CENTRAL BANK OF KENYA

BANK SUPERVISION ANNUAL REPORT 2011

2011

TABLE OF CONTENTS

CHARTS

APPENDICES

BANKI KUU YA KENYA

CENTRAL BANK OF KENYA

VISION STATEMENT

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

THE BANK'S MISSION

To formulate and implement monetary policy directed to achieving stability in the general level of prices and foster the liquidity, solvency and proper functioning of a stable market based financial system while supporting the economic policy of the Government.

The Bank's objectives are:

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

MISSION STATEMENT OF BANK SUPERVISION DEPARTMENT

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

VALUE STATEMENT

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

1. Professionalism
2. Efficiency
3. Integrity
4. Transparency and Accountability
5. Teamwork
6. Innovativeness
7. Mutual Respect

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

GOVERNOR'S MESSAGE

Banks assets increased to Ksh. 2.0 trillion in 2011.

The Kenyan banking sector remained resilient in 2011 despite a challenging macro-economic environment. The sector registered a 20.4 percent increase in the total net assets from Ksh. 1.68 trillion in December 2010 to Ksh. 2.02 trillion in December 2011. Similarly gross non-performing loans declined by 8.0 percent from Ksh. 57.6 billion in December 2010 to Ksh. 53.0 billion in December 2011.

High inflation and interest rates and exchange rates volatility posed challenges to banking sector.

The sector faced challenges in 2011 from increasing levels of inflation, interest rates and exchange rate volatility. The inflation rate which increased from 3.97 percent in March 2010 to 12.05 percent in April 2011 stood at 18.93 percent in December 2011. This was mainly attributed to steep increases in food and fuel prices. The depreciation of the Kenya Shilling against most traded world currencies in the year was attributed to the Euro sovereign debt crisis that led to increased demand for US dollars and a widening current account deficit.

CBK jointly with key stakeholders developed measures to ease impact of high interest rates.

Due to the persistent inflationary pressures and weakening of the shilling, the Monetary Policy Committee adopted a tight monetary stance to tame their effects on the economy. Towards the end of 2011, the Central Bank in collaboration with the Ministry of Finance and Kenya Bankers Association developed a package of measures to be implemented by banks as part of initiatives to mitigate the impact of the sharp increase in interest rates on the borrowers and ensure stability of the banking sector. These measures required banks to:

- extend loan repayment periods to ease the sudden increase in loan repayment burden on the part of the borrowers;
- cap the increase in the installment repayment on existing loans to a maximum of 20 percent;
- absorb some of the additional costs from changes in the macroeconomic environment to the maximum extent possible without threatening their viability; and

- waive penalties for borrowers who chose to repay the outstanding loan balance in full or in part without being subjected to early repayment penalties.

In recognition of efforts towards enhanced financial inclusion, Kenya was among five countries selected by G20's Global Partnership for Financial Inclusion (GPFI) for a case study. The study sought to investigate the challenges and opportunities to financial inclusion in applying international standards set by Standards Setting Bodies (SSBs) such as the Basel Committee on Bank Supervision, the Financial Action Task Force, the Committee on Payments and Settlement Systems, the International Association for Insurance Supervisors and the International Association for Deposit Insurers. In addition, the Central Bank in conjunction with the GPFI and the Alliance for Financial Inclusion (AFI) undertook an assessment of its application of the G20's Principles for Innovative Financial Inclusion in August 2011. GPFI developed nine principles to guide countries in effectively promoting financial inclusion. The case study and assessment were tabled at the 2011 G20 Leaders Summit in Cannes, France as part of the deliverables of the G20 GPFI.

G20 countries select Kenya for a case study on application of international standards in financial inclusion initiatives.

The ongoing regional integration efforts and the increasing competition in the banking sector saw a number of Kenyan banks establish their footprint in the East African Community Partner States and South Sudan. Similarly, two additional foreign financial institutions established physical presence in Kenya in 2011 through establishment of representative offices. These are HSBC of UK and FirstRand Bank of South Africa. These developments support Kenya's aspirations to be a premier financial services hub pursuant to Vision 2030.

Kenyan Banks enhance their footprint in the region.

The Central Bank will continue to partner with Government and the banking sector to reduce the cost of banking services. Lower costs will encourage more Kenyans to save and borrow, for productive investments. The Bank will in this regard continue with initiatives to reduce the cost of business. In addition, the Central Bank will promote increased transparency and disclosures by banks and Deposit Taking Microfinance Institutions to protect consumers and increase competition.

CBK to continue initiating measures to reduce cost of offering banking services.

PROFESSOR NJUGUNA NDUNG'U, CBS
GOVERNOR
CENTRAL BANK OF KENYA

FOREWORD BY DIRECTOR

Banking sector registered improved performance in 2011 and extended credit to various economic sectors.

The banking sector continued to extend credit to various economic sectors despite macro-economic challenges in 2011. Credit was extended to key sectors driving economic activities such as Construction, Mining and Quarrying, Hotels and Restaurants, Transport and Communication, Manufacturing, Agriculture and Trade. Overall, the banking sector was resilient and registered improved performance in 2011 as indicated by the following parameters:-

- Total assets increased by 20.2 percent from Ksh. 1.68 trillion in December 2010 to Ksh. 2.02 trillion in December 2011. The growth was supported by the increase in loans and advances.

- Customer deposits grew by 20.2 percent from Ksh. 1.24 trillion in December 2010 to Ksh. 1.49 trillion in December 2011. The growth was attributed to increased deposit mobilization by banks as they expanded their outreach and opened new branches to tap new customers. The use of agents by banks also contributed to increased mobilisation of deposits.

- The pre-tax profit for the sector increased by 20.5 percent from Ksh. 74.3 billion in December 2010 to Ksh. 89.5 billion in December 2011. The growth was largely attributed to income generated by increased loans and advances and fees from innovative products introduced by several institutions.

- Gross loans grew by 30.2 percent from Ksh. 914.9 billion in December 2010 to Ksh. 1,191.0 billion in December 2011. The growth in loans is attributed to increased demand for credit by the various economic sectors.

- The ratio of non-performing loans to gross loans improved from 6.3 percent registered in December 2010 to 4.4 percent in December 2011. The reduction in credit risk is largely attributable to enhanced appraisal standards deployed by banks.

- The number of loan accounts increased from 1.74 million in December 2010 to 2.0 million in December 2011. During the same period, the number of commercial banks deposit accounts increased from 11.8 million in December 2010 to 14.3 million in December 2011. This growth demonstrates increased access to financial services by the Kenyan populace.

The sector's average liquidity was 37.0 percent in December 2011, compared with the statutory minimum of 20.0 percent. Over 60 percent of the liquid assets comprised investment in government securities which contributed to the high average liquidity ratio of the banking sector. The sector's capital adequacy, which is measured by the ratio of Total Capital to Total Risk Weighted Assets reduced to 21 percent in December 2011 from 22 percent in December 2010. The reduction was mainly attributable to a higher increase in loans and advances than the increase in total capital. However, the capital adequacy ratio was still well above the 12 percent statutory minimum, which gives banks adequate buffer to absorb unforeseen shocks.

Banks' average liquidity ratio and total capital ratio were above the statutory minimum.

The banking sector is expected to maintain its growth momentum underpinned by increased regional presence of Kenyan banks and the adoption of innovative and cost effective methods of offering financial services.

Regional expansion and adoption of cost effective channels to drive sector's growth.

FREDRICK PERE

DIRECTOR, BANK SUPERVISION DEPARTMENT

CHAPTER ONE

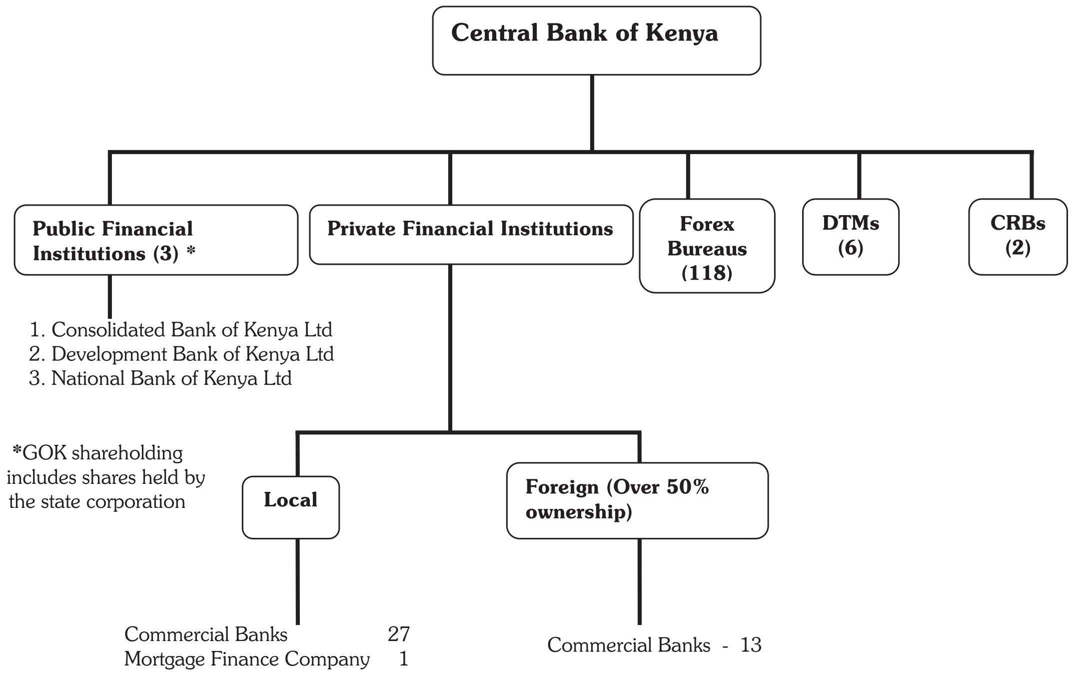
STRUCTURE OF THE BANKING SECTOR

1.1 The Banking Sector

As at 31st December 2011, the banking sector comprised of the Central Bank of Kenya, as the regulatory authority, 44 banking institutions (43 commercial banks and 1 mortgage finance company - MFC), 4 representative offices of foreign banks, 6 Deposit-Taking Microfinance Institutions (DTMs), 118 Forex Bureaus and 2 Credit Reference Bureaus (CRBs). Out of the 44 banking institutions, 31 locally owned banks comprise 3 with public shareholding and 28 privately owned while 13 are foreign owned as shown in Chart 1. The 6 DTMs, 2 CRBs and 118 forex bureaus are privately owned. The foreign owned financial institutions comprise of 9 locally incorporated foreign banks and 4 branches of foreign incorporated banks.

At the end of 2011, there were 43 commercial banks, 1 MFC, 6 DTMs, 2 CRBs and 118 Forex Bureaus.

CHART 1: STRUCTURE OF BANKING SECTOR – DECEMBER 2011



Supervision of Banking Sector Institutions

One of the principal objectives of the Central Bank of Kenya as provided in the Central Bank of Kenya Act, section 4(2) is to foster liquidity, solvency and proper functioning of a stable market-based financial system. In this regard, the Bank Supervision Department (BSD) has been mandated to discharge this objective.

The Department while discharging its mandate performs the following broad functions:

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

- o Continuous review of the Banking Act, Microfinance Act, Building Societies Act, Regulations and Guidelines issued thereunder which lay the legal foundation for banking institutions, non-bank financial institutions, deposit taking microfinance institutions and building societies.
- o Continuous review of Regulations and Guidelines for Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.
- o Continuous review of Regulations for Credit Reference Bureaus licensed under the Banking Act.

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

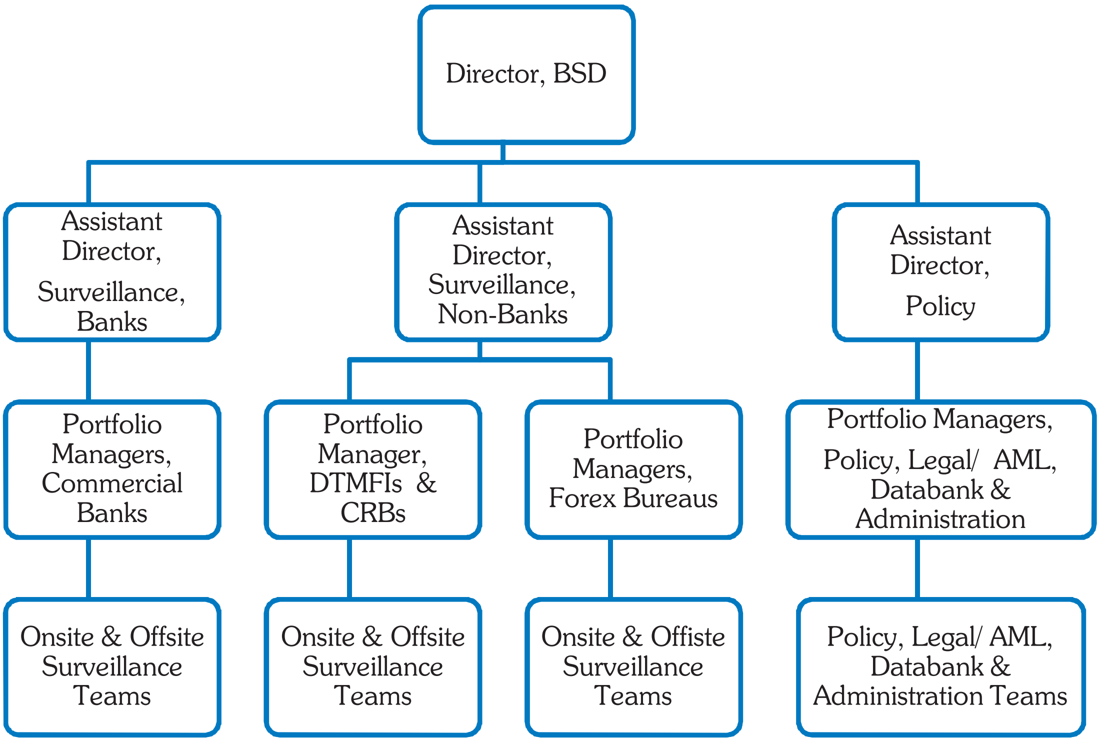
iii. Conducts onsite evaluation of the financial condition and compliance with statutory and prudential requirements of institutions licensed under the Banking Act, Microfinance Act and Foreign Exchange Bureaus licensed under the Central Bank of Kenya Act.

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

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

As at the end of December 2011, BSD had a staff compliment of seventy (70) comprising sixty (60) technical staff and ten (10) support staff and is divided into three divisions as depicted in Chart 2 below.

CHART 2: Bank Supervision Organization chart



Capacity Building Initiatives and Technical Assistance

During the year, BSD partnered with various development partners to initiate various training interventions. These initiatives included:

- EAST AFRITAC Regional Workshop on Consolidated Supervision in March 2011 in Mombasa.
- A Workshop on "The African Approach to the Implementation of International Standards for Banking Supervision and the Basel Capital Framework" 28-29, April 2011 by the African Development Bank in Kampala.
- Harvard Kennedy School Executive Education Programme on Financial Institutions for Private Enterprise Development (FIPED), 14-26 August, 2011 at the Kennedy School of Government, Harvard University, USA.
- Training in Microfinance applied policy and financial analysis through School of African Microfinance (SAM) from 5th to 16th September 2011 in Mombasa.
- Knowledge Exchange Tour on surveillance of CRBs to the National Credit Regulator in South Africa from 28th November to 6th December 2011.

These initiatives were aimed at developing staff capacity to implement sound supervisory standards and practices and keeping them abreast of the latest developments in international financial markets and supervisory responses to the financial market crisis.

BSD is committed to working with various development partners on capacity building initiatives, which are aimed at sharpening the supervisory skills and ensuring staff are abreast of the latest developments in international financial markets.

1.2 Ownership and Asset Base of Commercial Banks

Local private commercial banks accounted for 63% of the total institutions and 60% of the total net assets.

The 27 local commercial banks[1] operating in the sector accounted for 60.0 percent of the industry's total assets. The 13 foreign owned commercial banks accounted for 35.3 percent of the industry's total assets as at 31st December 2011 as indicated in Table 1 and Chart 3.

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

Ownership	Number	%	Total Net Assets	%
Local Public Commercial Banks	3	7.0%	95,506	4.7%
Local Private Commercial Banks	27	62.8%	1,213,072	60.0%
Foreign Commercial Banks	13	30.2%	712,240	35.3%
Total*	**43**	**100.0%**	**2,020,818**	**100.0%**

*** Charterhouse Bank excluded**

Source: CBK

Chart 3: Ownership and Asset Base of Commercial Banks (%) – December 2011

[1] *Commercial Banks – comprises banks and mortgage finance companies*

1.3 Distribution of Banks Branches

The number of bank branches increased by 98 from 1,063 in 2010 to 1,161 branches in 2011 indicating increased access to banking products and services. Nairobi County registered the highest number of branches representing 40 percent of the total branches in 2011, which may be attributed to a higher level of economic activities compared to the other counties. Each of the 47 counties had banks branches with the Nairobi County recording 465 bank branches as indicated in Appendix XIII.

Bank branches increased by 98 to 1,161 branches in 2011 and each of the 47 counties had a branch.

1.4 Banks Market Share Analysis

CBK uses a weighted composite index comprising assets, deposits, capital size, number of deposit accounts and loan accounts to classify banks into three peer groups. Based on the weighted composite index, a large bank has a market share of 5 percent and above; medium bank between 1 percent and 5 percent and a small bank has less than 1 percent of the market share.

As at 31st December 2011, there were 6 large banks, 15 medium banks and 22 small banks as shown in Table 2, which was a similar classification registered in 2010. However, banks changed positions within their respective peer groups, with Equity Bank moving to second position from third position in 2010, with Barclays Bank moving to position three from position two in 2010 as shown in Appendix IV. The changes in positions were mainly driven by levels of customer deposits. The large banks accounted for 54 percent of total assets, 53 percent of customer deposits, 55 percent of capital & reserves and 62 percent of pre-tax profit as shown in Chart 4.

Large banks which comprised of 6 institutions accounted for 54% of the total net assets.

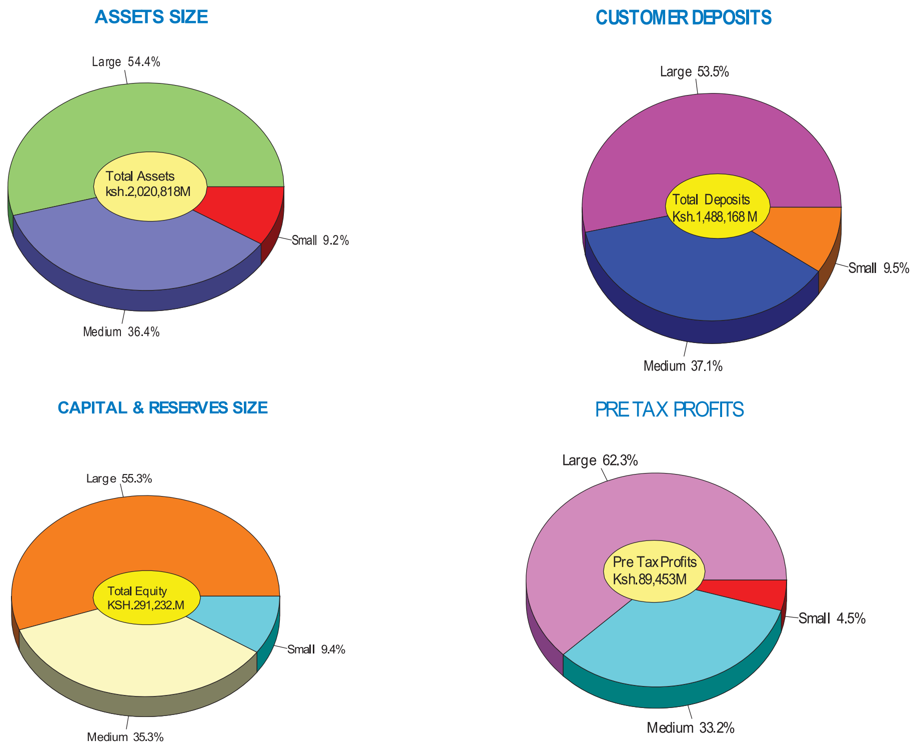
Table 2: Banks Market Share Analysis – Ksh. M

	Weighted Market Size	No. of institutions	Total Net Assets	Customer Deposits	Capital and Reserves
Large	54.6%	6	1,098,750	795,517	161,126
Medium	36.0%	15	735,819	551,639	102,841
Small	9.4%	22	186,249	141,012	27,265
Total	100.0%	43	2,020,818	1,488,168	291,232

Charterhouse Bank excluded

Source: CBK

Chart 4: Banks Market Share (%) - December 2011



1.5 Automated Teller Machines (ATMs)

Use of ATMs by banks on increase.

The number of banks ATMs increased by 226 from 1,979 in December 2010 to 2,205 in December 2011 representing an increase of 11.4 percent as indicated in Table 3. The increase demonstrated initiatives by banks to increase provision of their services by adopting cost effective channels.

Table 3: ATM Network

Month	2010	2011	Increase	% Growth
January	1,730	2,106	376	21.7%
February	1,755	2,143	388	22.1%
March	1,777	2,151	374	21.0%
April	1,794	2,162	368	20.5%
May	1,828	2,171	343	18.8%
June	1,831	2,183	352	19.2%
July	1,861	2,202	341	18.3%
August	1,883	2,208	325	17.3%
September	1,913	2,217	304	15.9%
October	1,925	2,185	260	13.5%
November	1,940	2,186	246	12.7%
December	1,979	2,205	226	11.4%

Source: CBK

1.6 Asset Base of Deposit Taking Microfinance Institutions

6 DTMs were in operation in 2011 and had an asset base of Ksh. 24.8bn.

During the period ended 31st December 2011, there were six (6) licensed DTMs in operation with an asset base of Ksh. 24.8 billion as indicated in Table 4. The net advances constituted 65 percent of the total assets for the DTMs, which denote the primary activity for the deposit taking microfinance institutions. Further, it signifies the important role these institutions play in financial intermediation particularly given that they cater for the small and medium sized enterprises. Deposit balances at banks and financial institutions accounted for 19 percent, while net fixed assets accounted for 9 percent of the total assets base.

It is noteworthy that the deposit taking business is a relatively new activity to microfinance institutions. This has manifested itself in low levels of deposits with lending being largely financed by capital and borrowing, unlike in the case of conventional commercial banks. In this regard, borrowings accounted for 43 percent of total funding sources. Customer deposits accounted for 40 percent while capital accounted for 12 percent. The challenge for the institutions is to grow customer deposits by leveraging on their strategic positioning and re-engineering deposit mobilization strategies.

Table 4: Asset Base of DTMs (Ksh. 'M')

ASSET	2011	% of Total
Cash balances (local & foreign notes & coins)	378	2%
Deposit balances at banks and financial institutions	4,733	19%
Government securities	507	2%
Net Advances	16,060	65%
Accounts receivables	377	2%
Net Fixed Assets	2,273	9%
Other assets	470	2%
TOTAL ASSETS	**24,798**	**100%**
Borrowings	10,622	43%
Customer deposits	9,989	40%
Other Liabilities	1,168	5%
Capital and Shareholders funds	3,019	12%
TOTAL LIABILITIES & EQUITY	**24,798**	**100%**

1.7 Deposit Taking Microfinance Institutions Market Share Analysis

Large DTMs comprised of 3 institutions and accounted for 98% of the total assets.

The Deposit Taking Microfinance Institutions (DTM) market share is based on a weighted composite index comprising assets, deposits, capital size, number of deposit accounts and loan accounts to classify them into three peer groups. Based on the weighted composite index, a large DTM has a market share of 5 percent and above; medium DTM between 1 percent and 5 percent and a small DTM has less than 1 percent of the market share.

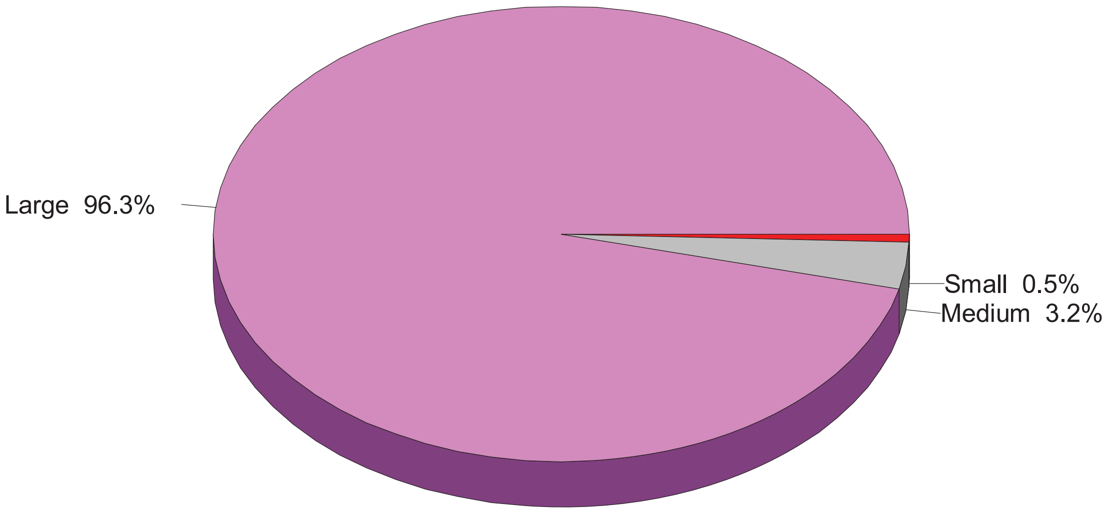
As at 31st December 2011, there were 3 large DTMs with a market share of 96.3 percent, 2 medium DTMs with a market share of 3.2 percent and 1 small DTM with a market share of 0.5 percent as shown in Chart 5. The large DTMs accounted for 97.6 percent of total assets, 98.6 percent of customer deposits and 92.4 percent of capital & reserves as shown in Table 5.

