BANKI KUU YA KENYA

CENTRAL BANK OF KENYA

BANK SUPERVISION ANNUAL REPORT 2006

2006

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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CENTRAL BANK OF KENYA

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.

Banking sector performance improved significantly.

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.

Legal and supervisory environment amended in line with international standards and best practice

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 enhacing 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.

Bank adopted a collaborative and consultative approach in its review and implementation of reforms

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

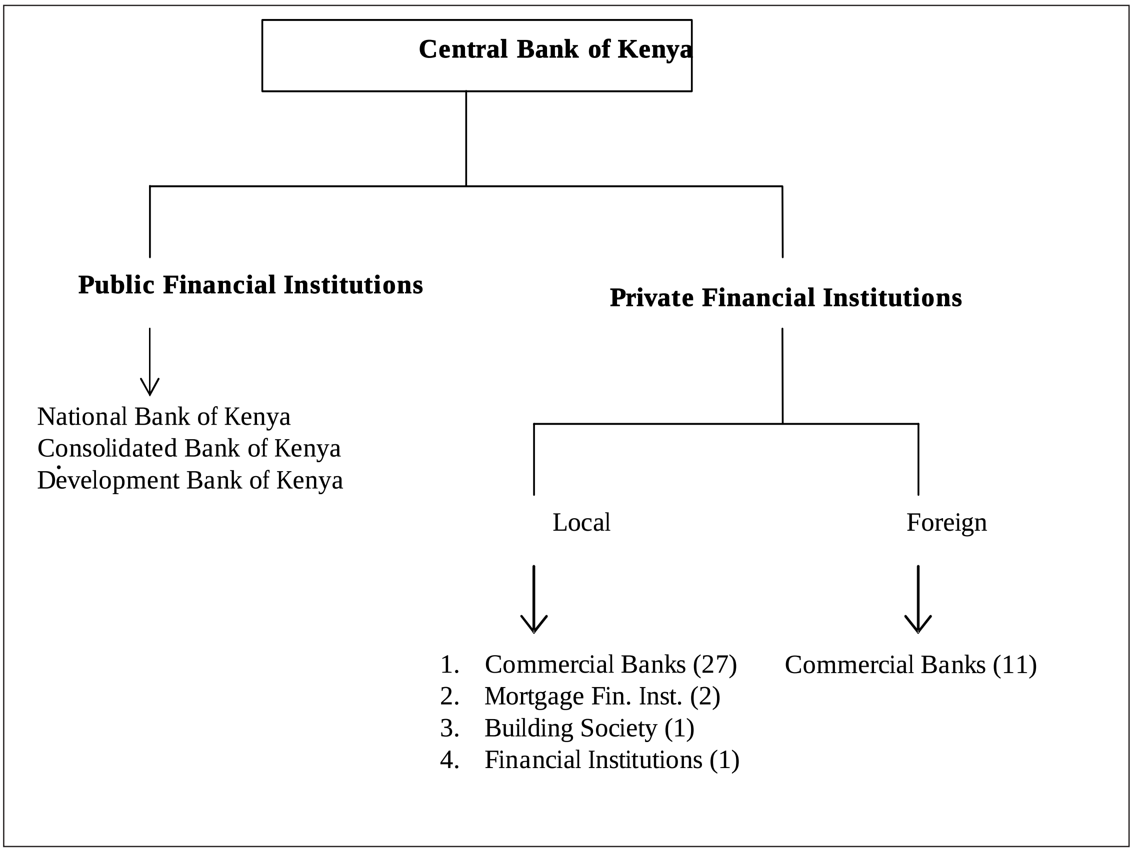
No change in the number of linstitutions

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.

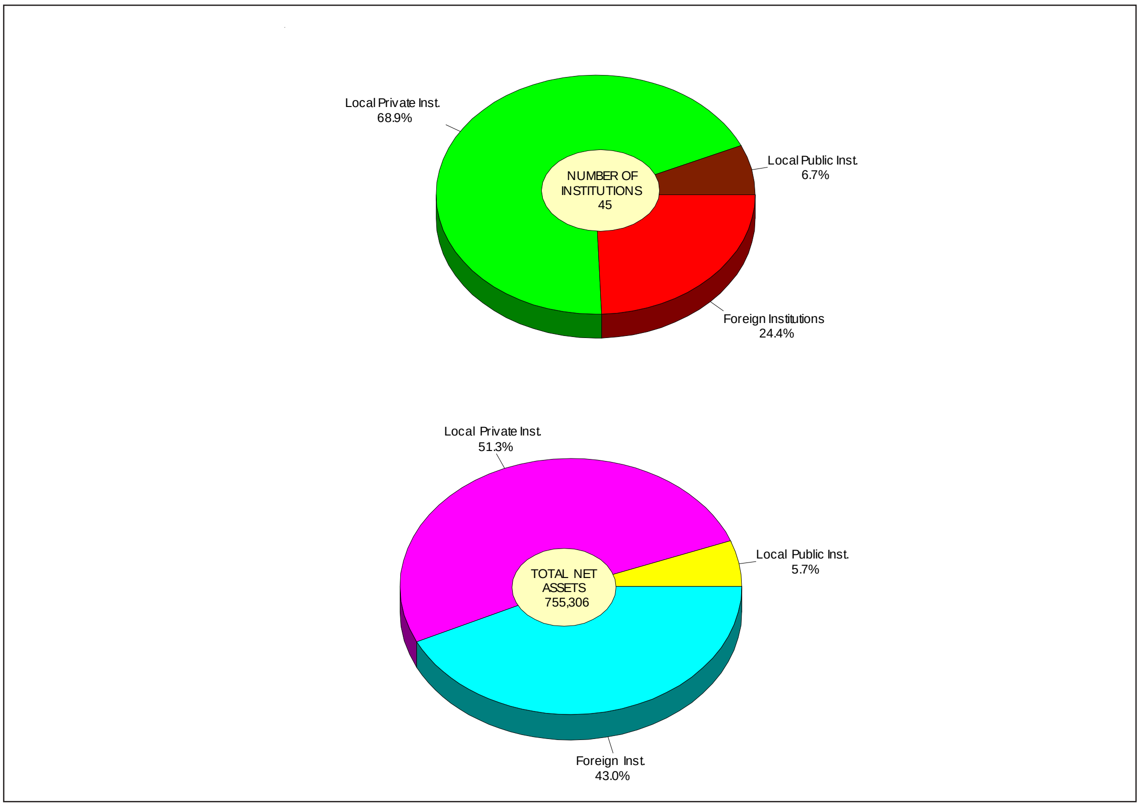
As depicted in chart 2, local banks dominate the Kenyan banking sector in terms of numbers, but only account for 48.2% of the sectors total assets closely followed by the foreign owned banks with 43% of the sectors total assets.

Chart 1: Structure of the Banking Sector



Local private institutions dominate the sector, both in number and value of assets

Chart 2: Banking Sector



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).

Notable branch expansion during the year.

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

Table 1: Regional Distribution of Branch Network

Province	2005	2006	% Change
Central	71	80	1.7%
Coast	72	75	0.6%
Eastern	39	36	-0.6%
Nairobi	214	239	4.7%
North Eastern	4	4	0.0%
Nyanza	40	41	0.2%
Rift Valley	75	82	1.3%
Western	19	18	-0.2%
Total	534	575	7.7%

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

No	City/ Town	No. of Bureaus
1	Nairobi	74
2	Mombasa	11
3	Malindi	1
4	Nakuru	2
5	Kisumu	2
6	Eldoret	2
7	Lokichogio	1
8	Namanga	1
9	Narok	1
	Total	**95**

Forex Bureau Concentrated in Cities

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.

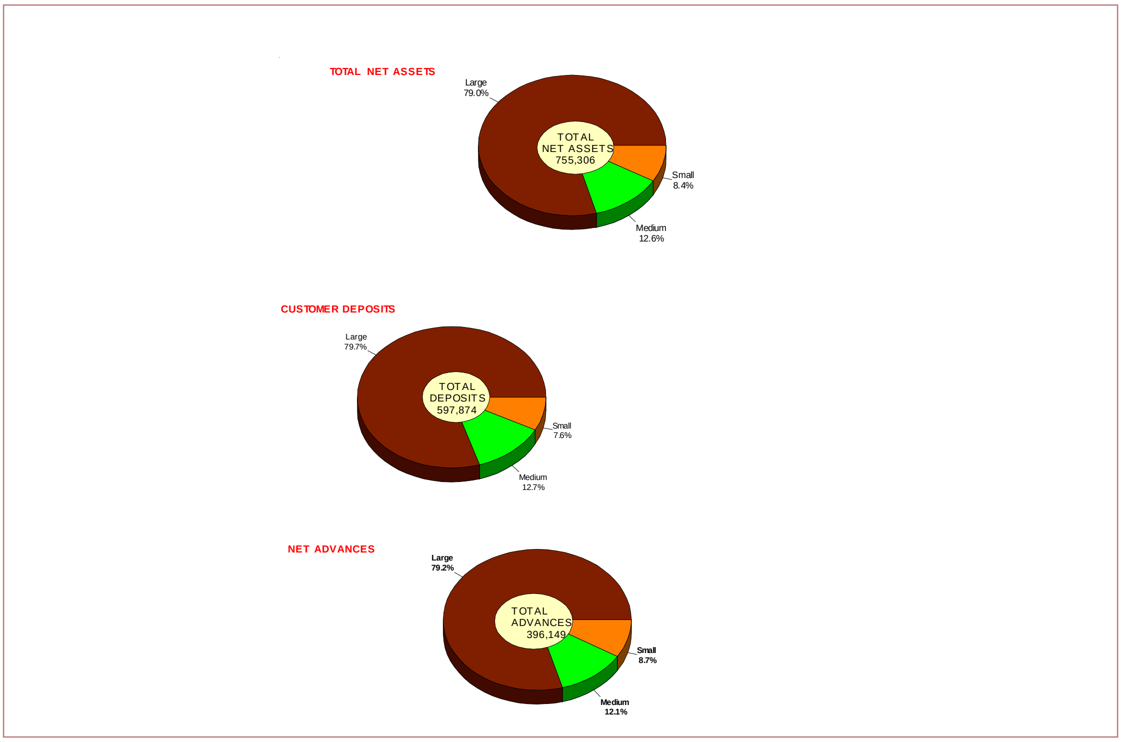
1.4 Market Share

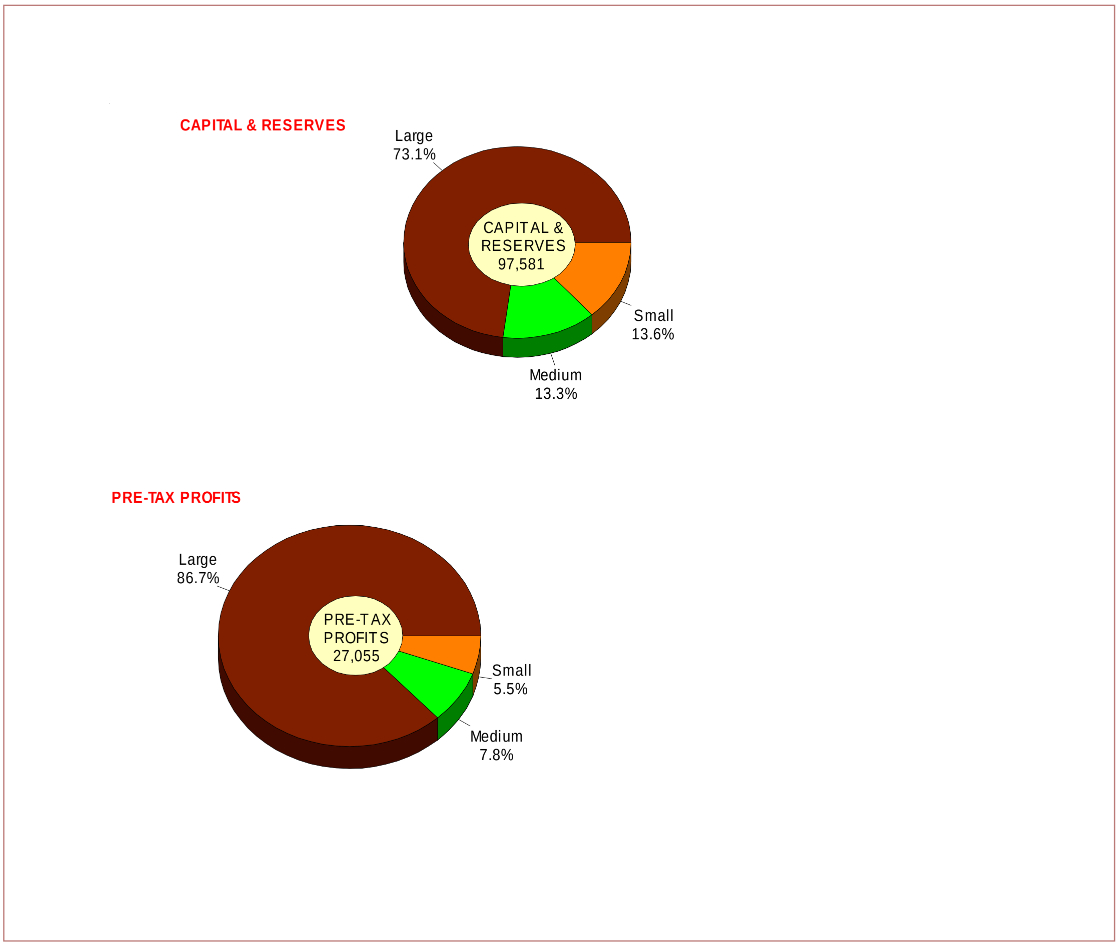
The peer grouping criteria for institutions was reviewed in December 2005 resulting in the reduction of peer groups from 5 to 3 namely, large, medium and small. The large peer group consists of institutions with gross assets above Ksh.15bn, the medium peer group of institutions with gross assets above 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.

