td>25,030</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

#### 5.0 TOTAL OPERATING INCOME

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Interest Income</strong></td>
<td>50,557</td>
<td>52,508</td>
<td>4.1%</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td>24,296</td>
<td>25,030</td>
<td>3.1%</td>
</tr>
<tr>
<td><strong>Total Operating Income</strong></td>
<td>74,853</td>
<td>77,539</td>
<td>3.6%</td>
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#### 6.0 OPERATING EXPENSES

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan loss provision</td>
<td>6,573</td>
<td>6,806</td>
<td>3.5%</td>
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<tr>
<td>Staff costs</td>
<td>16,133</td>
<td>16,809</td>
<td>4.2%</td>
</tr>
<tr>
<td>Directors emoluments</td>
<td>779</td>
<td>876</td>
<td>12.6%</td>
</tr>
<tr>
<td>Rental charges</td>
<td>1,301</td>
<td>1,428</td>
<td>9.4%</td>
</tr>
<tr>
<td>Depreciation on property and equipment</td>
<td>4,716</td>
<td>5,241</td>
<td>10.8%</td>
</tr>
<tr>
<td>Amortisation charges</td>
<td>3,754</td>
<td>4,182</td>
<td>10.9%</td>
</tr>
<tr>
<td>Other expenses</td>
<td>1,471</td>
<td>1,667</td>
<td>13.1%</td>
</tr>
<tr>
<td><strong>Total Non-Interest Income</strong></td>
<td>24,296</td>
<td>25,030</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

#### 7.0 Profit/(loss) before tax and exceptional items

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/(loss) before tax and exceptional items</strong></td>
<td>32,806</td>
<td>33,615</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

#### 9.0 Profit/(loss) after exceptional items

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/(loss) after exceptional items</strong></td>
<td>32,806</td>
<td>33,615</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

#### 12.0 Profit/(loss) after tax and exceptional items

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Profit/(loss) after tax and exceptional items</strong></td>
<td>26,697</td>
<td>27,584</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

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**Performance Indicators**

<table>
<thead>
<tr>
<th>Description</th>
<th>2005</th>
<th>2006</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yield on Earning Assets</td>
<td>11.0%</td>
<td>10.9%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Cost of Funding Earning Assets</td>
<td>4.6%</td>
<td>3.5%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Interest Margin on Earning Assets</td>
<td>6.4%</td>
<td>6.4%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Yield on Advances</td>
<td>10.6%</td>
<td>10.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Cost of Deposits</td>
<td>3.3%</td>
<td>3.7%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Return on Assets (ROA)</td>
<td>3.0%</td>
<td>3.4%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Return on Equity (ROE)</td>
<td>41.3%</td>
<td>41.1%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Overheads to Earnings</td>
<td>56.6%</td>
<td>56.8%</td>
<td>0.2%</td>
</tr>
<tr>
<td>Gross NPLs/Gross Loans</td>
<td>44.9%</td>
<td>25.7%</td>
<td>19.2%</td>
</tr>
<tr>
<td>Gross NPLs/Gross Loans</td>
<td>19.4%</td>
<td>19.9%</td>
<td>0.5%</td>
</tr>
<tr>
<td>Total NPLs/Total Loans</td>
<td>6.7%</td>
<td>17.9%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Net NPLs/Gross Loans</td>
<td>18.2%</td>
<td>18.5%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Gross Provisions/Gross Loans</td>
<td>10.5%</td>
<td>10.8%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**RATINGS**

- 1.0 Strong: 95% and above
- 2.0 Satisfactory: 85%-94.9%
- 3.0 Fair: 75%-84.9%
- 4.0 Marginal: 65%-74.9%
- 5.0 Unsatisfactory: Below 64.9%

**Composite Score**

- 1.0 Strong: Above 95%
- 2.0 Satisfactory: 90%-94.9%
- 3.0 Fair: 85%-89.9%
- 4.0 Marginal: 75%-79.9%
- 5.0 Unsatisfactory: Below 74.9%

**Performance Category**

- Capital Adequacy: 1.0 Strong, 2.0 Satisfactory, 3.0 Fair, 4.0 Marginal, 5.0 Unsatisfactory
- Asset Quality: 1.0 Strong, 2.0 Satisfactory, 3.0 Fair, 4.0 Marginal, 5.0 Unsatisfactory
- Earnings: 1.0 Strong, 2.0 Satisfactory, 3.0 Fair, 4.0 Marginal, 5.0 Unsatisfactory
- Liquidity: 1.0 Strong, 2.0 Satisfactory, 3.0 Fair, 4.0 Marginal, 5.0 Unsatisfactory

**Average Score**

- 1.0 Strong: Above 95%
- 2.0 Satisfactory: 90%-94.9%
- 3.0 Fair: 85%-89.9%
- 4.0 Marginal: 75%-79.9%
- 5.0 Unsatisfactory: Below 74.9%
### Banking Sector Disclosures