Table 5: Deposit Taking Microfinance Institutions Market Share as at December 2011 – Ksh. M

	Market Size Index	Gross Assets	Total Deposits	Total Capital	Deposit Accounts	Loan Accounts
Weighting		**0.33**	**0.33**	**0.33**	**0.005**	**0.005**
KWFT DTM	67.21%	17,733	7,077	2,325	930,807	325,102
Faulu Kenya DTM	21.17%	5,579	1,965	836	305,598	89,936
SMEP DTM	7.87%	2,158	814	262	157,863	60,072
Rafiki DTM	2.09%	445	102	133	7,498	623
Remu DTM	1.12%	131	20	99	1,949	312
Uwezo DTM	0.54%	64	11	47	962	143
TOTAL	**100%**	**26,110**	**9,989**	**3,702**	**1,404,677**	**476,188**

Based on the market size index ranking, KWFT DTM market share was 67.2 percent, Faulu Kenya DTM 21.2 percent and SMEP DTM had 7.9 percent. The market size reflects the level of market captured by the respective institutions in the deposit taking microfinance business. It is notable that the top three institutions transformed from credit only microfinance institution to deposit taking microfinance institutions. Rafiki DTM, Remu DTM and Uwezo DTM as direct entrants held a combined market share of 3.8 percent. Further, the four DTMs that commenced operations in 2011 namely SMEP DTM, Remu DTM, Uwezo DTM and Rafiki DTM held a combined market share of 11.6 percent.

Chart 5: DTMs Composite Index Market Share (%) - December 2011



1.8 Distribution of Foreign Exchange Bureaus

Forex Bureaus were first licensed in Kenya in January 1995 to foster competition in the foreign exchange market and to narrow the exchange rate spread in the market. Although these objectives have largely been achieved, the rapid growth in the sub-sector in the recent past brought about various challenges including non-compliance with statutory requirements. Consequently the Central Bank of Kenya embarked on a comprehensive review of the forex bureaus sub-sector, which culminated in the issuance of revised Forex Bureau Guidelines in April 2011. The guidelines are aimed at streamlining the operations of the forex bureaus.

84% of the bureaus were operating in Nairobi.

Following the implementation of reforms in the sub-sector, the number of licensed forex bureaus declined from one hundred and twenty six (126) in December 2010 to one hundred and eighteen (118) in December 2011. This was mainly due to the revocation of forex bureau licenses for non-compliance and voluntary winding up.

Table 6 belows the distribution of the bureaus within major cities and towns in the country as at 31st December 2011. The forex bureaus have presence mainly at border entry points, international airports and tourist destination centres.

Table 6: Distribution of Operating Forex Bureaus

No.	City / Town	Number of bureaus	% of Total
1	Nairobi	99	83.9%
2	Mombasa	10	8.5%
3	Malindi	2	1.7%
4	Nakuru	2	1.7%
5	Kisumu	2	1.7%
6	Eldoret	2	1.7%
7	Namanga	1	0.8%
	Total	118	100%

CHAPTER TWO

DEVELOPMENTS IN THE BANKING SECTOR

2.1 Introduction

Adoption of cost effective delivery channels to enhance access to banking services.

Developments within the banking sector are strongly guided by the medium-term objectives of the financial sector reform and development strategy embedded in the economic development blueprint, Vision 2030. In the year 2011, access to financial services continued to be enhanced, spurred by increased innovation in the delivery of financial products and services throughout the country. These developments have been a catalyst to fulfilling the goals of building an all-inclusive and efficient financial system. Despite 2011 being a year of accelerated inflation arising from high food and fuel costs, the total population with access to financial services, which is a key indicator of financial sector growth and development, increased. This is attributable to cost-effective and efficient innovations within the banking sector, particularly through the mobile money revolution and the adoption of branchless banking models like the agency banking model.

Some of the specific developments in the year included the:

i) Continued expansion of banks through branches and other place of business across Kenya as well as the larger East African region.

ii) Growth of the deposit-taking microfinance sub-sector through the growth in deposits and loans of six licensed DTMs. In the year 2011, three applicants for deposit-taking microfinance licenses were also issued with letters of intent to offer deposit-taking microfinance services both nationwide and within specified administrative areas.

iii) Increased permeation of mobile financial services with an increased number of banks entering into partnership with mobile service providers to provide financial services through the mobile phone platform. Over 18 million Kenyans were using mobile phone platforms to make payments and send remittances; and over 40,000 agents facilitating transactions of up to USD 41 million per day at the end of December 2011.

iv) Increased usage of the agency banking model, which was rolled out in May 2010, to allow commercial banks engage third parties to offer specified banking services on their behalf.

v) Development of the ‘Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions’ to extend the agency model platform to deposit taking microfinance institutions (DTMs) to allow them engage third parties to offer specified deposit taking business on their behalf.

2.2 Developments in Information and Communication Technology (ICT)

Commercial banks have continued to leverage on robust ICT platforms rather than recruiting a corresponding number of employees to serve the increasing number of customers. This is well explained by the ratio of customer deposit accounts to employees which shows that in 2010, one employee used to serve an average of 412 customers while in 2011 the same employee was able to serve 474 customers as indicated in Table 7.

Adoption of ICT by banks continues to enhance efficiency of their operations.

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

Year	No. of Deposit Account Holders	Number of Staff	Efficiency Score
1996	1,000,000	16,673	60
2002	1,682,916	10,884	155
2006	3,329,616	15,507	215
2007	4,123,432	21,657	190
2008	6,428,509	25,491	252
2009	8,481,137	26,132	324
2010	11,881,114	28,846	412
2011	14,250,503	30,056	474

Source: CBK

Core Banking Systems

The robust ICT platforms in the sector are supported by stable and efficient operating core banking systems. The commercial banks business strategies are mainly driven by the capabilities of these core banking systems and other integrated systems. The capabilities of these systems dictate the types of products and services the institution can offer and how efficiently those products and services will be offered to its customers.

The various types of Core Banking Systems currently in use by the commercial banks include Bankers Realm, Flexcube, T24 and Financle. However, it is worth noting that the commercial banks on Bankers Realm are mainly those that implemented the software in the late 1990s and early 2000. Since then, a number of banks have been migrating to new operating platforms. The new systems are expected to facilitate centralization of operations, staff rationalization and support new technological products such as internet and mobile banking.

Mobile Financial Services

There has been tremendous growth in Mobile phone money transfers services in the country. Consequently, a number of institutions have initiated various innovations and new products to be able to conveniently serve their customers and reduce the long queues that were previously being experienced in the banking halls. As a result, thirteen banks had signed up partnerships with mobile phone providers to facilitate money transfer services for their customers. Several other banks have expressed interest to introduce mobile financial services with the aim of offering better and convenient services to their customers. Mobile money transfer services have been a phenomenal success and have put the country at the global centre stage of financial inclusion and innovation.

Internet Banking

In furtherance and support of the mobile financial services, commercial banks continued to embrace the use of the internet as a remote delivery channel for banking services. As at 31st December, 2011, twenty three banks were offering various internet products to their customers. Internet services provided include; opening accounts, transferring funds to different accounts, online viewing of the accounts, online inquiries and requests, online salaries payments, clearing cheques status query and instant alerts or messages of account status.

Cheque Truncation System (CTS)

The banking industry in Kenya in collaboration with the Kenya Bankers Association (KBA) rolled out the Cheque Truncation System in August 2011. Cheque truncation refers to a process in which physical cheques presented for payment in a bank by individuals or corporate bodies are converted into electronic form and the image transmitted electronically to the Clearing House for processing and eventual payment by the paying bank. The introduction of this system is expected to speed up clearing of such cheques in addition to reducing incidences of frauds and the costs of transporting these cheques from one bank to another. The system has been received well and has reduced cheque clearing period from the previous period of four days to two days.

2.3 Financial Inclusion and Policy Development Initiatives

Financial inclusion is defined as "the policy goal of reaching all financially excluded households with a full range of responsibly delivered, affordably priced and reasonably convenient formal financial services[2]." Evidence shows that financial inclusion is key to reducing the economic vulnerability of households, promoting economic growth, alleviating poverty and improving the quality of peoples' lives.

[2] *Christen R, Lauer, K, Lyman, T & Rosenberg R 2011, A guide to regulation and supervision of microfinance. Public Comment Version.*

In Kenya, financial inclusion comprises the provision of financial services to the financially excluded segments of society as well as increasing the usage of diverse financial services to the entire Kenyan populace. It embraces sector-wide developments towards creating access to affordable financial services, which include: insurance, pension and capital markets. Financial inclusion may not be fully realised without financial education and consumer protection, which are at the heart of the global financial inclusion and financial sector development agendas. The role of the Central Bank of Kenya (CBK) towards enhancing financial inclusion is to formulate enabling policies to allow for sustainable economic growth. As at the end of 2011, the Central Bank had:

CBK committed to initiating policies to promote financial inclusion.

i) Issued the 6th deposit taking microfinance licence as well as 3 letters of intent, which is an approval in principle issued prior to an applicant being issued a licence.

ii) Facilitated the expansion of commercial bank branch networks to 1,161 by end of December 2011 through minimising barriers to entry.

iii) Developed the 'Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions' to extend the agency model platform to deposit taking microfinance institutions (DTMs) to allow them engage third parties to offer specified deposit taking business on their behalf.

iv) Continued to facilitate the provision of Shariah Compliant financial products by commercial banks to serve those denied access to financial services due to faith based restrictions.

v) Engaged in financial education through platforms such as agricultural shows and financial regulators forum held to sensitise the public on financial matters.

vi) Facilitated the licensing of Credit Reference Bureaus (CRBs) to build information capital, reduce information search costs; and extend credit based on financial identity.

The push for financial inclusion cannot be done in isolation as the pursuit of financial inclusion and financial sector integrity are complementary financial sector policy objectives. It is in this regard that the Central Bank, together with key sector players including the Ministry of Finance have prioritised the development of an effective anti-money laundering and combating financing of terrorism (AML/CFT) regime for Kenya's financial sector.

2.4 Agent Banking

Use of agent banking model to increase provision of banking services.

Increasing access to finance has been abridged with the use of innovation such as agent banking, which allows commercial banks and DTMs to engage the services of third party outlets to deliver specified financial services on their behalf. Following the roll out of the agent banking model in May 2010, commercial banks have been able to contract varied retail entities. These entities, such as security companies, courier services, pharmacies, supermarkets and post offices act as third party agents to provide cash- in -cash-out transactions and other services in compliance with the laid down guidelines. As at December 2011, there were 8 commercial banks that had contracted 9,748 active agents facilitating over 8 million transactions valued at Ksh. 43.6 billion. This represented 3 percent of the total deposit base in the banking industry. The breakdown of the type, number and values of transactions through agent banking is summarized in Table 8.

Table 8: Type, Number and Values of Transactions undertaken through Agent Banking

Type of Transactions	Number of Transactions	Value of Transactions (Ksh. M)
Cash Deposits	3,575,502	28,293
Cash Withdrawals	2,960,692	15,319
Payment of Bills	43,398	113
Transfer of Funds	5	0.000320
Balance enquiries	1,197,164	N/A
Mini statement requests	6,413	N/A
Collection of account opening application forms	978,529	N/A
TOTAL	**8,761,703**	**43,612**

The Finance Act No. 10 of 2010 amended the Microfinance Act 2006 to also allow DTMs to contract third party agents to conduct specified deposit taking microfinance business on their behalf. Thereafter, the Central Bank issued the Guideline on the Appointment and Operations of Third Party Agents by Deposit Taking Microfinance Institutions, which was to take effect on 2nd January 2012. Agents indeed have proven to be an avenue to push forward financial inclusion frontiers in un-served areas given that they are cost effective networks which can serve many at minimal costs as compared to physical brick and mortar branches.

2.5 Credit Information Sharing

Credit information sharing was primarily introduced to reduce information asymmetry within the financial sector. Through Section 55(1) of the Banking Act, the Central Bank of Kenya has the mandate to licence and supervise credit reference bureaus (CRB). The mandate of CRBs is to collect, collate and disseminate credit information to lenders to aid them in their credit decisions. This mode of establishing credit worthiness enables borrowers with no physical collateral to use their repayment history as collateral thus making credit markets more competitive and in the long run, more affordable. It also allows building of information capital; reduce information search costs; and extend credit based on financial identity. The information contained in a CRB enables commercial banks exchange and ascertain information relating to a potential borrower's financial credibility through assessment of individual credit history. As at December 2011, there were over 1.3 million credit reports accessed by Banks; and over 6,000 credit reports accessed by individuals.

CRBs to enable borrowers access loans based on information capital on competitive terms.

Sections 34(4) and 34(5) of the Microfinance Act, 2006 provides for sharing of information by DTMs under arrangements similar to those available to commercial banks. The Finance Act, 2011 amended the Banking Act and Microfinance Act to allow for the sharing of credit information between DTMs and institutions licenced under the Banking Act. The objective is to facilitate comprehensive and robust information sharing to enhance information symmetry within the financial sector.

2.6 Employment Trend in the Banking Sector

The banking sector recorded an increase in staff by 1,210 from 28,846 in 2010 to 30,056. The growth in staff levels affected all the cadres except the management cadre. The decline in managerial staff may be attributed to cost-cutting initiatives as banks try to manage their expanding wage bill as shown in Table 9.

Banking sector staff increased by 1,210.

Table 9: Employment in the Banking Sector

	2010	2011	% Change
Management	7,431	7,021	-5.5%
Supervisory	5,097	6,014	18.0%
Clerical and Secretarial	14,341	15,020	4.7%
Support Staff	1,977	2,001	1.2%
Total	28,846	30,056	4.2%

Source: CBK

2.7 Activities of Representative Offices of Foreign Banking Institutions in Kenya

CBK authorized 2 representative offices of foreign banks in 2011.

The Central Bank of Kenya (CBK) grants authority to foreign banks who wish to establish Representative Offices in Kenya as mandated under section 43 of the Banking Act. The Banking Act also empowers CBK to supervise the activities of all Representative Offices operating in Kenya.

Representative Offices are established by foreign banks who wish to have a presence in the country without having to launch fully fledged banking operations. They are only permitted to undertake research, marketing or liaison roles on behalf of their parent and affiliated institutions. They are therefore not allowed to conduct banking business.

In 2011, CBK authorized two new Representative Offices namely the Hong Kong Shanghai Banking Corporation Limited (HSBC Ltd) of United Kingdom (in April 2011) and FirstRand Bank Ltd of South Africa (in November 2011). The establishment of the two Representative Offices brought the total number of Representative Offices operating in Kenya as at 31st December 2011 to four. The other two are HDFC Bank Ltd of India (authorized in 2008) and Nedbank Ltd of South Africa (authorized in 2010).

During 2011, the Representative Offices in Kenya executed their mandates within the applicable legal and regulatory framework. The main activities undertaken by the Representative Offices in the year include:

- **Product promotion:** Provision of information to actual and potential customers on the products and services offered by their parent and affiliated institutions;

- **Communication and Outreach (marketing)** – Initiating contacts and building relationships with players in the local banking sector, including licensed banks, regulators, non-banking institutions, and corporate entities;

- **Document Handling:** Collection, verification and submission of documentation of their Kenyan customers to their parent and affiliated institutions;

- **Facilitation of correspondent banking, syndicated lending and private banking services:** These were arranged through facilitation of negotiations on the terms of service between parent offices and prospective customers.

- **Facilitation of exploratory visits:** Hosting visits to Kenya by representatives of parent and affiliated institutions to explore potential market opportunities both in Kenya and neighboring countries within the East African region.

In supervising Representative Offices in Kenya, CBK receives quarterly returns detailing activities undertaken in the quarter. These are analyzed and clarifications sought when needed. Further, periodic meetings are held with the Representative Offices to discuss any regulatory developments and concerns.

The increasing number of Representative Offices established in Kenya signifies growing interest in the Kenyan banking sector from regional and international banking institutions. This indicates the existing business opportunities in the banking sector that are yet to be exploited. Some of the existing Representative Offices have plans to upgrade to either fully fledged subsidiaries or branches. This will enhance the product range and quality for the Kenyan banking sector. It is through establishment of new players in the banking sector that competition will be enhanced.

2.8 Residential Mortgages Market Survey

The Central Bank of Kenya in collaboration with the World Bank undertook a survey on the development of the mortgage market for residential housing in Kenya in 2010.

A detailed questionnaire developed by the mission team and CBK was distributed to the institutions to collect baseline data for the periods 2006, 2007, 2008, 2009 and May 2010. The information collected comprised:

a) Size of Mortgage Portfolio;
b) Mortgage Loan Characteristics; and
c) Obstacles to Mortgage Market Development.

In order to assess the performance of the residential mortgage market since the baseline survey conducted in 2010, CBK undertook another survey based on the same parameters as at 31st December 2011. The survey provided an update on the size of mortgage portfolio, mortgage loan characteristics and the obstacles to mortgage market development. Institutions also gave their views on the residential mortgage market outlook for 2012.

Highlights of the Residential mortgage survey as at 31st December 2011:

a) Size of Mortgage Portfolio

i) The value of mortgage loan assets outstanding increased from Ksh. 61.4 billion in May 2010 to Ksh. 91.2 billion in December 2011, representing a growth of Ksh. 29.8 billion or 48.5 percent.

ii) About 71 percent of the lending to mortgage market was by 5 institutions i.e. one medium sized institution (28.3 percent) and four institutions from the large banks peer group (42.9 percent). The same institutions dominated the mortgage market based on the 2010 survey.

Value of residential mortgages stood at Ksh. 91.2 bn in 2011 comprising of 16,135 mortgage accounts.

iii) There were 16,135 mortgage loans in the market in December 2011 up from 15,049 in May 2010.

iv) The average mortgage loan size increased from Ksh. 4.1 million in May 2010 to Ksh. 5.7 million in December 2011. The increase may be partly attributed to increase in property prices.

v) The value of non-performing mortgages was Ksh. 3.6 billion or 3.9 percent of the total outstanding mortgages.

vi) The number of non-performing mortgages accounts were 764 or 4.7 percent of the total mortgages accounts.

vii) The number of institutions offering mortgages remained at 33 as indicated in Appendix XIV.

b) Mortgage Loan Characteristics

i) The interest rates charged on mortgages on average ranged between 13.0 percent - 26.7 percent. However, the average interest rate increased from 14.02 percent in May 2010 to 20.70 percent in December 2011.

ii) About 90 percent of mortgage loans were on variable interest rates basis compared to 73 percent in 2010. The tendency for institutions to grant mortgage loans on variable interest rate basis may be contributing to slow growth in residential mortgage market in Kenya.

c) Obstacles to Mortgage Market Development

High interest rates became a major obstacle to mortgage market development.

Based on a ranking of mortgage market constraints, institutions identified high interest rates and lack of access to long-term funds as the major impediments to the growth of their mortgage portfolios. However, the 2010 survey had identified lack of access to long term funds as the major obstacle with the high interest rates being rated as the 4^{th} obstacle. The survey identified a number of the impediments to mortgage market development as indicated in Table 10.

d) Mortgage market outlook for 2012

A number of institutions observed that the mortgage market in 2012 will be dampened by:

i) Increasing lending interest rates with borrowers income remaining unchanged.

ii) Increased cost of materials due to high inflation.

iii) Borrowers adopting a wait and see attitude as they await the outcome of the forthcoming general elections.

Table 10: Residential Mortgages Market Survey, December 2011	
Mortgage Market Obstacles	**Frequency of Response**
High interest rates	32
Lack of access to long-term funds	31
Low levels of income for potential borrowers	23
High credit risk mainly attributed to absence of credit history of borrowers	22
Lack of housing supply – new construction	16
Cost and time of foreclosing on a property	12
Difficulties in registering property	11

However, some institutions noted that the mortgage market growth momentum will be supported by:

i) The rising middle income class.
ii) Increased financial literacy.
iii) Devolved government counties – housing for new counties.

2.9 Future Outlook

The sector is expected to maintain its growth momentum largely supported by innovations and adoption of cost effective channels of offering financial services. The domestic outlook for 2012 indicates easing of inflation pressure, stabilization of the shilling and the government's initiatives to externalize part of its debt. The externalization of the government debt will ease pressure on interest rates, and thus boost banking sector credit to support the private sector growth.

Innovation and adoption of cost effective channels to support banking sector growth.

CHAPTER THREE

MACROECONOMIC CONDITIONS AND BANKING SECTOR PERFORMANCE

3.1 Global Economic Conditions

Global economic growth slowed to 3.8% in 2011 from 5.0% in 2010.

The world economy grew by 3.8 percent in 2011 compared to 5.0 percent in 2010. The slow down reflected the escalating strains in the Euro Area and fragilities in the financial and economic conditions of the major developed economies. The unprecedented policy measures taken by Governments during the early stage of the crisis did not help much to stabilize financial markets and jump-start recovery. The 2012 global output is therefore projected to decline further to 3.4 percent in 2012. The bleak outlook factors in the forecasted mild recession in the Euro Area in 2012 following the increase in sovereign yields, the effects of bank deleveraging on the real economy, and the impact of additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow down on account of the worsening external environment and weakening internal demand.

In order to promote global stability, further policy reforms to improve financial regulation and supervision are critical. The most immediate policy challenge has been to restore confidence and put an end to the crisis in the Euro Area by supporting growth. In other major advanced economies, the key policy requirements are to address medium-term fiscal imbalances and to repair and reform financial systems, while sustaining the recovery. Going forward, the key goal of reform will be to strengthen macro-prudential surveillance and enhance the coverage and depth of analysis of financial sector issues and policies.

3.2 The Regional Economy

Sub-Saharan African economies registered economic growth of 5.2% in 2011.

Africa's rebound from the recession has been faster and stronger than from previous global downturns. In 2011, Sub-Sahara African economies (SSA) expanded by 5.2 percent compared to 5.4 percent in 2010 and a rebound to 5.8 percent growth is projected in 2012. Whereas most economies in SSA faced a surge in food and fuel prices in 2011 due to high international commodity prices and acute drought in some parts that caused dislocation and strained the budgets of the poor, the forecast recovery in 2012 reflects strong domestic demand. Moreover elevated commodity prices in the world market also helped boost trade in the region. However, the renewed turmoil in global financial markets and the weak prospects for growth in advanced economies may heighten downside risks in a number of SSA countries.

The East African Community (EAC) comprising of East Africa's five member countries recorded the highest growth rate of 5.8 percent in 2010 compared to 5.1 percent in 2009. The GDP growth for the EAC region was 5.9 percent in 2011. The high growth is attributed to political stability in the region, increased regional demand and favorable commodity prices in the world market. However, the EAC region recorded a surge in food and energy prices in 2011 and the subsequent increase in inflation posed major challenges to monetary policy credibility in the EAC. Inflation had gained momentum since the beginning of 2011 due to elevated commodity prices which reflected a combination of drought and rising global prices, particularly oil and food prices. In addition, the EAC currencies weakened against major world trading currencies. These challenges encouraged the EAC Central Banks to coordinate tightening of monetary policy in 2011 with a view to stabilize the EAC currencies and reduce inflationary risks.

3.3 The Domestic Economy

Kenya sustained the momentum of economic recovery through 2010 with real GDP growth of 5.6 percent compared with growth of 1.5 and 2.6 percent in 2008 and 2009, respectively. The favourable economic outcome in 2010 is attributed to several factors including: favorable weather conditions that supported the dominant agricultural sector; increased credit to the private sector, enhanced public investment in infrastructure and a relatively stable domestic macroeconomic environment all of which supported private consumption and investment demand.

The growth enabling environment in 2010 reversed in 2011 with adverse supply side shocks that manifested in higher domestic food and fuel inflation. The domestic economy's Gross Domestic Growth (GDP) is estimated to have expanded by 4.4 percent in 2011. High oil and food prices as well as unfavourable weather conditions in some parts of the country were the major causes that restrained growth during the year. Instability in the foreign exchange market experienced during the second half of 2011 further exacerbated the situation by suppressing economic activities.

Kenya's GDP grew by 4.4% in 2011.

Agriculture and forestry continued to be the main driver of the economy with its share contribution increasing from 21.4 percent in 2010 to 24.0 percent in 2011. Other key sectors whose share increased include wholesale and retail trade and financial intermediation.

Domestic Economic Outlook for 2012

The persistence of high interest rates and inadequate long rains are likely to impact negatively on the economic performance in 2012. Government expenditure is likely to rise more rapidly on account of the implementation of the new constitution, particularly the setting up of the county governments and sustained infrastructure projects being undertaken currently.

3.4 Inflation

Overall 12-month inflation accelerated through much of 2011, rising from 3.97 percent in March 2010 to 12.05 percent in April 2011 before stabilizing at higher levels of 18.93 percent by December 2011. Inflationary pressure in 2011 reflected steep increases in food and fuel prices. The upward pressure on food prices was largely due to drought conditions that had prevailed since the last quarter of 2010, and which negatively impacted domestic food production and also constrained generation of the cheaper hydro electric power.

Increased food and fuel prices contributed to increased inflation in 2011.

On the other hand, instability in the oil producing Middle East and North African region contributed to elevated world crude oil prices. The import price of murban crude oil rose from US dollars 95.55 per barrel in January 2011, peaked at US dollars 120.70 per barrel in April 2011 before declining to US dollars 111.80 per barrel in December 2011. The higher import price on crude oil translated to higher pump prices of petrol, diesel and paraffin and also triggered an upward adjustment in fees charged on transport services and electricity generated from thermal sources in the country. The twelve month non-food, non-fuel inflation also escalated in 2011 from 1.34 percent in January 2011 to 10.76 percent in December 2011. Inflationary pressures should ease in 2012 following improved food supply on account of the favorable weather conditions in the last quarter of 2011, stabilization of international oil prices, appreciation and stability of the exchange rate and slowdown in private sector credit growth induced by substantial tightening of monetary policy since the last quarter of 2011.

3.5. Exchange Rates

The Kenya shilling weakened against the major currencies in 2011.