Banking sector dominated by institutions in the Large Peer Group 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





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)

Advancement in ICT has seen evolution of electronic banking products

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 preceeding 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.

New products included Islamic banking products

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:-

Table 3: Conventional Banking vs Islamic Banking

	Distinguishing Factor	Conventional Banking	Islamic Banking
1.	Interest (Riba)	Acceptable	Not acceptable. Returns are based on profit and loss sharing
2.	Uncertainty	Allowable	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 bank can finance such.	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	Funds may be mobilized through interest bearing deposits	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 banks may lend funds and charge interest	Islamic banks cannot lend money by charging interest but have to engage in permissible investment and trading activities.

2.4 Employment Trends in the industry

There was an upward trend in employment

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

Category	2005	2006	% Change
Management	3,479	3,981	14.4%
Supervisory & Section Heads	2,978	3,258	9.4%
Clerical & Secretarial staff	5,902	7,227	22.5%
Other Support Staff	230	1,102	379.1%
Total	**12,589**	**15,568**	23.7%

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 indigenious 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.

Further consolidation of institutions anticipated.

Chapter III
Macroeconomic Conditions and Banking Sector Performance

3.1 Global economic conditions

Expansion of emerging economies has fed into Kenya's economic performance

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

East African economies remained vibrant

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

Banking sector continued to support private productive sectors of the 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

Single digit underlying inflation maintained

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

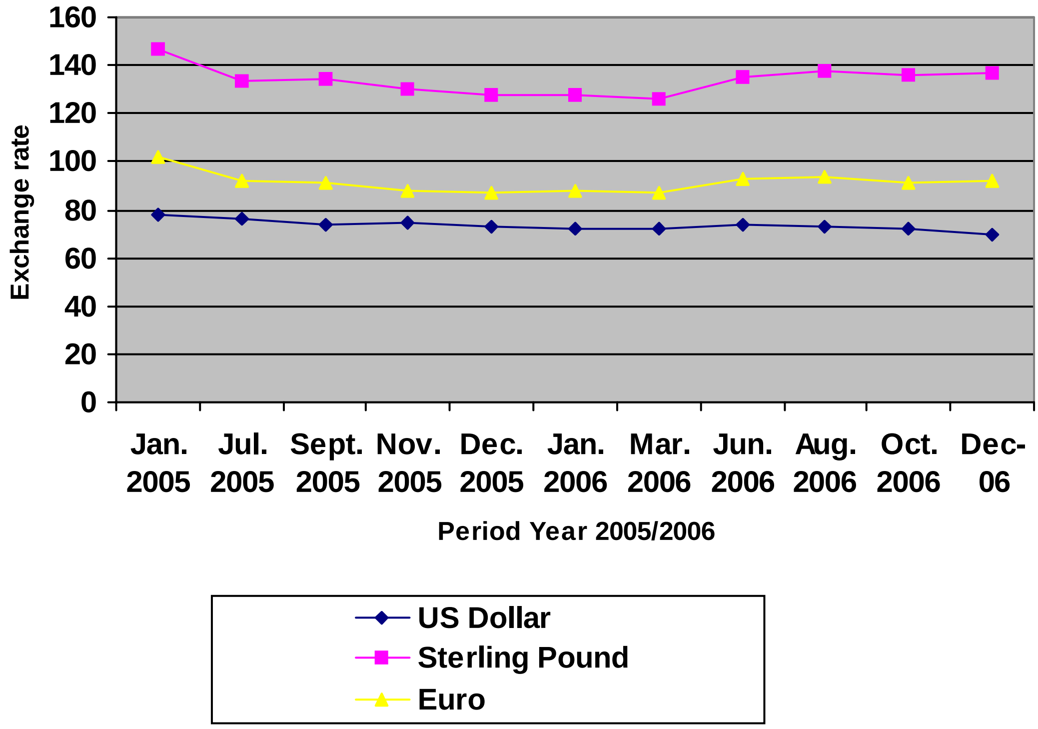
Kenyan shilling appreciated against US dollar and Japanese Yen

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

No.	Currency	2005	2006	% change
1.	US Dollar	73.11	69.63	-3.5
2.	Sterling Pound	127.62	136.79	9.2
3.	Euro	86.69	91.04	4.3
4.	100 Japanese Yen	61.63	57.76	-3.9
5.	Tshs	15.99	18.62	2.66
6.	Ushs	24.81	26.07	1.31

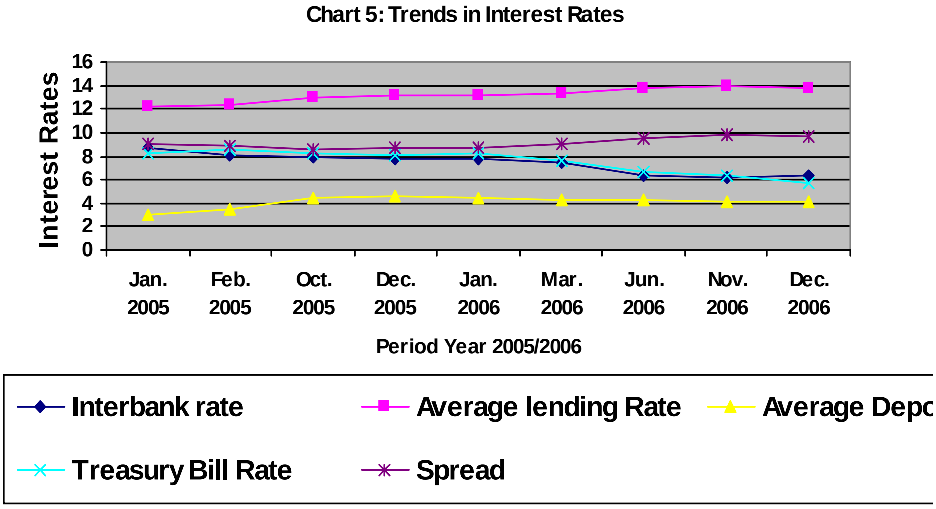
Chart 4: Kenya Shilling vs Major Currencies



3.6 Interest rates

There was sustained stability in inflation, exchange and interest rates during the year

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 8.7per 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.

Significant improvement in Balance of payments

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.

Budget deficit remained within target

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.

Sustained financial stability continued to support economic growth

3.9 Vision 2030

3.9.1 Background

Road map to attaining middle income status by 2030

In January 2005, the Government of Kenya inaugurated the National Economic and Social Council of Kenya (NESC), consisting of a team of imminent 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 Kenyan'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:

Vision 2030 anchored on Economic, Social & Political pillars

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 identified sectors to drive growth.

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.

CBK carries a significant role in developing a sound financial system critical to the realisation of vision 2030

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.

There was an overall improvement in the performance of the banking sector

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

Banking sector assets expanded significantly during the year

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 Kshs396.1billion 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

Ksh. millions	2006	2005	% Change
Assets			
Cash	15,632	13,087	19.45%
Balances at Central Bank of Kenya	40,421	35,351	14.34%
Placements (Local & Overseas)	50,161	41,182	21.80%
Government securities	144,601	114,480	26.31%
Investments	3,315	2,026	63.61%
Loan and Advances	396,149	338,399	17.07%
other assets	105,027	92,428	13.63%
Total Assets	**755,306**	**636,952**	18.58%
Liabilities and Share Holders Funds			
Customer Deposits	597,874	503,900	18.65%
Other Liabilities	59,850	50,702	18.04%
Capital and reserves	97,581	82,350	18.50%
Total Liabilities & Sherholders Funds	**755,306**	**636,952**	18.58%

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.

There was an overall improvment in asset quality

Table 7: Asset Quality

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

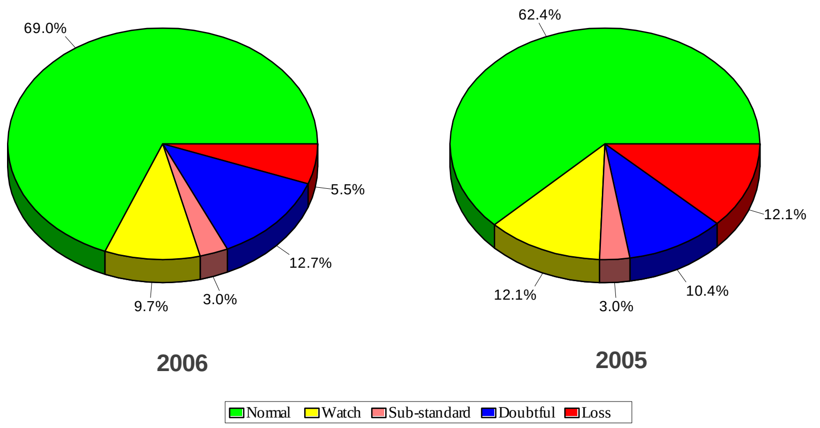
** Total loans = Gross loans net of Interest in suspense*

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

No.	Category	December 2006		December 2005	
		Amount	Percentage (%)	Amount	Percentage (%)
1	Normal	327,226	69	260,232	62
2	Watch	46,180	10	50,527	12
3	Substandard	14,147	3	12,616	3
4	Doubtful	60,272	13	43,326	10
5	Loss	26,253	6	50,595	12
	Total Loans	474,078	100	417,296	100

Chart 6: Risk Classification of loans



3.13 Capital Adequacy

The year saw an overall increase in the level of capital and reserves

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.

The sector consistently maintained high liquidity levels

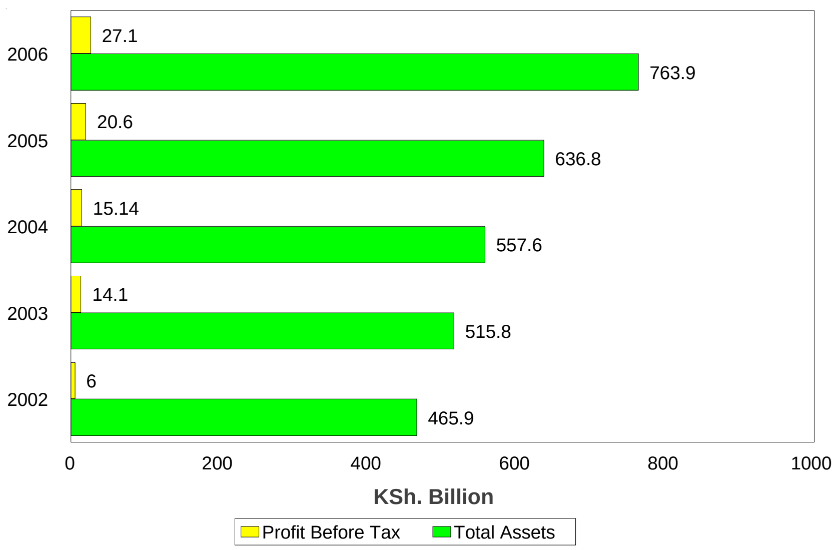
3.15 Profit and Loss

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.

The sector registered a significant growth in profits.

Chart 7: Profit Before Tax vs Total Assets



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 ntransactions based and related fees and commissions charged.

Two institutions registered losses

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

Income on advances increased

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 9: Income and Expenses

Interest income on advances accounted for the bulk of total Income

overheads consumed 46% of total income, while interest expenses consumed only 18%

KSh. Million	2006		2005		
Income		% of Total Income		% of Total Incor	%
Interest On advances	46,691	49.2%	39,803	51.3%	14.8%
Fees & Commission for loans and adv	4,545	4.8%	4,086	5.3%	10.1%
Other Fees & Commission Income	16,448	17.3%	14,541	18.8%	11.6%
Interest on government securities	13,416	14.1%	9,987	12.9%	25.6%
Interest on placement	3,242	3.4%	2,371	3.1%	26.9%
Other Income	10,654	11.2%	6,750	8.7%	36.6%
Total Income	**94,996**	**100.0%**	**77,538**	**100.0%**	**18.4%**
Expenses					
Interest Expenses	16,877	17.8%	13,204	17.0%	21.8%
Bad Debts Charge	7,672	8.1%	6,856	8.8%	10.6%
Salaries and wages	20,510	21.6%	16,809	21.7%	18.0%
Other Expenses	22,882	24.1%	20,057	25.9%	12.3%
Total Expenses	**67,941**	**71.5%**	**56,925**	**73.4%**	**16.2%**
Profit Before Tax	**27,055**	**28.5%**	**20,613**	**26.6%**	**23.8%**

Kshs13.4 billion in 2006 from Kshs9.9billion in 2005. The increase in income from government securities was due to increase in interest rate 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.