<table>
<thead>
<tr>
<th></th>
<th>2005</th>
<th>2006</th>
<th>Appendix III</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Banks</td>
<td>NBFI s</td>
<td>Total</td>
</tr>
<tr>
<td><strong>1) Non-performing Loans and Advances</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Gross non-performing loans and advances</td>
<td>99,053</td>
<td>7,486</td>
<td>106,539</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Interest in suspense</td>
<td>34,544</td>
<td>3,365</td>
<td>37,910</td>
</tr>
<tr>
<td>c) Total non-performing loans and advances (a-b)</td>
<td>64,509</td>
<td>4,121</td>
<td>68,629</td>
</tr>
<tr>
<td>Less:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Loan loss provision</td>
<td>37,875</td>
<td>1,141</td>
<td>39,016</td>
</tr>
<tr>
<td>e) Net Non-performing Loans (c-d)</td>
<td>26,633</td>
<td>2,980</td>
<td>29,613</td>
</tr>
<tr>
<td>f) Discounted value of securities</td>
<td>26,604</td>
<td>2,975</td>
<td>29,579</td>
</tr>
<tr>
<td>g) Net NPLs Exposure (e-f)</td>
<td>29</td>
<td>5</td>
<td>34</td>
</tr>
<tr>
<td><strong>2) Insider Loans, Advances and Other Facilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Directors, shareholders and associates</td>
<td>23,978</td>
<td>175</td>
<td>24,153</td>
</tr>
<tr>
<td>b) Employees</td>
<td>10,522</td>
<td>257</td>
<td>10,779</td>
</tr>
<tr>
<td>c) Total Insider Loans, Advances and Other Facilities</td>
<td>34,500</td>
<td>432</td>
<td>34,932</td>
</tr>
<tr>
<td><strong>3) Off-Balance Sheet</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Letters of credit, guarantees, acceptances</td>
<td>74,794</td>
<td>153</td>
<td>74,947</td>
</tr>
<tr>
<td>b) Other contingent liabilities</td>
<td>128,649</td>
<td>37</td>
<td>128,686</td>
</tr>
<tr>
<td>c) Total Contingent Liabilities</td>
<td>203,442</td>
<td>432</td>
<td>203,632</td>
</tr>
<tr>
<td><strong>4) Capital Strength</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>a) Core capital</td>
<td>72,980</td>
<td>2,319</td>
<td>75,299</td>
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<tr>
<td>b) Minimum statutory capital</td>
<td>250</td>
<td>200</td>
<td>250</td>
</tr>
<tr>
<td>c) Excess/(Deficiency)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) Supplementary capital</td>
<td>3,632</td>
<td>483</td>
<td>4,115</td>
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<tr>
<td>e) Total capital (a + d)</td>
<td>76,612</td>
<td>2,798</td>
<td>79,410</td>
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<tr>
<td>f) Total risk weighted assets</td>
<td>457,007</td>
<td>14,308</td>
<td>471,314</td>
</tr>
<tr>
<td>g) Core capital/total deposit liabilities</td>
<td>15%</td>
<td>14%</td>
<td>14%</td>
</tr>
<tr>
<td>h) Minimum statutory ratio</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>i) Excess/(Deficiency)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>j) Core Capital/Total Risk Weighted Assets</td>
<td>16%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td>k) Minimum Statutory Ratio</td>
<td>8%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>l) Excess/(Deficiency)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>m) Total capital/total risk weighted assets</td>
<td>17%</td>
<td>14%</td>
<td>17%</td>
</tr>
<tr>
<td>n) Minimum Statutory Ratio</td>
<td>12%</td>
<td>14%</td>
<td>12%</td>
</tr>
<tr>
<td>o) Excess/(Deficiency)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>5) Liquidity</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) Liquidity ratio</td>
<td>42%</td>
<td>33%</td>
<td>41%</td>
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<tr>
<td>b) Minimum Statutory Ratio</td>
<td>20%</td>
<td>20%</td>
<td>20%</td>
</tr>
<tr>
<td>c) Excess/(Deficiency) (a-b)</td>
<td>22%</td>
<td>13%</td>
<td>21%</td>
</tr>
<tr>
<td>INSTITUTION</td>
<td>TOTAL NET ASSETS</td>
<td>MARKET SHARE (%)</td>
<td>NET ADVANCES</td>
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<tr>
<td>----------------------------------</td>
<td>------------------</td>
<td>------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>Barclays Bank of Kenya Ltd</td>
<td>118,024</td>
<td>16.42</td>
<td>73,507</td>
</tr>
<tr>
<td>Kenya Commercial Bank Ltd</td>
<td>83,350</td>
<td>11.95</td>
<td>60,639</td>
</tr>
<tr>
<td>Standard Chartered Bank Ltd</td>
<td>81,135</td>
<td>11.68</td>
<td>55,462</td>
</tr>
<tr>
<td>Co-operative Bank of Kenya Ltd</td>
<td>37,683</td>
<td>5.52</td>
<td>28,037</td>
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<tr>
<td>Barclays Africa Commercial Bank</td>
<td>32,794</td>
<td>4.86</td>
<td>17,531</td>
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<td>Commercial Bank of Africa Ltd</td>
<td>37,073</td>
<td>5.41</td>
<td>14,242</td>
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<tr>
<td>National Bank of Kenya Ltd</td>
<td>36,127</td>
<td>5.37</td>
<td>15,717</td>
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<tr>
<td>Co-operative Bank of South Asia</td>
<td>23,324</td>
<td>3.47</td>
<td>13,547</td>
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<td>Equity Bank Ltd</td>
<td>20,024</td>
<td>2.97</td>
<td>10,991</td>
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<tr>
<td>Total (Large)</td>
<td>1,295,848</td>
<td>100%</td>
<td>757,932</td>
</tr>
<tr>
<td><strong>Medium</strong></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Total</strong></td>
<td>86,195</td>
<td>12.34</td>
<td>41,953</td>
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<tr>
<td><strong>Total (Medium)</strong></td>
<td>86,195</td>
<td>12.34</td>
<td>41,953</td>
</tr>
<tr>
<td><strong>Total (Small)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>40,844</td>
<td>5.92</td>
<td>21,803</td>
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<td><strong>Total for banks</strong></td>
<td>731,988</td>
<td>100%</td>
<td>581,240</td>
</tr>
<tr>
<td><strong>Total for banks</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td><strong>Total for banks</strong></td>
<td>731,988</td>
<td>100%</td>
<td>581,240</td>
</tr>
<tr>
<td><strong>Total for banks</strong></td>
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<td><strong>Total for banks</strong></td>
<td>731,988</td>
<td>100%</td>
<td>581,240</td>
</tr>
<tr>
<td><strong>Total for banks</strong></td>
<td></td>
<td></td>
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</tr>
</tbody>
</table>