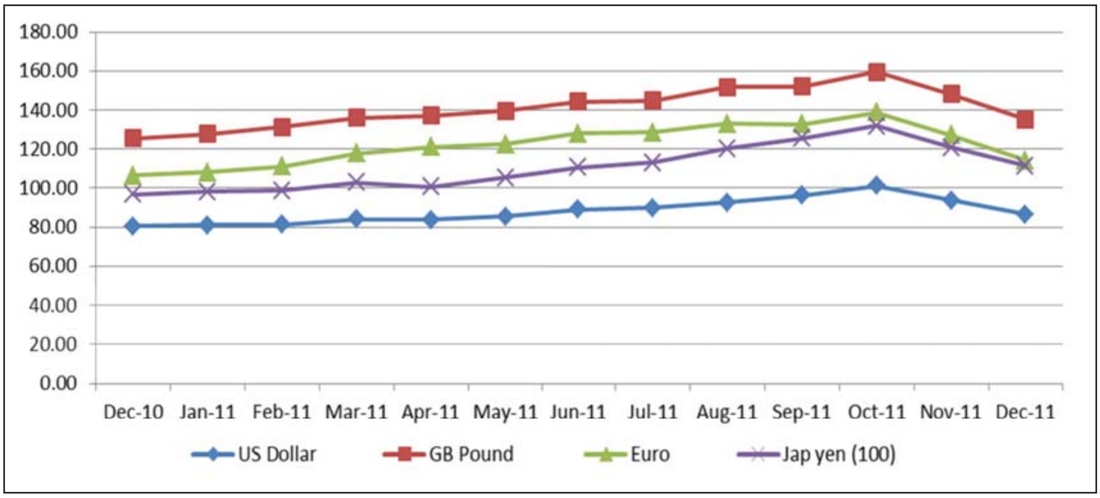
The Kenya shilling weakened against the US dollar, the Sterling Pound and the Euro, but strengthened against the Japanese Yen in 2011. The shilling depreciated by 5.34 percent to exchange at Ksh 85.07 per US dollar as at the end of December 2011 compared with Ksh 80.75 per US dollar as at the end of December 2010. Against the Sterling Pound and the Euro, the shilling depreciated by 5.09 percent and 2.26 percent, respectively to exchange at Ksh 131.12 per Sterling Pound and Ksh 110.06 per Euro as at the end of December 2011 compared with Ksh 124.77 per Sterling Pound and Ksh 107.63 per Euro as at the end of December 2010. The Kenya Shilling strengthened against the Japanese Yen by 15.85 percent to exchange at Ksh 83.41 per 100 Japanese Yen compared with Ksh 99.12 per 100 Japanese Yen over the same period (Table 11).

The depreciation of the Kenya Shilling against most traded world currencies was due to the Euro sovereign debt crisis that led to increased demand for US Dollars on account of "flight to safety'' phenomenon. However, in the last two months of 2011 the Kenya shilling strengthened against the major world trading currencies as shown in Chart 6. This followed the aggressive monetary policy actions with the Monetary Policy Committee (MPC) raising the Central Bank Rate (CBR) by 1,100 basis points from 7 percent in September 2011 to 18 percent in December 2011, and the cash reserve ratio (CRR) by 50 basis points to a monthly average of 5.25 percent effective 15th December 2011. CBK also reduced commercial banks' foreign exchange exposure limit from 20 percent of core capital to 10 percent.

In the EAC region, the Kenya Shilling strengthened against the Ugandan and Tanzanian Shilling to exchange at Ush 29.57 per Kenya Shilling and Tsh 18.81 per Kenya Shilling as at the end of December 2011 compared with Ush 28.57 per Kenya Shilling and Tsh 18.51 per Kenya Shilling as at the end of December 2010. This was attributed to increased demand for Kenya Shillings in these countries to finance imports from Kenya.

Table 11: Kenya Shilling Exchange Rate against Major Currencies			
Currency	**Exchange Rate**		**Percent change**
	December 2010	**December 2011**	
US Dollar	80.75	85.07	5.3%
Sterling Pound	124.77	131.12	5.1%
Euro	107.63	110.06	2.3%
100 Jap Yen	99.12	83.41	(15.9)
UG Shilling*	28.57	29.51	3.3%
TZ Shilling*	18.51	18.81	1.6%
*Both currencies weakened against the Kenya Shilling			

Chart 6: Kenya Shilling Exchange Rate Movement against major Currencies



3.6. Interest Rates

Interest rates increased sharply on all financial instruments (Chart 7) following aggressive monetary policy tightening adopted by the Central Bank to address inflationary pressures and stabilize the exchange rate.

CBR was increased to 18% in December, 2011.

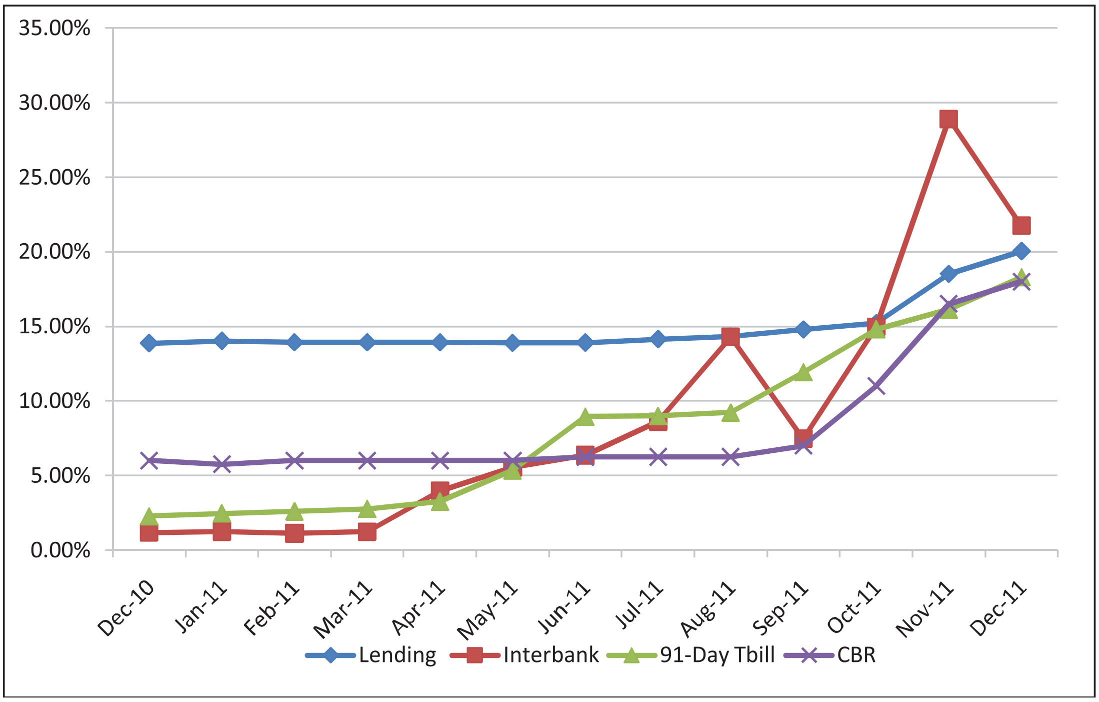
The Central Bank Rate (CBR) was first reduced to 5.75 percent in January 2011 from 6.0 percent in December 2010 as shown in Appendix XI. In subsequent reviews of domestic economic developments conditions by the Monetary Policy Committee (MPC), the CBK opted to tighten monetary policy stance by raising the CBR from 5.75 percent in January 2011 to 6 percent in March 2011. In the follow up meetings of July and September, the CBR was raised to 6.25 percent and 7 percent, respectively. The strength of monetary policy tightness made little impact on inflation and the exchange rate trends. Inflation continued to increase albeit at a decelerating rate while the Kenya Shilling exchange rate remained volatile and depreciating. Further action on the stance of monetary policy resulted in raising the CBR by an unprecedented 400 basis points to 11.0 percent in October 2011 and by 550 basis points and 150 basis points to 16.5 percent and 18.0 percent, respectively in November 2011 and December 2011. These measures were taken to also slow down private sector credit demand which had partly contributed to the deterioration of the current account balance.

The increase in CBR rate raised short term interest rates, particularly the interbank rate. The average inter-bank lending rate increased from 1.18 percent in December 2010 to 21.75 percent in December 2011. The average 91- day Treasury Bills rate also increased steadily throughout the year from 2.28 percent to 18.30 percent.

Commercial banks average lending rates increased to 20% and deposit rates increased to 7% in December, 2011.

The average commercial bank lending rates and deposit rates maintained an upward trend between December 2010 and December 2011. Commercial banks average lending rate increased from 13.87 percent in December 2010 to 20.04 percent in December 2011, with an annual average of 15.05 percent. Over the same period, the average interest rate paid by banks on deposits increased from a 3.59 percent in December 2010 to 6.99 percent in December 2011. Consequently, the interest rate spread widened to 13.06 percent in December 2011 from 10.28 percent in December 2010 reflecting the increase in the lending rate.

Chart 7: Comparison between 91-Day Treasury Bill Rate, Inter-bank Rate and Central Bank Rate



Increased payments for imported oil and manufactured goods contributed to the widening of the current account deficit.

3.7 Balance of Payments

Kenya's overall balance of payments improved from a surplus of USD 151 million in the year to December 2010 to USD 257 million surplus in the year to December 2011. However, the balance of payment position was under pressure due to the widening of the current account deficit which surpassed improvement in the capital and financial account. The deficit in the current account widened from USD 2,324 million in the year to December 2010 to USD 3,480 million in the year to December 2011. The large payment for imports largely reflected imports of oil and manufactured goods.

The balance of US$ 91.7 million in the current account deficit reflects the decline in the services account surplus during the period under review. The reduction in the services account surplus emanated from public sector receipts which closed lower by US$ 244 million or 108.8 percent and net non factor services largely on account of US$ 334.7 million decline in earnings from transportation services. However, remittances from Kenya citizens abroad continued to impact favorably on the balance in the services account in 2011 thereby partly cushioning against declines in other accounts. The total remittances inflow amounted to US $ 891 million, an increase of 39 percent compared to US $ 642 million in 2010.

In December 2011, remittances to Kenya amounted to US$ 85.2 million, or 30 percent higher than the level in December 2010. In addition, the average remittances inflow in the year to December 2011 amounted to US$ 74.3 million up from US$ 53.5 million recorded in the year to December 2010. The 12 month cumulative average remittances flow has sustained an upward trend from the second half of 2010. The increase in remittances flow track three factors: improved data collection techniques and proper classification of remittances by commercial banks since December 2010; Government's sensitization campaign for the Diaspora to utilize formal channels to invest in new instruments, notably the Savings Development and Infrastructure bonds issues; and increased competition among money transfer service providers thereby reducing transaction charges through formal remittance channels.

3.8. Fiscal Developments

Central Government budgetary operations for the first half of fiscal year 2011/12 resulted in a deficit of Ksh 84.8 billion both on commitment and cash basis, compared with Ksh 59.8 billion and Ksh 56.5 billion, respectively over a comparable period in the fiscal year 2010/11. The deficit on a commitment basis over the period July – December 2011 is estimated at 3.1 percent of GDP, which is within the programmed target of 4.5 percent.

Government fiscal deficit was within the programmed target.

In the Budget Estimates for the fiscal year 2011/12, Government revenue excluding external grants is estimated at Ksh 789.5 billion (28.6 percent of GDP), while external grants are estimated at Ksh 41.1 billion (1.5 percent of GDP). Government expenditure is estimated at Ksh 1,066.8 billion or 38.6 percent of GDP. The main components of expenditure includes Ksh 663.7 billion (24.0 percent of GDP) in recurrent expenditure and Ksh 401.1 billion or 14.5 percent of GDP in development expenditure. The overall budget deficit including grants is therefore estimated at Ksh 236.2 billion (8.6 percent of GDP) in 2011/12. The deficit will be financed through net external borrowing of Ksh 116.7 billion (4.2 percent of GDP) and net domestic borrowing of Ksh 119.5 billion (4.3 percent of GDP).

3.9 Performance of the Banking Sector

The banking sector registered improved in performance in the year under review. The sector recorded a 20.5 percent growth in pre-tax profits during the year. Total deposits and total assets held by financial institutions both recorded growth rates of 20.3 percent and 20.4 percent respectively. The sector also registered strong capitalization levels as a result of retention of profits and additional capital injection. Asset quality improved with the net non-performing loans ratio declining to 1.2 percent in comparison to 2.1 percent recorded in 2010. This improvement is partly attributed to the Risk Management Programs implemented by the financial institutions which enhanced credit appraisal and administration standards.

The rating of the banking sector in December 2011 remained strong as in December 2010.

3.10 Balance Sheet Analysis

Banking sector balance sheet grew by 20%.

The banking sector registered enhanced growth in the year 2011, with a 20.4 percent increase in the total net assets from Ksh. 1,678.1 billion in December 2010 to Ksh. 2,020.8 billion in December 2011. Loans and advances, government securities and placements which accounted for 57.0 percent, 15.1 percent and 5.8 percent of total assets respectively continue to be the major components of the balance sheet.

Net Loans and Advances recorded a growth of 31.4 percent from Ksh. 876.4 billion to Ksh. 1,152.0 billion in December 2011. Significant portion of the sector's loans were advanced to personal, trade, manufacturing and the real estate sectors, which accounted for 72 percent of the gross loans in 2011. However, investment in Government securities declined from Ksh. 443.4 billion in 2010 to Ksh. 380.4 billion in 2011. This may be attributed to low interest rates on government securities during the first half of 2011 compared to lending interest rates.

Table 12: Global Balance Sheet Analysis (Ksh. M)

	2010	2011	% Change
Net Assets			
Cash	36,485	42,703	17.0%
Balances at Central Bank	76,272	92,135	20.8%
Placements	73,607	116,795	58.7%
Government Securities	443,394	380,359	-14.2%
Investments	10,810	13,089	21.1%
Loan and Advances (Net)	876,357	1,152,011	31.5%
Other Assets	161,187	223,726	38.8%
Total Net Assets	**1,678,112**	**2,020,818**	20.4%
Liabilities and Shareholders' Funds			
Customer Deposits	1,236,549	1,488,168	20.3%
Other Liabilities	175,757	249,933	42.2%
Capital and Reserves	265,806	282,717	6.4%
Total Liabilities and Shareholders' Funds	**1,678,112**	**2,020,818**	20.4%

The source of funding in the banking sector, mainly customer deposits grew by 20 percent from Ksh. 1,236.5 billion in 2010 to Ksh. 1,488.2 billion as shown in Table 12. The growth was supported by branch expansion and receipts from exports. The increased deposits enhanced the banks' capacity to extend credit to various economic sectors.

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

As at 31st December 2011, over 72 percent of the sector's numbers of loan accounts were in personal/household sector which also accounted for over 26 percent of the banking sector credit and 35 percent of the NPLs. Trade, Manufacturing and Real Estate sectors accounted for about 45 percent of the sector's credit and 40 percent of NPLs as shown in Table 13.

Over 72% of number of loan accounts were in personal sector which also accounted for 27% of the gross loans.

Table 13: Sectoral Distribution of Loan Accounts, Gross Loans & NPLs in 2011 –Ksh. M

	No. of Loan Accounts	% of Total	Gross Loans	% of Total	Gross NPLs	% of Total
Agriculture	109,873	5.5%	61,937	5.2%	4,219	8.0%
Manufacturing	20,559	1.0%	156,714	13.2%	5,313	10.0%
Building anc Construction	11,580	0.6%	41,210	3.5%	1,749	3.3%
Mining and Quarrying	1,586	0.1%	16,179	1.4%	95	0.2%
Energy and Water	5,247	0.3%	36,483	3.1%	203	0.4%
Trade	315,076	15.8%	232,729	19.5%	9,661	18.2%
Tourism, Restauran and Hotels	5,791	0.3%	27,685	2.3%	1,989	3.8%
Transport anc Communication	28,587	1.4%	98,252	8.2%	3,239	6.1%
Real Estate	23,157	1.2%	146,435	12.3%	6,177	11.7%
Financial Services	18,355	0.9%	54,511	4.6%	1,281	2.4%
Personal/Household	1,450,642	72.9%	318,849	26.8%	19,031	35.9%
Total	**1,990,453**	**100.0%**	**1,190,985**	**100.0%**	**52,958**	**100.0%**

Source: CBK

3.11 Asset Quality

During the period under review, gross non-performing loans (NPLs) declined by 8.0 percent from Ksh. 57.6 billion in December 2010 to Ksh. 53.0 billion in December 2011. The decline saw an improvement in the ratio of gross non-performing loans to gross loans from 6.3 percent in December 2010 to 4.4 percent as at December 2011 as shown in Table 14. The decline in gross NPLs was attributable to write-offs, recoveries and improved credit appraisal monitoring standards.

NPLs declined by Ksh. 4.6bn in 2011 as banks enhanced credit appraisal standards.

Similarly, the total non-performing loans, net of interest in suspense dropped by 10.1 percent from Ksh. 47.7 billion in December 2010 to settle at Ksh. 42.9 billion in December 2011. As a result, the asset quality, which is measured by the ratio of net non-performing loans to gross loans improved from 2.1 percent in December 2010 to 1.2 percent in December 2011.

Table 14: Asset Quality and Provisions (Ksh. M)

	2010	2011	% Change
Net Assets	1,678,112	2,020,818	20%
Gross Loans	914,910	1,190,985	30%
Total loans	905,002	1,180,956	30%
Net loans	876,357	1,152,011	31%
Gross Non-performing loans	57,637	52,958	(8%)
Interest in Suspense	9,908	10,029	1%
Total Non-Performing Loans	47,730	42,928	(10%)
Specific Provisions	28,645	28,945	1%
Net Non-Performing Loans	19,084	13,983	(27%)
Gross Loans/ Net Assets (%)	54.5%	58.9%	4.4%
Gross NPLs/ Gross Loans (%)	6.3%	4.4%	(1.9%)
Net NPLs/ Gross Loans (%)	2.1%	1.2%	(0.9%)
Source: CBK			

Risk Classification of Loans and Advances

The Central Bank requires commercial banks to maintain adequate provisions for bad and doubtful debts prior to declaring profits or dividends. In this regard, banks are required to adhere to the guideline on **"Risk Classification of Assets, Provisioning and Limitation on Interest Recoverable on Non-Performing Loans".** The criterion for classification of loans and advances is determined by the performance of such facilities. The performance will generally show the repayment capability of the borrower and loans will be classified as either, normal, watch, substandard, doubtful or loss based on their characteristics as indicated below.

i) **Normal -** Well documented facilities granted to financially sound customers where no weaknesses exist.

ii) **Watch -** Principal and interest is due and unpaid for 30 to 90 days for term loans. These are facilities which exhibit potential weaknesses but are not past due.

iii) **Substandard -** Principal and interest is due and unpaid for more than 90 to 180 days for term loans. Paying capacity of the borrower is deteriorating.

iv) **Doubtful -** Principal and interest is due and unpaid for more than 180 to 360 days for term loans. Collection being highly questionable and improbable.

v) **Loss -** Principal and interest is due and unpaid for more than 12 months for term loans. Loans considered uncollectible.

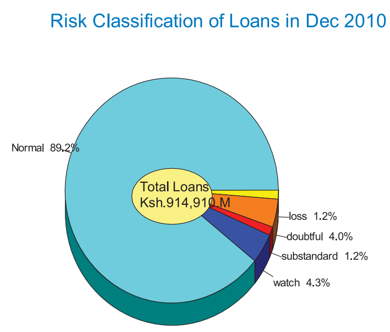
The loans and advances in normal risk category increased by 32.6 percent from Ksh 816.5 billion in December 2010 to Ksh. 1,082.8 billion in December 2011 as shown in Table 15 below. The increase was attributed to increased demand for credit and enhanced appraisal standards adopted by banks. The improved appraisal standards, write-offs and recoveries saw reduction in loans in substandard, doubtful and loss categories. However, the loans in watch category increased by Ksh. 15.8 billion, which may be attributable to increase in lending rates witnessed in the last quarter of 2011.

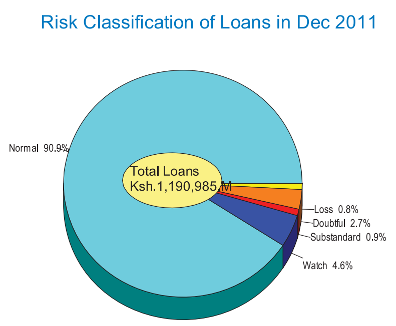
Table 15: Risk Classification of Loans and Advances (Ksh. M)

Classification	2010	% of Total	2011	% of Total
Normal	816,467	89.2%	1,082,805	90.9%
Watch	39,541	4.3%	55,373	4.6%
Substandard	11,431	1.2%	10,848	0.9%
Doubtful	36,329	4.0%	32,382	2.7%
Loss	11,142	1.2%	9,577	0.8%
Gross Loans	914,910	100.0%	1,190,985	100.0%

Source: CBK

Chart: 8 Risk Classification of Loans and Advances % - December 2011





3.12 Capital Adequacy

The minimum regulatory Capital Adequacy requirement which is measured by the ratio of Core Capital and Total Capital to Total Risk Weighted Assets is 8.0 percent and 12.0 percent respectively. These ratios declined marginally from 20.0 percent and 22.0 percent in 2010 to 18.0 percent and 21.0 percent respectively in December 2011 but remained well above the minimum regulatory requirements. The decline was attributable to a higher increase in loans and advances than the increase in Core and Total Capital. The increase in deposits mobilization also saw the ratio of core capital to total deposits decline from 17.0 percent in 2010 to 16.0 percent in 2011 as shown in Table 16.

Capital adequacy ratios declined marginally in 2011 but were above the statutory minimums.

Table 16: Capital Adequacy Ratios					
	2008	2009	2010	2011	Minimum Capital Adequacy Ratios
Core Capital/TRWA*	18%	19%	20%	18%	8%
Total Capital/TRWA*	20%	21%	22%	21%	12%
Core Capital/Total Deposits	15%	16%	17%	16%	8%
* TRWA - Total Capital to Risk Weighted Assets					
Source: CBK					

3.13 Liquidity

Sector's average liquidity ratio declined to 37.0% in 2011 from 44.5% in 2010.

Liquidity which indicates the ability of the institutions to fund increases in assets and meet obligations as they fall due is an important financial stability indicator. The importance of liquidity goes beyond the individual bank as a liquidity shortfall at an individual bank can have systemic repercussions in the banking sector.

In the twelve months to December 2011, the banking sector's average liquidity ratio was above the statutory minimum requirement of 20 percent, with all banks meeting the liquidity threshold. Liquidity ratio stood at 37.0 percent as at December 2011 compared to 44.5 percent registered in 2010. The reduced liquidity ratio is attributable to increased loans and advances in 2011 as indicated by the increase in gross loans to gross deposits ratio from 74 percent in 2010 to 80 percent in 2011.

3.14 Profit and Loss

Sector's profit in 2011 increased by 20.5%.

The banking sector's profit before tax increased by 20.5 percent from Ksh. 74.3 billion in December 2010 to Ksh. 89.5 billion in December 2011 as shown in Table 17. The growth in profit was attributed to higher levels of revenue inflows from the growth in credit portfolio and fees on innovative products offered by institutions.

Income

Sector's income grew by 21.1%.

Total income increased by 21.1 percent from Ksh. 211.7 billion in December 2010 to Ksh. 256.3 billion in December 2011. The growth in income was largely attributable to increase in interest on advances, which increased by Ksh. 38 billion. This was on account of increased loans and advances in 2011. Interest income on Government securities remained at Ksh. 33.1 billion whilst income on placements increased by 142 percent in 2011. The increase in the Central Bank Rate (CBR) from 7.0 percent in September 2011 to 11.0 percent in October 2011 and subsequently to 18.0 percent in December 2011 impacted on the interest rates charged by banks. Whilst other income which comprises income from dividends, service charges and foreign exchange gains decreased by 9.0 percent from Ksh. 34.3 billion in 2010 to Ksh. 31.2 billion in 2011.

Table 17: Income and Expenditure items as a percentage of Total Income				
	2010		2011	
Income	**(Ksh. M)**	**% of Total Income**	**(Ksh. M)**	**% of Total Income**
Interest on Advances	104,006	49.1%	142,036	55.4%
Fees and Commission for Loans and Advances	13,072	6.2%	15,896	6.2%
Other Fees and Commission Income	25,444	12.0%	29,895	11.7%
Interest on Government Securities	33,160	15.7%	33,072	12.9%
Interest on Placement	1,767	0.8%	4,280	1.7%
Other Income	34,296	16.2%	31,157	12.2%
Total Income	**211,745**	**100.0%**	**256,335**	**100.0%**
Expenses				
Interest Expenses	33,765	15.9%	48,762	19.0%
Bad Debts Charge	11,048	5.2%	9,791	3.8%
Salaries and Wages	47,042	22.2%	52,435	20.5%
Other Expenses	45,618	21.5%	55,893	21.8%
Total Expenses	**137,473**	**64.9%**	**166,882**	**65.1%**
Profit Before Tax	**74,272**	**35.1%**	**89,453**	**34.9%**
Source: CBK				

Expenses

The banking sector's expenses increased by 21.4 percent from Ksh. 137.5 billion in December 2010 to Ksh. 166.9 billion in December 2010. The increase in CBR impacted on interest rates on deposits with banks registering increase in interest expense by Ksh. 15.0 billion in 2011. As a result, interest expenses accounted for 50 percent of the total increase in the banking sector expenses in 2011. The average cost of deposits also increased from 2.4 percent in 2010 to 2.9 percent in 2011 as shown in Appendix III. Other expenses which comprise training, advertising, printing and management fees increased by 22.6 percent from Ksh. 45.6 billion in December 2010 to Ksh 55.9 billion in December 2011 due to increased capacity building costs. The salaries and wages, which have been major cost drivers increased by Ksh. 5.4 billion or 11.5 percent from Ksh. 47.0 billion in 2010 to settle at Ksh. 52.4 billion. The low increase in salaries and wages may be attributed to banks' initiatives and innovations of cost effective means of offering their services without a corresponding increase in wage bill.

Sector's expenses increased by 21.4%.

3.15 Performance Rating

The Central Bank applies the CAMEL rating system to assess the soundness of financial institutions. CAMEL is an acronym for Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity.

Banking sector maintained strong rating registered in 2010.

As shown in Table 18, the number of banks rated strong decreased in December 2011 to 18, from 20 in 2010 as well as their market share which declined to 54.6 percent from 63.9 percent in 2010. Some banks dropped to satisfactory because of reduced liquidity occasioned by increased lending. There were 21 banks with satisfactory rating, having increased from 20 in December 2010 and their market share increased to 44.1 percent compared to 35 percent registered in December 2010. Four banks were rated fair compared to 3 in 2010, with market share increasing marginally from 1.1 percent to 1.3 percent.