Share of fees and commission to total income increased

3.15.3 Expenses

Total expenses increased by 19.3 per cent from Kshs.56.9 billion in 2005 to Kshs.67.9billion 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. acronym for **C**apital adequacy, **A**sset quality, **M**anagement quality, **E**arnings quality, **L**iquidity.

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.

More institutions were rated strong in 2006 than 2005

Table 10: Banking Sector Performance Rating

	2006			2005		
	No. of Inst.	Assets*	%	No. of Inst	Assets*	%
Strong	13	200.7	26.6	6	49.3	7.8
Satisfactory	25	488.9	64.7	28	493.8	77.5
Fair	7	65.7	8.7	10	90.3	14.2
Marginal	0	0.0	0	1	3.3	0.5
Unsatisfactory	0	0.0	0	0	0.0	0.0
	45	755.3	100.0	45	636.7	100.0

** Net Assets in Ksh. Billion*

Instistitutions 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.

There was overall improvement in the performance rating

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:-

Banking (Amendment) Act 2006, ceding supervisory powers to Central Bank and capping accrual of interest on NPLs enacted

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.

H.E The President assented to The Finance Act, 2006

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.

Sharing of adverse information by institutions allowed

- 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.

Microfinance Act was enacted

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.

Only 19% of Kenyan population have access to formal financial services, and 38% are financially excluded

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 other and 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

Scope of business transactions by forex bureaus expanded

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.

Monetary penalties introduced to enforce compliance

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.

Transaction splitting to avoid documentation disallowed

4.6 Proceeds of Crime and Anti Money Laundering Bill, 2006

Proceeds of crime and Anti-Money Laundering Bill 2006, published and tabled in Parliament

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 launders 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 suprvisory initiatives aimed at fostering financial system stability.

5.2 Risk Management Programs

All institutions licensed under the Banking Act submitted their RMPs to Central Bank Kenya for review

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.

Regional workshop held to harmonize approach to implementation of IFRs changes

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.

There will be convergence between regulatory and prudential requirements

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 :

IFRS7 eliminated some disclosures under IAS 32 and introduced additional ones

- 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 pricerisk .
- 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.

Presentation of market risk sensitivity analysis and other quantitative disclosures still poses significant challenge

- 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

Kenya has set up strategic objectives to meet international standards in proceeds of crime and AML prevention

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.

Development partners have expressed interest in providing technical & financial assistance

- 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.

CBK, BOU and BOT have resolved to implement Basle II after fulfilling its key prerequisites

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 conducted under FLSTAP

A comprehensive review of the Banking Act was embarked on with the over arching 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 address0 the weaknesses in the Kenyan financial system identified by 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, if 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 sub-sistence 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 milion 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.

	I: BANKING SECTOR BALANCE SHEET									
A	ASSETS									
		2005				2006				
		Banks	**NBFIs**	**Total**	**% of tota**	**Banks**	**NBFIs**	**Total**	**% of total**	**Growth**
1	Cash balances (both local and foreign)	12,753	333	13,087	2.1%	15,277	355	15,632	2.1%	19.4%
2	Balances due from Central Bank of Kenya	35,241	110	35,351	5.5%	40,306	115	40,421	5.4%	14.3%
3	Kenya Government securities	111,425	2,735	114,160	17.9%	141,723	2,672	144,395	19.1%	26.5%
4	Foreign Currency Treasury bills and bonds	320	-	320	0.1%	206	-	206	0.0%	-35.5%
5	Deposits and balances due from local banking institutions	14,065	3,385	17,450	2.7%	18,327	3,118	21,445	2.8%	22.9%
6	Deposits and balances due from banking institutions abroad	23,732	0	23,733	3.7%	28,716	0	28,716	3.8%	21.0%
7	Government and other securities held for dealing purposes	14,941	-	14,941	2.3%	16,888	-	16,888	2.2%	13.0%
8	Tax recoverable	3,686	33	3,719	0.6%	511	13	525	0.1%	-85.9%
9	Loans and advances to customers(Net)	326,243	12,156	338,399	53.1%	381,540	14,610	396,149	52.4%	17.1%
10	Investments securities	1,824	202	2,026	0.3%	2,520	795	3,315	0.4%	63.6%
11	Balances due from group companies	23,457	-	23,457	3.7%	31,641	-	31,641	4.2%	34.9%
12	Investment in associates	219	28	246	0.0%	819	57	877	0.1%	255.7%
13	Investment in subsidiary companies	3,447	130	3,577	0.6%	4,051	130	4,181	0.6%	16.9%
14	Investment in joint ventures	-	-	-	0.0%	-	-	-	0.0%	0.0%
15	Investment properties	2,103	46	2,149	0.3%	1,491	45	1,535	0.2%	-28.6%
16	Property & equipment	15,320	568	15,888	2.5%	17,412	826	18,238	2.4%	14.8%
17	Prepaid lease rentals	1,035	64	1,099	0.2%	1,124	49	1,173	0.2%	6.7%
18	Intangible assets	1,486	97	1,583	0.2%	1,378	80	1,458	0.2%	-7.9%
19	Deferred tax asset	3,932	25	3,957	0.6%	2,734	38	2,772	0.4%	-29.9%
20	Retirement benefit asset	1,577	20	1,597	0.3%	1,626	52	1,678	0.2%	5.1%
21	Other assets	19,897	318	20,215	3.2%	23,698	363	24,062	3.2%	19.0%
22	**TOTAL ASSETS**	**616,702**	**20,251**	**636,952**	100.0%	**731,988**	**23,317**	**755,306**	100.0%	18.6%
B.	**LIABILITIES**									
23	Balances due to Central Bank of Kenya	0	-	0	0.0%	0	-	0	0.0%	0.0%
24	Customer deposits	487,723	16,178	503,900	90.9%	580,684	17,191	597,874	90.9%	18.6%
25	Deposits and balances due to local banking institutions	14,058	162	14,219	2.6%	17,619	123	17,742	2.7%	24.8%
26	Deposits and balances due to banking institutions abroad	1,092	-	1,092	0.2%	4,265	-	4,265	0.6%	290.6%
27	Other Money Markets deposits	97	-	97	0.0%	323	-	323	0.0%	234.4%
28	Borrowed funds	7,684	-	7,684	1.4%	5,626	37	5,663	0.9%	-26.3%
29	Balances due to group companies	2,984	558	3,542	0.6%	2,063	929	2,992	0.5%	-15.5%
30	Taxation payable	660	12	672	0.1%	1,812	55	1,867	0.3%	177.8%
31	Dividends payable	463	16	479	0.1%	355	148	503	0.1%	5.0%
32	Deferred tax liability	463	-	463	0.1%	408	10	418	0.1%	-9.8%
33	Retirement benefits liability	79	-	79	0.0%	35	-	35	0.0%	-56.4%
34	Other liabilities	22,059	315	22,374	4.0%	25,632	411	26,043	4.0%	16.4%
35	**TOTAL LIABILITIES**	**537,362**	**17,240**	**554,602**	100.0%	**638,822**	**18,903**	**657,724**	100.0%	18.6%
C	**SHAREHOLDERS' FUNDS**									
36	Paid up/ assigned capital	43,920	1,725	45,645	55.4%	45,798	1,811	47,609	48.8%	4.3%
37	Share premium/(discounts)	7,279	26	7,305	8.9%	7,824	499	8,322	8.5%	13.9%
38	Revaluation reserves	2,388	239	2,627	3.2%	2,864	824	3,688	3.8%	40.4%
39	Retained earnings /accumulated losses	19,606	656	20,262	24.6%	30,825	783	31,608	32.4%	56.0%
40	Statutory loan loss reserve	536	289	826	1.0%	1,011	417	1,428	1.5%	73.0%
41	Proposed dividend (gross)	4,893	25	4,918	6.0%	4,147	30	4,177	4.3%	-15.1%
42	Capital grants	718	51	769	0.9%	697	51	748	0.8%	-2.7%
43	**TOTAL SHAREHOLDERS' FUNDS**	**79,339**	**3,011**	**82,350**	100.0%	**93,167**	**4,415**	**97,581**	100.0%	18.5%
44	**TOTAL LIABILITY & SHAREHOLDERS' FUNDS**	**616,702**	**20,251**	**636,952**		**731,988**	**23,317**	**755,306**		

	BANKING SECTOR PROFIT AND LOSS ACCOUNT									Appendix II
		2005				2006				
		Banks	NBFIs	Total	% of tot	Banks	NBFIs	Total	% of total	Growth
1.0	**INTEREST INCOME**									
1.1	Loans and advances	38,273	1,530	39,803	51.3%	44,715	1,976	46,691	49.1%	17.3%
1.2	Government Securities	9,797	190	9,987	12.9%	13,226	190	13,416	14.1%	34.3%
1.3	Deposits and placements with banking institutions	2,140	231	2,371	3.1%	3,055	187	3,242	3.4%	36.7%
1.4	Other interest income	347	-	347	0.4%	892	-	892	1.4%	156.9%
1.5	**Total Interest Income**	**50,557**	**1,951**	**52,508**	67.7%	**61,888**	**2,353**	**64,240**	67.6%	22.3%
2.0	**INTEREST EXPENSES**									
2.1	Customers deposits	11,504	575	12,079	21.2%	14,885	588	15,473	30.2%	28.1%
2.2	Deposits and placements from banking institutions	785	15	800	1.4%	876	51	927	1.4%	15.9%
2.3	Other interest expenses	315	9	324	0.6%	464	13	477	0.7%	47.1%
2.4	**Total Interest Expenses**	**12,604**	**599**	**13,204**	23.2%	**16,225**	**653**	**16,877**	24.8%	27.8%
3.0	**NET INTEREST INCOME/(LOSS)**	**37,953**	**1,352**	**39,305**		**45,663**	**1,700**	**47,363**		
4.0	**NON-OPERATING INCOME**									
4.1	Fees and Commissions on loans and advances	3,627	459	4,086	5.3%	3,918	627	4,545	4.8%	11.3%
4.2	Other fees and commissions	14,494	46	14,541	18.8%	16,403	46	16,448	17.3%	13.1%
4.3	Foreign exchange trading income/(loss)	4,202	-	4,202	5.4%	5,672	-	5,672	6.0%	35.0%
4.4	Dividend income	288	19	307	0.4%	293	5	298	0.5%	-2.7%
4.5	Other income	1,686	210	1,896	2.4%	3,623	170	3,793	4.0%	100.1%
4.6	**Total Non Interest Income**	**24,296**	**734**	**25,030**	32.3%	**29,909**	**848**	**30,757**	32.4%	22.9%
5.0	**TOTAL OPERATING INCOME**	**74,853**	**2,685**	**77,539**		**91,797**	**3,201**	**78,120**		0.8%
6.0	**OPERATING EXPENSES**									
6.1	Loan loss provision	6,573	283	6,856	12.0%	7,462	210	7,672	11.3%	11.9%
6.2	Staff costs	16,133	676	16,809	29.5%	19,714	795	20,510	30.2%	22.0%
6.3	Directors emoluments	779	37	816	1.4%	867	28	895	1.3%	9.7%
6.4	Rental charges	1,301	128	1,428	2.5%	1,545	176	1,721	2.5%	20.5%
6.5	Depreciation on property and equipment	2,176	65	2,241	3.9%	2,426	106	2,532	3.7%	13.0%
6.6	Amortization charges	375	44	418	0.7%	445	35	480	0.7%	14.7%
6.7	Other expenses	14,711	443	15,155	26.6%	16,737	518	17,256	25.4%	13.9%
6.8	**Total Other Operating Expenses**	**42,047**	**1,675**	**43,722**	76.8%	**49,196**	**1,868**	**51,065**	75.2%	16.8%
7.0	**Profit/(loss) before tax and exceptional items**	**32,806**	**1,010**	**33,816**		**42,600**	**1,333**	**27,056**		-20.0%
8.0	Exceptional items	201	-	201		43	-	43		-78.5%
9.0	**Profit/(loss) after exceptional items**	**32,605**	**1,010**	**33,615**		**42,557**	**1,333**	**27,012**		-19.6%
10.0	Current tax	4,541	124	4,665		6,736	192	6,928		48.5%
11.0	Deferred tax	1,367	(1)	1,367		1,188	(1)	1,187		-13.2%
12.0	**Profit/(loss) after tax and exceptional items**	**26,697**	**887**	**27,584**		**34,633**	**1,142**	**18,898**		-31.5%