**Bank Supervision Annual Report 2006**
### PROFITABILITY OF BANKING INSTITUTIONS

**Ksh. Million.**

<table>
<thead>
<tr>
<th>BANKS</th>
<th>PROFIT BEFORE TAX</th>
<th>GROSS ASSETS</th>
<th>RETURN ON ASSETS (%)</th>
<th>SHAREHOLDERS EQUITY</th>
<th>RETURN ON EQUITY (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>African Banking Corporation Ltd</td>
<td>140</td>
<td>6591</td>
<td>2.1%</td>
<td>677</td>
</tr>
<tr>
<td>2</td>
<td>Bank of Africa Ltd</td>
<td>61</td>
<td>8515</td>
<td>0.7%</td>
<td>978</td>
</tr>
<tr>
<td>3</td>
<td>Bank of Baroda</td>
<td>373</td>
<td>12809</td>
<td>2.9%</td>
<td>1,263</td>
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<tr>
<td>4</td>
<td>Bank of India</td>
<td>278</td>
<td>9538</td>
<td>2.9%</td>
<td>1,023</td>
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<tr>
<td>5</td>
<td>Barclays Bank of Kenya Ltd</td>
<td>6,624</td>
<td>140039</td>
<td>4.4%</td>
<td>14,862</td>
</tr>
<tr>
<td>6</td>
<td>CFC Bank Ltd</td>
<td>679</td>
<td>31869</td>
<td>2.1%</td>
<td>2,990</td>
</tr>
<tr>
<td>7</td>
<td>Charterhouse Bank Ltd</td>
<td>124</td>
<td>4501</td>
<td>2.8%</td>
<td>670</td>
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<tr>
<td>8</td>
<td>Chase Bank Ltd</td>
<td>111</td>
<td>4800</td>
<td>2.3%</td>
<td>636</td>
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<tr>
<td>9</td>
<td>Citibank, N.A.</td>
<td>1,530</td>
<td>44831</td>
<td>3.4%</td>
<td>6,256</td>
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<tr>
<td>10</td>
<td>City Finance Bank Ltd</td>
<td>-17</td>
<td>731</td>
<td>-2.3%</td>
<td>354</td>
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<tr>
<td>11</td>
<td>Commercial Bank of Africa Ltd</td>
<td>1,311</td>
<td>45002</td>
<td>2.9%</td>
<td>3,631</td>
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<tr>
<td>12</td>
<td>Consolidated Bank of Kenya Ltd</td>
<td>16</td>
<td>4100</td>
<td>0.4%</td>
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<td>13</td>
<td>Co-operative Bank of Kenya Ltd</td>
<td>1,233</td>
<td>77227</td>
<td>1.6%</td>
<td>4,810</td>
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<td>14</td>
<td>Credit Bank Ltd</td>
<td>90</td>
<td>2610</td>
<td>3.4%</td>
<td>510</td>
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<td>15</td>
<td>Development Bank of Kenya Ltd</td>
<td>127</td>
<td>3800</td>
<td>3.4%</td>
<td>1,068</td>
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<td>16</td>
<td>Diamond Trust Bank Kenya Ltd</td>
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<td>26153</td>
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<tr>
<td>17</td>
<td>Dubai Bank Ltd</td>
<td>20</td>
<td>1690</td>
<td>1.2%</td>
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<tr>
<td>18</td>
<td>EABS Bank Ltd</td>
<td>47</td>
<td>10600</td>
<td>0.4%</td>
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<tr>
<td>19</td>
<td>Equatorial Commercial Bank Ltd</td>
<td>94</td>
<td>4145</td>
<td>2.3%</td>
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<td>20</td>
<td>Equity Bank Ltd</td>
<td>1,100</td>
<td>22391</td>
<td>4.9%</td>
<td>2,201</td>
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<tr>
<td>21</td>
<td>Fidelity Commercial Bank Ltd</td>
<td>26</td>
<td>2600</td>
<td>1.0%</td>
<td>287</td>
</tr>
<tr>
<td>22</td>
<td>Fina Bank Ltd</td>
<td>147</td>
<td>8531</td>
<td>1.7%</td>
<td>972</td>
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<tr>
<td>23</td>
<td>Giro Commercial Bank Ltd</td>
<td>59</td>
<td>5700</td>
<td>1.0%</td>
<td>495</td>
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<tr>
<td>24</td>
<td>Guardian Bank Ltd</td>
<td>48</td>
<td>5712</td>
<td>0.8%</td>
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</tr>
<tr>
<td>25</td>
<td>Habib AG Zurich</td>
<td>165</td>
<td>5900</td>
<td>2.8%</td>
<td>650</td>
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<tr>
<td>26</td>
<td>Habib Bank Ltd</td>
<td>6</td>
<td>3900</td>
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<td>446</td>
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<tr>
<td>27</td>
<td>Imperial Bank Ltd</td>
<td>387</td>
<td>12400</td>
<td>3.1%</td>
<td>1,353</td>
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<tr>
<td>28</td>
<td>Investment &amp; Mortgages Bank Ltd</td>
<td>936</td>
<td>30054</td>
<td>3.1%</td>
<td>2,795</td>
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<tr>
<td>29</td>
<td>Kenya Commercial Bank Ltd</td>
<td>3,035</td>
<td>11592</td>
<td>2.6%</td>
<td>11,481</td>
</tr>
<tr>
<td>30</td>
<td>K-REP Bank Ltd</td>
<td>152</td>
<td>5350</td>
<td>2.8%</td>
<td>898</td>
</tr>
<tr>
<td>31</td>
<td>Middle East Bank of Kenya Ltd</td>
<td>100</td>
<td>5159</td>
<td>1.9%</td>
<td>842</td>
</tr>
<tr>
<td>32</td>
<td>National Bank of Kenya Ltd</td>
<td>934</td>
<td>70125</td>
<td>1.3%</td>
<td>3,848</td>
</tr>
<tr>
<td>33</td>
<td>National Industrial Credit Bank Ltd</td>
<td>675</td>
<td>29240</td>
<td>2.3%</td>
<td>3,035</td>
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<tr>
<td>34</td>
<td>Oriental Commercial Bank Ltd</td>
<td>-65</td>
<td>2124</td>
<td>-3.1%</td>
<td>673</td>
</tr>
<tr>
<td>35</td>
<td>Paramount-Universal Bank Ltd</td>
<td>31</td>
<td>3000</td>
<td>1.0%</td>
<td>426</td>
</tr>
<tr>
<td>36</td>
<td>Prime Bank Ltd</td>
<td>191</td>
<td>12417</td>
<td>1.5%</td>
<td>1,318</td>
</tr>
<tr>
<td>37</td>
<td>Southern Credit Banking Corp.Ltd</td>
<td>52</td>
<td>5404</td>
<td>0.6%</td>
<td>533</td>
</tr>
<tr>
<td>38</td>
<td>Stanbic Bank Kenya Ltd</td>
<td>917</td>
<td>31246</td>
<td>2.9%</td>
<td>2,738</td>
</tr>
<tr>
<td>39</td>
<td>Standard Chartered Bank Ltd</td>
<td>3,798</td>
<td>114162</td>
<td>3.3%</td>
<td>10,039</td>
</tr>
<tr>
<td>40</td>
<td>Transnational Bank Ltd</td>
<td>46</td>
<td>2820</td>
<td>1.6%</td>
<td>1,122</td>
</tr>
<tr>
<td>41</td>
<td>Victoria Commercial Bank Ltd</td>
<td>128</td>
<td>4698</td>
<td>2.7%</td>
<td>581</td>
</tr>
<tr>
<td><strong>SUB-TOTAL</strong></td>
<td><strong>26,375</strong></td>
<td><strong>947078</strong></td>
<td><strong>2.8%</strong></td>
<td><strong>93,167</strong></td>
<td><strong>28.31%</strong></td>
</tr>
<tr>
<td>NBFTS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Housing Finance</td>
<td>112</td>
<td>11469</td>
<td>1.0%</td>
<td>1,368</td>
</tr>
<tr>
<td>2</td>
<td>Prime Capital &amp; Credit Ltd.</td>
<td>173</td>
<td>4211</td>
<td>4.1%</td>
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**Appendix VI**