Table 18: Banking Sector Performance Rating (Ksh. M)

Performance	2010			2011		
	No. of Banks	Total Net Assets	Market Share	No. of Banks	Total Net Assets	Market Share
Strong	20	1,071,729	63.9%	18	1,104,130	54.6%
Satisfactory	20	587,881	35.0%	21	890,635	44.1%
Fair	3	18,502	1.1%	4	26,053	1.3%
Marginal	0	0	0.0%	0	0	0.0%
Unsatisfactory	0	0	0.0%	0	0	0.0%
Total*	**43**	**1,678,112**	**100.0%**	**43**	**2,020,818**	**100.0%**
Overall Rating	**Strong**			**Strong**		

* Charterhouse Bank excluded

Source: CBK

3.16 Compliance with Supervisory & Regulatory Requirements

Appropriate actions were taken on banks that were in violation of the Banking Act and Prudential Guidelines.

As at 31st December 2011, three banks were in violation of the Banking Act and CBK Prudential Guidelines. This translated into five incidences of non-compliance affecting four sections of the Banking Act and Prudential guidelines. In the previous year, 2010, five banks were not compliant with three sections of the Banking Act. The specific incidences of non compliance as at 31st December 2011 were:

- Section 10(1) of the Banking Act - Two banks advanced credit facilities to single borrowers in excess of 25 percent of their core capital. Appropriate remedial action was taken by the Central Bank in respect of these banks.
- Section 11(1) (c) and (d) – One bank advanced an unsecured credit facility to an insider. Appropriate remedial action was taken by the Central Bank in respect of this institution.
- Section 12(c) of the Banking Act – One bank was in violation of section 12(c) of the Banking Act, which prohibits institutions from investing in land and buildings in excess of 20 percent of core capital. The bank had applied for exemption at year end, which was being reviewed.
- CBK/PG/02 on Corporate Governance - One bank did not have an Internal Auditor who is a qualified member of the Institute of Certified Public Accountants of Kenya (ICPAK). The bank submitted an application of a member of ICPAK for vetting and approval by the Central Bank.

3.17 Performance of Deposit Taking Microfinance Institutions

DTMs assets increased by 6% in 2011 with profit before tax declining by 19%.

The sector continued to grow during the year under review. The number of licensed institutions that commenced operations increased during the year from 2 institutions to 6 institutions. The total assets increased by 6 percent from Ksh. 23.4 billion in 2010 to Ksh. 24.8 billion in 2011. Customer deposits grew by 25 percent from Ksh. 8 billion in 2010 to Ksh. 10.0 billion in 2011. The growth in customer deposits was partly attributed to growth in number of branches, which grew from

34 branches in 2010 to 60 branches in 2011. The growth was supported by the increased workforce from 2,531 in 2010 to 3,030 in 2011.

However, the profit before tax dropped by 19 percent from Ksh. 304 million for the period ended December 2010 compared to Ksh. 245 million for the period ended December 2011 as shown in Table 19. The reduction in profits was attributed to formation costs for newly licensed DTMs and increased provisions for non-performing loans.

Table 19: Performance of Deposit Taking Microfinance Institutions - Ksh. 'M'

Parameter	2010	2011	% Change
Customer Deposits	8,017	9,989	24.6%
Loan Portfolio (Net)	14,177	16,060	13.3%
Total Assets	23,379	24,798	6.1%
No. of Branches	34	60	76.5%
Pre-Tax Profits	304	245	(19.3%)
Total Number of Staff	2,531	3,030	19.7%

The sector's growth momentum is expected to be supported by continued expansion to serve the unbanked and under banked Kenyan populace.

3.18 Credit Reference Bureaus Reports

The Credit Information Sharing (CIS) mechanism for banking institutions has successfully taken root with mandatory sharing of negative information on a monthly basis. All the 43 licensed commercial banks in Kenya and institutions under the Deposit Protection Fund Board have been submitting negative credit information to the licensed CRBs within the required timeframes. Efforts to introduce positive data sharing among banks began in earnest in December 2011, and full file sharing of information is expected to commence in 2012.

On the uptake, a total of 1,306,439 credit reports had been requested by banks from the two licensed Bureaus as at 31st December 2011 an increase from 284,722 reports requested in 2010. A total of 6,041 credit reports had been requested by customers in December 2011 being an increase from 434 credit reports requested in 2010. The requests made by customers are still low considering that customers are entitled to access one free credit report annually from a licensed bureau.

Usage of credit reference bureaus reports increasing gradually.

The Regulations place emphasis on confidentiality of information handled by CRBs and also stringent restrictions on the use and application of such information. Banks and CRBs cannot share information with third parties. In addition, institutions are responsible for providing accurate information to CRBs.

It is noteworthy that based on the data acceptance level, the mechanism has witnessed improvement in the quality of data being submitted by banks. The rejection ratio for the data submitted to the Bureaus by the industry stood at 3.6 percent as at 31st December 2011.

CHAPTER FOUR

DEVELOPMENTS IN SUPERVISORY FRAMEWORK

4.1 Introduction

During the period ended 31st December 2011, the Central Bank continued to implement supervisory measures that have been in place and those that were introduced by the Finance Act, 2010. In this regard, the Central Bank noted a progressive growth of agent banking amongst the banks that had adopted this framework. A number of banks attributed the growth of their profit margins for the year partially to the use of agents in the provision of banking services. It is envisaged that with more banks adopting this model of carrying out banking business, a large number of the underbanked and unbanked population will be brought within the formal banking sector.

The consolidation of credit information sharing frameworks for banks, financial institutions, mortgage finance companies and deposit taking microfinance companies through the Finance Act, 2012 will go a long way in providing accurate credit information of customers of these institutions. The building of information capital from a wholesale perspective will accurately inform institutions in pricing their loan products and therefore reduce significantly the costs associated with lack of appropriate credit information on customers.

4.2 Finance Act, 2012

A number of policies were introduced in 2011 through the Finance Act.

His Excellency the President assented to the Finance Act, 2012 on 27th April 2012. The Act amends several statutes including the Banking Act, the Central Bank of Kenya Act and the Microfinance Act. The key amendments to the three statutes are:

i) Customers of banks and financial institutions licensed under the Banking Act will be able to access limited banking services while outside Kenya through duly appointed foreign financial institutions. Kenyan institutions will be at liberty to appoint specific foreign institutions to offer limited banking services to their customers while out of the country.

ii) Institutions licensed under the Banking Act will be able to share credit information on their customers with institutions licensed under the Microfinance Act.

iii) All corporate shareholders in a banking or financial institution which hold shares on behalf of nominees will now be required to disclose to the Central Bank the ultimate beneficiaries of those shares.

iv) Institutions licensed under the Banking Act will be required to share positive credit information.

v) The Central Bank will be required to publish the weighted average lending and deposit rates for all banks and financial institutions, the interest rate spread and its composition and a simplified version of the balance sheets and income statements.

vi) All the licenses for forex bureaus have been streamlined to commence on 1st January each year or on the date of licensing for new forex bureaus and expire on 31st December of the same year.

vii) The Microfinance Act has been amended to ensure that the limits on loans and credit facilities to a single borrower are properly aggregated. This was informed by the fact that loans granted to associates are exposed to risks associated with any of the persons who form part of the group and therefore need to be aggregated for proper assessment of the overall risk arising for the group.

viii) It is now a requirement that credit exposure to an insider and his associates be aggregated. This aggregation is important in minimising or controlling credit risks arising from officers, employees and their associates.

ix) Shareholding limit in deposit taking microfinance institutions has been extended to cover ultimate beneficiaries. Institutions will be required to ensure that the ultimate beneficial interest of shareholders and their associates are within the prescribed shareholding limits.

x) People who were part of a management team in collapsed financial institutions will now be disqualified from being directors or senior officers in deposit taking microfinance institutions.

xi) The Central Bank has been given powers to vet officers of a deposit taking microfinance institution in the event that further information comes to light or where the conduct of an officer may deem it necessary to disqualify that person as an officer or director of an institution.

xii) Persons who obtain approval of the Central Bank to use the acronym "DTM" in their business names will have to cease using the approved name where no license to operate a deposit taking microfinance business is obtained within one year of approval. This is intended to prevent people from hoodwinking the public that they are licensed institutions when they are not.

xiii) Unauthorised entities are now prevented from falsely advertising that they are allowed to receive deposits from members of the public when they are not licensed to do so by the Central Bank.

4.3 The Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA)

As part of the efforts to support the implementation of the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA), the following actions were undertaken by the Kenyan authorities in 2011:

a) Appointment of the Anti-Money Laundering Advisory Board

AML Advisory board was appointed in June, 2011.

On 24th June 2011, the Deputy Prime Minister and the Minster for Finance officially launched the Anti-Money Laundering Advisory Board (AML Board). The AML Board is established under Section 49 of the Proceeds of Crime and Anti-Money Laundering Act 2009. Its membership comprises of:

i). The Permanent Secretary, Treasury;
ii). The Governor, Central Bank of Kenya;
iii). The Commissioner of Police;
iv). The Chairman, Kenya Bankers Association (KBA);
v). The Chief Executive Officer, Institute of Certified Public Accountants of Kenya (ICPAK);
vi. The Director of the Financial Reporting Centre (who shall be Secretary of the Board);
vii. Two other persons from the private sector with knowledge in anti-money laundering matters. The Chairman of the Board and one other private sector member were appointed by the Minister to represent the private sector as provided by Section 49(1) (h) of the Act in September 2011.

The Financial Reporting Centre is a central, national agency created under the Proceeds of Crime and Anti-Money Laundering Act. It will be responsible for receiving and analyzing disclosures of financial information regarding proceeds of crime. This includes suspicious transaction reports and cash transaction reports for any transaction whose value is equivalent to or above US$10,000 dollars.

Going forward, some of the key priorities of the AML Board will be to provide guidance in defining the strategic direction of the Financial Reporting Centre (FRC) including its set up and staffing.

b) Enactment of other enabling legislation

The year 2011 saw the enactment of several pieces of legislations which will serve to complement the implementation of an effective Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime in Kenya:

- **The Mutual Legal Assistance Act of 2011:** This Act provides for mutual legal assistance to be granted and received by Kenya in investigations, prosecutions and judicial proceedings in relation to criminal matters. The Act will facilitate international cooperation in tackling cross border criminal activities. It will enable the Kenyan authorities to seek assistance from their foreign counterparts in the investigation of money laundering related cases.

- **The National Payments System Act of 2011** aims to bring all payment service providers, including mobile phone service providers offering money transfer services, within one regulatory framework, under the Central Bank of Kenya. Given the increasing convergence between mobile banking and financial services, the inclusion of the mobile phone service providers within the supervisory and regulatory scope of the Central Bank of Kenya will enhance the country's Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) measures as CBK will be able to issue appropriate guidance to the industry in this regard.

c) Communication to the Banking Industry

(i) Guidance Notes

The Central Bank of Kenya continued to issue guidance notes on AML/CFT related matters in an effort to assist financial institutions to understand as well as to comply with their obligations under the Proceeds of Crime and Anti-Money Laundering Act, 2009 (POCAMLA).

- **Guidance Note No. 2 of 2011 on Suspicious Transaction Reporting**[3]

Section 44 of the Proceeds of Crime and Anti-Money Laundering Act 2009, requires financial institutions to report suspicious transactions to the Financial Reporting Centre (FRC). These reports are a vital source of intelligence for the FRC, as they often detail activity not captured in other financial reports.

In July 2011, arising from concerns regarding the low number of suspicious transaction reports submitted by financial institutions, and the fact that the reports were not being submitted in the prescribed format, CBK issued Guidance Note No. 2 of 2011. The purpose of the Guidance Note was to provide information and assistance on the procedures to be adopted with regards to the filing of Suspicious Transaction Reports (STRs). The Guidance covered the following areas:

a) The definition of a suspicious transaction;
b) Institutions required to file suspicious transactions;
c) How to file a suspicious transaction report;
d) Internal reporting procedures;
e) Training of staff on suspicious transaction reporting; and
f) Immunity of staff where actions are exercised in good faith.

[3] *Guidance Note No. 1 of 2011 covered Holding of Board Meetings through Video Conferencing*

Previously, pending the establishment of the Financial Reporting Centre, CBK had in Guidance Note No. 1 of 2010, advised financial institutions licensed under the Banking Act to continue to submit suspicious transactions to the Central Bank of Kenya in accordance with the Prudential Guideline on the Proceeds of Crime and Money Laundering (Prevention) PG/CBK/08.

The year 2011, saw the number of Suspicious Transaction Reports (STRs) submitted to the Central Bank of Kenya, increase from 26 in 2010 to 41 in 2011.

- **Guidance Note No. 3 of 2011 on Combating the Financing of Terrorism**

Combating the Financing of Terrorism constitutes one of the primary components of the overall fight against terrorism. Kenya like most other developing countries has unique factors which make the country's financial sector vulnerable to terrorist financing risks. These factors emanate from amongst others, the high volume of cash based transactions and borders with countries facing civil strife and institutional breakdown/failure.

In view of these concerns, in September 2011, the Central Bank issued Guidance Note No. 3 of 2011 to guide financial institutions on issues related to Combating Terrorism Financing. Pending enactment of appropriate legislation to address the issue, CBK advised financial institutions to undertake the following preventive measures to address the risks posed by terrorism financing:

- To diligently apply Know Your Customer (KYC) and Customer Due Diligence (CDD) policies and procedures so as to deter and detect terrorism and terrorism related transactions;
- To report suspicious transactions relating to terrorist financing;
- Ensure the proper administration of wire transfers; and
- To frequently check and verify their customers' data bases against the United Nations 1267 Consolidated Listing as well as other similar databases.

(ii) Kenya Bankers Association

CBK closely collaborated with the Kenya Bankers Association (KBA) to address various AML/CFT related issues. This is in line with international best practice which requires supervisory and regulatory authorities to issue appropriate guidance to institutions under their purview on various AML/CFT related issues. These communications ensured that the industry was aware of CBK's position on AML/CFT related issues particularly with regards to:

- Dealings with high risk jurisdictions; and
- Designation by the United Nations of persons/entities for conducting terrorism related activities. This includes organizations such as the Al-Shabaab.

Capacity Building

a) Technical Assistance Programs

(i) World Bank

In April 2011, the Ministry of Finance entered into a Technical Assistance (TA) Programme to support the implementation of the POCAMLA. The programme aims to strengthen the country's anti-money laundering framework and to further develop the institutional capacity of stakeholders including financial sector regulators, supervisors, law enforcement agencies and prosecutors, amongst others. Some of the capacity building initiatives that the Central Bank of Kenya has participated in under this program include:

- In April 2011, the World Bank in collaboration with the Ministry of Finance held a workshop to formally launch the Technical Assistance program in Kenya. The workshop was attended by the chief executives of various Government agencies representing the financial sector, law enforcement and non financial entities such as the NGO Coordination Board. The workshop deliberated on the opportunities and challenges in implementing the Proceeds of Crime and Anti-Money Laundering Act, 2009. Participants at the workshop were also sensitized on the salient points of the Proceeds of Money Laundering Act, and their obligations under the Act.
- In April 2011, the World Bank conducted an Information and Technology needs assessment for the setting up of the Financial Reporting Centre (FRC) for consideration by the Kenyan authorities. The report sets out recommendations on how to best to set up the FRC, while taking into account resources, human capacity and technology infrastructure needs.
- In October 2011, the World Bank in collaboration with the Ministry of Finance conducted a workshop on Anti-Money Laundering and Combating the Financing of Terrorism for Financial Sector Supervisors. Participants to this workshop were drawn from supervisors of the financial sector regulators who make up the Domestic Financial Sector Regulators Forum that is; the Capital Markets Authority, the Insurance Regulatory Authority, the Retirement Benefits Authority and the Central Bank of Kenya. The workshop addressed a number of AML/CFT supervision related issues including; on-site and off–site AML/CFT examinations; conducting an AML/CFT risk assessment of a financial institution; suspicious transaction reporting; and domestic and international cooperation on AML/CFT related matters.

(ii) Financial Services Volunteer Corps (FSVC)

The Financial Services Volunteer Corps (FSVC) headquartered in the United States of America (USA) is a non-profit public-private partnership whose main objective is to support the development of sound financial systems in emerging economies. In 2011, FSVC initiated two technical assistance programs in Kenya.

The first program seeks to promote regional financial sector deepening and integration among the member countries of the East African Community (EAC). It aims to build capacity in anti-money laundering and combating the financing of terrorism (AML/CFT) measures, internal/cross-border banking supervision, small and medium-sized enterprise lending, and the development of capital markets. FSVC will collaborate mainly with the EAC Secretariat, as well as the Central Bank of Kenya on this program.

The second program is being conducted in partnership with the Bill & Melinda Gates Foundation, and focuses on AML/CFT and financial inclusion. In October 2011, the FSVC conducted an assessment on the current state of AML/CFT implementation in Kenya. The assessment examined the role of key stakeholders, the gaps in the current AML/CFT regime and identified the next steps in terms of the implementation. Going forward, the findings of the report will form the basis of a technical assistance program between the Central Bank of Kenya and the FSVC.

b) AML/CFT Sensitization Programmes

In 2011, the Bank Supervision Department continued to lend its support to the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) by participating in AML/CFT sensitization forums with industry associations and regulated entities in the financial sector. Some of the initiatives undertaken by the Department in the year 2011 include:

- In February 2011, the Bank Supervision Department undertook a training workshop for members of the Association of Foreign Exchange Bureaus. The objective of the training was to apprise foreign exchange bureaus on their reporting obligations under the Foreign Exchange Bureau Guidelines which have been revised so as to align them to POCAMLA.

- In May 2011, the Department made a presentation on the topic of money laundering, at a workshop organized by the erstwhile Kenya Anti-Corruption Commission (KACC) in Mombasa. The main objective of the workshop to build capacity on combating corruption through implementation of the provisions of the United Nations Convention against Corruption.

- A presentation on "Anti-Money Laundering, The Regulator's Perspective' that was made at the Institute of Certified Public Accountants of Kenya (ICPAK) 3rd Financial Services Conference that was held in July, 2011 in Nairobi. The presentation focused on the AML/CFT obligations for accountants under the Proceeds of Crime and Anti-Money Laundering Act, 2009.

- The Insurance Regulatory Authority (IRA) held a sensitization workshop for senior management and technical Staff on AML/CFT compliance in November, 2011. CBK participated by making a presentation at the forum.

c) AML/CFT Training Programs

In 2011, BSD as the Secretariat to the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) participated in various AML/CFT training programs that focused on the establishment of Financial Intelligence Units and building the capacity of law enforcement.

- Five NTF members from the Central Bank of Kenya, Kenya Revenue Authority, the Directorate of Public Prosecutions, the National Counter Terrorism Centre and the Capital Markets Authority attended a training hosted by the Joint India IMF Training Program (ITP) and the Reserve Bank of India in Pune, India in June, 2011.

- In June 2011, five officers from the Ethics and Anti- Corruption Commission (formerly Kenya Anti-Corruption Commission), the NGO Coordination Board, the Central Bank of Kenya and the Banking Fraud Investigations Department attended an Advanced Counter Terrorism Financial Regulatory Training Course at the Federal Deposit Insurance Corporation (FDIC) in Arlington, Virginia.

- Five officers from the National Counter-Terrorism Centre, the Office of the President and the Central Bank of Kenya, attended a regional workshop on Tactical Analysis co-hosted by the Egmont Group and the World Bank that was held in Nairobi in July 2011. The Tactical Analysis course focused on the collection and analysis of financial intelligence, report writing and feedback to reporting institutions.

- The Egmont Group of Financial Intelligence Units (FIUs) is a global forum whose aim is to improve cooperation in the fight against money laundering and financing of terrorism. FIUs are national centres that collect information on suspicious or unusual financial activity from the financial industry and other entities or professions required to report suspicious transactions related to money laundering or terrorism financing. This workshop forms part of the Egmont Group's capacity building initiatives to support the establishment of financial intelligence units around the world in 2011.

- A regional workshop, on money laundering, terrorism, and international co-operation that was conducted by the United Nations Office Drugs and Crime (UNODC) in December, 2011 in Nairobi. The training covered the challenges that countries face with international cooperation and more so in mutual legal assistance and extradition. Special emphasis was laid on the United Nations Security Council Resolutions 1267, 1373 relating to terrorism and designation of entities such as the Al Qaida and Taliban.

CHAPTER FIVE

REGIONAL AND INTERNATIONAL DEVELOPMENTS AND INITIATIVES

5.1 Introduction

CBK participated in regional and international fora in 2011.

Being cognizant of the growing integration of the global financial system, the Central Bank of Kenya (CBK) through its Bank Supervision Department (BSD) continued its active participation in various activities organized by regional and international organizations and groups. These engagements provide avenues to compare and harmonise the legal and supervisory practices and rules amongst regulators and policy makers. Through its participation, BSD continues to keep abreast of new developments in the global financial sector.

The regional and international initiatives in which BSD participated in the year were spearheaded or organized under the umbrella of the:

- Monetary Affairs Committee (MAC) of the East African Community (EAC).
- Common Market for Eastern and Southern Africa (COMESA).
- Financial Stability Board (FSB).
- Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG).
- African Rural and Agricultural Credit Association (AFRACA).
- Alliance for Financial Inclusion (AFI).

5.2 Regional and International Initiatives

Monetary Affairs Committee (MAC)

MAC is a Committee of the East African Community (EAC) composed of the member states Central Banks. The main task of MAC is to progress implementation of EAC decisions towards the envisaged full integration of the member states. Currently, MAC is spearheading the laying down of the foundation for an East African Monetary Union (EAMU), which is the next step in the EAC integration following the implementation of a Customs Union and Common Market. Under the envisaged EAMU, the EAC members' states will have a synchronized financial system characterised by among others a harmonized supervisory and regulatory framework.

MAC meetings are attended by the Central Bank Governors as well as representatives of various departments of the Central Banks including BSD. The areas of interest that MAC has continued to strengthen are economic management especially monetary policy management, banking supervision and financial stablility, financial markets development, payment systems, information technology, and capacity building within the Central Banks. BSD participated in all the Monetary Affairs Committee (MAC) meetings held during the period under review. The emphasis of these meetings was on the implementation of activities deemed as a prerequisite towards the establishment of EAMU.

Among the priority activities identified from the banking supervisory perspective as being prerequisites towards the achievement of the East African Monetary Union is the agreement on a protocol to guide the harmonization of the supervisory practices and financial stability frameworks. In this regard, a High Level Task Force (HLTF) was formed to negotiate the the legal and institutional framework necessary for the implementation of EAMU. Further, the HLTF was mandated to develop the preparatory work for the transition to EAMU and the operational regulatory framework for EAMU. BSD was represented in the meetings of the HLTF drawn from the five EAC Central Banks.

In order to facilitate harmonization of the legal and supervisory practices of the EAC Central Banks, BSD organized a workshop in June 2011 in Nairobi to take stock of regional supervisory practices. The workshop developed a draft convergence criterion which will guide the harmonization discussions among the EAC Central Banks. The criteria will be refined before the harmonization discussions commence in the first half of 2012.

Other than the priority activities towards EAMU, the MAC meetings also focused on the need to promote financial inclusion, development and full implementation of Anti-Money Laundering frameworks and adoption of the relevant global best supervisory practices as pronounced by the Basel Committee on Banking Supervision.

Initiatives by COMESA Countries

CBK and other central banks of COMESA member states are at various stages of implementing the COMESA Financial System Stability Assessment Framework.

The framework encompasses both quantitative analysis of risks and vulnerabilities and qualitative assessments of the institutional capacity and financial infrastructure that help to manage the risks and enhance the systems effectiveness and efficiency. During the 17th Meeting of Governors of COMESA held in Ezulwini, Swaziland in November 2011, it was noted that:

- There is still room for improvement on the implementation of the COMESA Framework for Financial System Stability. Continuous improvement of the framework is necessary in order to incorporate new dynamics in the financial system and overall economy.

- Emphasis of the COMESA framework should be on enforcement of minimum standards and adherence to international best practices, with an option for member countries to adopt stricter standards subject to the degree of sophistication of their methodologies.

- There is need for COMESA to develop an Operational Manual to provide guidance to stakeholders in respect of the COMESA Financial Stability Assessment Framework.

- Inter-agency cooperation is essential given the multi-faceted nature of financial stability assessments and their reliance on a broad range of specialist skills, capacity building and training.

- There is need for creation of a COMESA database for member countries Financial System Stability Reports. The database will enable member countries that have not yet started producing such reports to learn from the example of other member countries. A COMESA database for Financial System Stability Reports will also enable interested stakeholders to gauge the degree of harmonization and also act as a compliance benchmark.

Financial Stability Board (FSB)

The Financial Stability Board (FSB) is an international body established to coordinate the work of national financial authorities and international standard setting bodies. The aim of FSB is to address vulnerabilities affecting financial systems in the interest of global financial stability. This is achieved through the promotion of effective assessment, monitoring and advice on regulatory, supervisory and other financial sector policies.

FSB draws its membership from:

- National and regional authorities responsible for maintaining financial stability;

- International financial institutions; and

- International standard setting bodies, regulatory and supervisory bodies such as central banks.

FSB's members are principally the G20 countries and currently, South Africa is the only FSB member from Africa.

During the G20 Leaders summit held in Toronto in June 2010, the G20 Leaders urged the Financial Stability Board to expand its outreach activities beyond the membership of the G20 to reflect the global nature of the financial system. Subsequently, FSB formed six regional consultative groups based on the regions in which the groups drew their participants. The six regional consultative groups are; Americas, Commonwealth of Independent States (CIS), Europe, the Middle East & North Africa, Asia and Sub-Saharan Africa.

The main objective of the FSB regional consultative groups is to bring together financial sector authorities from FSB members and FSB non-member jurisdictions to exchange views on vulnerabilities affecting their financial systems and to deliberate on initiatives to promote financial stability.

In September 2011, Kenya was invited to join the FSB Regional Consultative Group for Sub-Saharan Africa based on the significance of Kenya's financial system to the region. Subsequently, CBK was nominated as the non-G20 co-chair of the Sub-Saharan Africa Regional Consultative Group. South African Reserve Bank is the other co-chair representing the G20 member countries in the group.