	Performance Indicators									
	Yield on Earning Assets	11.0%	10.9%	11.0%		11.4%	12.7%	11.4%		
	Cost of Funding Earning Assets	4.6%	3.3%	4.5%		4.8%	3.6%	4.7%		
	Interest Margin on Earning Assets	6.4%	7.6%	6.4%		6.6%	9.1%	6.7%		
	Yield on Adavances	10.6%	9.9%	10.6%		10.8%	11.8%	10.8%		
	Cost of Deposits	2.4%	3.6%	2.5%		2.6%	3.7%	2.6%		
	Return on Assets (ROA)	3.7%	4.0%	3.7%		3.9%	5.0%	2.4%		
	Return on Equity (ROE)	41.3%	33.6%	41.1%		45.7%	30.2%	27.7%		
	Overheads to Earnings	56.6%	62.7%	56.8%		54.1%	58.8%	54.3%		
	Gross Provisions/Gross NPLs	24.8%	44.9%	25.7%		21.0%	28.5%	21.3%		
	Gross NPLs/Gross Loans	19.4%	33.1%	19.9%		16.0%	20.0%	16.2%		
	Total NPLs/Total Loans	6.7%	17.9%	7.1%		4.8%	10.6%	5.0%		
	Net NPLs/Gross Loans	18.2%	27.0%	18.5%		16.2%	17.9%	16.3%		
	Gross Provisions/Gross Loans	10.5%	20.3%	10.8%		8.5%	12.7%	8.7%		
	Total NPLs/Total Assets									
	RATINGS	**2.00**	**1.00**	**2.00**		**2.00**	**1.00**	**2.00**		
	Capital Adequacy	**2.00**	**4.00**	**2.00**		**1.00**	**3.00**	**1.00**		
	Asset Quality	**1.00**	**1.00**	**1.00**		**1.00**	**1.00**	**2.00**		
	Earnings	**1.00**	**0.00**	**1.00**		**1.00**	**1.00**	**1.00**		
	Liquidity	**1.50**	**1.50**	**1.50**		**1.25**	**1.50**	**1.50**		
	Composite Score	**Satisfactory**	**Satisfactory**	**Satisfactory**		**Strong**	**Satisfactory**	**Satisfactory**		
	Performance Category									

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

	BANKING SECTOR DISCLOSURES									Appendix III
		2005				2006				
		Banks	NBFIs	Total	% of tot	Banks	NBFIs	Total	% of total	Growth
1)	**NON-PERFORMING LOANS AND ADVANCES**									
a)	**Gross non-performing loans and advances**	99,053	7,486	106,539		95,616	5,075	100,691		-5.5%
	Less:									
b)	Interest in suspense	34,544	3,365	37,910		33,200	2,115	35,315		-6.8%
c)	**Total non-performing loans and advances (a-b)**	**64,509**	**4,121**	**68,629**		**62,416**	**2,960**	**65,376**		-4.7%
	Less:	-								
d)	Loan loss provision	37,875	1,141	39,016		40,640	1,077	41,718		6.9%
e)	**Net Non-performing Loans (c-d)**	**26,633**	**2,980**	**29,613**		**21,776**	**1,882**	**23,658**		-20.1%
f)	Discounted value of securities	26,604	2,975	29,579		21,975	1,882	23,857		-19.3%
g)	**Net NPLs Exposure (e-f)**	29	**5**	**34**		**-199**	**-**	**(199)**		-677.0%
2)	**INSIDER LOANS,ADVANCES AND OTHER FACILITIES**									
a)	Directors, shareholders and associates	23,978	175	24,153		28,146	185	28,331		17.3%
b)	Employees	10,522	257	10,779		11,834	355	12,189		13.1%
c)	**Total Insider Loans, Advances and Other Facilities**	**34,500**	**432**	**34,932**		**39,980**	**541**	**40,520**		16.0%
3)	**OFF BALANCE SHEET**									
a)	Letters of credit, guarantees, acceptances	74,794	153	74,947		94,029	157	94,187		25.7%
b)	Other contingent liabilities	128,649	37	128,686		179,066	36	179,102		39.2%
c)	**Total Contingent Liabilities**	**203,442**	**190**	**203,632**		**273,095**	**194**	**273,288**		34.2%
4)	**CAPITAL STRENGTH**									
a)	Core capital	72,980	2,319	75,299		81,550	3,012	84,563		12.3%
b)	Minimum statutory capital	250	200			250	200			
c)	Excess/(defficiency)									
d)	Supplementary capital	3,832	483	4,315		2,861	230	3,091		-28.4%
e)	**Total capital (a + d)**	**76,812**	**2,802**	**79,614**		**84,411**	**3,242**	**87,653**		10.1%
f)	Total risk weighted assets	457,007	14,308	471,314		498,586	14,386	512,972		8.8%
g)	**Core capital/total deposit liabilities**	15%	14%	14%		14%	17%	14%		
h)	Minimum statutory ratio	8%	8%	8%		8%	8%	8%		
i)	Excess/(defficiency)	7%	6%	6%		6%	9%	6%		
j)	**Core Capital/Total Risk Weighted Assets**	16%	16%	16%		16%	21%	16%		
k)	Minimum Statutory Ratio	8%	8%	8%		8%	8%	8%		
l)	Excess/(Defficiency)	8%	8%	8%		8%	13%	8%		
m)	**Total capital/total risk weighted assets**	17%	20%	17%		17%	23%	17%		
n)	Minimum Statutory Ratio	12%	12%	12%		12%	12%	12%		
o)	Excess/(Defficiency)	5%	8%	5%		5%	11%	5%		
5)	**Liquidity**									
a)	Liquidity ratio	42%	33%	41%		46%	35%	44%		
b)	Minimum Statutory Ratio	20%	20%	20%		20%	20%	20%		
c)	Excess/(Defficiency) (a-b)	22%	13%	21%		26%	15%	24%		

Appendix IV

MARKET SHARE : (NET ASSETS, NET ADVANCES, DEPOSITS, CAPITAL & PROFITS). DEC.,2006

shs.m

	INSTITUTION	TOTAL NET ASSETS	MARKET SHARE (%)	NET ADVANCES	MARKET SHARE (%)	CUSTOMER DEPOSITS	MARKET SHARE (%	CAPITAL & RESERVES	MARKET SHARE (%)	PRE-TAX PROFITS	MARKET SHARE (%)
	Banks										
	Large										
1	Barclays Bank of Kenya Ltd	118,021	16.12	73,907	19.37	93,837	16.16	14,862	15.95	6,624	25.11
2	Kenya Commercial Bank Ltd	87,326	11.93	40,659	10.66	71,495	12.31	11,481	12.32	3,035	11.51
3	Standard Chartered Bank Ltd	81,135	11.08	35,762	9.37	64,879	11.17	10,039	10.78	3,798	14.40
4	Co-operative Bank of Kenya Ltd	57,683	7.88	28,037	7.35	48,201	8.30	4,810	5.16	1,233	4.68
5	Citibank, N.A.	37,794	5.16	12,327	3.23	25,331	4.36	6,256	6.71	1,530	5.80
6	Commercial Bank of Africa Ltd	37,507	5.12	14,223	3.73	32,517	5.60	3,631	3.90	1,311	4.97
7	National Bank of Kenya Ltd	36,123	4.93	26,491	6.94	28,639	4.93	3,848	4.13	934	3.54
8	National Industrial Credit Bank Ltd	26,108	3.57	16,570	4.34	21,978	3.78	3,035	3.26	675	2.56
9	Stanbic Bank Kenya Ltd	25,823	3.53	11,348	2.97	19,760	3.40	2,738	2.94	917	3.48
10	CFC Bank Ltd	25,392	3.47	15,053	3.95	18,507	3.19	2,990	3.21	679	2.57
11	Investment & Mortgages Bank Ltd	22,348	3.05	14,702	3.85	18,220	3.14	2,795	3.00	936	3.55
12	Diamond Trust Bank Kenya Ltd	21,564	2.95	13,833	3.63	16,726	2.88	2,609	2.80	685	2.60
13	Equity Bank Ltd	20,024	2.74	10,930	2.86	16,337	2.81	2,201	2.36	1,100	4.17
	Total (large)	**596,848**	**82**	**313,840**	**82**	**476,426**	**82**	**71,294**	**77**	**23,458**	**89**
	Medium										
14	Bank of Baroda	11,773	1.61	4,373	1.15	10,122	1.74	1,263	1.36	373	1.41
15	Prime Bank Ltd	10,452	1.43	4,880	1.28	8,289	1.43	1,318	1.41	191	0.72
16	Imperial Bank Ltd	9,406	1.28	5,420	1.42	7,074	1.22	1,353	1.45	387	1.47
17	EABS Bank Ltd	8,910	1.22	4,462	1.17	7,011	1.21	1,571	1.69	47	0.18
18	Bank of India	8,702	1.19	3,232	0.85	7,146	1.23	1,023	1.10	278	1.05
19	Fina Bank Ltd	6,502	0.89	3,784	0.99	5,199	0.90	972	1.04	147	0.56
20	Bank of Africa Ltd	6,488	0.89	3,774	0.99	4,936	0.85	978	1.05	61	0.23
21	African Banking Corporation Ltd	5,357	0.73	2,841	0.74	4,081	0.70	677	0.73	140	0.53
22	Habib AG Zurich	5,323	0.73	1,300	0.34	4,347	0.75	650	0.70	165	0.63
23	Habib Bank Ltd	2,963	0.40	791	0.21	2,433	0.42	446	0.48	6	0.02
24	K-REP Bank Ltd	5,220	0.71	3,755	0.98	3,308	0.57	898	0.96	152	0.58
25	Giro Commercial Bank Ltd	5,098	0.70	3,020	0.79	4,493	0.77	495	0.53	59	0.22
	Total(Medium)	**86,195**	**12**	**41,632**	**11**	**68,439**	**12**	**11,645**	**12**	**2,006**	**8**
	Small										
26	Guardian Bank Ltd	4,917	0.67	2,960	0.78	3,995	0.69	788	0.85	48	0.18
27	Southern Credit Banking Corp.Ltd	4,580	0.63	2,270	0.59	3,741	0.64	533	0.57	32	0.12
28	Victoria Commercial Bank Ltd	4,284	0.59	2,168	0.57	3,654	0.63	581	0.62	128	0.48
29	Chase Bank Ltd	4,123	0.56	2,016	0.53	3,235	0.56	636	0.68	111	0.42
30	Equatorial Commercial Bank Ltd	3,962	0.54	2,413	0.63	3,281	0.57	617	0.66	94	0.36
31	Consolidated Bank of Kenya Ltd	3,437	0.47	1,642	0.43	2,463	0.42	722	0.78	16	0.06
32	Middle East Bank of Kenya Ltd	3,401	0.46	1,982	0.52	2,338	0.40	842	0.90	100	0.38
33	Development Bank of Kenya Ltd	3,297	0.45	1,577	0.41	1,351	0.23	1,068	1.15	127	0.48
34	Credit Bank Ltd	2,610	0.36	1,422	0.37	1,960	0.34	510	0.55	90	0.34
35	Transnational Bank Ltd	2,566	0.35	1,304	0.34	1,264	0.22	1,122	1.20	46	0.18
36	Fidelity Commercial Bank Ltd	2,316	0.32	1,430	0.37	1,977	0.34	287	0.31	26	0.10
37	Paramount-Universal Bank Ltd	2,197	0.30	927	0.24	1,745	0.30	426	0.46	31	0.12
38	Oriental Commercial Bank Ltd	1,449	0.20	414	0.11	733	0.13	673	0.72	-65	-0.25
39	Dubai Bank Ltd	1,248	0.17	742	0.19	801	0.14	397	0.43	20	0.08
40	City Finance Bank Ltd	527	0.07	230	0.06	126	0.02	354	0.38	-17	-0.06
41	Charterhouse Bank Ltd	4,028	0.55	2,571	0.67	3,154	0.54	670	0.72	124	0.47
	Total (small)	**48,944**	**7**	**26,067**	**7**	**35,818**	**6**	**10,227**	**11**	**912**	**3**
	Total for banks	**731,988**	**100**	**381,540**	**100**	**580,684**	**100**	**93,167**	**100**	**26,375**	**100**
	Mortgage Finance Companies										
1	Housing Finance	9,142	65.23	6,345	63.40	7,619	70.41	1,368	66.88	112	46.14
2	Savings & Loan (K) Ltd	4,873	34.77	3,662	36.60	3,202	29.59	677	33.12	130	53.86
	Sub Total	**14,015**	**100**	**10,007**	**100**	**10,821**	**100**	**2,045**	**100**	**242**	**100**
	Non Bank Financial Institutions										
1	Prime Capital and Credit Ltd.	3,835	100%	2,028	100%	2,209	100%	1,462	100%	173	100%
	Total	**3,835**	100%	**2,028**	100%	**2,209**	100%	**1,462**	100%	**173**	100%
	Building Societies										
1	Family Finance Building Society	5,469	100.00	2,574	100.00	4,160	100.00	908	100.00	264	100.00
	Total	**5,469**	**100.00**	**2,574**	**100.00**	**4,160**	**100.00**	**908**	**100.00**	**264**	**100.00**
	Grand Total	**755,306**		**396,149**		**597,874**		**97,581**		**27,055**	

Appendix v

PROFITABILITY OF BANKING INSTITUTIONS

Ksh.Million.