**Grand Total**: 87,653,332 Shs'000'
## ACCESS TO FINANCIAL SERVICES

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## Appendix VIII

### Protected deposits

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<td>Giro Commercial Bank Ltd</td>
<td>249,252</td>
<td>4,935,542</td>
<td>2.05%</td>
<td>3.66%</td>
</tr>
<tr>
<td>Bank of Africa Ltd</td>
<td>139,533</td>
<td>4,915,542</td>
<td>46.93%</td>
<td>19.70%</td>
</tr>
<tr>
<td><strong>Small</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chase Bank Ltd</td>
<td>767,044</td>
<td>3,234,659</td>
<td>753.81%</td>
<td>94.50%</td>
</tr>
<tr>
<td>Consolidated Bank of Kenya Ltd</td>
<td>505,766</td>
<td>2,462,796</td>
<td>26.28%</td>
<td>26.28%</td>
</tr>
<tr>
<td>Southern Credit Banking Corp Ltd</td>
<td>314,360</td>
<td>3,741,404</td>
<td>3.51%</td>
<td>3.51%</td>
</tr>
<tr>
<td>Habib Bank Ltd</td>
<td>311,008</td>
<td>3,423,624</td>
<td>-22.91%</td>
<td>3.79%</td>
</tr>
<tr>
<td>Guardian Bank Ltd</td>
<td>296,526</td>
<td>3,995,294</td>
<td>-15.70%</td>
<td>3.79%</td>
</tr>
<tr>
<td>Equirioral Commercial Bank Ltd</td>
<td>278,233</td>
<td>3,281,237</td>
<td>7.98%</td>
<td>9.09%</td>
</tr>
<tr>
<td>Victoria Commercial Bank Ltd</td>
<td>199,476</td>
<td>3,654,377</td>
<td>4.95%</td>
<td>1.95%</td>
</tr>
<tr>
<td>Paramount Universal Bank Ltd</td>
<td>198,585</td>
<td>1,744,725</td>
<td>58.14%</td>
<td>50.08%</td>
</tr>
<tr>
<td>Titan National Bank Ltd</td>
<td>191,026</td>
<td>1,264,090</td>
<td>30.06%</td>
<td>40.36%</td>
</tr>
<tr>
<td>Credit Bank Ltd</td>
<td>179,160</td>
<td>1,906,190</td>
<td>-3.58%</td>
<td>-3.58%</td>
</tr>
<tr>
<td>Charterhouse Bank Ltd</td>
<td>161,059</td>
<td>3,154,318</td>
<td>-8.03%</td>
<td>3.79%</td>
</tr>
<tr>
<td>Oriental Commercial Bank Ltd</td>
<td>135,269</td>
<td>732,960</td>
<td>8.60%</td>
<td>36.57%</td>
</tr>
<tr>
<td>Middle East Bank Ltd</td>
<td>123,898</td>
<td>2,338,148</td>
<td>-20.61%</td>
<td>-20.61%</td>
</tr>
<tr>
<td>Fidelity Commercial Bank Ltd</td>
<td>111,576</td>
<td>1,976,741</td>
<td>-20.31%</td>
<td>42.85%</td>
</tr>
<tr>
<td>Dubai Bank Ltd</td>
<td>78,004</td>
<td>800,848</td>
<td>48.63%</td>
<td>12.72%</td>
</tr>
<tr>
<td>Development Bank Ltd</td>
<td>40,514</td>
<td>1,350,936</td>
<td>75.16%</td>
<td>79.68%</td>
</tr>
<tr>
<td>City Finance Bank Ltd</td>
<td>26,605</td>
<td>125,886</td>
<td>-0.70%</td>
<td>33.53%</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>85,486,639</td>
<td>580,863,918</td>
<td>11.08%</td>
<td>19.06%</td>
</tr>
<tr>
<td><strong>NBFS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Savings and Loan (K) Ltd</td>
<td>2,297,343</td>
<td>3,201,657</td>
<td>513.14%</td>
<td>64.51%</td>
</tr>
<tr>
<td>Housing Finance</td>
<td>1,385,345</td>
<td>7,619,250</td>
<td>-4.52%</td>
<td>-9.70%</td>
</tr>
<tr>
<td>Prime Capital and Credit Ltd</td>
<td>66,292</td>
<td>2,209,186</td>
<td>-26.62%</td>
<td>-25.65%</td>
</tr>
<tr>
<td><strong>Sub Total</strong></td>
<td>3,748,980</td>
<td>13,030,111</td>
<td>97.97%</td>
<td>-2.43%</td>
</tr>
<tr>
<td><strong>Building Society</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Family Finance Building Society</td>
<td>2,304,532</td>
<td>4,160,405</td>
<td>44.32%</td>
<td>47.39%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td>91,540,151</td>
<td>597,874,434</td>
<td>13.79%</td>
<td>18.65%</td>
</tr>
</tbody>
</table>
### A: COMMERCIAL BANKS

**African Banking Corporation Ltd.**  
**Managing Director:** Mr. Shamaz Savani  
**Postal Address:** P.O Box 46452-00100, Nairobi  
**Telephone:** +254-20-223922, 251540/1  
**Fax:** +254-20-222437  
**Email:** headoffice@abcthebank.com  
**Website:** [http://www.abcthebank.com](http://www.abcthebank.com)  
**Physical Address:** ABC Bank, Mezzanine Floor, Koinange St.  
**Date Licensed:** 5/1/1984  
**Peer Medium**  
**Branches:** 7

**Bank of Africa Kenya Ltd.**  
**Managing Director:** Mr. Leon Dufour  
**Postal Address:** P. O. Box 69562 Nairobi  
**Telephone:** +254-20-211175  
**Fax:** +254-20-214166/211477  
**Email:**  
**Website:** bkoaffrica@boakenya.com  
**Physical Address:** Re-Insurance Plaza Taifa Rd.  
**Date Licensed:** 1980  
**Peer Group:** Medium  
**Branches:** 3