CBK was nominated as the non-G20 co-chair of the Sub-Saharan Africa Regional Consultative Group.

The inaugural meeting for the FSB's Regional Consultative Group for Sub-Saharan Africa is planned for February 2012 in Pretoria, South Africa.

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

The Eastern and Southern Africa Anti-Money Laundering Group (ESAAMLG) is an independent regional body committed to the effective implementation and enforcement of the Financial Action Taskforce FATF's 40+9 Recommendations. Membership comprises of 15 countries including Botswana, Comoros, Kenya, Lesotho, Malawi, Mauritius, Mozambique, Namibia, South Africa, Swaziland, Seychelles, Tanzania, Uganda, Zambia and Zimbabwe. A number of cooperating partners and observer nations are also members of the ESAAMLG including the World Bank, International Monetary Fund (IMF), the Africa Development Bank, the Financial Action Taskforce (FATF), the United Nations, the United Nations Office of Drugs and Crime (UNODC), the United Kingdom and the United States of America amongst others.

a) The East and Southern Africa Anti-Money Laundering Group (ESAAMLG) Initiatives

In 2011, the Bank Supervision Department being the host of the Secretariat to the National Taskforce on Anti-Money Laundering and Combating the Financing of Terrorism (NTF) continued to actively participate in a number of activities of the ESAAMLG including:

- The 21st ESAAMLG Taskforce of Senior Officials Meeting held in Zanzibar, Tanzania in March 2011: The meeting discussed progress made by the ESAAMLG in completing the first round of Mutual Evaluations using the 2004 Methodology. It was noted that ESAAMLG was on course to complete the evaluation of all its member jurisdictions by August 2011. The meeting also discussed the Implementation of AML/CFT Measures and the Challenges of Financial Inclusion in the ESAAMLG Region.

- The 22nd ESAAMLG Council of Ministers and Taskforce of Senior Officialsmeetings held in Grand Baie, Mauritius in September 2011. Key highlights of the meeting are as follows:

  o **ESAAMLG Mutual Evaluation Programme:** The meeting formally adopted and authorized the publication of the Mutual Evaluation Reports for Kenya, Lesotho, Mozambique and Swaziland. This marked the completion of ESAAMLG's first round of evaluations using the FATF 2004 methodology.

- o **Mutual Evaluation Report for Kenya:** Key highlights of the Mutual Evaluation Report for Kenya are as follows:

    - ♦ The Mutual Evaluation Report for Kenya recognizes the positive steps taken in the banking sector to comply with AML/CFT requirements. The report recognizes the positive impact of Kenya's financial inclusion policy framework and how local money remitters are key to providing access to finance.

    - ♦ Deficiencies noted in Kenya's AML/CFT regime were mainly due to the absence of legislation on terrorism financing coupled with the fact that the effectiveness of the Proceeds of Crimes and Anti-Money Laundering Act could not be determined. The mutual evaluation of the country took place in June 2010, just as the Proceeds of Crime and Anti-Money Laundering Act 2009 became operational.

- o **Post Mutual Evaluation Monitoring Process:** The meeting discussed the Post Evaluation Plans of various member countries. It was noted that countries that had not made progress in addressing the identified deficiencies were to be subjected to enhanced measures such as requirement to report bi-annually instead of annually.

- o **Promoting Financial Inclusion and Implementation of FATF Standards in the ESAAMLG Region:** The ESAAMLG initiated a formal collaboration with the Alliance for Financial Inclusion (AFI) that will facilitate the exchange of knowledge and experience among policy makers with regards to the topic of financial inclusion and how it relates to the AML/CFT initiatives. This includes the establishment of an Ad-Hoc Working Group whose membership shall comprise of Kenya, Malawi and South Africa to coordinate and consider the proposals and activities to be carried out under this arrangement between AFI and the ESAAMLG.

b) ESAAMLG Initiatives through the Alliance for Financial Inclusion (AFI)

The Alliance for Financial Inclusion (AFI) currently addresses most of its initiatives through various Working Groups that address key thematic issues integral to financial inclusion. These working groups examine areas including financial inclusion data, financial Integrity, mobile financial services and consumer protection and market conduct. The Central Bank of Kenya is one of the founding members of AFI.

During 2011 under the auspices of AFI, the Bank Supervision Department participated in the following AML/CFT related initiatives:

(i) Review of the Financial Action Taskforce (FATF) 40+9 Recommendations

The Financial Action Taskforce (FATF) periodically undertakes a review of its international standards, the 40+9 Recommendations for combating money laundering and terrorist financing. This is to ensure that the Recommendations remain relevant and incorporate lessons learnt from FATF member countries with regards to the implementation of the Recommendations.

In 2011, the FATF undertook a review of the Recommendations which aimed at addressing deficiencies in the Recommendations relating to the implementation of risk based approach to Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT); customer due diligence; and reliance on third parties for customer due diligence. The Central Bank of Kenya under the auspices of the Alliance for Financial Inclusion (AFI) made contributions to the review. Some of the issues highlighted by CBK for consideration by the FATF include:

- **The challenges of implementing a risk based approach to AML/CFT** regime in the absence of a national risk assessment that identifies the AML/CFT risks covering a country and its financial sector.
- **Customer identification and verification:** The FATF Recommendations require jurisdictions to verify the customer's identity using a physical address. CBK noted that in Kenya, like many developing economies, the use of physical addresses is not widespread. CBK proposed that the FATF consider adopting a pragmatic approach with regards to customer identification and verification as already in use in Kenya. e.g. Introduction from an existing client or through the village chief as a means of verifying the customer's identity.

(ii) Guidance on Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion

In July 2011, the FATF issued a Guidance paper to provide support to countries and their financial institutions in designing Anti-Money Laundering and Terrorist Financing (AML/CFT) measures that meet the national goal of financial inclusion, without compromising the measures for combating crime. The Guidance reviews the different steps of the AML/CFT process including customer due diligence, record-keeping requirements, reporting of suspicious transactions, use of agents and internal controls.

The Central Bank of Kenya under the auspices of AFI, contributed to the guidance paper by providing examples of practices in the banking sector which attempt to balance financial integrity measures with financial inclusion which include:

i. **Mobile financial service providers;** the measures untaken by the regulators in Kenya to provide oversight over mobile financial services so as not to inhibit access to financial services by the financially excluded and underserved groups, including low income, rural sector and undocumented groups.

ii. **AML/CFT functions of the agent and related challenges;** the initiatives that Kenya has undertaken through the CBK in an effort to balance financial integrity with financial inclusion within the context of agency banking.

African Rural and Agricultural Credit Association (AFRACA)

The African Rural and Agricultural Credit Association (AFRACA) is a continental membership organization comprised of Central Banks, Agricultural Banks, Commercial Banks, Microfinance Institutions and country-specific programmes that deal with agriculture and rural finance in Africa. The Central Bank of Kenya, in an effort to promote a robust economy through agricultural finance, collaborated with AFRACA to host the joint 3rd Central Bank/ AFRACA Forum in Mombasa, Kenya in May 2011. The theme of the Forum was **'Financial Services for Food Security: Leveraging on Innovation'.** The theme drew on the objectives of Kenya Vision 2030 and the on-going development challenges faced in the African continent, such as food insecurity and inadequate access to financial services. The key lessons learned and recommendations made were as follows:

i) In most Sub-Saharan countries, agricultural finance tends to be a "policy orphan", where there is no specific advocate to push it forward. There is need therefore for a recognized advocate for agricultural finance to be identified to enhance agricultural financing.

ii) Regulators must take the lead in facilitating innovation and ensuring there is a continuous review of the legal and regulatory framework to enhance agricultural finance. Banks are also well placed in contributing to the creation of an enabling environment for agricultural finance.

iii) African countries, which are mainly driven by the agricultural economy, need a regular data collection mechanism on agricultural lending.

iv) Lending to Agriculture by the microfinance sector thrives when government and other stakeholders actively build the relevant supportive infrastructure in the agricultural industry.

v) A well coordinated value chain financing approach is vital to further minimise risks (non-insured risks) like price associated with agricultural finance.

Alliance for Financial Inclusion (AFI)

The Alliance for Financial Inclusion (AFI) is a global network of financial policy makers, in which the Central Bank of Kenya is a member and the current chair of the Alliance's steering committee. In the past year, AFI has spearheaded a number of initiatives and activities for its members. With regards to the Central Bank of Kenya, AFI is currently supporting the Bank to undertake a three-phased nationwide financial inclusion gap analysis project aimed at increasing access to financial services. The outcome of this project is intended to inform the policy and legislative framework towards enhanced broad financial inclusion. At the global level, one of the key milestone activities held by AFI for its members was the third annual AFI Global Policy Forum (GPF) held in Riviera Maya, Mexico in September 2011. The Forum provided the AFI network with a platform to reflect and take stock of the current state of financial inclusion; to set goals and make concrete commitments on priority areas for action; and to identify paths to implement these commitments and achieve tangible results. The Forum culminated in the adoption of the Maya Declaration[4]. It is through this declaration that 17 of AFIs 80 member countries and organizations, including the Central Bank of Kenya, made concrete commitments outlining their specific national goals and targets towards increasing financial inclusion. AFI is expected to provide support to its members in achieving their commitments through providing knowledge from peers and partners and resources such as grants, as well as helping to monitor their progress over time.

The commitments by CBK over the next 12 months are:

√ To promote evidence-based financial inclusion policy and conduct an updated national financial inclusion survey;

√ To promote extension of accessible and affordable credit by expanding the credit information sharing mechanism beyond the banking sector as a measure towards full file comprehensive credit information sharing;

√ To review and enhance transparency in disclosure of charges and lending rates so as to promote consumer empowerment and appropriate market conduct; and

√ To review regulation of banking and payment agents and entrench proportionate regulation and catalyse an increased number of financial services touch-points.

G20 Global Partnership for Financial Inclusion (GPFI)

The Central Bank of Kenya is a non-G20 member country that was nominated as a member of the G20 Global Partnership for Financial Inclusion (GPFI) in November 2010. The GPFI is an inclusive platform for G20 and non-G20 countries as well as relevant stakeholders to carry forward work on global financial inclusion. To achieve this, nine principles for innovative financial inclusion were laid out to guide policy makers globally in developing concrete and pragmatic action plans for improving access to financial services, particularly amongst the poor and low

[4] *The Maya Declaration is a set of commitments by developing and emerging economies towards enhancing financial inclusion. The commitments cover four broad areas focusing on: creating an enabling environment to harness new technology to increase access and lower costs of financial services; implementing proportional frameworks to advance synergies in financial inclusion, integrity, and stability; integrating consumer protection and empowerment; and utilizing data for informed policy making and tracking results. (AFI website www.afi-global.orgaccessed on March 12, 2012).*

income individuals and households[5]. The principles are as follows:

i) **Leadership,** through the cultivation of broad-based government commitment to financial inclusion.

ii) **Diversity:** Implementation of policy approaches that promote competition and provide market based incentives for delivery of sustainable financial access and usage of a broad range of affordable services (savings, credit, payments and transfers, insurance) as well as a diversity of service providers.

iii) **Innovation,** by promoting technological and institutional innovation as a means to expanding financial system access and usage, while addressing infrastructure weaknesses.

iv) **Protection,** by encouraging a comprehensive approach to consumer protection that recognises the critical roles of government, providers and consumers.

v) **Empowerment,** through the development of financial literacy and financial capability programs.

vi) **Cooperation,** through the creation of an institutional environment with clear lines of accountability and co-ordination within government; and also encouraging partnerships and direct consultation across government, business and other stakeholders.

vii) **Knowledge:** Utilizing improved data to make evidence based policy, measure progress, and consider an incremental "test and learn" approach acceptable to both regulator and service provider.

viii) **Proportionality:** Building a policy and regulatory framework that is proportionate with the risks and benefits involved in such innovative products and services based on an understanding of the gaps and barriers in existing regulation.

ix) **Framework,** which ensures regulatory frameworks reflect international standards, national circumstances and support for a competitive landscape. This includes an appropriate, flexible, risk-based Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) regime; conditions for the use of agents as a customer interface; a clear regulatory regime for electronically stored value; and market-based incentives to achieve the long-term goal of broad interoperability and interconnection.

These principles reflect the conditions necessary in enhancing innovation for financial inclusion while ensuring financial stability and protecting consumers. They are a guide to policymakers in enhancing financial inclusion in specific country contexts.

[5] *http://www.gpfi.org/knowledge-bank/publications/principles-and-report-innovative-financial-inclusion*

Kenya's participation in GPFI in 2011: Case Study Publications

Kenya's participation in the GPFI was quite fruitful in 2011. In October 2011, AFI, which is the implementing partner of GPFI, documented Kenya's experiences in promoting financial inclusion. Kenya is one of eleven G20 and non G20 countries that contributed their experiences in the form of published case studies. Two of the published documents illustrated in detail (i) Kenya's experience in implementing the G20 Principles for Innovative Financial Inclusion, and (ii) how policymakers had engaged with Standard Setting Bodies (SSBs) for the advancement of financial inclusion. The reports were showcased during the G20 Leaders Summit in Cannes, France in November 2011, as one of the key successful deliverables of the GPFI in enhancing financial inclusion through innovative models and products.

One of the case studies showcased eleven countries and their roles in implementing the nine G20 principles to enhance global financial inclusion. The publication titled *"The G20 Principles for Innovative Financial Inclusion: Bringing the G20 principles to life: Eleven Case Studies"* highlighted the experiences and challenges faced by the countries in implementing the nine G20 principles for innovative financial inclusion[6].

In the publication, Kenya's experience was documented under the title **"Forging a technology-driven vision of the future."** In the case study, Kenya was recognised for its innovative policy solutions within the financial sector. This was with particular regard to the country's mobile money transfer, payment systems and delivery channels. The case study demonstrated the success of M-PESA and the many other mobile money products and services in the country, which have thrived because of the willingness of regulators to embrace this innovation into the financial sector. The case study illuminates the experience of the Central Bank of Kenya in overcoming obstacles and bureaucracy to provide an enabling policy environment for mobile financial services to flourish. It further documents that it was because of the Bank's visionary approach to regulating mobile financial services, agent banking and microfinance that Kenya's vision 2030 goals of building the country's economy and raising financial inclusion levels are being achieved. The case study also established that out of the nine G20 principles, Kenya stood out most in three as follows:

√ **Leadership,** where CBK demonstrated leadership in its willingness to embrace and facilitate innovation, taking a 'test and learn' approach and building regulation around the lessons learned.

√ **Cooperation,** between CBK, commercial banks, telecommunications industry regulators to push forward the financial inclusion frontiers.

√ **Innovation,** given the much celebrated mobile money platforms in Kenya and their role in enhancing financial inclusion for many who would otherwise have been excluded from accessing financial services.

[6] http://www.gpfi.org/knowledge-bank/case-studies/g20-principles-innovative-financial-inclusion-bringing-principles-life

A second case study was documented in a publication titled *'Kenya's engagement with the SSBs and the implications for financial inclusion.*[7]' It highlighted Kenya's experience in implementing international standards in the financial sector and the country's interactions with different SSBs on the topic of financial inclusion. The SSBs include the Financial Action Task Force (FATF), the Basel Committee on Banking Supervision (BCBS), the Committee on Payment and Settlement Systems (CPSS), the International Association of Insurance Supervisors (IAIS), and the International Association of Deposit Insurers (IADI). The study established that the Kenyan regulatory authorities recognise that SSBs play an important role and are intent on adhering to the principles set by the international SSBs. However, in some cases there is not enough guidance on the implementation of the principles based on Kenya's domestic realities. In this regard, it was recommended that the SSBs should work together and provide clearer guidance on the implementation of the requisite principles. Some of the key issues brought out in the study are as follows:

√ International standards must take into account the various unique county contexts of developing nations. In this regard, the implementation of standards must be tailored to domestic circumstances to accommodate the peculiarities of the different countries.

√ Balancing financial inclusion and stability must remain core when implementing international standards. Countries must continue to adapt the test and learn and risk based proportionate regulation. This involves understanding and managing risks as well as understanding the impact of various sanctions in the implementation of international standards.

√ Capacity constraints continue to be a challenge in the implementation of international standards for regulators, supervisors and financial institutions. Adequacy of capacity must therefore be considered with regards to the implementation of international standards. Proportionate regulation therefore must remain key in this regard.

Insights from Kenya's case study along with those of four other countries have been shared with the SSB's for consideration in the review of international standards.

Memorandum of Understanding

To pave way for cross border collaboration and sharing of information with other regulators in the region, the Central Bank of Kenya, in the year 2011, executed Memorandum of Understanding (MOU) with two regulators in the region. In this regard, the Central Bank of Kenya and the Central Bank of Nigeria signed an MOU in June 2011 and also signed one with the Bank of Mauritius in August 2011. This brings the number of concluded bilateral MOUs to three in addition to two signed Multilateral MOUs as indicated in Appendix XII.

The Central Bank of Kenya is currently negotiating to sign MOUs with the Reserve Bank of Zimbabwe, State Bank of Pakistan, Central Bank of United Arab Emirates and Reserve Bank of India.

[7] http://www.gpfi.org/knowledge-bank/case-studies/kenya-s-engagement-standard-setting-bodies-and-implications-financial-inclusion

Pursuant to the MOU with Bank of Mauritius, the Central Bank of Kenya is negotiating a protocol with the Bank of Mauritius on joint onsite examination. The protocol will govern the conduct of joint On-Site examinations between the two parties and provide the modus operandi for conducting joint on-site inspections for cross-border establishments.

5.3 Kenyan Banks Regional Footprint

As at 31st December 2011, ten Kenyan banks had subsidiaries operating in the East African Community (EAC) Partner States and South Sudan. These banks comprise; Kenya Commercial Bank, Diamond Trust Bank Kenya, Commercial Bank of Africa, Bank of Africa, Fina Bank, Equity Bank, I & M

10 Kenyan banks had established branches in EAC countries and South Sudan in 2011.

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

No	Table 20: Branches of Banks with Regional Presence					
	Institution	Regional Presence				
		Burundi	Rwanda	Uganda	Tanzania	S. Sudan
1	Kenya Commercial Bank	Nil	9 branches	14 branches	11 branches	19 branches
2	Diamond Trust	4 branches	Nil	22 branches	14 branches	Nil
3	Commercial Bank of Africa	Nil	Nil	Nil	6 branches	Nil
4	Bank of Africa	Nil	Nil	28 branches	16 branches	Nil
5	Fina Bank	Nil	13 branches	6 branches	Nil	Nil
6	Equity Bank	Nil	5 branches	38 branches	Nil	4 branches
7	I & M Bank	Nil	Nil	Nil	5 branches	Nil
8	Imperial Bank	Nil	Nil	3 branches	Nil	Nil
9	African Banking Corporation	Nil	Nil	2 branches	Nil	Nil
10	NIC Bank	Nil	Nil	Nil	4 branches	Nil

The performance analysis of the subsidiaries of the ten banks as at 31st December 2011 based on number of branches, number of employees, assets, loans, deposits and profits are as highlighted below.

Performance Highlights

i) Branches

The subsidiaries had opened 223 branches as at 31st December 2011.

Kenyan banks had subsidiaries with 223 branches operating in the Region.

- 113 of the branches were operating in Uganda.
- Seven banks had opened operations in Uganda and six had opened operations in Tanzania. Others were Rwanda (3), Burundi (1) and South Sudan (2).

ii) No. of Employees

The subsidiaries had a total of 3,760 employees.

- Uganda had the highest number of employees at 43 percent (1,608) possibly attributed to the large number of subsidiaries located there.

iii) Total assets

Total assets of subsidiaries stood at Kshs. 195.6 billion.

- Subsidiaries operating in Tanzania accounted for 36.7 percent of the total assets.
- Subsidiaries operating in South Sudan accounted for 26 percent of the total assets, although only two banks had presence there.
- Subsidiaries operating in Uganda accounted for 26.7 percent of the total assets.

iv) Gross loans

Gross loans of subsidiaries were worth Ksh. 89.4 billion.

- Subsidiaries operating in Tanzania accounted for 47.9 percent of the total loans.
- Subsidiaries operating in Uganda accounted for 33.7 percent of the total loans.

v) Deposits

Subsidiaries had gross deposits worth Ksh. 152.5 billion.

- Subsidiaries operating in Tanzania accounted for 38 percent of the total deposits.
- Subsidiaries operating in South Sudan accounted for 27.6 percent of the total deposits, although only two banks have operations there.
- Subsidiaries operating in Uganda accounted for 24.2 percent of the total deposits.

vi) Profitability

Subsidiaries registered profit before tax of Ksh. 2.3 billion.

- Subsidiaries operating in Tanzania accounted for 33.8 percent of the total profits.
- Subsidiaries operating in South Sudan accounted for 42 percent of the total profits, although only two banks have operations there. This demonstrates potential in South Sudan.
- Subsidiaries operating in Uganda accounted for 27.3 percent of the total profits. In addition, two banks that registered a loss before tax were operating in Uganda, indicating stiff competition while one bank registered a loss in Rwanda as the subsidiary was set up during the year and therefore the loss was attributed to formation costs.

Appendix I

BANKING SECTOR BALANCE SHEET - DECEMBER 2011 - Ksh. M

		DECEMBER 2010				DECEMBER 2011			
		BANKS TOTAL	NBFI's TOTAL	TOTAL	% OF TOTAL	BANKS TOTAL	NBFI's TOTAL	GRAND TOTAL	% OF TOTAL
A	**ASSETS**								
1	Cash balances (both local and foreign)	36,384	101	36,485	2.17%	42,583	120	42,703	2.11%
2	Balances due from Central Bank of Kenya	76,272	-	76,272	4.55%	92,135	-	92,135	4.56%
3	Kenya Government securities	341,649	540	342,189	20.39%	304,123	380	304,503	15.07%
4	Foreign Currency Treasury bills and bonds	309	-	309	0.02%	301	-	301	0.01%
5	Deposits and balances due from local banking institutions	35,703	8,185	43,888	2.62%	57,221	4,988	62,210	3.08%
6	Deposits and balances due from banking institutions abroad	29,719	-	29,719	1.77%	54,585	-	54,585	2.70%
7	Government and other securities held for dealing purposes	100,896	-	100,896	6.01%	75,555	-	75,555	3.74%
8	Tax recoverable	334	-	334	0.02%	516	-	516	0.03%
9	Loans and advances to customers (Net)	856,854	19,503	876,357	52.22%	1,126,788	25,223	1,152,011	57.01%
10	Investments securities	10,810	-	10,810	0.64%	13,033	56	13,089	0.65%
11	Balances due from group companies	41,474	-	41,474	2.47%	71,458	-	71,458	3.54%
12	Investment in associates	2,600	-	2,600	0.15%	3,586	-	3,586	0.18%
13	Investment in subsidiary companies	17,774	130	17,904	1.07%	22,068	130	22,198	1.10%
14	Investment in joint ventures	1,286	-	1,286	0.08%	1,246	-	1,246	0.06%
15	Investment properties	1,117	-	1,117	0.07%	1,463	-	1,463	0.07%
16	Property & equipment	42,303	594	42,898	2.56%	47,594	699	48,293	2.39%
17	Prepaid lease rentals	842	42	883	0.05%	1,032	41	1,073	0.05%
18	Intangible assets	14,153	3	14,156	0.84%	15,684	3	15,686	0.78%
19	Deferred tax asset	3,516	23	3,539	0.21%	7,963	82	8,045	0.40%
20	Retirement benefit asset	1,539	-	1,539	0.09%	1,479	-	1,479	0.07%
21	Other assets	33,254	204	33,458	1.99%	48,431	250	48,681	2.41%
22	**TOTAL ASSETS**	**1,648,786**	**29,326**	**1,678,112**	**100.00%**	**1,988,846**	**31,972**	**2,020,818**	**100.00%**
B.	**LIABILITIES**								
23	Balances due to Central Bank of Kenya	8,656	-	8,656	0.52%	-	-	-	0.00%
24	Customer deposits	1,220,603	15,945	1,236,549	73.69%	1,469,494	18,674	1,488,168	73.64%
25	Deposits and balances due to local banking institutions	39,693	-	39,693	2.37%	53,895	-	53,895	2.67%
26	Deposits and balances due to foreign banking institutions	22,980	-	22,980	1.37%	43,500	-	43,500	2.15%
27	Other Money Markets deposits	2	-	2	0.00%	2	-	2	0.00%
28	Borrowed funds	23,719	8,604	32,324	1.93%	50,702	8,016	58,718	2.91%
29	Balances due to group companies	22,442	15	22,457	1.34%	27,662	15	27,677	1.37%
30	Taxation payable	4,987	50	5,038	0.30%	3,315	160	3,475	0.17%
31	Dividends payable	25	-	25	0.00%	42	-	42	0.00%
32	Deferred tax liability	2,797	-	2,797	0.17%	662	-	662	0.03%
33	Retirement benefits liability	280	-	280	0.02%	173	-	173	0.01%
34	Other liabilities	41,066	441	41,507	2.47%	52,949	324	53,274	2.64%
35	**TOTAL LIABILITIES**	**1,387,250**	**25,056**	**1,412,306**	**84.16%**	**1,702,396**	**27,190**	**1,729,586**	**85.59%**
C	**SHAREHOLDERS' FUNDS**								
36	Paid up/ assigned capital	62,730	1,150	63,880	3.81%	69,225	1,152	70,377	3.48%
37	Share premium/(discounts)	52,621	1,549	54,170	3.23%	53,140	1,551	54,692	2.71%
38	Revaluation reserves	8,469	449	8,918	0.53%	- 8,612	512	- 8,100	-0.40%
39	Retained earnings /accumulated losses	107,653	487	108,140	6.44%	132,635	1,018	133,653	6.61%
40	Statutory loan loss reserve	7,476	503	7,979	0.48%	20,444	337	20,781	1.03%
41	Proposed dividend (gross)	19,273	81	19,353	1.15%	16,283	161	16,444	0.81%
42	Capital grants	3,315	51	3,366	0.20%	3,335	51	3,386	0.17%
43	**TOTAL SHAREHOLDERS' FUNDS**	**261,536**	**4,270**	**265,806**	**15.84%**	**286,450**	**4,782**	**291,232**	**14.41%**
		-	-				-	-	
44	**TOTAL LIABILITIES & SHAREHOLDERS' FUNDS**	**1,648,786**	**29,326**	**1,678,112**	**100.00%**	**1,988,846**	**31,972**	**2,020,818**	**100.00%**