		1	2	3	4	5
		PROFIT BEFORE TAX	**RETURN ON ASSETS**		**RETURN ON EQUITY**	
			GROSS ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
	BANKS					
1	African Banking Corporation Ltd	140	6591	2.1%	677	20.66
2	Bank of Africa Ltd	61	8515	0.7%	978	6.27
3	Bank of Baroda	373	12809	2.9%	1,263	29.50
4	Bank of India	278	9538	2.9%	1,023	27.13
5	Barclays Bank of Kenya Ltd	6,624	149039	4.4%	14,862	44.57
6	CFC Bank Ltd	679	31869	2.1%	2,990	22.70
7	Charterhouse Bank Ltd	124	4501	2.8%	670	18.51
8	Chase Bank Ltd	111	4800	2.3%	636	17.48
9	Citibank, N.A.	1,530	44831	3.4%	6,256	24.46
10	City Finance Bank Ltd	-17	731	-2.3%	354	-4.79
11	Commercial Bank of Africa Ltd	1,311	45002	2.9%	3,631	36.10
12	Consolidated Bank of Kenya Ltd	16	4100	0.4%	722	2.25
13	Co-operative Bank of Kenya Ltd	1,233	77227	1.6%	4,810	25.64
14	Credit Bank Ltd	90	2610	3.4%	510	17.60
15	Development Bank of Kenya Ltd	127	3800	3.4%	1,068	11.92
16	Diamond Trust Bank Kenya Ltd	685	26153	2.6%	2,609	26.26
17	Dubai Bank Ltd	20	1690	1.2%	397	5.08
18	EABS Bank Ltd	47	10600	0.4%	1,571	3.01
19	Equatorial Commercial Bank Ltd	94	4145	2.3%	617	15.24
20	Equity Bank Ltd	1,100	22391	4.9%	2,201	49.99
21	Fidelity Commercial Bank Ltd	26	2600	1.0%	287	9.12
22	Fina Bank Ltd	147	8531	1.7%	972	15.17
23	Giro Commercial Bank Ltd	59	5700	1.0%	495	11.92
24	Guardian Bank Ltd	48	5712	0.8%	788	6.12
25	Habib AG Zurich	165	5900	2.8%	650	25.40
26	Habib Bank Ltd	6	3900	0.1%	446	1.25
27	Imperial Bank Ltd	387	12400	3.1%	1,353	28.57
28	Investment & Mortgages Bank Ltd	936	30054	3.1%	2,795	33.50
29	Kenya Commercial Bank Ltd	3,035	115592	2.6%	11,481	26.44
30	K-REP Bank Ltd	152	5350	2.8%	898	16.92
31	Middle East Bank of Kenya Ltd	100	5159	1.9%	842	11.87
32	National Bank of Kenya Ltd	934	70125	1.3%	3,848	24.28
33	National Industrial Credit Bank Ltd	675	29240	2.3%	3,035	22.24
34	Oriental Commercial Bank Ltd	-65	2124	-3.1%	673	-9.67
35	Paramount-Universal Bank Ltd	31	3000	1.0%	426	7.24
36	Prime Bank Ltd	191	12417	1.5%	1,318	14.51
37	Southern Credit Banking Corp.Ltd	32	5404	0.6%	533	6.07
38	Stanbic Bank Kenya Ltd	917	31246	2.9%	2,738	33.48
39	Standard Chartered Bank Ltd	3,798	114162	3.3%	10,039	37.83
40	Transnational Bank Ltd	46	2820	1.6%	1,122	4.12
41	Victoria Commercial Bank Ltd	128	4698	2.7%	581	21.93
	SUB-TOTAL	**26,375**	**947078**	**2.8%**	**93,167**	**28.31**
	NBFI'S					
1	Housing Finance	112	11469	1.0%	1,368	8.17
2	Prime Capital & Credit Ltd.	173	4211	4.1%	1,462	11.86
3	Savings and Loan (K) Ltd.	130	5444	2.4%	677	19.26
	SUB-TOTAL	**416**	**21124**	**2.0%**	**3,507**	11.85
	BUILDING SOCIETIES					
1	Family Finance Building Society	264	5868	4.5%	908	29.13
	SUB-TOTAL	**264**	**5868**	**4.5%**	**908**	**0.29**
	GRAND TOTAL	**27,055**	**974,070**	**2.8%**	**97,581**	**27.73%**

						Appendix VI
	CAPITAL AND RISK WEIGHTED ASSETS - DECEMBER, 2006					Shs'000'
	INSTITUTION	CORE CAPITAL	TOTAL CAPITAL	OVERALL RISK WEIGHTED ASSETS	CORE CAPITAL RISK WEIGHTE ASSETS RATIO	TOTAL CAPITAL TO RISK WEIGHTED ASSETS RATIO
	Banks					
1	African Banking Corporation Ltd	669,709	676,522	3,861,314	17.34	17.52
2	Bank of Africa Ltd	746,147	785,542	4,649,280	16.05	16.90
3	Bank of Baroda	1,263,123	1,263,123	4,588,879	27.53	27.53
4	Bank of India	940,617	940,617	3,741,211	25.14	25.14
5	Barclays Bank of Kenya Ltd	12,375,000	12,375,000	102,066,000	12.12	12.12
6	CFC Bank Ltd	2,765,391	3,541,415	19,362,235	14.28	18.29
7	Charterhouse Bank Ltd	670,044	670,044	2,619,832	25.58	25.58
8	Chase Bank Ltd	622,206	622,206	2,684,426	23.18	23.18
9	Citibank, N.A.	5,651,064	5,780,559	21,735,183	26.00	26.60
10	City Finance Bank Ltd	353,728	353,728	467,199	75.71	75.71
11	Commercial Bank of Africa Ltd	3,030,194	3,121,157	20,418,485	14.84	15.29
12	Consolidated Bank of Kenya Ltd	516,227	576,431	2,685,155	19.23	21.47
13	Co-operative Bank of Kenya Ltd	4,360,556	4,776,283	32,798,837	13.29	14.56
14	Credit Bank Ltd	457,751	471,201	2,028,676	22.56	23.23
15	Development Bank of Kenya Ltd	1,032,972	1,032,972	1,941,447	53.21	53.21
16	Diamond Trust Bank Kenya Ltd	2,530,617	3,022,045	14,637,723	17.29	20.65
17	Dubai Bank Ltd	397,422	397,422	1,118,137	35.54	35.54
18	EABS Bank Ltd	1,300,240	1,328,951	6,465,957	20.11	20.55
19	Equatorial Commercial Bank Ltd	617,021	617,021	2,935,735	21.02	21.02
20	Equity Bank Ltd	2,200,993	2,200,993	15,880,012	13.86	13.86
21	Fidelity Commercial Bank Ltd	272,582	272,582	1,688,158	16.15	16.15
22	Fina Bank Ltd	778,869	814,711	4,589,434	16.97	17.75
23	Giro Commercial Bank Ltd	445,767	480,707	2,795,235	15.95	17.20
24	Guardian Bank Ltd	788,240	788,240	3,486,957	22.61	22.61
25	Habib AG Zurich	647,818	647,818	1,668,794	38.82	38.82
26	Habib Bank Ltd	446,404	446,404	775,276	57.58	57.58
27	Imperial Bank Ltd	1,249,195	1,249,195	6,314,392	19.78	19.78
28	Investment & Mortgages Bank Ltd	2,424,097	2,432,115	18,911,412	12.82	12.86
29	Kenya Commercial Bank Ltd	9,168,805	9,168,805	58,217,932	15.75	15.75
30	K-REP Bank Ltd	848,642	887,843	4,478,833	18.95	19.82
31	Middle East Bank of Kenya Ltd	809,429	819,794	2,616,602	30.93	31.33
32	National Bank of Kenya Ltd	3,367,504	3,487,588	29,356,804	11.47	11.88
33	National Industrial Credit Bank Ltd	2,699,536	2,875,878	20,303,037	13.30	14.16
34	Oriental Commercial Bank Ltd	672,932	672,932	1,125,393	59.80	59.80
35	Paramount-Universal Bank Ltd	414,883	414,883	1,278,189	32.46	32.46
36	Prime Bank Ltd	800,411	800,411	6,156,703	13.00	13.00
37	Southern Credit Banking Corp. Ltd	533,274	533,274	2,635,267	20.24	20.24
38	Stanbic Bank Kenya Ltd	2,642,270	2,755,399	15,628,842	16.91	17.63
39	Standard Chartered Bank Ltd	8,367,299	8,623,442	45,667,099	18.32	18.88
40	Transnational Bank Ltd	1,104,361	1,104,361	1,687,949	65.43	65.43
41	Victoria Commercial Bank Ltd	567,066	581,466	2,517,851	22.52	23.09
	Sub Total	81,550,406	84,411,080	498,585,882	16.36	16.93
	NBFI's					
1	Housing Finance	706,364	872,880	5,392,913	13.10	16.19
2	Prime Capital and Credit Ltd.	855,585	855,585	2,961,308	28.89	28.89
3	Savings & Loan (K) Ltd	617,712	670,123	2,605,929	23.70	25.72
	Sub Total	2,179,661	2,398,588	10,960,150	19.89	21.88
	BUILDING SOCIETIES					
1	Family Finance Building Society	832,554	843,664	3,425,928	24.30	24.63
	Grand Total	82,382,960	87,653,332	512,971,960	16.06	17.09

Appendix VII

ACCESS TO FINANCIAL SERVICES							
			Total Number of Accounts				
	2006			2005			
BANKS	< 100,000	>100,000	Total	< 100,000	>100,000	Total	Change
Large							
Equity Bank Ltd	987,435	27,039	1,014,474	533,294	23,652	556,946	82.15%
Diamond Trust Bank Ltd	14,381	6,197	20,578	10,153	5,299	15,452	33.17%
National Bank of Kenya Ltd	131,237	22,309	153,546	99,262	18,282	117,544	30.63%
Commercial Bank Of Africa Ltd	12,083	11,053	23,136	10,488	8,479	18,967	21.98%
Stanbic Bank Kenya Ltd	27,029	3,336	30,365	22,243	2,909	25,152	20.73%
National Industrial Credit Bank Ltd	12,259	6,114	18,373	11,196	4,128	15,324	19.90%
CFC Bank Ltd	5,126	5,626	10,752	3,770	5,317	9,087	18.32%
Investment & Mortgage Bank Ltd	8,698	9,567	18,265	7,403	8,482	15,885	14.98%
Cooperative Bank of Kenya Ltd	440,035	46,537	486,572	391,289	38,046	429,335	13.33%
Standard Chartered Bank Ltd	78,676	46,344	125,020	73,512	45,346	118,858	5.18%
Barclays Bank Of Kenya Ltd	254,321	92,168	346,489	256,424	91,899	348,323	-0.53%
Kenya Commercial Bank Ltd	274,840	69,424	344,264	318,812	82,690	401,502	-14.26%
Citibank N.A Kenya	862	1,797	2,659	2,232	2,104	4,336	-38.68%
Medium							
Fina Bank Ltd	6,422	3,135	9,557	2,626	2,841	5,467	74.81%
Bank of Africa Ltd	1,485	1,071	2,556	699	773	1,472	73.64%
K-REP Bank Ltd	132,617	5,098	137,715	92,296	2,013	94,309	46.03%
Imperial Bank Ltd	3,407	4,059	7,466	2,925	3,240	6,165	21.10%
Prime Bank Ltd	3,896	3,504	7,400	3,456	3,012	6,468	14.41%
Bank of india	5,382	3,535	8,917	5,095	2,714	7,809	14.19%
EABS Bank Ltd	30,729	6,174	36,903	28,232	5,933	34,165	8.01%
African banking Corporation Ltd	3,544	2,579	6,123	3,606	2,576	6,182	-0.95%
Habib bank A.G. Zurich	4,494	2,958	7,452	4,726	2,812	7,538	-1.14%
Giro Commercial bank Ltd	4,019	1,870	5,889	4,229	1,834	6,063	-2.87%
Bank of Baroda	15,814	7,431	23,245	17,817	6,722	24,539	-5.27%
Small							
Chase Bank Ltd	986	1,277	2,263	699	532	1,231	83.83%
Fidelity Commercial Bank Ltd	1,822	888	2,710	1,048	580	1,628	66.46%
City Finance Bank Ltd	672	106	778	389	102	491	58.45%
Paramount Universal Bank Ltd	5,037	1,146	6,183	3,256	718	3,974	55.59%
Dubai Bank (K) Ltd	1,523	547	2,070	1,032	363	1,395	48.39%
Transnational Bank Ltd	7,432	1,075	8,507	5,246	895	6,141	38.53%
Consolidated Bank of Kenya Ltd	16,893	2,791	19,684	12,554	2,418	14,972	31.47%
Charterhouse Bank Ltd	3,463	1,152	4,615	2,301	1,263	3,564	29.49%
Development Bank oF Kenya Ltd	393	316	709	359	284	643	10.26%
Equatorial Commercial banK Ltd	5,112	844	5,956	3,890	1,590	5,480	8.69%
Victoria Commercial Bank Ltd	1,017	1,686	2,703	995	1,573	2,568	5.26%
Credit Bank Ltd	1,898	1,322	3,220	1,772	1,319	3,091	4.17%
Southern Credit Banking Corporation Ltd	6,629	2,027	8,656	6,347	1,965	8,312	4.14%
Oriental Commercial Bank Ltd	4,226	718	4,944	4,162	612	4,774	3.56%
Guardian Bank Ltd	4,651	1,935	6,586	4,692	1,859	6,551	0.53%
Habib Bank Ltd	3,432	2,143	5,575	3,849	2,078	5,927	-5.94%
Middle East Bank (K) Ltd	1,084	914	1,998	3,620	979	4,599	-56.56%
Sub Total	**2,525,061**	**409,812**	**2,934,873**	**1,961,996**	**390,233**	**2,352,229**	**24.77%**
NBFI							
Savings and Loan (K) Ltd	9884	20949	30833	8521	2144	10,665	189.10%
Housing Finance Ltd	33703	7638	41341	31815	8058	39,873	3.68%
Prime Capital and Credit Ltd	295	574	869	275	592	867	0.23%
Sub Total	**43,882**	**29,161**	**73,043**	**40,611**	**10,794**	**51,405**	42.09%
BUILDING SOCIETY							
Family Finance Building Society	313,940	7,760	321,700	142,044	5,227	147,271	118.44%
GRAND TOTAL	**2,882,883**	**446,733**	**3,329,616**	**2,144,651**	**406,254**	**2,550,905**	**30.53%**