**Bank of Baroda (K) Ltd.**  
**Managing Director:** Mr. K.N. Manvi  
**Postal Address:** P. O Box 30033 - 00100 Nairobi  
**Telephone:** +254-20-248402/249260  
**Fax:** +254-20-316070  
**Email:** barodabk_ho@kenyaweb.com  
**Website:** www.barodabank.com  
**Physical Address:** Baroda House Koinange St.  
**Date Licensed:** 7/1/1953  
**Peer Group:** Medium  
**Branches:** 6
<table>
<thead>
<tr>
<th>Bank of India</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Chief Executive:</strong> Mr. A.K. Jalota</td>
<td></td>
</tr>
<tr>
<td><strong>Postal Address:</strong> P. O. Box 30246 - 00100 Nairobi</td>
<td></td>
</tr>
<tr>
<td><strong>Telephone:</strong> +254-20-221414-7</td>
<td></td>
</tr>
<tr>
<td><strong>Fax:</strong> +254-20-229462</td>
<td></td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:ceboinrb@futurenet.co.ke">ceboinrb@futurenet.co.ke</a></td>
<td></td>
</tr>
<tr>
<td><strong>Website:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Physical Address:</strong> Kenyatta Ave.</td>
<td></td>
</tr>
<tr>
<td><strong>Date Licenced:</strong> 6/5/1953</td>
<td></td>
</tr>
<tr>
<td><strong>Peer Group:</strong> Medium</td>
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<tr>
<td><strong>Branches:</strong> 4</td>
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<table>
<thead>
<tr>
<th>Barclays Bank of Kenya Ltd.</th>
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<tbody>
<tr>
<td><strong>Managing Director:</strong> Mr. Adan Mohamed</td>
<td></td>
</tr>
<tr>
<td><strong>Postal Address:</strong> P. O. Box 30120 - 00100 Nairobi</td>
<td></td>
</tr>
<tr>
<td><strong>Telephone:</strong> +254-20-210577/313405/332230</td>
<td></td>
</tr>
<tr>
<td><strong>Fax:</strong> +254-20-213915</td>
<td></td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:barclays.kenya@barclays.com">barclays.kenya@barclays.com</a></td>
<td></td>
</tr>
<tr>
<td><strong>Website:</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Physical Address:</strong> Barclays Plaza Loita St.</td>
<td></td>
</tr>
<tr>
<td><strong>Date Licenced:</strong> 6/5/1953</td>
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<tr>
<td><strong>Peer Group:</strong> Large</td>
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<tr>
<td><strong>Branches:</strong> 43</td>
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<tr>
<th>CFC Bank Ltd.</th>
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<tbody>
<tr>
<td><strong>Managing Director:</strong> Mr. M. Soundararajan</td>
<td></td>
</tr>
<tr>
<td><strong>Postal Address:</strong> P. O. Box 72833 - 00200 Nairobi</td>
<td></td>
</tr>
<tr>
<td><strong>Telephone:</strong> +254-20-36380000</td>
<td></td>
</tr>
<tr>
<td><strong>Fax:</strong> +254-20-3752905/7</td>
<td></td>
</tr>
<tr>
<td><strong>Email:</strong> <a href="mailto:enquiries@cfcbank.co.ke">enquiries@cfcbank.co.ke</a></td>
<td></td>
</tr>
<tr>
<td><strong>Website:</strong> <a href="http://www.cfcbank.co.ke">http://www.cfcbank.co.ke</a></td>
<td></td>
</tr>
<tr>
<td><strong>Physical Address:</strong> CFC Centre Chiromo Rd. Westlands</td>
<td></td>
</tr>
<tr>
<td><strong>Date Licensed:</strong> 5/14/1955</td>
<td></td>
</tr>
<tr>
<td><strong>Peer Group:</strong> Large</td>
<td></td>
</tr>
<tr>
<td><strong>Branches:</strong> 5</td>
<td></td>
</tr>
<tr>
<td>Bank Name</td>
<td>Managing Director</td>
</tr>
<tr>
<td>---------------------------</td>
<td>---------------------------</td>
</tr>
<tr>
<td>Charterhouse Bank Ltd</td>
<td>Mr. Zafrullah Khan</td>
</tr>
<tr>
<td>Chase Bank (K) Ltd.</td>
<td>Mr. Zafrullah Khan</td>
</tr>
<tr>
<td>Citibank N.A Kenya</td>
<td>Mr. Ade Ayeyemi</td>
</tr>
<tr>
<td>Bank Name</td>
<td>Managing Director</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>-------------------------</td>
</tr>
<tr>
<td>City Finance Bank Ltd.</td>
<td>Mr. S.V. Ramani</td>
</tr>
<tr>
<td>Co-operative Bank of Kenya Ltd.</td>
<td>Mr. Gideon M Muriuki</td>
</tr>
<tr>
<td>Commercial Bank Of Africa Ltd.</td>
<td>Mr. Isaac Awuondo</td>
</tr>
</tbody>
</table>
Consolidated Bank of Kenya Ltd.

Chief Executive: Mr. David N. Wachira
Postal Address: P. O. Box 51133 - 00200, Nairobi
Telephone: +254-20-340208/340836
Fax: +254-20-340213
Email: headoffice@consolidated-bank.co
Website: www.consolidated-bank.com
Physical Address: Consolidated Bank House Koinange St.
Date Licensed: 12/18/1989
Peer Group: Small
Branches: 11

Credit Bank Ltd.

General Manager: R.N. Patnaik
Postal Address: P. O. Box 61064 Nairobi
Telephone: +254-20-222300/222317
Fax: +254-20-216700
Email: cblnbi@creditbankltd.com
Website:
Physical Address: Ground Floor Mercantile Hse Koinange St.
Date Licensed: 5/14/1986
Peer Group: Small
Branches: 4

Development Bank of Kenya Ltd.