Source: Banks Published Financial Statements

Appendix II

BANKING SECTOR PROFIT AND LOSS ACCOUNT - DECEMBER 2011 - Ksh. M

		DECEMBER 2010				DECEMBER 2011			
		BANKS TOTAL	NBFI's TOTAL	TOTAL	% OF TOTAL	BANKS TOTAL	NBFI's TOTAL	TOTAL	% OF TOTAL
1.0	**INTEREST INCOME**								
1.1	Loans and advances	101,784	2,222	104,006	49.12%	139,125	2,911	142,036	55.41%
1.2	Government Securities	33,125	35	33,160	15.66%	33,035	36	33,072	12.90%
1.3	Deposits and placements with banking institutions	1,548	219	1,767	0.83%	3,763	517	4,280	1.67%
1.4	Other interest income	1,410	-	1,410	0.67%	1,424	-	1,424	0.56%
1.5	Total Interest Income	**137,867**	**2,476**	**140,343**	**66.28%**	**177,347**	**3,464**	**180,811**	**70.54%**
2.0	INTEREST EXPENSES								
2.1	Customers deposits	29,320	793	30,113	21.90%	39,169	850	40,019	23.98%
2.2	Deposits and placements from banking institutions	1,543	-	1,543	1.12%	5,315	-	5,315	3.19%
2.3	Other interest expenses	1,827	281	2,109	1.53%	2,715	713	3,428	2.05%
2.4	Total Interest Expenses	**32,691**	**1,075**	**33,765**	**24.56%**	**47,200**	**1,563**	**48,762**	**29.22%**
		-	-	-		-	-	-	
3.0	NET INTEREST INCOME/(LOSS)	105,177	1,401	**106,578**		130,147	1,902	**132,049**	
4.0	NON-OPERATING INCOME								
4.1	Fees and Commissions on loans and advances	12,968	103	13,072	6.17%	15,743	152	15,896	9.53%
4.2	Other fees and commissions	25,380	65	25,444	12.02%	29,835	60	29,895	17.91%
4.3	Foreign exchange trading income/(loss)	12,446	-	12,446	5.88%	19,337	-	19,337	11.59%
4.4	Dividend income	1,686	-	1,686	0.80%	447	-	447	0.27%
4.5	Other income	18,670	84	18,754	8.86%	9,871	78	9,949	5.96%
4.6	**Total Non Interest Income**	**71,150**	**252**	**71,402**	**33.72%**	**75,234**	**290**	**75,524**	**45.26%**
5.0	**TOTAL OPERATING INCOME**	176,326	1,653	**177,980**		205,381	2,191	**207,573**	
6.0	OPERATING EXPENSES								
6.1	Loan loss provision	10,809	238	11,048	8.04%	9,605	186	9,791	7.12%
6.2	Staff costs	46,552	490	47,042	34.22%	51,833	602	52,435	38.14%
6.3	Directors emoluments	1,303	11	1,314	0.96%	1,464	24	1,488	1.08%
6.4	Rental charges	4,686	13	4,699	3.42%	5,618	13	5,631	4.10%
6.5	Depreciation on property and equipment	6,809	41	6,850	4.98%	7,942	47	7,988	5.81%
6.6	Amortization charges	1,246	3	1,250	0.91%	1,868	3	1,870	1.36%
6.7	Other expenses	31,209	297	31,506	22.92%	38,573	341	38,915	28.31%
6.8	**Total Other Operating Expenses**	**102,614**	**1,093**	**103,708**	**75.44%**	**116,903**	**1,216**	**118,119**	**85.92%**
7.0	Profit/(loss) before tax and exceptional items	**73,712**	**560**	**74,272**		**88,478**	**976**	**89,453**	
8.0	Exceptional items	- 2,752	-	- 2,752		- 8	-	- 8	
9.0	Profit/(loss) after exceptional items	76,464	560	77,024		88,486	976	89,461	
10.0	Current tax	20,530	187	20,717		25,714	359	26,073	
11.0	Deferred tax	- 1,275	- 7	- 1,283		- 524	- 59	- 583	
12.0	Profit/(loss) after tax and exceptional items	**57,209**	**381**	**57,590**		**63,296**	**675**	**63,971**	

Source: Banks Published Financial Statements

Appendix III

BANKING SECTOR OTHER DISCLOSURES - DECEMBER 2011 - Ksh. M

		DECEMBER 2010			DECEMBER 2011			%
		BANKS TOTAL	NBFI's TOTAL	TOTAL	BANKS TOTAL	NBFI's TOTAL	TOTAL	GROWTH
1)	**NON-PERFORMING LOANS AND ADVANCES**							
a)	Gross non-performing loans and advances	56,170	1,468	57,637	51,378	1,580	52,958	-8.12%
	Less:			-	-	-	-	
b)	Interest in suspense	9,624	284	9,908	9,795	234	10,029	1.23%
c)	**Total non-performing loans and advances(a-b)**	46,545	1,184	47,730	41,583	1,345	42,928	-10.06%
	Less:							
d)	Loan loss provision	28,205	440	28,645	28,559	386	28,945	1.05%
e)	**Net Non-performing Loans (c-d)**	18,340	744	19,084	13,024	959	13,983	-26.73%
f)	Discounted value of securities	17,077	744	17,821	13,697	959	14,656	-17.76%
g)	**Net NPLs Exposure (e-f)**	1,263	-	1,263	- 673	-	- 673	-153.27%
2)	**INSIDER LOANS,ADVANCES AND OTHER FACILITIES**							
a)	Directors, shareholders and associates	21,087	460	21,547	29,515	-	29,515	36.98%
b)	Employees	29,792	-	29,792	39,548	606	40,154	34.78%
c)	**Total Insider Loans, Advances and Other Facilities**	50,879	460	51,339	69,063	606	69,669	35.70%
3)	**OFF BALANCE SHEET**							
a)	Letters of credit, guarantees, acceptances	226,181	1	226,182	288,019	1	288,020	27.34%
b)	Other contingent liabilities	127,676	-	127,676	183,291	-	183,291	43.56%
c)	**Total Contingent Liabilities**	353,857	1	353,858	471,310	1	471,311	33.19%
4)	**CAPITAL STRENGTH**							
a)	Core capital	210,992	3,186	214,178	244,531	3,721	248,252	15.91%
b)	Minimum statutory capital	21,500	500	22,000	30,100	700	30,800	40.00%
c)	Excess/(defficiency)	189,492	2,686	192,178	214,431	3,021	217,452	13.15%
d)	Supplementary capital	20,895	3,186	24,082	30,679	2,190	32,869	36.49%
e)	**Total capital (a + d)**	231,887	6,373	238,260	275,210	5,911	281,121	17.99%
f)	Total risk weighted assets	1,051,356	13,077	1,064,433	1,352,859	17,369	1,370,228	28.73%
g)	**Core capital/total deposit liabilities**	16.4%	20.0%	16.5%	15.6%	19.9%	15.7%	-0.8%
h)	Minimum statutory ratio	**8.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**	**8.0%**	0.0%
i)	Excess/(defficiency)	8.4%	12.0%	8.5%	7.6%	11.9%	7.7%	-0.8%
j)	**Core Capital/Total Risk Weighted Assets**	20.1%	24.4%	20.1%	18.1%	21.4%	18.1%	-2.0%
k)	Minimum Statutory Ratio	**12.0%**	**12.0%**	**12.0%**	**12.0%**	**12.0%**	**12.0%**	0.0%
l)	Excess/(Defficiency)	8.1%	12.4%	8.1%	6.1%	9.4%	6.1%	-2.0%
m)	**Total capital/total risk weighted assets**	22.1%	48.7%	22.4%	20.3%	34.0%	20.5%	-1.9%
n)	Minimum Statutory Ratio	**12.0%**	**12.0%**	**12.0%**	**12.0%**	**12.0%**	**12.0%**	0.0%
o)	Excess/(Defficiency)	10.1%	36.7%	10.4%	8.3%	22.0%	8.5%	-1.9%
5)	**Liquidity**							
a)	Liquidity ratio	44.3%	57.1%	39.8%	37.1%	28.8%	37.0%	-2.8%
b)	Minimum Statutory Ratio	**20.0%**	**20.0%**	**20.0%**	**20.0%**	**20.0%**	**20.0%**	0.0%
c)	Excess/(Defficiency) (a-b)	24.3%	37.1%	19.8%	17.1%	8.8%	17.0%	-2.8%
	Performance Indicators		**2010**			**2011**		
	Yield on Earning Assets	11.6%	9.0%	11.5%	12.7%	11.7%	12.7%	1.2%
	Cost of Funding Earning Assets	5.1%	0.9%	5.0%	4.5%	0.9%	4.4%	-0.5%
	Interest Margin on Earning Assets	6.5%	8.1%	6.6%	8.2%	10.7%	8.3%	1.7%
	Yield on Adavances	11.7%	11.2%	11.7%	12.2%	11.4%	12.2%	0.5%
	Cost of Deposits	2.4%	5.0%	2.4%	2.8%	4.6%	2.9%	0.4%
	Return on Assets (ROA)	3.8%	1.9%	3.8%	4.4%	3.0%	4.4%	0.6%
	Return on Equity (ROE)	28.2%	13.1%	27.9%	30.9%	20.4%	30.7%	2.8%
	Overheads to Earnings	50.0%	50.4%	50.0%	47.4%	51.4%	47.4%	-2.6%
	Gross NPLs/Gross Loans	6.3%	7.3%	6.3%	4.4%	6.1%	4.4%	-1.9%
	Net NPLs/Gross Loans	2.0%	3.7%	2.1%	1.1%	3.7%	1.2%	-0.9%
	RATINGS							
	Capital Adequacy	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	
	Asset Quality	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	**1.00**	
	Earnings	**1.00**	**3.00**	**1.00**	**1.00**	**2.00**	**1.00**	
	Liquidity	**1.00**	**1.00**	**1.00**	**1.00**	**2.00**	**1.00**	
	Composite Score	**1.00**	**1.50**	**1.00**	**1.00**	**1.50**	**1.00**	
	Performance Category	**Strong**	**Satisfactory**	**Strong**	**Strong**	**Satisfactory**	**Strong**	

	Rating	PERFORMANCE CATEGORY	CAPITAL ADEQUACY *Total Capital/TRWA (%)*	ASSET QUALITY *(NPA-Provisions)/ Gross Advances (%)*	MANAGEMENT *Total Weighted Score*	EARNINGS *Net Profits/Total Assets (%)*	LIQUIDITY *Net Liquid Assets/Total 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

Source: Banks Published Financial Statements

Appendix IV

BANKING SECTOR MARKET SHARE - DECEMBER 2011- Ksh. M

		MARKET SIZE INDEX	NET ASSETS	% OF THE MARKET	TOTAL DEPOSITS	% OF THE MARKET	TOTAL CAPITAL	% OF THE MARKET	TOTAL NUMBER OF DEPOSIT ACCOUNTS (Millions)	% OF THE MARKET	TOTAL NUMBER OF LOAN ACCOUNTS (millions)	% OF THE MARKET
	Weighting		0.33		0.33		0.33		0.005		0.005	
	Large Peer Group > 5%											
1	Kenya Commercial Bank Ltd	14.52%	282,494	14.0%	210,174	14.1%	45,163	15.5%	1.653	11.6%	0.264	13.3%
2	Equity Bank Ltd	9.98%	176,911	8.8%	121,774	8.2%	35,047	12.0%	6.586	46.2%	0.745	37.4%
3	Barclays Bank of Kenya Ltd	8.90%	167,305	8.3%	124,207	8.3%	29,223	10.0%	1.021	7.2%	0.256	12.9%
4	Co-operative Bank of Kenya Ltd	8.41%	167,772	8.3%	142,705	9.6%	20,972	7.2%	1.871	13.1%	0.248	12.5%
5	Standard Chartered Bank (K) Ltd	7.74%	164,182	8.1%	122,323	8.2%	20,571	7.1%	0.160	1.1%	0.033	1.7%
6	CFC Stanbic Bank Ltd	5.10%	140,087	6.9%	74,335	5.0%	10,150	3.5%	0.087	0.6%	0.036	1.8%
	Sub-Total	**54.64%**	**1,098,750**	**54.4%**	**795,517**	**53.5%**	**161,126**	**55.3%**	**11.378**	**79.8%**	**1.581**	**79.5%**
	Medium Peer Group > 1% & < 5%											
7	I&M Bank Ltd	4.09%	76,903	3.8%	56,944	3.8%	13,856	4.8%	0.047	0.3%	0.006	0.3%
8	Commercial Bank of Africa Ltd	3.98%	83,283	4.1%	67,303	4.5%	9,935	3.4%	0.035	0.2%	0.013	0.6%
9	Citibank N.A.	3.96%	74,646	3.7%	46,534	3.1%	15,112	5.2%	0.004	0.0%	0.001	0.1%
10	Diamond Trust Bank (K) Ltd	3.77%	77,453	3.8%	59,772	4.0%	10,366	3.6%	0.064	0.5%	0.014	0.7%
11	NIC Bank Ltd	3.70%	73,581	3.6%	62,009	4.2%	9,900	3.4%	0.038	0.3%	0.018	0.9%
12	National Bank of Kenya Ltd	3.59%	68,665	3.4%	56,728	3.8%	10,456	3.6%	0.444	3.1%	0.056	2.8%
13	Bank of Baroda (K) Ltd	1.83%	36,701	1.8%	30,264	2.0%	4,936	1.7%	0.035	0.2%	0.002	0.1%
14	Bank of Africa Kenya Ltd	1.70%	38,734	1.9%	23,986	1.6%	4,672	1.6%	0.026	0.2%	0.010	0.5%
15	Prime Bank Ltd	1.64%	35,185	1.7%	28,872	1.9%	3,742	1.3%	0.019	0.1%	0.003	0.1%
16	Chase Bank (K) Ltd	1.49%	36,513	1.8%	24,822	1.7%	2,969	1.0%	0.031	0.2%	0.007	0.4%
17	Housing Fin. Co. of Kenya Ltd	1.48%	31,972	1.6%	18,674	1.3%	4,782	1.6%	0.052	0.4%	0.005	0.2%
18	Family Bank Ltd	1.34%	26,002	1.3%	21,444	1.4%	3,324	1.1%	0.959	6.7%	0.114	5.7%
19	Imperial Bank Ltd	1.27%	25,618	1.3%	19,245	1.3%	3,685	1.3%	0.033	0.2%	0.009	0.5%
20	Bank of India	1.17%	23,352	1.2%	18,475	1.2%	3,378	1.2%	0.013	0.1%	0.001	0.0%
21	Ecobank Kenya Ltd	1.02%	27,210	1.3%	16,566	1.1%	1,726	0.6%	0.034	0.2%	0.037	1.9%
	Sub-Total	**36.04%**	**735,819**	**36.4%**	**551,639**	**37.1%**	**102,841**	**35.3%**	**1.834**	**12.9%**	**0.294**	**14.8%**
	Small Peer Group <1%											
22	Fina Bank Ltd	0.69%	14,630	0.7%	12,395	0.8%	1,536	0.5%	0.017	0.1%	0.002	0.1%
23	Consolidated Bank of Kenya Ltd	0.68%	15,318	0.8%	12,010	0.8%	1,435	0.5%	0.036	0.3%	0.013	0.7%
24	African Banking Corporation Ltd	0.63%	12,507	0.6%	10,471	0.7%	1,702	0.6%	0.018	0.1%	0.001	0.1%
25	Gulf African Bank Ltd	0.60%	12,915	0.6%	10,865	0.7%	1,319	0.5%	0.034	0.2%	0.004	0.2%
26	Giro Commercial Bank Ltd	0.60%	11,846	0.6%	10,069	0.7%	1,579	0.5%	0.009	0.1%	0.002	0.1%
27	Equatorial Commercial Bank Ltd	0.57%	12,927	0.6%	9,834	0.7%	1,204	0.4%	0.008	0.1%	0.004	0.2%
28	Fidelity Commercial Bank Ltd	0.50%	10,789	0.5%	9,490	0.6%	1,017	0.3%	0.007	0.0%	0.001	0.1%
29	K-Rep Bank Ltd	0.47%	9,319	0.5%	6,446	0.4%	1,331	0.5%	0.271	1.9%	0.060	3.0%
30	Development Bank of Kenya Ltd	0.46%	11,523	0.6%	4,171	0.3%	1,562	0.5%	0.001	0.0%	0.001	0.0%
31	Trans-National Bank Ltd.	0.44%	7,287	0.4%	5,283	0.4%	1,743	0.6%	0.029	0.2%	0.003	0.2%
32	Habib Bank A.G Zurich	0.44%	8,722	0.4%	6,661	0.4%	1,280	0.4%	0.007	0.1%	0.000	0.0%
33	Guardian Bank Ltd	0.44%	8,836	0.4%	7,648	0.5%	1,065	0.4%	0.008	0.1%	0.001	0.0%
34	First Community Bank Ltd	0.41%	8,740	0.4%	7,812	0.5%	837	0.3%	0.040	0.3%	0.002	0.1%
35	Victoria Commercial Bank Ltd	0.40%	7,645	0.4%	5,907	0.4%	1,252	0.4%	0.003	0.0%	0.000	0.0%
36	Habib Bank Ltd	0.32%	5,861	0.3%	4,718	0.3%	1,062	0.4%	0.004	0.0%	0.000	0.0%
37	Oriental Commercial Bank Ltd	0.31%	5,030	0.2%	3,694	0.2%	1,290	0.4%	0.006	0.0%	0.001	0.0%
38	Credit Bank Ltd	0.28%	5,394	0.3%	3,937	0.3%	958	0.3%	0.009	0.1%	0.002	0.1%
39	Paramount Universal Bank Ltd	0.28%	4,727	0.2%	3,674	0.2%	1,026	0.4%	0.005	0.0%	0.002	0.1%
40	Middle East Bank (K) Ltd	0.26%	4,639	0.2%	2,703	0.2%	1,100	0.4%	0.002	0.0%	0.000	0.0%
41	Jamii Bora Bank Ltd	0.24%	2,070	0.1%	393	0.0%	1,527	0.5%	0.511	3.6%	0.014	0.7%
42	UBA Kenya Bank Ltd	0.16%	3,206	0.2%	1,270	0.1%	728	0.3%	0.002	0.0%	0.000	0.0%
43	Dubai Bank Kenya Ltd	0.15%	2,316	0.1%	1,561	0.1%	712	0.2%	0.005	0.0%	0.000	0.0%
44	Charterhouse Bank Ltd	0.00%	-	0.0%	-	0.0%	-	0.0%	0.005	0.0%	0.000	0.0%
	Sub-Total	**9.32%**	**186,249**	**9.2%**	**141,012**	**9.5%**	**27,265**	**9.4%**	**1.039**	**7.3%**	**0.114**	**5.7%**
	Grand-total	**100.00%**	**2,020,818**	**100.0%**	**1,488,168**	**100.0%**	**291,232**	**100.0%**	**14.251**	**100.0%**	**1.990**	**100.0%**

Market share index is the composite of net assets, deposits, capital , number of loan accounts and number of deposit accounts

Source: Banks Published Financial Statements

Appendix V

BANKING SECTOR PROFITABILITY - DECEMBER 2011 - Ksh. M

		1	2	3	4	5
	BANKS	PROFIT BEFORE TAX	RETURN ON ASSETS		RETURN ON EQUITY	
			NET ASSETS	RETURN ON ASSETS (1/2) %	SHAREHOLDERS EQUITY	RETURN ON EQUITY (1/4) %
1	Kenya Commercial Bank Ltd	14,081.87	282,494	4.98%	45,163	31.18%
2	Equity Bank Ltd	12,103.51	176,911	6.84%	35,047	34.53%
3	Barclays Bank of Kenya Ltd	12,012.56	167,305	7.18%	29,223	41.11%
4	Standard Chartered Bank (K) Ltd	8,250.84	164,182	5.03%	20,571	40.11%
5	Co-operative Bank of Kenya Ltd	6,167.77	167,772	3.68%	20,972	29.41%
6	Citibank N.A.	4,801.89	74,646	6.43%	15,112	31.77%
7	I&M Bank Ltd	4,457.33	76,903	5.80%	13,856	32.17%
8	NIC Bank Ltd	3,360.60	73,581	4.57%	9,900	33.95%
9	Diamond Trust Bank (K) Ltd	3,248.47	77,453	4.19%	10,366	31.34%
10	CFC Stanbic Bank Ltd	3,128.37	140,087	2.23%	10,150	30.82%
11	Commercial Bank of Africa Ltd	2,984.47	83,283	3.58%	9,935	30.04%
12	National Bank of Kenya Ltd	2,443.85	68,665	3.56%	10,456	23.37%
13	Bank of Baroda (K) Ltd	1,676.38	36,701	4.57%	4,936	33.96%
14	Imperial Bank Ltd	1,631.69	25,618	6.37%	3,685	44.28%
15	Prime Bank Ltd	1,080.69	35,185	3.07%	3,742	28.88%
16	Bank of India	975.17	23,352	4.18%	3,378	28.87%
17	Chase Bank (K) Ltd	849.93	36,513	2.33%	2,969	28.62%
18	Bank of Africa Kenya Ltd	554.55	38,734	1.43%	4,672	11.87%
19	Family Bank Ltd	522.57	26,002	2.01%	3,324	15.72%
20	African Banking Corporation Ltd	515.47	12,507	4.12%	1,702	30.28%
21	Giro Commercial Bank Ltd	329.93	11,846	2.79%	1,579	20.90%
22	Victoria Commercial Bank Ltd	329.69	7,645	4.31%	1,252	26.32%
23	Fina Bank Ltd	310.48	14,630	2.12%	1,536	20.22%
24	Fidelity Commercial Bank Ltd	301.52	10,789	2.79%	1,017	29.64%
25	Trans-National Bank Ltd	294.93	7,287	4.05%	1,743	16.92%
26	Habib Bank Ltd	270.99	5,861	4.62%	1,062	25.51%
27	K-Rep Bank Ltd	255.94	9,319	2.75%	1,331	19.23%
28	Habib Bank A.G Zurich	253.68	8,722	2.91%	1,280	19.82%
29	Consolidated Bank of Kenya Ltd	246.54	15,318	1.61%	1,435	17.18%
30	Oriental Commercial Bank Ltd	192.60	5,030	3.83%	1,290	14.93%
31	Guardian Bank Ltd	169.74	8,836	1.92%	1,065	15.94%
32	Development Bank of Kenya Ltd	157.44	11,523	1.37%	1,562	10.08%
33	Gulf African Bank Ltd	155.38	12,915	1.20%	1,319	11.78%
34	Ecobank Kenya Ltd	121.40	27,210	0.45%	1,726	7.03%
35	Paramount Universal Bank Ltd	112.80	4,727	2.39%	1,026	11.00%
36	First Community Bank Ltd	111.63	8,740	1.28%	837	13.34%
37	Middle East Bank (K) Ltd	92.46	4,639	1.99%	1,100	8.40%
38	Equatorial Commercial Bank Ltd	71.18	12,927	0.55%	1,204	5.91%
39	Credit Bank Ltd	51.28	5,394	0.95%	958	5.35%
40	Dubai Bank Kenya Ltd	20.77	2,316	0.90%	712	2.92%
41	Jamii Bora Bank Ltd	(37)	2,070	-1.79%	1,527	-2.43%
42	UBA Kenya Bank Ltd	(183)	3,206	-5.72%	728	-25.19%
43	Charterhouse Bank Ltd *	-	-	-	-	-
	SUB-TOTAL	**88,478**	**1,988,846**	**4.4%**	**286,450**	**30.89%**
	NBFI'S					
44	Housing Finance Co. of Kenya Ltd	976	31,972	3.1%	4,782	20.40%
	SUB-TOTAL	**976**	**31,972**	**3.1%**	**4,782**	**20.40%**
	GRAND TOTAL	**89,453**	**2,020,818**	**4.4%**	**291,232**	**30.72%**