					Appendix VIII	
Protected deposits			shs'000			
	2006		2005			
INSTITUTION	**Insured Deposits**	**Customer Deposits**	**Insured Deposits**	**Customer Deposits**	**% Change insured deposits**	**% Change customer deposits**
BANKS						
Large						
Kenya Commercial Bank Ltd	19,604,688	71,494,612	20,209,208	59,954,425	-2.99%	19.25%
Barclays Bank Of Kenya ltd	14,930,174	93,837,000	15,119,538	81,800,000	-1.25%	14.72%
Cooperative Bank Of Kenya Ltd	10,447,757	48,200,693	8,821,203	43,369,815	18.44%	11.14%
Equity Bank Ltd	8,610,360	16,336,729	6,272,634	8,797,765	37.27%	85.69%
Standard Chartered Bank Ltd	6,691,330	64,879,129	6,505,292	59,683,127	2.86%	8.71%
National Bank of Kenya Ltd	4,282,385	28,638,651	3,611,388	25,325,654	18.58%	13.08%
Stanbic Bank Kenya Ltd	3,034,566	19,760,241	2,054,656	12,016,481	47.69%	64.44%
Commercial Bank of Africa Ltd	1,455,804	32,517,493	1,192,102	25,087,957	22.12%	29.61%
CFC Bank Ltd	1,360,822	18,506,647	647,023	15,300,876	110.32%	20.95%
Investment& Mortgage Bank Ltd	1,207,625	18,220,103	1,074,722	14,798,796	12.37%	23.12%
National Industrial Credit Bank Ltd	921,746	21,978,078	1,300,561	16,575,398	-29.13%	32.59%
Diamond Trust Bank Kenya Ltd	846,933	16,726,059	721,662	13,278,912	17.36%	25.96%
Citibank N.A.	198,485	25,330,733	230,164	22,696,945	-13.76%	11.60%
Medium						
K-REP Bank Ltd	1,947,251	3,307,677	1,102,943	1,959,790	76.55%	68.78%
Bank Of Baroda	1,341,976	10,122,471	1,120,242	8,082,038	19.79%	25.25%
Bank Of India	1,165,082	7,145,828	485,966	5,614,491	139.75%	27.27%
EABS Bank Ltd	1,007,488	7,011,253	1,148,123	6,757,068	-12.25%	3.76%
Imperial Bank Ltd	506,840	7,073,955	405,952	5,686,749	24.85%	24.39%
Prime Bank Ltd	449,177	8,289,498	386,274	5,798,640	16.28%	42.96%
Habib Bank A.G Zurich	418,970	4,347,215	392,585	4,026,021	6.72%	7.98%
Fina Bank Ltd	406,238	5,198,710	350,788	4,799,172	15.81%	8.33%
African Banking Corporation Ltd	344,048	4,081,314	349,630	4,289,263	-1.60%	-4.85%
Giro Commercial Bank Ltd	249,252	4,493,046	244,247	4,334,248	2.05%	3.66%
Bank of Africa Ltd	139,533	4,935,542	94,964	4,123,179	46.93%	19.70%
Small						
Chase Bank Ltd	767,044	3,234,659	89,838	1,663,088	753.81%	94.50%
Consolidated Bank of Kenya Ltd	505,766	2,462,796	449,323	1,950,253	12.56%	26.28%
Southern Credit Banking Corporation Ltd	314,360	3,741,404	279,897	3,614,690	12.31%	3.51%
Habib Bank Ltd	311,008	2,432,624	403,429	2,343,857	-22.91%	3.79%
Guardian Bank Ltd	296,526	3,995,294	275,538	3,453,191	7.62%	15.70%
Equatorial Commercial Bank Ltd	278,233	3,281,237	276,283	3,007,784	0.71%	9.09%
Victoria Commercial Bank Ltd	199,476	3,654,377	189,406	3,584,584	5.32%	1.95%
Paramount Universal Bank Ltd	198,585	1,744,725	125,572	1,162,511	58.14%	50.08%
Ttransnational Bank Ltd	191,026	1,264,090	155,234	900,588	23.06%	40.36%
Credit Bank Ltd	179,160	1,960,198	175,705	2,032,987	1.97%	-3.58%
Charterhouse Bank Ltd	161,059	3,154,318	167,054	3,429,748	-3.59%	-8.03%
Oriental Commercial Bank Ltd	135,269	732,960	124,559	536,682	8.60%	36.57%
Middle East Bank Ltd	123,898	2,338,148	148,234	2,945,317	-16.42%	-20.61%
Fidelity Commercial Bank Ltd	111,576	1,976,741	140,008	1,383,817	-20.31%	42.85%
Dubai Bank Ltd	78,004	800,848	52,483	710,461	48.63%	12.72%
Development Bank Ltd	40,514	1,350,936	36,004	751,865	12.53%	79.68%
City Finance Bank Ltd	26,605	125,886	26,793	94,272	-0.70%	33.53%
Sub Total	**85,486,639**	**580,683,918**	**76,957,227**	**487,722,505**	**11.08%**	**19.06%**
NBFIS						
Savings and Loan (K) Ltd	2,297,343	3,201,675	374,684	1,946,195	513.14%	64.51%
Housing Finance	1,385,345	7,619,250	1,450,928	8,437,355	-4.52%	-9.70%
Prime Capital and Credit Ltd	66,292	2,209,186	68,107	2,971,274	-2.66%	-25.65%
Sub Total	**3,748,980**	**13,030,111**	**1,893,719**	**13,354,824**	97.97%	**-2.43%**
Building Society						
Family Finance Building Society	2,304,532	4,160,405	1,596,797	2,822,775	44.32%	47.39%
Grand Total	**91,540,151**	**597,874,434**	**80,447,743**	**503,900,104**	**13.79%**	**18.65%**

Appendix IX

DIRECTORY OF COMMERCIAL BANKS AND NON-BANKING FINANCIAL INSTITUTIONS AS AT DECEMBR 31, 2006

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

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: bkoafrica@boakenya.com

Physical Address: Re-Insurance Plaza Taifa Rd.

Date Licenced: 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

P**hysical Address**: Baroda House Koinange St.

Date Licenced: 7/1/1953

Peer Group: Medium

Branches: 6

Bank of India

Chief Executive: Mr. A.K. Jalota

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

Telephone: +254-20-221414-7

Fax: +254-20-229462

Email: ceboinrb@futurenet.co.ke

Website:

Physical Address: Kenyatta Ave.

Date Licenced: 6/5/1953

Peer Group: Medium

Branches: 4

Barclays Bank of Kenya Ltd.

Managing Director: Mr. Adan Mohamed

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

Telephone: +254-20-210577/313405/332230

Fax: +254-20-213915

Email: barclays.kenya@barclays.com

Website:

Physical Address: Barclays Plaza Loita St.

Date Licenced: 6/5/1953

Peer Group: Large

Branches: 43

CFC Bank Ltd.

Managing Director: Mr. M. Soundararajan

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

Telephone: +254-20-36380000

Fax: +254-20-3752905/7

Email: enquiries@cfcbank.co.ke

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

Physical Address: CFC Centre Chiromo Rd. Westlands

Date Licensed: 5/14/1955

Peer Group: Large

Branches: 5

Charterhouse Bank Ltd

UNDER STATUTORY MANAGEMENT

Postal Address: P. O. Box 43252 Nairobi

Telephone: +254-20-242246/53

Fax: +254-20-219058/223060

Email: info@charterhouse-bank.com

Website:

Physical Address: Longonot Place 6th Floor Kijabe St.

Date Licensed: 11/11/1996

Peer Group: Medium

Branches: 10

Chase Bank (K) Ltd.

Managing Director: Mr. Zafrullah Khan

Postal Address: P. O. Box 28987 - 00200 Nairobi

Telephone: +254-20-244035/245611/252385/0733432002/0722206917

Fax: +254-20-246334

Email: info@chasebank.co.ke

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

Physical Address: Prudential Assurance. Bldg. 6th Flr. Wabera St.

Date Licenced: 4/1/1991

Peer Group: Small

Branches: 2

Citibank N.A Kenya

General Manager: Mr. Ade Ayeyemi

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

Telephone: +254-20-2711211/2717016

Fax: +254-20-2714810/1

Email:

Website: http://www.citibank.com/eastafrica/kenya/

Physical Address: Citibank House Upper Hill Rd.

Date Licenced: 7/1/1974

Peer Group: Large

Branches: 2

City Finance Bank Ltd.

Managing Director: Mr. S.V. Ramani

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

Telephone: +254-20-224238/39

Fax: +254-20-341825/245223

Email: cfbl@swiftkenya.com

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

Physical Address: Unity House Koinange St.

Date Licenced: 9/10/1984

Peer Group: Small

Branches: 1

Co-operative Bank of Kenya Ltd.

Managing Director: Mr. Gideon M Muriuki

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

Telephone: +254-20-3276100

Fax: +254-20-219831/227747

Email: md@co-opbank.co.ke

Website: www.co-opbank.co.ke

Physical Address: Co-operative Hse, Haile Selassie Ave.

Date Licenced: 1/1/1965

Peer Group: Large

Branches: 37

Commercial Bank Of Africa Ltd.

Managing Director: Mr. Isaac Awuondo

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

Telephone: +254-20-2884000

Fax: +254-20-2734599

Email: cba@cba.co.ke

Website: www.cba.co.ke

Physical Address: CBA Building, Upper Hill, Mara/Ragati Rd.

Date Licenced: 1/1/1967

Peer Group: Large

Branches: 12

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 Licenced: 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 Licenced: 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 Licenced: 1/1/1973

Peer Group: Small

Branches: 1

Diamond Trust Bank (K) Ltd.

Managing Director: Mrs. Nasim M. Devji

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

Telephone: +254-20-210988/83/85/86/89/91/93/94

Fax: +254-20-245495

Email: user@dtbkenya.co.ke

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

Physical Address: Nation Centre 8th Floor Kimathi St.

Date Licenced: 1/1/1946

Peer Group: Large

Branches: 5

Dubai Bank Kenya Ltd.

Managing Director: Mr. Viju Cherian

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

Telephone: +254-20-311109/14/23/24/82

Fax: +254-20-245242

Email: info@dubaibank-kenya.com

Website:

Physical Address: I C E A Building Kenyatta Ave.

Date Licenced: 1/1/1982

Peer Group: Small

Branches: 3

Equatorial Commercial Bank Ltd.