General Manager: Mr. Victor Kidiwa
Postal Address: P. O. Box 30483 - 00100, Nairobi
Telephone: +254-20-340401/2/3/340416
Fax: +254-20-250399
Email: dbk@devbank.com
Website:
Physical Address: Finance House Loita St.
Date Licensed: 1/1/1973
Peer Group: Small
Branches: 1
<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Managing Director</th>
<th>Postal Address</th>
<th>Telephone</th>
<th>Fax</th>
<th>Email</th>
<th>Website</th>
<th>Physical Address</th>
<th>Date Licenced</th>
<th>Peer Group</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Diamond Trust Bank (K) Ltd.</td>
<td>Mrs. Nasim M. Devji</td>
<td>P. O. Box 61711 - 00200, Nairobi</td>
<td>+254-20-210988/83/85/86/89/91/93/94</td>
<td>+254-20-245495</td>
<td><a href="mailto:user@dtbkenya.co.ke">user@dtbkenya.co.ke</a></td>
<td><a href="http://www.diamondtrust-bank.com">http://www.diamondtrust-bank.com</a></td>
<td>Nation Centre 8th Floor Kimathi St.</td>
<td>1/1/1946</td>
<td>Large</td>
<td>5</td>
</tr>
<tr>
<td>Dubai Bank Kenya Ltd.</td>
<td>Mr. Viju Cherian</td>
<td>P. O. Box 11129 - 00400, Nairobi</td>
<td>+254-20-311109/14/23/24/82</td>
<td>+254-20-245242</td>
<td><a href="mailto:info@dubaibank-kenya.com">info@dubaibank-kenya.com</a></td>
<td></td>
<td>I C E A Building Kenyatta Ave.</td>
<td>1/1/1982</td>
<td>Small</td>
<td>3</td>
</tr>
<tr>
<td>Equatorial Commercial Bank Ltd.</td>
<td>Mr. Hassan Rizvi</td>
<td>P. O. Box 52467, Nairobi</td>
<td>+254-20-311205/250286/343852</td>
<td>+254-20-312542</td>
<td><a href="mailto:ecd@saamnet.com">ecd@saamnet.com</a></td>
<td></td>
<td>Sasini House Loita St.</td>
<td>12/20/1995</td>
<td>Small</td>
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<tr>
<td>Bank Name</td>
<td>Chief Executive</td>
<td>Postal Address</td>
<td>Telephone</td>
<td>Fax</td>
<td>Email</td>
<td>Website</td>
<td>Physical Address</td>
<td>Date Licenced</td>
<td>Peer Group</td>
<td>Branches</td>
</tr>
<tr>
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<td>------------</td>
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</tr>
<tr>
<td>Equity Bank Ltd</td>
<td>Mr. J.N. Mwangi</td>
<td>P. O Box 75104-00200, Nairobi</td>
<td>+254-20-2736617/20</td>
<td>+254-20-2737276</td>
<td><a href="mailto:info@ebsafrica.com">info@ebsafrica.com</a></td>
<td><a href="http://www.ebsafrica.co.ke">http://www.ebsafrica.co.ke</a></td>
<td>NHIF Building 14th Floor Community</td>
<td>28/12/2004</td>
<td>Medium</td>
<td>36</td>
</tr>
<tr>
<td>EABS Bank Ltd</td>
<td>Mr. R. Arora</td>
<td>P. O Box 47499, Nairobi</td>
<td>+254-20-2883000/249633/4</td>
<td>+254-20-2883304</td>
<td><a href="mailto:eabs@form-net.com">eabs@form-net.com</a></td>
<td></td>
<td>Fedha Towers Muindi Mbingu St.</td>
<td>01/11/2005</td>
<td>Medium</td>
<td>9</td>
</tr>
<tr>
<td>Fidelity Commercial Bank Ltd</td>
<td>Mr. Raminder Bir Singh</td>
<td>P. O. Box 34886, Nairobi</td>
<td>+254-20-242348/244187</td>
<td>+254-20-243389/245370</td>
<td><a href="mailto:customerservice@fidelitybankkenya.co.ke">customerservice@fidelitybankkenya.co.ke</a></td>
<td></td>
<td>I.P.S Building 7th Floor Kimathi St.</td>
<td>6/1/1992</td>
<td>Small</td>
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</tbody>
</table>
Fina Bank Ltd

Executive: Mr. Frank Griffiths
Postal Address: P. O. Box 20613 - 00200, Nairobi
Telephone: +254-20-246943/240798/222580
Fax: +254-20-247164/229696
Email: banking@finabank.com
Website: www.finabank.com
Physical Address: Fina House Kimathi St.
Date Licenced: 1/1/1986
Peer Group: Medium
Branches: 5

Guardian Bank Ltd

Managing Director: Mr. Gopinath H. Bhatt
Postal Address: P. O. Box 67681 - 00200, Nairobi
Telephone: +254-20-8560548/8561411/226771/4/212598/0722-938629
Fax: +254-20-216633/8561393/8560598/8561411
Email: moiavenue@guardian-bank.com
Website: viewpark@guardian-bank.com
Physical Address: Moi Avenue
Date Licenced: 12/17/1992
Peer Group: Medium
Branches: 5

Giro Commercial Bank Ltd.

General Manager: Mr. M.P. Sastry
Postal Address: P. O. Box 46739 - 00200, Nairobi
Telephone: +254-20-340537/310350
Fax: +254-20-319426/230600
Email: gcbl@swiftkenya.com
Website:
Physical Address: Giro House Kimathi St.
Date Licenced: 12/17/1992
Peer Group: Medium
Branches: 6
<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Country Manager</th>
<th>Postal Address</th>
<th>Telephone</th>
<th>Fax</th>
<th>Email</th>
<th>Website</th>
<th>Peer Group</th>
<th>Branches</th>
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</thead>
<tbody>
<tr>
<td>Habib Bank A.G Zurich</td>
<td>Mr. Iqbal A. Allawala</td>
<td>P. O. Box 30584 - 00100 Nairobi</td>
<td>+254-20-341172/76/77</td>
<td>+254-20-217004</td>
<td><a href="mailto:habibbank@wananchi.com">habibbank@wananchi.com</a></td>
<td></td>
<td>Medium</td>
<td>4</td>
</tr>
<tr>
<td>Habib Bank Ltd.</td>
<td>Rizwan Haider</td>
<td>P. O. Box 43157 - 00100 Nairobi</td>
<td>+254-20-246613/41</td>
<td>+254-20-214636</td>
<td><a href="mailto:hbiro@hblafrica.com">hbiro@hblafrica.com</a></td>
<td></td>
<td>Small</td>
<td>4</td>
</tr>
<tr>
<td>Imperial Bank Ltd.</td>
<td>Mr. A Jamohamed</td>
<td>P. O. Box 44905 - 00100 Nairobi</td>
<td>+254-20-2719617/31/, 342380/73-75, 2874000</td>
<td>+254-20-2719705/2719652, 342374</td>
<td><a href="mailto:info@imperialbank.co.ke">info@imperialbank.co.ke</a></td>
<td></td>
<td>Medium</td>
<td>5</td>
</tr>
<tr>
<td>Bank Name</td>
<td>Chief Executive Officer (Dates as Applicable)</td>
<td>Postal Address</td>
<td>Telephone</td>
<td>Fax</td>
<td>Email</td>
<td>Website</td>
<td>Physical Address</td>
<td>Date Licenced</td>
</tr>
<tr>
<td>-------------------------------</td>
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<td>-----------------------------------------------</td>
<td>----------------------------------</td>
<td>---------------------------------</td>
<td>---------------------------------</td>
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<td>---------------</td>
</tr>
<tr>
<td>Investment &amp; Mortgages Bank Ltd</td>
<td>Mr. Arun S. Mathur</td>
<td>P.O. Box 30238 - 00100, Nairobi</td>
<td>+254-20-310105-7/ 246552-9/2711994-8/3221200</td>
<td>+254-20-2713757, 2716372</td>
<td><a href="mailto:invest@imbank.co.ke">invest@imbank.co.ke</a></td>
<td><a href="http://www.imbank.com">http://www.imbank.com</a></td>
<td>I &amp; M Bank House, 2nd Ngong Ave.</td>
<td>1/1/1974</td>
</tr>
<tr>
<td>Kenya Commercial Bank Ltd</td>
<td>Mr. Terry Davidson (Mr. Martin Luke Oduor-Otieno w.e.f. 1st May 2007)</td>
<td>P. O. Box 48400 - 00100, Nairobi</td>
<td>+254-20-3270000/2851000/2852000</td>
<td>+254-20-216405/229565</td>
<td><a href="mailto:kcbhq@kcb.co.ke">kcbhq@kcb.co.ke</a></td>
<td><a href="http://www.kcb.co.ke">http://www.kcb.co.ke</a></td>
<td>Kencom House Moi Ave.</td>
<td>1/1/1896</td>
</tr>
</tbody>
</table>
Middle East Bank (K) Ltd