*** Did not publish accounts for year 2011**

Source: Banks Published Financial Statements

Appendix VI

BANKING SECTOR CAPITAL AND RISK WEIGHTED ASSETS - DECEMBER 2011 - Ksh. M

	INSTITUTION	CORE CAPITAL	TOTAL CAPITAL	OVERALL RISK WEIGHTED ASSETS	CORE CAPITAL TO RISK WEIGHTED ASSETS RATIO	TOTAL CAPITAL TO RISK WEIGHTED ASSETS RATIO
1	Kenya Commercial Bank Ltd	38,403	39,920	192,939	19.90%	20.69%
2	Barclays Bank of Kenya Ltd	29,013	33,478	120,366	24.10%	27.81%
3	Co-operative Bank of Kenya Ltd	22,103	22,622	137,792	16.04%	16.42%
4	Equity Bank Ltd	19,589	27,633	127,548	15.36%	21.67%
5	Citibank N.A.	15,377	15,680	49,816	30.87%	31.48%
6	Standard Chartered Bank (K) Ltd	14,122	16,414	114,760	12.31%	14.30%
7	I&M Bank Ltd	10,884	11,584	60,079	18.12%	19.28%
8	CFC Stanbic Bank Ltd	10,155	15,356	80,655	12.59%	19.04%
9	National Bank of Kenya Ltd	9,576	10,004	34,286	27.93%	29.18%
10	NIC Bank Ltd	9,073	9,623	60,555	14.98%	15.89%
11	Diamond Trust Bank (K) Ltd	8,229	9,718	57,898	14.21%	16.79%
12	Commercial Bank of Africa Ltd	7,661	8,038	55,270	13.86%	14.54%
13	Bank of Baroda (K) Ltd	4,464	4,667	21,812	20.47%	21.40%
14	Bank of India	3,447	3,522	7,589	45.42%	46.41%
15	Bank of Africa Kenya Ltd	3,408	4,303	26,888	12.68%	16.00%
16	Prime Bank Ltd	3,242	3,242	19,641	16.51%	16.51%
17	Imperial Bank Ltd	3,000	3,072	14,894	20.14%	20.62%
18	Family Bank Ltd	2,997	3,150	18,519	16.18%	17.01%
19	Ecobank Kenya Ltd	2,647	4,557	17,811	14.86%	25.58%
20	Chase Bank (K) Ltd	2,561	2,844	22,554	11.35%	12.61%
21	Trans-National Bank Ltd	1,711	1,738	3,707	46.16%	46.87%
22	African Banking Corporation Ltd	1,531	1,599	9,086	16.85%	17.60%
23	Giro Commercial Bank Ltd	1,500	1,579	6,658	22.53%	23.71%
24	Development Bank of Kenya Ltd	1,424	1,562	5,768	24.68%	27.08%
25	Fina Bank Ltd	1,325	1,546	8,133	16.29%	19.01%
26	K-Rep Bank Ltd	1,275	1,315	6,650	19.18%	19.78%
27	Gulf African Bank Ltd	1,253	1,319	9,264	13.53%	14.24%
28	Victoria Commercial Bank Ltd	1,235	1,269	5,772	21.39%	21.99%
29	Habib Bank A.G Zurich	1,188	1,229	3,279	36.23%	37.48%
30	Oriental Commercial Bank Ltd	1,074	1,113	3,156	34.03%	35.28%
31	Guardian Bank Ltd	1,065	1,065	5,841	18.23%	18.23%
32	Middle East Bank Ltd	1,060	1,080	2,478	42.76%	43.57%
33	Equatorial Commercial Bank Ltd	1,051	1,152	8,074	13.02%	14.27%
34	Habib Bank Ltd	1,044	1,062	3,163	33.01%	33.58%
35	Consolidated Bank of Kenya Ltd	1,027	1,190	9,402	10.93%	12.65%
36	Paramount Universal Bank Ltd	1,003	1,026	1,900	52.80%	53.99%
37	Credit Bank Ltd	945	965	3,215	29.40%	30.01%
38	Fidelity Commercial Bank Ltd	913	996	6,548	13.95%	15.21%
39	Jamii Bora Bank Ltd	769	771	698	110.19%	110.48%
40	First Community Bank Ltd	767	767	5,403	14.19%	14.19%
41	UBA Kenya Bank Ltd	723	728	1,040	69.49%	70.00%
42	Dubai Bank Kenya Ltd	696	712	1,953	35.65%	36.47%
43	Charterhouse Bank Ltd	-	-	-		
	Sub Total	**244,531**	**275,210**	**1,352,859**	**18.08%**	**20.34%**
	NBFI's					
44	Housing Finance Co. of Kenya Ltd	3,721	5,911	17,369	21.42%	34.03%
	Sub Total	**3,721**	**5,911**	**17,369**	**21.42%**	**34.03%**
	Grand Total	**248,252**	**281,121**	**1,370,228**	**18.12%**	**20.52%**

Source: Banks Published Financial Statements

Appendix VII

BANKING SECTOR ACCESS TO FINANCIAL SERVICES - DECEMBER 2011

	BANKS	Peer Group	Total Number of Deposit Accounts						% change
			DEC.2010			DEC.2011			
			< 100,000	>100,000	Total	< 100,000	>100,000	Total	
1	Kenya Commercial Bank Ltd	Large	1,214,231	126,733	1,340,964	1,500,840	152,436	1,653,276	23.3%
2	Standard Chartered Bank Ltd	Large	102,315	53,335	155,650	105,115	54,397	159,512	2.5%
3	Barclays Bank of Kenya Ltd	Large	752,494	109,646	862,140	908,150	112,676	1,020,826	18.4%
4	Co-operative Bank of Kenya Ltd	Large	1,361,963	90,391	1,452,354	1,766,180	104,821	1,871,001	28.8%
5	CFCStanbic Bank Ltd	Large	51,714	14,055	65,769	70,950	15,621	86,571	31.6%
6	Equity Bank Ltd	Large	5,264,244	141,488	5,405,732	6,418,861	167,638	6,586,499	21.8%
7	Bank of India	Medium	6,645	5,404	12,049	6,716	6,293	13,009	8.0%
8	Bank of Baroda Ltd	Medium	18,387	14,023	32,410	19,170	15,519	34,689	7.0%
9	Commercial Bank of Africa Ltd	Medium	15,214	12,076	27,290	20,216	14,668	34,884	27.8%
10	Prime Bank Ltd	Medium	7,478	7,018	14,496	8,902	9,747	18,649	28.6%
11	National Bank of Kenya Ltd	Medium	367,760	30,682	398,442	412,420	31,361	443,781	11.4%
12	Citibank N.A.	Medium	1,827	1,812	3,639	2,147	1,753	3,900	7.2%
13	Bank of Africa Kenya Ltd	Medium	13,292	5,471	18,763	20,794	5,267	26,061	38.9%
14	Chase Bank Ltd	Medium	4,638	6,864	11,502	14,607	16,308	30,915	168.8%
15	Imperial Bank Ltd	Medium	17,322	8,526	25,848	22,168	10,753	32,921	27.4%
16	NIC Bank Ltd	Medium	20,616	12,167	32,783	23,666	14,732	38,398	17.1%
17	Ecobank Ltd	Medium	46,292	7,050	53,342	26,569	7,920	34,489	-35.3%
18	I & M Bank Ltd	Medium	22,387	16,360	38,747	28,206	19,030	47,236	21.9%
19	Diamond Trust Bank Kenya Ltd	Medium	36,235	15,094	51,329	45,703	18,471	64,174	25.0%
20	Family Bank Ltd	Medium	752,763	24,182	776,945	930,652	28,384	959,036	23.4%
21	Housing Finance Co. of Kenya Ltd	Medium	40,650	9,364	50,014	42,036	9,898	51,934	3.8%
22	Habib Bank Ltd	Small	2,540	2,011	4,551	2,384	2,014	4,398	-3.4%
23	Oriental Commercial Bank Ltd	Small	4,303	1,103	5,406	4,615	1,181	5,796	7.2%
24	Habib A.G. Zurich	Small	4,377	3,056	7,433	4,211	2,930	7,141	-3.9%
25	Middle East Bank Ltd	Small	748	1,084	1,832	846	1,012	1,858	1.4%
26	Dubai Bank Ltd	Small	4,357	945	5,302	4,593	813	5,406	2.0%
27	Consolidated Bank of Kenya Ltd	Small	39,964	4,570	44,534	30,517	5,620	36,137	-18.9%
28	Credit Bank Ltd	Small	4,565	1,473	6,038	7,728	1,630	9,358	55.0%
29	Transnational Bank Ltd	Small	20,217	2,556	22,773	26,700	2,769	29,469	29.4%
30	African Banking Corporation Ltd	Small	10,177	3,758	13,935	12,661	4,943	17,604	26.3%
31	Giro Commercial Bank Ltd	Small	4,567	4,262	8,829	4,878	4,487	9,365	6.1%
32	Equatorial Bank Ltd	Small	5,069	2,551	7,620	5,639	2,551	8,190	7.5%
33	Paramount Universal Bank Ltd	Small	3,069	3,451	6,520	1,864	3,349	5,213	-20.0%
34	Jamii Bora Bank Ltd	Small	558,922	259	559,181	510,463	166	510,629	-8.7%
35	Fina Bank Ltd	Small	15,830	5,815	21,645	10,411	6,228	16,639	-23.1%
36	Victoria Commercial Bank Ltd	Small	1,305	1,848	3,153	1,477	1,936	3,413	8.2%
37	Guardian Bank Ltd	Small	4,350	2,471	6,821	4,989	2,549	7,538	10.5%
38	Development Bank of Kenya Ltd	Small	592	602	1,194	660	690	1,350	13.1%
39	Fidelity Commercial Bank Ltd	Small	4,548	2,023	6,571	4,681	2,424	7,105	8.1%
40	Charterhouse Bank Ltd	Small	3,633	1,132	4,765	3,633	1,132	4,765	0.0%
41	K-Rep Bank Ltd	Small	245,868	7,200	253,068	262,845	8,040	270,885	7.0%
42	GulfAfrican Bank Ltd	Small	22,956	5,019	27,975	27,895	6,399	34,294	22.6%
43	First Community Bank Ltd	Small	25,508	4,618	30,126	32,297	7,566	39,863	32.3%
44	UBA Bank Ltd	Small	1,361	273	1,634	2,029	297	2,326	42.4%
	Totals		**11,107,293**	**773,821**	**11,881,114**	**13,362,084**	**888,419**	**14,250,503**	19.9%
	Deposit Taking Micro-Finance Institutions								
1	Kenya Women Finance Trust DTM Ltd	Large	576,412	2,385	578,797	927,323	3,484	930,807	60.8%
2	Faulu Kenya DTM Ltd	Large	342,861	789	343,650	304,430	1,168	305,598	-11.1%
3	SMEP DTM Ltd	Large				157,445	418	157,863	
4	Rafiki DTM K Ltd	Medium				7,374	124	7,498	
5	Remu DTM Ltd	Medium				1,932	17	1,949	
6	Uwezo DTM Ltd	Small				935	27	962	
	Totals		**919,273**	**3,174**	**922,447**	**1,399,439**	**5,238**	**1,404,677**	**52.3%**
	Grand total		**12,026,566**	**776,995**	**12,803,561**	**14,761,523**	**893,657**	**15,655,180**	**22.3%**

Source: Banks Published Financial Statements

Appendix VIII

BANKING SECTOR PROTECTED DEPOSITS - DECEMBER 2011 - Ksh. M

	BANKS	PEER GROUPS	2010 INSURED DEPOSITS	2010 CUSTOMER DEPOSITS	2011 INSURED DEPOSITS	2011 CUSTOMER DEPOSITS	CHANGE IN INSURED DEPOSITS	CHANGE IN CUSTOMER DEPOSITS
1	Kenya Commercial Bank Ltd	Large	20,984	163,189	24,787	210,174	18.1%	28.8%
2	Standard Chartered Bank Ltd	Large	7,439	100,504	7,496	122,323	0.8%	21.7%
3	Barclays Bank of Kenya Ltd	Large	17,333	123,826	17,210	124,207	-0.7%	0.3%
4	Co-operative Bank of Kenya Ltd	Large	19,480	124,012	22,464	142,705	15.3%	15.1%
5	CFCStanbic Bank Ltd	Large	1,966	72,778	2,283	74,335	16.1%	2.1%
6	Equity Bank Ltd	Large	36,988	95,204	42,771	121,774	15.6%	27.9%
7	Bank of India Ltd	Medium	675	16,076	831	18,475	23.0%	14.9%
8	Bank of Baroda Ltd	Medium	1,796	25,600	1,954	30,264	8.8%	18.2%
9	Commercial Bank of Africa Ltd	Medium	1,571	53,195	1,917	67,303	22.0%	26.5%
10	Prime Bank Ltd	Medium	868	25,512	1,173	28,872	35.1%	13.2%
11	National Bank of Kenya Ltd	Medium	5,959	47,805	6,143	56,728	3.1%	18.7%
12	Citibank N.A.	Medium	198	38,215	190	46,534	-4.0%	21.8%
13	Bank of Africa Ltd	Medium	729	19,784	777	23,986	6.5%	21.2%
14	Chase Bank Ltd	Medium	7,362	16,880	13,584	24,822	84.5%	47.0%
15	Imperial Bank Ltd	Medium	1,116	13,678	1,416	19,245	26.9%	40.7%
16	NIC Bank Ltd	Medium	1,675	45,318	1,998	62,009	19.2%	36.8%
17	Ecobank Ltd	Medium	1,563	16,494	1,221	16,566	-21.8%	0.4%
18	I & M Bank Ltd	Medium	2,071	45,995	2,421	56,944	16.9%	23.8%
19	Diamond Trust Bank Ltd	Medium	1,984	44,904	155	59,772	-92.2%	33.1%
20	Family Bank Ltd	Medium	5,731	15,731	4,936	21,444	-13.9%	36.3%
21	Housing Finance Co. of Kenya Ltd	Medium	1,557	15,945	1,615	18,674	3.7%	17.1%
22	Habib Bank Ltd	Small	273	3,933	269	4,718	-1.3%	20.0%
23	Oriental Commercial Bank Ltd	Small	167	3,266	177	3,694	6.0%	13.1%
24	Habib A.G. Zurich	Small	407	6,672	390	6,661	-4.2%	-0.2%
25	Middle East Bank Ltd	Small	129	2,527	123	2,703	-4.8%	6.9%
26	Dubai Bank Ltd	Small	116	1,206	126	1,561	8.5%	29.4%
27	Consolidated Bank of Kenya Ltd	Small	790	8,008	921	12,010	16.5%	50.0%
28	Credit Bank Ltd	Small	197	3,258	231	3,937	17.3%	20.8%
29	Trans-National Bank Ltd	Small	407	3,037	444	5,283	9.1%	74.0%
30	African Banking Corporation Ltd	Small	510	8,353	647	10,471	27.0%	25.4%
31	Giro Commercial Bank Ltd	Small	482	8,308	508	10,069	5.3%	21.2%
32	Equatorial Bank Ltd	Small	354	8,037	341	9,834	-3.7%	22.4%
33	Paramount Universal Bank Ltd	Small	403	3,562	394	3,674	-2.3%	3.1%
34	Jamii Bora Bank Ltd	Small	454	532	330	393	-27.3%	-26.2%
35	Fina Bank Ltd	Small	749	11,590	784	12,395	4.6%	6.9%
36	Victoria Commercial Bank Ltd	Small	218	4,935	227	5,907	4.2%	19.7%
37	Guardian Bank Ltd	Small	332	6,971	335	7,648	1.0%	9.7%
38	Development Bank of Kenya Ltd	Small	74	4,105	83	4,171	13.1%	1.6%
39	Fidelity Commercial Bank Ltd	Small	246	7,204	294	9,490	19.3%	31.7%
40	Charterhouse Bank Ltd	Small			2,433	0		
41	K-Rep Bank Ltd	Small	2,716	5,454	2,638	6,446	-2.9%	18.2%
42	GulfAfrican Bank Ltd	Small	782	8,163	960	10,865	22.8%	33.1%
43	First Community Bank Ltd	Small	722	5,611	989	7,812	37.0%	39.2%
44	UBA Kenya Bank Ltd	Small	38	1,168	46	1,270	21.1%	8.7%
	Totals		**149,610**	**1,236,549**	**171,030**	**1,488,168**	14.3%	20.3%
	Deposit Taking Micro-Finance Institutions							
1	Kenya Women Finance Trust DTM Ltd	Large	5,753	6,094	6,803	7,077	18.3%	16.1%
2	Faulu Kenya DTM Ltd	Large	1,656	1,855	1,715	1,965	3.6%	5.9%
3	SMEP DTM Ltd	Large			708	792	N/A	N/A
4	Rafiki DTM K Ltd	Medium			33	98	N/A	N/A
5	Remu DTM Ltd	Medium			9	14	N/A	N/A
6	Uwezo DTM Ltd	Small			6	8	N/A	N/A
	Totals		**7,409**	**7,949**	**9,275**	**9,954**	25.2%	25.2%
	Grand total		**157,019**	**1,244,498**	**180,305**	**1,498,122**	14.8%	20.4%

Source: Banks Published Financial Statements

Appendix IX

DTMs' BALANCE SHEET AND PROFIT & LOSS ACCOUNT - DECEMBER 2011 - Ksh. M

		FAULU KENYA	KWFT	SMEP	REMU	RAFIKI	UWEZO	TOTAL
A	STATEMENT OF FINANCIAL POSITION							
1.0	ASSETS							
1.1	Cash Balances(Both Local and Foreign)	113	242	7	5	10	1	378
1.2	Short term Deposits with banks	384	3,743	287	56	254	10	4,734
1.3	Kenya Government Securities	252	58	192	5	-	-	507
1.4	Advances to customers	3,238	11,200	1,445	41	104	32	16,060
1.5	Due from related organisations	0	-	-	-	-	-	0
1.6	Other Receivables	237	97	33	3	5	1	377
1.7	Deffered Tax	50	229	3	3	6	4	296
1.8	Other Investment	0	154	-	-	-	0	154
1.9	Investment in associate companies	20	-	-	-	-	-	20
1.10	Intangible assets	219	9	10	2	20	2	261
1.11	Property and Equipment	627	1,304	20	10	41	8	2,011
	TOTAL ASSETS	5,141	17,036	1,998	124	441	59	24,798
2.0	LIABILITIES							
2.1	Cash Collaterals held	-	-	-	6	4	3	14
2.2	Customer Deposits	1,965	7,077	792	14	98	8	9,953
2.3	Borrowings	2,426	7,187	909	-	100	-	10,622
2.4	Deferred Income	2	-	-	-	-	-	2
2.5	Deferred Tax Liability	-	-	-	-	-	-	0
2.6	Due to related organisation	4	-	22	-	75	-	101
2.7	Other Liabilities	188	847	24	5	29	1	1,093
	TOTAL LIABIBLITIES	4,584	15,111	1,747	25	306	12	21,784
3.0	SHARE CAPITAL & RESERVES							
3.1	Share Capital	120	100	60	116	150	58	604
3.2	Share Premium	274	1,201	157	2	-	-	1,633
3.3	Retained Earnings	24	526	18	(18)	(17)	(11)	521
3.4	Revaluation Reserve	89	-	-	0	-	0	90
3.5	Statutory Reserve	49	98	17	-	1	-	165
	TOTAL SHARE HOLDERS FUNDS	556	1,925	252	100	135	47	3,014
	TOTAL LIABILITIES AND EQUITY	5,141	17,036	1,998	124	441	59	24,798
B	STATEMENT OF COMPREHENSIVE INCOME							
1.0	Income							
1.1	Interest on Loan Portfolio	968	3,367	357	5	4	6	4,706
1.2	Fees and Commission on Loan Portfolio	159	264	85	2	4	2	515
1.3	Government Securities	23	8	19	1	-	-	50
1.4	Deposit and Balances with Banks and Financial Inst.	35	240	3	7	11	0	295
1.5	Other Investments	-	-	-	-	-	0	0
1.6	Other Operating Income	71	205	29	0	1	0	307
1.7	Non Operating Income	10	3	9	-	-	0	23
	Total Income	1,267	4,085	502	14	20	9	5,897
2.0	Expenses							
2.1	Interest and fee Expenses on Deposits	27	115	1	0	1	0	144
2.2	Other Fees and Commossions expense	11	1,030	-	-	0	0	1,040
2.3	Provision for Loan Impairment	29	(224)	53	2	-	2	-139
2.4	Staff Costs	504	1,590	178	12	23	6	2,313
2.5	Directors Emolumentss	4	51	3	-	0	1	59
2.6	Rental Charges	77	150	34	3	3	2	270
2.7	Depreciation Charges	93	166	8	2	3	1	273
2.8	Amortization Charges	13	3	7	1	1	1	26
2.9	Other Administration Expense	289	949	106	8	10	3	1,365
2.10	Non Operating Expense	5	-	-	-	-	2	7
	Total Expense	1,051	3,830	390	27	41	19	5,358
3.0	Operating Profit	216	256	112	(13)	(22)	(10)	539
4.0	Interest and fee Expenses on Borowed finance Costs	215	-	79	-	-	-	294
5.0	Profit /Loss Before Tax	1	256	33	(13)	(22)	(10)	245
6.0	Current Tax	3	144	7	-	-	-	154
6.1	Deferred Tax	11	(120)	-	-	6	(2)	-105
7.0	Net Profit (After taxes and before Donations)	(13)	232	26	(13)	(15)	(8)	208
8.0	Donations for Operating Expense	15	71	-	-	-	-	86
9.0	Net Profit after taxes	2	302	26	(13)	(15)	(8)	294
10.0	Surplus on revaluation of building	35	-	-	-	-	-	35
11.0	Defferd tax on revalution surplus	(11)	-	-	-	-	-	-11
	Total Comprehensive Income	27	302	26	(13)	(15)	(8)	319

Source: DTMs' Published Financial Statements

Appendix X

DTMs' OTHER DISCLOSURES DECEMBER 2011 - Ksh. M

		FAULU KENYA	KWFT	SMEP	REMU	RAFIKI	UWEZO	TOTAL
C	**OTHER DISCLOSURES**						-	
1	**NON-PERFORMING LOANS AND ADVANCES**							
(a)	Gross Non-Performing Loans and Advances	171	775	142	3	-	3	1,094
	Less:							
(b)	Interest in Suspense	23	73	6	1	-	0	103
(c)	**(a-b)**	**149**	**702**	**136**	**2**	**-**	**2**	**991**
(d)	Impairment Loss Allowance	71	257	87	2	-	1	418
(e)	**Net Non-Performing Loans (c-d)**	**78**	**445**	**49**	**1**	**-**	**1**	**574**
(f)	Realisable value of securities	78	445	49	1	-	0	573
(g)	**Net NPLs Exposure (e-f)**	**-**	**-**	**-**	**-**	**-**	**1**	1
2	**INSIDER LOANS AND ADVANCES**							
(a)	Directors, Shareholders and Associates	5	8	1	6	-	1	20
(b)	Employees	26	125	26	-	-	-	178
(c)	Total Insider Loans, Advances and Other Facilities	31	133	27	6	-	1	**198**
3	**OFF-BALANCE SHEET ITEMS**							
(a)	Guarantees and Commitments	-	1	-	-	-	-	1
(b)	Other Contingent Liabilities	-	16	-	-	-	-	16
(c)	Total Contigent Liabilities	-	17	-	-	-	-	**17**
4	**CAPITAL STRENGTH**							
(a)	Core Capital	418	1,827	245	100	133	47	2,770
(b)	**Minimum Statutory Capital**	**60**	**60**	**60**	**60**	**60**	**20**	**320**
(c)	Excess/(Deficiency) (a-b)	358	1,767	185	40	133	27	**2,450**
(d)	Supplementary Capital	418	498	17	-	-	-	933
(e)	**Total Capital (a+d)**	**836**	**2,325**	**262**	**100**	**133**	**47**	**3,702**
(f)	Total Risk Weighted Assets	3,102	13,742	886	71	366	50	18,216
(g)	Core Capital/ Total Deposit Liabilities	21%	26%	31%	496%	131%	420%	28%
(h)	**Minimum Statutory Ratio**	**8%**	**8%**	**8%**	**8%**	**8%**	**8%**	**8%**
(i)	Excess/(Deficiency) (g-h)	13%	18%	23%	488%	123%	412%	20%
(j)	Core Capital/ Total Risk Weighted Assets	13%	13%	28%	141%	36%	94%	15%
(k)	**Minimum Statutory Ratio**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**	**10%**
(l)	Excess/(Deficiency) (j-k)	3%	3%	18%	131%	26%	84%	5%
(m)	Total Capital/ Total Risk Weighted Assets	27%	17%	30%	141%	36%	94%	20%
(n)	**Minimum Statutory Ratio**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**	**12%**
(o)	Excess/(Deficiency) (m-n)	15%	5%	18%	129%	24%	82%	8%
5	**LIQUIDITY**							
(a)	Liquidity Ratio	21%	39%	24%	298%	160%	48%	37%
(b)	**Minimum Statutory Ratio**	**20%**	**20%**	**20%**	**20%**	**20%**	**20%**	**20%**
(c)	Excess/(Deficiency) (a-b)	1%	19%	4%	278%	140%	28%	17%

Source: DTMs' Published Financial Statements

Banking Circulars Issued in 2011 **Appendix XI**

Circular No.	Date	Title	Subject
1	28th January 2011	Review of Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 6% to 5.75%
2	23rd March 2011	Review of Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 5.75% to 6%
3	2nd June 2011	Implementation of East African Cross-Border Payment System	Implementation of East African Cross-Border Payment System
4	3rd June 2011	Revision of Cash Reserve Ratio and Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 6% to 6.25% and Cash Reserve Ratio from 4.5% to 4.75%
5	29th June 2011	Further Tightening of Monetary Policy Stance	Further Tightening of Monetary Policy Stance via active liquidity management to rein in inflationary expectations
6	11th July 2011	Guidelines on the use of CBK Discount Window	The guideline prescribes the use of CBK Discount Window
7	28th July 2011	Central Bank Rate and Cash Reserve Ratio	The Monetary Policy Committee maintained the Central Bank Rate at 6.25% and the Cash Reserve Ratio was maintained at a weekly average of 4.75% instead of a daily position.
8	12th August 2011	Guidelines on the use of the Central Bank of Kenya Discount (Overnight) window	The guideline prescribes the manner in which the Commercial Banks should use the CBK Discount window.
9	26th August 2011	Guidelines on the management of Liquidity through the CBK Discount Window and Cash Reserve Ratio	The guidelines prescribes the management of Liquidity through the CBK Discount Window and Cash Reserve Ratio
10	15th September 2011	Adjustment of Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 6.25% to 7%
11	6th October 2011	Revision of the Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 7.0% to 11.0%
12	17th October 2011	Forex Exposure	The Foreign Exchange Exposure Limit amended from 20% to 10%
13	1st November 2011	Central Bank Rate and Cash Reserve Ratio	The Monetary Policy Committee revised the Central Bank Rate upwards to 16.50% and Cash Reserve Ratio from 4.75% to 5.25%
14	2nd December 2011	Central Bank Rate	The Monetary Policy Committee revised the Central Bank Rate from 16.50% to 18.0%

A Summary of Signed MOUs **Appendix XII**

No.	Memorandum of Understanding (MOU)	Date of Signing
1.	Multilateral MOU by the Central Banks of the East African Community member states (Bank of the Republic of Burundi [BRB], Central Bank of Kenya [CBK], National Bank of Rwanda [NBR], Bank of Uganda [BOU] and Bank of Tanzania [BOT])	28.01.2009
2.	Multilateral MOU by the Domestic Financial Sector Regulators (Capital Markets Authority [CMA], Central Bank of Kenya [CBK], Insurance Regulatory Authority [IRA] and the Retirement Benefits Authority [RBA])	31.08.2009
3.	Bilateral MOU between South African Reserve Bank (SARB) and Central Bank of Kenya (CBK)	01.07.2010
4.	Bilateral MOU between Central Bank of Nigeria (CBN) and Central Bank of Kenya (CBK)	23.06.2011
5.	Bilateral MOU between Bank of Mauritius (BOM) and Central Bank of Kenya (CBK)	08.08.2011