Managing Director: Mr. Hassan Rizvi

Postal Address: P. O. Box 52467, Nairobi

Telephone: +254-20-311205/250286/343852

Fax: +254-20-312542

Email: ecd@saamnet.com

Website:

Physical Address: Sasini House Loita St.

Date Licenced: 12/20/1995

Peer Group: Small

Branches: 2

Equity Bank Ltd.

Chief Executive: Mr. J.N. Mwangi

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

Telephone: +254-20-2736617/20

Fax: +254-20-2737276

Email: info@ebsafrica.com

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

Physical Address: NHIF Building 14th Floor Community

Date Licenced: 28/12/2004

Peer Group: Medium

Branches: 36

EABS Bank Ltd

Chief Executive Officer: Mr. R. Arora

Postal Address: P. O Box 47499, Nairobi

Telephone: +254-20-2883000/249633/4

Fax: +254-20-2883304

Email: eabs@form-net.com

Website:

Physical Address: Fedha Towers Muindi Mbingu St.

Date Licenced: 01/11/2005

Peer Group: Medium

Branches: 9

Fidelity Commercial Bank Ltd

Managing Director: Mr. Raminder Bir Singh

Postal Address: P. O. Box 34886, Nairobi

Telephone: +254-20-242348/244187

Fax: +254-20-243389/245370

Email: customerservice@fidelitybankkenya.co.ke

Website:

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

Date Licenced: 6/1/1992

Peer Group: Small

Branches: 3

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

Habib Bank A.G Zurich

Country Manager: Mr. Iqbal A. Allawala

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

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

Fax: +254-20-217004

Email: habibbank@wananchi.com

Website:

Physical Address: Nagina House Koinange St.

Date Licenced: 1/7/1978

Peer Group: Medium

Branches: 4

Habib Bank Ltd.

Regional General Manager African Region: Rizwan Haider

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

Telephone: +254-20-246613/41

Fax: +254-20-214636

Email: hbiro@hblafrica.com

Website:

Physical Address: Exchange Building Koinange St.

Date Licenced: 2/3/1956

Peer Group: Small

Branches : 4

Imperial Bank Ltd

Managing Director: Mr. A Jamohamed

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

Telephone: +254-20-2719617/31/, 342380/73-75, 2874000

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

Email: info@imperialbank.co.ke

Website:

Physical Address: Bunyala Road Upper Hill

Date Licenced: 1/11/1992

Peer Group: Medium

Branches: 5

Investment & Mortgages Bank Ltd

Chief Executive Officer: Mr. Arun S. Mathur

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

Telephone: +254-20-310105-7/ 246552-9/2711994-8/3221200

Fax: +254-20-2713757, 2716372

Email: invest@imbank.co.ke

Website: http://www.imbank.com

Physical Address: I & M Bank House, 2nd Ngong Ave.

Date Licenced: 1/1/1974

Peer Group: Large

Branches: 9

K-Rep Bank Ltd

Managing Director: Mr. Kimanthi Mutua

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

Telephone: +254-20-3871511/3870554/3873141/48

Fax: +254-20-3873178

Email: registry@k-repbank.com

Website: www.k-repbank.com

Physical Address: Naivasha Rd. Riruta

Date Licenced: 3/25/1999

Peer Group: Small

Branches: 28

Kenya Commercial Bank Ltd

Chief Executive Officer : Mr. Terry Davidson (Mr. Martin Luke Oduor-Otieno w.e.f. 1st May 2007)

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

Telephone: +254-20-3270000/2851000/2852000

Fax: +254-20-216405/229565

Email: kcbhq@kcb.co.ke

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

Physical Address: Kencom House Moi Ave.

Date Licenced: 1/1/1896

Peer Group: Large

Branches: 119

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

Managing Director: Mr. B.K. Dutta

Postal Address: **P**.O BOX 44080 - 00100, Nairobi

Telephone: +254-20-221875/228461/2

Fax: +254-20-219469

Email: info@orientalbank.co.ke

Website:

Physical Address: Finance Hse Koinange St.

Date Licenced: 8/2/1991

Peer Group: Small

Branches: 4

P**aramount Universal Bank Ltd**

Managing Director: Mr. Ayaz Merali

Postal Address: P. O. Box 14001 Nairobi

Telephone: +254-20-4449266

Fax: +254-20-449265

Email: pbl.bank@africaonline.co.ke

Website:

Physical Address: Sound Plaza Building Westlands

Date Licenced: 10/1/1993

Peer Group: Small

Branches: 3

Prime Bank Ltd

Chief Executive: Mr. Vasant K Shetty

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

Telephone: +254-20-4203000/4203116/4203148

Fax: +254-20-4451247

Email: headoffice@primebank.co.ke

Website: www.primebankenya.com

Physical Address: Riverside Drive

Date Licenced: 3/1/1992

Peer Group: Medium

Branches: 9

Southern Credit Banking Corporation Ltd.

Managing Director: Mrs. Muthoni Kuria

Postal Address: P. O. Box 11666 - 0400, Nairobi

Telephone: +254-20-220948/218622/220939

Fax: +254-20-246309/221338

Email: admin@ho.southern.com

Website:

Physical Address: Off-Murang'a Rd.

Date Licenced: 01/10/1980

Peer Group: Small

Branches: 10

Stanbic Bank Kenya Ltd

Managing Director: Mr. Mike Dutoit

Postal Address: P. O. Box 30550 - 00100, Nairobi

Telephone: +254-20-342771/3268000

Fax: +254-20-310601

Email: stanbic@africaonline.co.ke

Website: www.stanbic.co.ke

Physical Address: Stanbic Bank Building Kenyatta Ave.

Date Licenced: 5/9/1970

Peer Group: Large

Branches: 8

Standard Chartered Bank (K) Ltd

Managing Director: Mr. Richard Etemesi

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

Telephone: +254-20-32093000/32093402

Fax: +254-20-223380

Email: mds.office@ke.standardchartered.com

Website:

Physical Address: Stanbank House Moi Ave.

Date Licenced: 10/1/1910

Peer Group: Large

Branches: 28

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

Prime Capital and Credit Ltd

Managing Director: Mr. R. C. Kantaria

Postal Address: P.O Box 46559 Nairobi

Telephone: +254-20-223644/223139/227910/223139/218670/0733616218/0722205150

Fax: +254-20-318661

Email: pcc@primekenya.com

Website:

Physical Address: Kenindia House Loita Street 4th Floor

Date Licenced: 11/1/1987

Peer Group: Small

Branches: 1

Housing Finance Ltd

Managing Director: Mr. Frank Ireri

Postal Address: P. O. Box 30088 Nairobi

Telephone: +254-20-221101/317474

Fax: +254-20-334670/250858

Email: housing@housing.co.ke

Website: www.housing.co.ke

Physical Address: Rehani House Kenyatta Ave.

Date Licenced: 5/7/1965

Peer Group: Mediium

Branches: 10

Savings and Loan (K) Ltd

Managing Director: Ms. Wangui Ngatia

Postal Address: P. O. Box 45129 - 00100, Nairobi

Telephone: +254-20-344203/251328/342189/226354/251366/342190

Fax: +254-20-318539/214267

Email: savloan@kcb.co.ke

Website:

Physical Address: Lonrho House, 18th floor, Standard St.

Date Licenced:

Peer Group: Small

Branches: 8

Appendix X

DIRECTORY OF FOREX BUREAUS

No	Name of Bureau	Location	E-mail Address & Fax
1	Amex Forex Bureau P.O. Box 45448 Nairobi Tel: 246469/243495	Ground Floor, IPS Building Standard Street	
2	ABC Place Forex Bureau P.O. Box 63533-00619 Muthaiga Nairobi Tel: 4450445/6/7; 4450005/6	ABC Place Waiyaki Way Nairobi	
3	Alpha Forex Bureau P.O. Box 1272 Nairobi Tel: 4451435/7	Pamstech House Woodvale Grove Westlands	
4	Amal Express Forex Bureau P.O. Box 3165-00100 Nairobi Tel: 6765141/ 6767101	Amal Plaza 1st Avenue Eastleigh Nairobi	
5	Amana Forex Bureau P.O. Box 68578 (0622) Nairobi Tel: 6761296	Eastleigh, Sect.VIII, 1st Ave. Nairobi	
6	Arcade Forex Bureau P.O. Box 21646 – 00505 Nairobi Tel: 3871946/3875380 Cell:0721-810274	Adams Arcade Ngong Road	
7	Aristocrats Forex Bureau P.O. Box 10884 Nairobi Tel: 245247/228080	Kenindia House Nairobi	
8	Bay Forex Bureau (NBI) Ltd. P.O. Box 42909-00200 Nairobi Tel: 244186/ 248289	The Stanley Bldg. Kenyatta Ave. Nairobi	
9	Blue Nile Forex Bureau Ltd. P.O. Box 47740 Nairobi Tel: 224100/221927	Ground Floor, I & M Towers, Muindi Mbingu Street, Nairobi	bluenile@wananchi.com **Fax: 254-2-222721**
10	Blue Seas Forex Bureau Ltd. P.O. Box 66012 Nairobi Tel: 251884	Clyde House Kimathi Street Nairobi	**Fax: 254-2-318895**

11	Bamburi Forex Bureau Ltd. P.O. Box 97803 Mombasa Tel: 041-5486950 0722-412649/0733-466729	Nyali Mombasa	bamburiforex@hotmail.com **Fax: 254-41-5486948**
12	Capital Bureau De Change Ltd. P.O. Box 54210 Nairobi Tel: 251704/8	Jubilee Insurance House	**Fax: 254-2-241307**
13	Capital Hill Forex Bureau Ltd. P.O. Box 20373-00200 Nairobi Tel: 2733593/0722-410550	NHIF Building	**Fax: 254-2-2733594**
14	CashLine Forex Bureau P.O. Box 64672-00619 Nairobi Tel: 4452296	Sound Plaza Westlands	cash@cashlinefx.co.ke **Fax: 254-2-4452299**
15	Central Forex Bureau P.O. Box 43966- 00100GPO Nairobi Tel: 226777/ 224729	I.P.S. Building, Ground Floor, Kaunda Street, Nairobi	centralforex@swiftkenya.com **Fax: 254-2-249016**
16	Chase Bureau De Change P.O. Box 45746-00100 GPO Nairobi Tel: 227777/244491	Gilfillan House Kenyatta Ave./ Banda Street Nairobi	chasefx@chasecyber.com **Fax: 254-2-244651**
17	Connection Forex Bureau Ltd. P.O. Box 17967, Nairobi Tel: 651689	Off-Karen Road	connectionforex@yahoo.com **Fax:254-2-883558**
18	Continental Forex Bureau P.O. Box 49580 Nairobi Tel: 330833/222140	Old Mutual Building Kimathi Street Nairobi	**Fax: 254 2-216163**
19	Cosmos Forex Bureau P.O. Box 10284 -00100 Nairobi Tel: 250582/5	Rehema House Nairobi	**Fax: 254-2-250591**
20	Crater Forex Bureau P.O. Box 7357 Nakuru Tel: 037-214183	Menengai Motors George Morara Ave.	**Fax: 254-37-214183**
21	Crown Bureau De Change P.O. Box 22515 Nairobi	Corner House Nairobi	info@crown.co.ke **Fax: 254-2-252365**

	Tel: 250720/1/2		
22	Coast Forex Bureau P.O. Box 89413 - 80100 Mombasa Tel: 041- 225140/224980	Fontanella Mombasa	**Fax: 254-41-230268**
23	Dahab Shill Forex Bureau Ltd P.O. Box 68991-0622 Nairobi Tel: 218105 Nairobi	2nd Floor Lonrho House Standared Street **Fax: 254-2-339975**	
24	Dalmar Exchange Bureau Ltd P.O. Box 71295-00622 Nairobi Tel: 6762301 Nairobi	2nd Floor, Al Habib Centre 1st Ave. Eastleigh	**Fax: 254-2-6760818**
25	Dalsan Forex Bureau Ltd P.O. Box 68747-00622 Nairobi Tel: 6761986/0722-682218	Dalsan House Eastleigh 2nd Ave.	nnuradiin2001@hotmail.com **Fax: 254-2-6766278**
26	Diani Forex Bureau Ltd P.O. Box 90775 Nairobi or P.O. Box 5362 Diani Tel: 041-226047/0127-2205-7 Diani	Paradise Cottages Mombasa **N/A**	
27	Dollar Forex Bureau P.O. Box 1722 Malindi Tel: 123-30602/71/31979/ 31976	FN Centre Malindi Municipality	**Fax: 254-42-31976**
28	Downtown Cambio Forex Bureau P.O Box 42444-00100 GPO Nairobi Tel: 608659; 609547/607721	Wison Airport Nairobi	**Fax: 254-2-608354**
29	Euro Dollar Bureau De Change P.O. Box 13946 Nairobi Tel: 4448501/2	Mpaka House Westlands Nairobi	info@eurodollar.co.ke **Fax: 254-2-4447729**
30	Finerate Forex Bureau P.O. Box 39252 Nairobi Tel: 250406/7 733634733	Bruce House	fineforex@iconnect.co.ke **Fax: 254-2-250407**
31	Forex Bureau Afro P.O. Box 14353-00800 GPO Nairobi Tel: 250676/22950/247041	Jamia Plaza Kigali Street Nairobi	**Fax: 254-2-251078**
32	Fort Jesus Forex Bureau P.O. Box 89991 - 80100 Mombasa Tel: 041-22304114/5/6 0733634733/0722-203358	Old Mombasa Road	fortjesusforex@hotmail.com **Fax: 254-41-2316717**