Managing Director: Mr. Peter Harris
Postal Address: P. O. Box 47387 - 0100 Nairobi
Telephone: +254-20-2723120/24
Fax: +254-20-343776
Email: ho@mebkenya.com
Website: 
Physical Address: Mebank Tower Milimani Rd.
Date Licenced: 10/1/1980
Peer Group: Small
Branches: 2

National Bank of Kenya Ltd

Managing Director: Mr. Reuben M. Marambii
Postal Address: P. O. Box 72866 - 00200 Nairobi
Telephone: +254-20-226471-8/2828000
Fax: +254-20-311444/223044
Email: info@nationalbank.co.ke.
Website: www.nationalbank.co.ke
Physical Address: National Bank Building Harambee Ave.
Date Licenced: 1/1/1968
Peer Group: Large
Branches: 23

National Industrial Credit Bank Ltd

Managing Director: Mr. J.W. Macharia
Postal Address: P. O. Box 44599 - 00100 Nairobi
Telephone: +254-20-2888000/2718200
Fax: +254-20-2888505/13
Email: info@nic-bank.com
Website: http://www.nic-bank.com
Physical Address: N.I.C House Masaba Rd.
Date Licenced: 9/17/1959
Peer Group: Large
Branches: 5

Oriental Commercial Bank Ltd
<table>
<thead>
<tr>
<th>Bank Name</th>
<th>Managing Director</th>
<th>Postal Address</th>
<th>Telephone</th>
<th>Fax</th>
<th>Email</th>
<th>Physical Address</th>
<th>Date Licensed</th>
<th>Peer Group</th>
<th>Branches</th>
</tr>
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<tbody>
<tr>
<td>Paramount Universal Bank Ltd</td>
<td>Mr. Ayaz Merali</td>
<td>P. O. Box 14001 Nairobi</td>
<td>+254-20-4449266</td>
<td>+254-20-449265</td>
<td><a href="mailto:pbl.bank@africaonline.co.ke">pbl.bank@africaonline.co.ke</a></td>
<td>Sound Plaza Building Westlands</td>
<td>10/1/1993</td>
<td>Small</td>
<td>3</td>
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<tr>
<td>Prime Bank Ltd</td>
<td>Mr. Vasant K Shetty</td>
<td>P. O. Box 43825 - 00100, Nairobi</td>
<td>+254-20-4203000/4203116/4203148</td>
<td>+254-20-4451247</td>
<td><a href="mailto:headoffice@primebank.co.ke">headoffice@primebank.co.ke</a></td>
<td>Riverside Drive</td>
<td>3/1/1992</td>
<td>Medium</td>
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<tr>
<td>Bank Name</td>
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<td>Telephone</td>
<td>Fax</td>
<td>Email</td>
<td>Website</td>
<td>Physical Address</td>
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<td>Peer Group</td>
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<tr>
<td>Southern Credit Banking Corporation Ltd.</td>
<td>Mrs. Muthoni Kuria</td>
<td>P. O. Box 11666 - 0400, Nairobi</td>
<td>+254-20-220948/218622/220939</td>
<td>+254-20-246309/221338</td>
<td><a href="mailto:admin@ho.southern.com">admin@ho.southern.com</a></td>
<td></td>
<td>Off-Murang’a Rd.</td>
<td>01/10/1980</td>
<td>Small</td>
</tr>
<tr>
<td>Stanbic Bank Kenya Ltd</td>
<td>Mr. Mike Dutoit</td>
<td>P. O. Box 30550 - 00100, Nairobi</td>
<td>+254-20-342771/3268000</td>
<td>+254-20-310601</td>
<td><a href="mailto:stanbic@africaonline.co.ke">stanbic@africaonline.co.ke</a></td>
<td><a href="http://www.stanbic.co.ke">www.stanbic.co.ke</a></td>
<td>Stanbic Bank Building Kenyatta Ave.</td>
<td>5/9/1970</td>
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<tr>
<td>Standard Chartered Bank (K) Ltd</td>
<td>Mr. Richard Etemesi</td>
<td>P. O. Box 30003 - 00100 Nairobi</td>
<td>+254-20-32093000/32093402</td>
<td>+254-20-223380</td>
<td><a href="mailto:mds.office@ke.standardchartered.com">mds.office@ke.standardchartered.com</a></td>
<td></td>
<td>Stanbank House Moi Ave.</td>
<td>10/1/1910</td>
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Trans-National Bank Ltd
Managing Director: Mr. Dhirendra K Rana
Postal Address: P. O. Box 34353 - 00100 Nairobi
Telephone: +254-20-224234-6/ 210335/6/252188-91
Fax: +254-20-252225
Email: ceo@tnbl.co.ke
Website:
Physical Address: Transnational Plaza Mama Ngina St.
Date Licenced: 8/1/1985
Peer Group: Small
Branches: 7

Victoria Commercial Bank Ltd
Managing Director: Mr. Yogesh K Pattni
Postal Address: P. O. Box 41114 - 00100 Nairobi
Telephone: +254-20-2719499/2719815/2710271
Fax: +254-20-2713778/2715857
Email: victoria@vicbank.com
Website:
Physical Address: Victoria Towers Kilimanjaro Ave. Upper Hill
Date Licenced: 6/1/1987
Peer Group: Small
Branches: 1

B: NON-BANKING FINANCIAL INSTITUTIONS (NBFIs)

Family Finance Building Society
Chief Executive Officer: Mr. T. Wainaina (Mr. Njunge Acting)
Postal Address: P. O Box 74145, Nairobi
Telephone: +254-20-318173/318947
Fax: +254-20-318174
Email: jamii@insightkenya.com
Website: http://www.familyfinance.co.ke
Physical Address: Fourways Towers Muindi Mbingu St.
Date Licenced: 1984
Peer Group: Small
Branches: 28
<table>
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<th>Bank Name</th>
<th>Managing Director</th>
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<th>Fax</th>
<th>Email</th>
<th>Website</th>
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<tr>
<td>Prime Capital and Credit Ltd</td>
<td>Mr. R. C. Kantaria</td>
<td>P.O Box 46559 Nairobi</td>
<td>+254-20-223644/223139/227910/223139/218670/0733616218/0722205150</td>
<td>+254-20-318661</td>
<td><a href="mailto:pcc@primekenya.com">pcc@primekenya.com</a></td>
<td></td>
<td>Keninda House Loita Street 4th Floor</td>
<td>11/1/1987</td>
<td>Small</td>
<td>1</td>
</tr>
<tr>
<td>Housing Finance Ltd</td>
<td>Mr. Frank Ireri</td>
<td>P. O. Box 30088 Nairobi</td>
<td>+254-20-221101/317474</td>
<td>+254-20-334670/250858</td>
<td><a href="mailto:housing@housing.co.ke">housing@housing.co.ke</a></td>
<td><a href="http://www.housing.co.ke">www.housing.co.ke</a></td>
<td>Rehani House Kenyatta Ave.</td>
<td>5/7/1965</td>
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<tr>
<td>Savings and Loan (K) Ltd</td>
<td>Ms. Wangui Ngatia</td>
<td>P. O. Box 45129 - 00100, Nairobi</td>
<td>+254-20-344203/251328/342189/226354/251366/342190</td>
<td>+254-20-318539/214267</td>
<td><a href="mailto:savloan@kcb.co.ke">savloan@kcb.co.ke</a></td>
<td></td>
<td>Lonrho House, 18th floor, Standard St.</td>
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## DIRECTORY OF FOREX BUREAUS

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<thead>
<tr>
<th>No</th>
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<tr>
<td>1</td>
<td>Amex Forex Bureau</td>
<td>Ground Floor, IPS Building Standard Street</td>
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<td>Aristocrats Forex Bureau</td>
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<td>Blue Nile Forex Bureau Ltd.</td>
<td>Ground Floor, I &amp; M Towers, Muindi Mbingu Street, Nairobi</td>
<td><a href="mailto:bluenile@wananchi.com">bluenile@wananchi.com</a> Fax: 254-2-222721</td>
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<td>Bamburi Forex Bureau Ltd.</td>
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<td>Nyali Mombasa</td>
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<td><a href="mailto:bamburiforex@hotmail.com">bamburiforex@hotmail.com</a></td>
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<td>Tel: 041-5486950 0722-412649/0733-466729</td>
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<td>Capital Bureau De Change Ltd.</td>
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<td>Jubilee Insurance House</td>
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<td>CashLine Forex Bureau</td>
<td>P.O. Box 64672-00619</td>
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<td>Tel: 4452296</td>
<td><a href="mailto:cash@cashlinefx.co.ke">cash@cashlinefx.co.ke</a></td>
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<td>15</td>
<td>Central Forex Bureau</td>
<td>P.O. Box 43966-00100GPO</td>
<td>I.P.S. Building, Ground Floor</td>
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<td>Nairobi</td>
<td>Kaunda Street, Nairobi</td>
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<td>Tel: 226777/224729</td>
<td><a href="mailto:centralforex@swiftkenya.com">centralforex@swiftkenya.com</a></td>
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<td>Gilfillan House Kenyatta Ave./ Banda</td>
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<td>Connection Forex Bureau Ltd.</td>
<td>P.O. Box 17967</td>
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<td>Continental Forex Bureau</td>
<td>P.O. Box 49580</td>
<td>Old Mutual Building Kimathi Street</td>
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<td>Tel: 330833/222140</td>
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<td>P.O. Box 22515</td>
<td>Corner House</td>
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<td>Fax:</td>
<td><a href="mailto:info@crown.co.ke">info@crown.co.ke</a></td>
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<td>Tel: 041-225140/224980</td>
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<tr>
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<td>Dahab Shill Forex Bureau Ltd</td>
<td>P.O. Box 68991-0622 Nairobi</td>
<td>2nd Floor, Lonrho House Standared Street</td>
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<td>P.O. Box 68747-00622 Nairobi</td>
<td>Dalsan House Eastleigh 2nd Ave.</td>
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<tr>
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<td>Diani Forex Bureau Ltd</td>
<td>P.O. Box 90775 Nairobi or P.O. Box 5362 Diani</td>
<td>Paradise Cottages Mombasa</td>
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<td>FN Centre Malindi Municipality</td>
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<td>Wison Airport Nairobi</td>
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<td>Mpaka House Westlands Nairobi</td>
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<td>Tel: 24433/241164/243115</td>
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<td>Tel: 890303/891243/892266</td>
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<td>Tel: 2446094/245863</td>
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<td>Bunyala Road, Industrial Area</td>
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<td>Unit I, J KIA Nairobi</td>
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<td>J KIA, Arrival Unit 1 Nairobi</td>
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<td>P.O. Box 54210-00200, Nairobi or P.O. Box 234 Narok, Nairobi</td>
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<td>Tel: 374883/3750331, Email: <a href="mailto:muthaigaforex@hotmail.com">muthaigaforex@hotmail.com</a>, Fax: 254-2-3746512</td>
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<td>J KIA-Unit 2, Fax: 254-2-822923</td>
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<td><a href="mailto:speedyexchange@yahoo.com">speedyexchange@yahoo.com</a>, Fax: 254-2-221761</td>
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<td>Laxmi Plaza Biashara Street, Fax: 254-2-330894</td>
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<td>Cotts House City Hall Way Transnational Bank, Fax: 254-2-317759</td>
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