33	Fulus Bureau De Change P.O. Box 90206 Mombasa Tel: 041-222273; 222283	Nkurumah Road Mombasa	**Fax: 254-41-222283**
34	Gateway Forex Bureau P.O. Box 68975 Nairobi Tel: 0722-970897	Eastleigh Section II New Dubai Shopping	**N/A**
35	Giant Forex Bureau de Change P.O. Box 56947-00200 Nairobi Tel: 823327	Unit 1- Departure	**Fax: 254-2-825327**
36	Give and Take Forex Bureau P.O. Box 51463-00200 Nairobi Tel: 7120581/7120046	Gigiri, China Garden Nairobi	**Fax: 254-2-7120046**
37	Gigiri Forex Bureau P.O. Box 45448 Nairobi Tel: 521515/520495	Gigiri Shopping Centre	info@amex.co.ke **Fax: 254-2-244886**
38	Glory Forex Bureau P.O. Box 42909 Nairobi Tel: 24433/241164/243115	Norwich Union House Kimathi Street Nairobi	**Fax: 252-2-245614**
39	Global Forex Bureau Ltd P.O. Box 47583 – 00100 GPO Nairobi Tel: 6762982	2nd Floor, Tassir Complex, 1st Ave. Eastleigh, Nairobi	N/A
40	GNK Forex Bureau P.O. Box 14297 – 00100 GPO Nairobi Tel: 890303/891243/892266	Jubilee Centre Karen Nairobi	gnkforex@swiftkenya.com **Fax: 254-2-892266**
41	Goldfield Forex Bureau P.O. Box 40317 - 00100 Nairobi Tel: 332565/ 223761/244554/ 248713/4	Fedha Towers, Nairobi	goldfield@swiftkenya.com **Fax: 254-2-223761**
42	Hill Forex Bureau P.O. Box 21819-00400 Nairobi Tel: 2446094/245863	Ground Floor, Rhimtulla Plaza Upper Hill Nairobi	**Fax: 254-2-2711646**
43	Junction Bureau De Change P.O. Box 46629-00100 Nairobi Tel: 0725-852840/ 0734-385110	The junction of Ngong Road/Dagoreti Corner	**N/A**

44	Industrial Area Forex Bureau P.O. Box 45746 – 00100 GPO Nairobi Tel: 551186/551198	Bunyala Road, Industrial Area Nairobi	**Fax: 254-2-551186**
45	Island Forex Bureau P.O. Box 84300 Mombasa Tel: 041-222547/ 229626	Moi Avenue Mombasa	**N/A**
46	Jodeci Bureau Bureau De Change Ltd P.O. Box 21819 Nairobi Tel: 245863	Unit I, JKIA Nairobi	**Fax: 254-2-245741**
47	Kaah Forex Bureau P.O. Box 10327 - 00400 Nairobi Tel: 6767494/6760504	Eastleigh Section 11 Nairobi	**Fax: 254-2-6767543**
48	Karen Bureau De Change P.O. Box 24763 Nairobi Tel: 884674; 884675	Karen Provision Stores Corner Lang'ata/Ngong Rd.	**Fax: 254-2-884675**
49	Kenza Exchange Bureau P.O. Box 21819-00400 Nairobi Tel: 827034/ 245863	JKIA, Arrival Unit 1 Nairobi	**N/A**
50	La'ache Forex Bureau P.O. Box 16512-00100 Nairobi Tel: 2733484	NHIF Building	info@lache.co.ke **Fax: 254-2-2733485**
51	Langa'ta Forex Bureau Ltd. P.O. Box 13580 - 00800 Nairobi Tel: 891703/447204/5/6	Merchantile House Loita Street	**Fax: 254-2-443859**
52	Langa'ta Mall Forex Bureau Ltd. P.O. Box 34257 - 00100 Nairobi Tel: 891805	Langata Mall, Otiende	**Fax: 254-2-608047**
53	Leo Forex Bureau P.O. Box 82304 Mombasa Tel: 041-230396/7/8; 230399	T.S.S.Towers Nkurumah Road Mombasa **Fax: 254-41-230399**	leoforex@swiftmombasa.com
54	Link Forex Bureau P.O. Box 11659-00400 Nairobi Tel: 213619/21	Uganda House Kenyatta Ave. Nairobi **Fax: 254-2-213620**	Link-forex@yahoo.com
55	Loki Forex Bureau Ltd. P.O. Box 12523-00100 Nairobi Tel: 0723-886999	Lokichogio	**N/A**

56	Mandeeq Forex Bureau Ltd P.O. Box 85670 Mombasa Tel: 041-228028/230082	Nasir Road Mombasa	**mandeeqforex@hotmail.com**
57	Mano Forex Bureau Ltd P.O. Box 21508 - 00505 Nairobi Tel: 2737286	Hurlingham Nairobi	**N/A**
58	Maritime Forex Bureau P.O. Box 43296 Mombasa Tel: 041- 3202660/1	Diani, South Coast Mombasa	**Fax: 254-40-3202662**
59	Masai Mara Forex Bureau P.O. Box 54210-00200 Nairobi or P.O. Box 234 Narok Tel: 050-23038	Maa Towers Narok	**Fax: 254-50-23038**
60	Maxfair Forex Bureau P.O. Box 10334-00100 GPO Nairobi Tel: 226212/ 228842	Ground Building, Standard Building Wabera Street Nairobi	maxfair@swiftkenya.com **Fax: 254-2-227299**
61	Metropolitan Bureau De Change P.O. Box 7080 Nairobi Tel: 820203	Unit 2 Departure,JKIA	**Fax: 254-2-252116**
62	Middletown Forex Bureau P.O. Box 41830 Nairobi Tel: 211227	Westminister House Kaunda Street Nairobi	mtforex@iconnect.co.ke **Fax: 254-2-332534**
63	Mona Bureau De Change P.O. Box 46180 – 00100 GPO Nairobi Tel: 533405 Cell: 0733-744348	Panari Centre, Mombasa Road Nairobi	**Fax: 254-2-530259**
64	Mustaqbal Forex Bureau Ltd. P.O. Box 12536 – 00100 Nairobi Tel: 676651	Eastleigh, Nairobi	**Fax: 254-2-6766650/1**
65	Muthaiga Forex Bureau P.O. Box 63533 - 00619 Nairobi Tel: 3748883/3750331	Muthaiga Shopping Centre Nairobi	muthaigaforex@hotmail.com **Fax: 254-2-3746512**
66	Namanga Forex Bureau P.O. Box 12577-00100 Nairobi Tel: 02-213642/ 045-5132476	Namanga	**N/A**

67	Nairobi Bureau De Change P.O. Box 54210 Nairobi Tel: 822884	Unit 2 JKIA Nairobi	**Fax: 254-2-241307**
68	Nairobi Forex Bureau P.O. Box 73194 Nairobi Tel: 244767/223039	Gujarat House Muindi Mbingu Street Nairobi	**Fax: 254-2-244767**
69	Nawal Forex Bureau P.O. Box 43888 Nairobi : Tel: 2720111	Chaka Road Chaka Place	**Fax: 254-2-272011**
70	Overseas Forex Bureau Ltd P.O. Box 66864-00800 Nairobi Tel: 216250/ 249657/8/9	Ground Floor, View Park Towers Monrovia/Utalii Street	**Fax: 0254-2-213027**
71	PeakTop Exchange Bureau Ltd P.O. Box 13074-00100 Nairobi Tel: 244371/244376	Twiga Towers Murang'a Road Nairobi	**Fax: 254-2-210210**
72	Pearl Forex Bureau Ltd P.O. Box 58059- 00200 Nairobi Tel: 2724769/ 2724778	Hurlingham Shopping Centre	**Fax: 254-2-2724770**
73	Pel Forex Bureau Ltd P.O. Box 957 Kisumu Tel: 057-22495/44425	Allmamra Plaza Oginga Odinga Road Kisumu	pel@swiftkisumu.com **Fax: 254-57-22495**
74	Penguin Forex Bureau Ltd P.O. Box 3438-80100 Mombasa Tel: 041- 316618/2228170	Nkrumah Road Mombasa	**Fax: 254-41-2228194**
75	Pinnacle Forex Bureau P.O. Box 10020-00400 Nairobi Tel: 219240/249283/249284	Corner House Kimathi Street	pinacleforex@yahoo.com **Fax: 254-2-214832**
76	Pwani Forex Bureau P.O. Box 87200 Mombasa Tel: 041-2221727/2221734/2221845	Mombasa Block 404 XV11/M1 Abdel Nasseiz	forex@pwaniforex.com **Fax: 254-41-2221870**
77	Rift Valley Forex Bureau P.O. Box 12165 Nakuru Tel: 051-2212495	Merica Hotel Building Court Road Nakuru	**Fax: 254-2-2210174**
78	Safari Forex Bureau P.O. Box 219 Eldoret Tel: 053-2063347	KVDA Plaza Eldoret	**Fax: 254-053-2063995**

79	Sattelite Forex Bureau Ltd. P.O. Box 43617-00100 GPO Nairobi Tel: 6765352 Cell: 0721-411300	City House Standard Street Nairobi	satellite@hotmail.com **Fax: 254-2-6765352**
80	Shepherds Forex Bureau Ltd P.O. Box 63533 – 00619 Nairobi Tel: 3754926/7/3754935	Muthaiga Nairobi	Shepherdsforex@yahoo.com **Fax: 254-2-3761073**
81	Solid Exchange Bureau Ltd P.O. Box 19257 Nairobi Tel: 822922/0722-853769	JKIA-Unit 2	**Fax: 254-2-822923**
82	Speedy Forex Bureau Ltd P.O. Box 45888 Nairobi Tel: 225941/225641/226529	Jubilee Insurance Exchange Kaunda Street	speedyexchange@yahoo.com **Fax: 254-2-221761**
83	Sterling Forex Bureau Ltd P.O. Box 43673 Nairobi Tel: 228923/340624	Laxmi Plaza Biashara Street	**Fax: 254-2-330894**
84	Sunshine Forex Bureau Ltd P.O. Box 68991-0622 Nairobi Tel: 6762261/63 : Fax: 6762260	Eastleigh 2nd Ave. Nairobi	**Fax: 254-2-6762260**
85	Taipan Forex Bureau P.O. Box 42909 Nairobi Tel: 244186/ 244188	Stanley Hotel Building	taipan@africaonline.co.ke **Fax: 254-2-229665/248676**
86	Tawakal Forex Bureau Ltd P.O. Box 71623 Nairobi Tel: 6766171	Ubah Centre, Eastleigh Nairobi	tfbureau@yahoo.com **Fax: 254-2-6765756**
87	Trade Bureau De Change P.O. Box 7080 Nairobi Tel: 241107	Cotts House City Hall Way Transnational Bank	**Fax: 254-2-317759**
88	Travellers Forex Bureau P.O. Box 13580 Nairobi Tel: 447204/5/6	The Mall Westlands	**Fax: 254-2-443859**
89	Union Forex Bureau P.O. Box 43847 Nairobi Tel: 4441855/4448327	Sarit Centre Westlands	unionforex@hotmail.com **Fax: 254-2-4441855**

90	Village market Forex Bureau P.O. Box 625 Village Market Nairobi Tel: 522473/ 520946	Village Market Complex Limuru Road	**Fax: 254- 2-520946**
91	Victoria Forex Bureau De Change P.O. Box 705 – 40100 Kisumu Tel 057-20215626/2021134/2023809	Sansora Building Central Square Kisumu	**Fax: 254-57-202536**
92	Wallstreet Forex Bureau P.O. Box 6841- 30100 Eldoret Tel: 053-2062907	Bargetuny Plaza Uganda Road Eldoret	**Fax: 254- 53-2062907**
93	Warwick Forex Bureau P.O. Box 30687 00100 Nairobi Tel: 37555563/523055 Cell: 0722521192/0721253664	The Warwick Centre Gigiri Nairobi	warwickforex@wananchi.com **Fax: 254-2-520997**
94	Westlands Forex Bureau Ltd P.O. Box 45746-00100 GPO Nairobi Tel: 4451745/ 4451746/551186	Westlands Nairobi	**Fax: 254-2-551198**
95	Yaya Centre Exchange Bureau P.O. Box 76302 Nairobi Tel: 02-386907	Yaya Centre	**Fax: 254-2-3869869**