			Appendix XIII
BANKS BRANCH NETWORK BY COUNTY DECEMBER - 2011			
	Institution	**Number of Branches**	**% of Total**
1	Baringo	8	1%
2	Bomet	7	1%
3	Bungoma	15	1%
4	Busia	8	1%
5	Elgeyo/Marakwet	1	0%
6	Embu	9	1%
7	Garissa	7	1%
8	Homa Bay	9	1%
9	Isiolo	6	1%
10	Kajiado	28	2%
11	Kakamega	16	1%
12	Kericho	12	1%
13	Kiambu	50	4%
14	Kilifi	24	2%
15	Kirinyaga	12	1%
16	Kisii	20	2%
17	Kisumu	36	3%
18	Kitui	13	1%
19	Kwale	10	1%
20	Laikipia	11	1%
21	Lamu	4	0%
22	Machakos	17	1%
23	Makueni	9	1%
24	Mandera	2	0%
25	Marsabit	5	0%
26	Meru	37	3%
27	Migori	9	1%
28	Mombasa	98	8%
29	Murang'a	20	2%
30	Nairobi City	465	40%
31	Nakuru	52	4%
32	Nandi	10	1%
33	Narok	8	1%
34	Nyamira	4	0%
35	Nyandarua	7	1%
36	Nyeri	25	2%
37	Samburu	2	0%
38	Siaya	5	0%
39	Taita/Taveta	9	1%
40	Tana River	3	0%
41	Tharaka-Nithi	3	0%
42	Trans Nzoia	11	1%
43	Turkana	3	0%
44	Uasin Gishu	38	3%
45	Vihiga	6	1%
46	Wajir	5	0%
47	West Pokot	2	0%
	Total	**1,161**	100%
Source: CBK			

Appendix XIV

RESIDENTIAL MORTGAGES MARKET DEVELOPMENT - SURVEY DECEMBER 2011

	Institution	Mortgages Outstanding (Ksh. M)	Value of NPLs Mortgages (Ksh. M)	No. of Mortgages Accounts	No. of Mortgages NPLs Accounts	Average Interest Rate (%)
1	Housing Finance Company Ltd	25,777.0	1,579.0	4,932	310	15.2%
2	Kenya Commercial Bank Ltd	18,105.0	1,024.0	4,073	204	15.9%
3	CFC Stanbic Ltd	8,807.0	83.0	1,210	9	14.0%
4	Standard Chartered Bank Ltd*	7,753.0	119.0	1,251	32	13.4%
5	Barclays Bank Ltd	4,371.8	21.5	939	14	13.0%
6	Equity Bank Ltd	3,387.0	24.0	682	6	24.0%
7	National Bank of Kenya Ltd	3,100.0	81.0	154	18	16.0%
8	Commercial Bank of Africa Ltd	2,769.0	87.4	452	11	15.2%
9	Consolidated Bank Ltd	2,764.0	69.0	302	4	25.0%
10	Development Bank Ltd	2,272.7	69.1	276	9	24.0%
11	Eco-bank Ltd	2,269.0	359.0	391	39	22.7%
12	Cooperative Bank of Kenya Ltd	2,165.9	41.8	289	1	23.9%
13	I&M Bank Ltd	1,546.3	-	171	-	14.5%
14	African Banking Corporation Ltd	1,237.0	7.0	100	1	22.0%
15	Gulf African Bank Ltd	590.0	2.0	95	1	16.7%
16	Chase Bank Ltd	777.0	8.0	169	29	20.0%
17	Bank of Africa Ltd	482.0	-	39	-	22.0%
18	Bank of Baroda Ltd	433.6	6.6	52	4	21.2%
19	Giro Comercial Bank Ltd	414.1	1.5	49	1	24.0%
20	Family Bank Ltd	330.0	0.7	87	1	24.5%
21	Fidelity Bank Ltd	315.1	-	34	-	23.3%
22	Diamond Trust Bank of Kenya Ltd	300.0	-	35	-	21.6%
23	Prime Bank Ltd	262.0	-	22	-	19.9%
24	NIC Bank Ltd	248.0	-	37	-	21.1%
25	Guardian Bank Ltd	140.6	-	8	-	23.4%
26	Credit Bank Ltd	135.3	-	9	-	26.7%
27	Paramount Universal Bank Ltd	117.0	-	40	-	24.0%
28	Bank of India	99.4	-	37	-	23.0%
29	Transnational Bank Ltd	70.7	-	17	-	26.7%
30	Jamii Bora Bank Ltd	65.8	28.2	158	70	20.0%
31	Victoria Commercial Bank Ltd	65.6	-	8	-	21.7%
32	Oriental Commercial Bank Ltd	20.6	-	5	-	23.7%
33	Habib Bank Ltd	17.0	-	12	-	21.6%
34	Charterhouse Bank Ltd	N/A	N/A	N/A	N/A	N/A
35	Equatorial Commercial Bank Ltd	N/A	N/A	N/A	N/A	N/A
36	First Community Bank Ltd	N/A	N/A	N/A	N/A	N/A
37	Imperial Bank Ltd	N/A	N/A	N/A	N/A	N/A
38	K-Rep Bank Ltd	N/A	N/A	N/A	N/A	N/A
39	Middle East Bank Ltd	N/A	N/A	N/A	N/A	N/A
40	Fina Bank Ltd	N/A	N/A	N/A	N/A	N/A
41	Citibank N.A.	N/A	N/A	N/A	N/A	N/A
42	Habib A.G. Zurich	N/A	N/A	N/A	N/A	N/A
43	Dubai Bank Ltd	N/A	N/A	N/A	N/A	N/A
44	UBA Bank of Kenya Ltd	N/A	N/A	N/A	N/A	N/A
	Total	**91,208.4**	**3,611.7**	**16,135**	**764**	

*** Over 68 % of Mortgages are on Fixed Interest Rate**

Source: Commercial Banks

Appendix XV

DIRECTORY OF COMMERCIAL BANKS AND NON-BANKING FINANCIAL INSTITUTIONS AS AT DECEMBER 2011

A: COMMERCIAL BANKS

1. African Banking Corporation Ltd
Group Managing Director: Mr. Shamaz Savani
Postal Address: P.O. Box 46452-00100, Nairobi
Telephone: +254-20- 4263000, 2223922, 22251540/1, 217856/7/8
Fax: +254-20-2222437
Email: headoffice@abcthebank.com talk2us@abcthebank.com
Website: http://www.abcthebank.com
Physical Address: ABC Bank House, Mezzanine Floor, Koinange Street
Date Licenced: 5/1/1984
Peer Group: Small
Branches: 10

2. Bank of Africa Kenya Ltd
Managing Director: Mr. Bartholomew Kwame Ahadzi
Postal Address: P.O. Box 69562-00400 Nairobi
Telephone: +254-20- 3275000, 2211175, 3275200, 2333357, 2633358, 2633360
Fax: +254-20-2211477
Email: headoffice@boakenya.com
Website: www.boakenya.com
Physical Address: Re-Insurance Plaza, Ground Floor - Taifa Road
Date Licenced: 1980
Peer Group: Medium
Branches: 23

3. Bank of Baroda (K) Ltd
Managing Director: Mr. Arun Shrivastava
Postal Address: P.O. Box 30033 – 00100 Nairobi
Telephone: +254-20-2248402/12, 2226416, 2220575, 2227869, 2248402/12, 2226416
Fax: +254-20-316070, 310439
Email: ho.kenya@bankofbaroda.com, Kenya@bankofbaroda.com
Website: www.bankofbaroda kenya.com
Physical Address: Baroda House, Koinange Street
Date Licenced: 7/1/1953
Peer Group: Medium
Branches: 11

4. Bank of India
Chief Executive Officer: Mr. Maganbhai B. Dhodia
Postal Address: P.O. Box 30246 - 00100 Nairobi
Telephone: +254-20-2221414 /5 /6 /7, 0720606707, 0734636737
Fax: +254-20-2221417
Email: cekenya@boikenya.com
Website: www.bankofindia.com
Physical Address: Bank of India Building, Kenyatta Avenue
Date Licenced: 6/5/1953
Peer Group: Medium
Branches: 5

5. Barclays Bank of Kenya Ltd
Managing Director: Mr. Adan Mohamed
Postal Address: P.O. Box 30120 – 00100, Nairobi
Telephone: +254-20- 3267000, 313365/9, 2241264-9, 313405, 313364
Fax: +254-20-2213915
Email: barclays.kenya@barclays.com
Website: www. barclayskenya.co.ke
Physical Address: Barclays Plaza, Loita Street
Date Licenced: 6/5/1953
Peer Group: Large
Branches: 108

6. CFC Stanbic Bank Ltd
Managing Director: Mr. Greg Brackenridge
Postal Address: P.O. Box 72833 - 00200 Nairobi
Telephone: +254-20-3638000 /11 /17 /18 /20 /21, 3268000, 3269000, 0711-0688000
Fax: +254-20-3752901/7
Email: cfcstanbic@stanbic.com
Website: http://www.cfcstanbicbank.co.ke
Physical Address: CFC Centre, Chiromo Road, Westlands
Date Licensed: 5/14/1955
Peer Group: Large
Branches: 23

7. Charterhouse Bank Ltd
UNDER-STATUTORY MANAGEMENT
Postal Address: P.O. Box 43252 -00100 Nairobi
Telephone: +254-20-2242246/47/48/49
Fax: +254-20-2219058, 2223060, 2242248
Email: info@charterhouse-bank.com
Website:
Physical Address: Longonot Place, 6th Floor, Kijabe Street
Date Licenced: 11/11/1996
Peer Group: Small
Branches: 10

8. Chase Bank (K) Ltd

Chief Executive Officer: Mr. Duncan Kabui
Postal Address: P.O. Box 66015-00800 Nairobi
Telephone: +254-20- 2774000, 2244035, 2245611, 2252783, 0727-531175, 0736-432025
Fax: +254-20-4454816/4454800-10
Email: info@chasebank.co.ke
Website: http://www.chasebankkenya.co.ke
Physical Address: Riverside Mews, Riverside Drive
Date Licenced: 4/1/1991
Peer Group: Medium
Branches: 20; Proposed Branches 6

9. Citibank N.A. Kenya

Chief Executive Officer: Mr. Daniel Joseph Connelly
Postal Address: P.O. Box 30711 - 00100 Nairobi
Telephone: +254-20- 2754000, 2711221
Fax: +254-20-2714810/1
Email: Kenya.citiservice@citi.com
Website: http://www.citibank.co.ke
Physical Address: Citibank House, Upper Hill Road. Upper Hill
Date Licenced: 7/1/1974
Peer Group: Medium
Branches: 4

10. Commercial Bank of Africa Ltd

Managing Director: Mr. Isaac O. Awuondo
Postal Address: P.O. Box 30437 – 00100, Nairobi
Telephone: +254-20-2884000, 2734555, 0711056000
Fax: +254-20-2734599
Email: iqueries@cba.co.ke
Website: www.cba.co.ke
Physical Address: CBA Building, Mara/Ragati Road, Upper Hill
Date Licenced: 1/1/1967
Peer Group: Medium
Branches: 20 - Agencies 5

11. Consolidated Bank of Kenya Ltd

Chief Executive Officer: Mr. David N. Wachira
Postal Address: P.O. Box 51133 - 00200, Nairobi
Telephone: +254-20-340208/340836, 340551, 340298, 340747,340298, 211950, 0722-999177
Fax: +254-20-340213
Email: headoffice@consolidated-bank.com
Website: www.consolidated-bank.com
Physical Address: Consolidated Bank House, 6th Floor, Koinange Street
Date Licenced: 12/18/1989
Peer Group: Small
Branches: 16

12. Co-operative Bank of Kenya Ltd
Managing Director: Mr. Gideon M. Muriuki
Postal Address: P.O. Box 48231 - 00100 Nairobi
Telephone: +254-20-3276000, 0711-049000
Fax: +254-20-2245506
Email: md@co-opbank.co.ke
Website: www.co-opbank.co.ke
Physical Address: Co-operative House, 4th Floor Annex , Haile Selassie Avenue
Date Licenced: 1/1/1965
Peer Group: Large
Branches: 94; Proposed Branches 2; Money Gram Centre 1

13. Credit Bank Ltd
Chief Executive Officer: Mr. Sunil Sahder
Postal Address: P.O. Box 61064-00200 Nairobi
Telephone: +254-20-2222300/ 2220789/ 2222317, 0728607701, 0738222300
Fax: +254-20-2216700
Email: info@creditbankltd.co.ke
Website: www.creditbank.co.ke
Physical Address: Mercantile House, Ground Floor , Koinange Street
Date Licenced: 5/14/1986
Peer Group: Small
Branches: 7; Proposed Branch 1

14. Development Bank of Kenya Ltd
Chief Executive Officer: Mr. Victor Kidiwa
Postal Address: P.O. Box 30483 - 00100, Nairobi
Telephone: +254-20-340401 /2 /3, 340416, 2251082, 340198
Fax: +254-20-2250399
Email: dbk@devbank.com
Website: www.devbank.com
Physical Address: Finance House, 16th Floor, Loita Street
Date Licenced: 1/1/1973
Peer Group: Small
Branches: 3

15. Diamond Trust Bank Kenya Ltd
Managing Director: Mrs. Nasim M. Devji
Postal Address: P.O. Box 61711 – 00200, Nairobi
Telephone: +254-20-2849000, 2210988/9, 2210989, 0732121000, 0719031000
Fax: +254-20-2245495
Email: info@dtbafrica,com
Website: http://www.dtbafrica.com
Physical Address: Nation Centre. 8th Floor, Kimathi Street
Date Licenced: 1/1/1946
Peer Group: Medium
Branches: 37; Proposed Branches 2

16. Dubai Bank Kenya Ltd
Ag. Chief Executive Officer: Mr. Nick Kikolya
Postal Address: P.O. Box 11129 – 00400, Nairobi
Telephone: +254-20-311109 /14 /23 /24 /32
Fax: +254-20-2245242
Email: info@dubaibank.co.ke
Website: www.dubaibank.co.ke
Physical Address: I.C.E.A. Building, Ground Floor, Kenyatta Avenue
Date Licenced: 1/1/1982
Peer Group: Small
Branches: 5

17. Ecobank Kenya Ltd
Managing Director: Mr. Tonny Okpanachi
Postal Address: P.O. Box 45626- 00100 Nairobi
Telephone: +254-20-2883000, 2249633 /4, 0722-204863
Fax: +254-20-2883304, 2883815
Email: info@ecobank.com
Website: www.ecobank.com
Physical Address: Ecobank Towers, Muindi Mbingu Street
Date Licenced: 01/11/2005
Peer Group: Medium
Branches: 24

18. Equatorial Commercial Bank Ltd
Managing Director: Mr. Peter Harris
Postal Address: P.O. Box 52467-00200 Nairobi
Telephone: +254-20- 4981000, 4981202, 4981301, 4981405, 0713600724, 0733333780
Fax: +254-20-2712625
Email: customerservice@ecb.co.ke
Website: www.equatorialbank.co.ke
Physical Address: Equatorial Commercial Bank Centre. Nyerere Road
Date Licenced: 12/20/1995
Peer Group: Small
Branches: 12

19. Equity Bank Ltd
Managing Director & C.E.O: Dr. James N. Mwangi
Postal Address: P.O. Box 75104-00200, Nairobi
Telephone: +254-20- 2262000, 0711026000, 0711025000, 0734108000
Fax: +254-20-2711439
Email: info@equitybank.co.ke
Website: http://www. equitybank .co.ke
Physical Address: Equity Centre, 9th Floor - Hospital Road- Upper Hill
Date Licenced: 28/12/2004
Peer Group: Large
Branches: 132; Proposed Branches 4

20. Family Bank Ltd
Managing Director: Mr. Peter Maina Munyiri
Postal Address: P.O. Box 74145-00200 Nairobi
Telephone: +254-020- 318173, 318940/2/7, 2244166, 2240601, 0733332300, 0728120444/555
Fax: +254-020- 318174
Email: info@familybank.co.ke
Website: www.familybank.co.ke
Physical Address: Family Bank Towers, 6th Floor , Muindi Mbingu Street
Date Licenced: 1984
Peer Group: Medium
Branches: 59; Proposed Branches 4

21. Fidelity Commercial Bank Ltd
Managing Director: Mr. Rana Sengupta
Postal Address: P.O. Box 34886-00100 Nairobi
Telephone: +254-20-2242348, 2244187, 2245369, 2220845, 2243461, 315917
Fax: +254-20-2243389/2245370
Email: customerservice@fidelitybank.co.ke
Website: www.fidelitybank.co.ke
Physical Address: I.P.S Building, 7th Floor, Kimathi Street
Date Licenced: 6/1/1992
Peer Group: Small
Branches:7; Proposed Branches 6

22. Fina Bank Ltd
Managing Director: Mr. Bhaskar Ghose
Postal Address: P.O. Box 20613 – 00200, Nairobi
Telephone: +254-20-3284000, 2246943, 2253153, 2247113, 2253040, 0722-202929
Fax: +254-20-2247164/2229696, 342024
Email: banking@finabank.com
Website: www.finabank.com
Physical Address: Fina House, Kimathi Street
Date Licenced: 1/1/1986
Peer Group: Small
Branches: 15

23. First Community Bank Ltd
Managing Director Mr. Abdulnatif Essaje
Postal Address: P.O. Box 26219-00100., Nairobi
Telephone: +254-20-2843000 -3, 0726-736833, 0738-407521
Fax: +254-20-344101
Email: info@fcb.co.ke
Website: www.firstcommunitybak.co.ke
Physical Address: Prudential Assurance Building, 1st Floor, Wabera Street
Date Licenced: 29.04.2008
Peer Group: Small
Branches: 18

24. Giro Commercial Bank Ltd

Managing Director: Mr. T. K. Krishnan
Postal Address: P.O. Box 13400-00800, Nairobi
Telephone: +254-20-4229000,
Fax: +254-20-229300
Email: girobank@girobankltd.com
Website:
Physical Address: Eldama Park- Eldama Ravine Road-Off Peponi Road - Westlands
Date Licenced: 12/17/1992
Peer Group: Small
Branches: 8

25. Guardian Bank Ltd

Managing Director: Mr. Vasant K. Shetty
Postal Address: P.O. Box 67681 – 00200, Nairobi
Telephone: +254-020-2226771, 2226774, 2226341, 222483, 0722-282213, 0733-888060
Fax: +254-020 -2216633
Email:biashara@guardian-bank.com, headoffice@guardian-bank.com
Website:www.guardian-bank.com
Physical Address: Guardian Centre, Biashara Street
Date Licenced: 12/17/1992
Peer Group: Medium
Branches: 7

26. Gulf African Bank Ltd

Chief Executive Officer: Mr. Asad Ahmed
Postal Address: P.O. Box 43683 – 00100, Nairobi
Telephone: +254-20-2740000, 2718608/9, 2740111
Fax: +254-20-2715655
Email: info@gulfafricanbank.com
Website: www.gulfafricanbank.com
Physical Address: Gemina Insurance Plaza. Kilimanjaro Avenue, Upper Hill
Date Licenced: 1/11/2007
Peer Group: Small
Branches: 15; Proposed Branch 1

27. Habib Bank A.G. Zurich

Country Manager: Mr. Mohammed Ali Hussein
Postal Address: P.O. Box 30584 - 00100 Nairobi
Telephone: +254-20-341172/76/77, 340835, 310694
Fax: +254-20-2217004 /2218699
Email: habibbank@wananchi.com
Website:
Physical Address: Habib House, Koinange Street
Date Licenced: 1/7/1978
Peer Group: Small
Branches: 5

28. Habib Bank Ltd
Country Manager: Imran Bukhari
Postal Address: P.O. Box 43157 – 00100, Nairobi
Telephone: +254-20-2226433, 2222786, 2226406/7, 2218176
Fax: +254-20-2214636
Email: hblro@hblafrica.com
Website: www.hbl.com
Physical Address: Exchange Building, Koinange Street
Date Licenced: 2/3/1956
Peer Group: Small
Branches : 4

29. Imperial Bank Ltd
Managing Director: Mr. Abdulmalek Janmohamed
Postal Address: P.O. Box 44905 – 00100, Nairobi
Telephone: +254-20-2874000, 343416 /12/17/18/19/94, 342373, 2719617 /8 /9
Fax: +254-20-2719705/2719652, 342374, 2719498
Email: info@imperialbank.co.ke
Website: www.imperialbank.co.ke
Physical Address: Imperial Bank House. Bunyala Road, Upper Hill
Date Licenced: 1/11/1992
Peer Group: Medium
Branches: 18

30. I & M Bank Ltd
Chief Executive Officer: Mr. Arun S. Mathur
Postal Address: P.O. Box 30238 – 00100, Nairobi
Telephone: +254-20- 2711994-8, 3221200/2, 322100
Fax: +254-20-2713757 / 2716372
Email: invest@imbank.co.ke
Website: http://www.imbank.com
Physical Address: I & M Bank House, 2nd Ngong Avenue, Off Ngong Road
Date Licenced: 1/1/1974
Peer Group: Medium
Branches: 20

31. Jamii Bora Bank Ltd
Chief Executive Officer: Mr. Samuel Kimani
Postal Address: P.O. Box 22741 – 00400, Nairobi
Telephone: +254-20- 2224238/9, 2214976, 2219626, 2210338/9, 0722-201112
Fax: +254-20-341825/2245223/2214534
Email: info@jamiiborabank.co.ke
Website: http://www.jamiiborabank.co.ke
Physical Address: Jamii Bora House. Koinange Street.
Date Licenced: 9/10/1984
Peer Group: Small
Branches: 2

32. Kenya Commercial Bank Ltd
Chief Executive Officer: Dr. Martin Luke Oduor-Otieno
Postal Address: P.O. Box 48400 – 00100, Nairobi
Telephone: +254-20-3270000, 2851000, 2852000, 0711012000
Fax: +254-20-2242408
Email: kcbhq@kcb.co.ke
Website: http//www.kcbbankgroup.com
Physical Address: Kencom House, 8th Floor, Moi Avenue
Date Licenced: 1/1/1896
Peer Group: Large
Branches: 161; Proposed Branches 3; Sales Centres 3

33. K-Rep Bank Ltd
Managing Director: Mr. Albert Ruturi
Postal Address: P.O. Box 25363 – 00603, Nairobi
Telephone: +254-20- 3906000-7, 0711-058000-7, 0732-158000
Fax: +254-20-3568995
Email: registry@k-repbank.com
Website: www.k-repbank.com
Physical Address: K-Rep Centre, Wood Avenue. Kilimani
Date Licenced: 3/25/1999
Peer Group: Small
Branches: 34; Agency 1

34. Middle East Bank (K) Ltd
Managing Director: Mr. Philip Ilako
Postal Address: P.O. Box 47387 - 0100 Nairobi
Telephone: +254-20-2723120/24, 2722879, 2723124, 2723130, 0722-205903, 0733-333441
Fax: +254-20-343776 / 2256901
Email: ho@mebkenya.com
Website: www.mebkenya.com
Physical Address: Mebank Tower - Milimani Road. – Upper Hill
Date Licenced: 10/1/1980
Peer Group: Small
Branches: 4

35. National Bank of Kenya Ltd
Managing Director: Mr. Reuben M. Marambii
Postal Address: P.O. Box 72866 - 00200 Nairobi
Telephone: +254-20-2828000, 0711-038000,
Fax: +254-20-311444/2223044
Email: info@nationalbank.co.ke.
Website: www.nationalbank.co.ke
Physical Address: National Bank Building, 2nd Floor, Harambee Avenue.
Date Licenced: 1/1/1968
Peer Group: Medium
Branches: 47; Proposed Branches 12

36. NIC Bank Ltd
Group Managing Director: Mr. James W. Macharia
Postal Address: P.O. Box 44599 - 00100 Nairobi
Telephone: +254-20-2888000, 2888600, 4849000, 0711141000, 0732041000
Fax: +254-20-2888505/13
Email: info@nic-bank.com
Website: http://www.nic-bank.com
Physical Address: N.I.C House, Masaba Road - Upper Hill
Date Licenced: 9/17/1959
Peer Group: Medium
Branches: 19; Agencies 2

37. Oriental Commercial Bank Ltd
Chief Executive Officer: Mr. R. B. Singh
Postal Address: P.O. BOX 14357-00800, Nairobi
Telephone: +254-20-3743278/87, 3743289/98, 0714611466, 0733610410
Fax: +254-20-3743270
Email: info@orientalbank.co.ke
Website: www.orientalbank.co.ke
Physical Address: Apollo Centre, 2nd Floor, Ring Road- Westlands
Date Licenced: 8/2/1991
Peer Group: Small
Branches: 6 Proposed Branch 1

38. Paramount Universal Bank Ltd
Chief Executive Officer: Mr. Ayaz A. Merali
Postal Address: P.O. Box 14001 -00800 Nairobi
Telephone: +254-20-4449266/7/8, 446106 /7, 4443896, 445722, 4441528, 4441527
Fax: +254-20-449265
Email: info@paramountbank.co.ke
Website: www.paramountbank.co.ke
Physical Address: Sound Plaza Building, 4th Floor, Woodvale Grove Westlands
Date Licenced: 10/1/1993
Peer Group: Small
Branches: 5

39. Prime Bank Ltd
Chief Executive Officer: Mr. Bharat Jani
Postal Address: P.O. Box 43825 – 00100, Nairobi
Telephone: +254-20-4203000
Fax: +254-20-4451247
Email: headoffice@primebank.co.ke
Website: www.primebankenya.com
Physical Address: Prime Bank Building, Chiromo Lane / Riverside Drive-Junction, Westlands
Date Licenced: 3/1/1992
Peer Group: Medium
Branches: 14; Proposed Branches 2

40. Standard Chartered Bank Kenya Ltd
Chief Executive Officer: Mr. Richard Etemesi
Postal Address: P.O. Box 30003 - 00100 Nairobi
Telephone: +254-20-3293000, 3293900, 3291000, 3294000, 0719081000
Fax: +254-20-3747880
Email: Talk-Us@sc.com
Website: www.standardchartered .com
Physical Address: Standard Chartered Building-Westlands Road- Chiromo Lane.- Westlands
Date Licenced: 10/1/1910
Peer Group: Large
Branches: 34; Agencies 2

41. Trans-National Bank Ltd
Chief Executive Officer: Mr. Sammy Langat
Postal Address: P.O. Box 75840-00400 Nairobi
Telephone: +254-20-2252216/19, 2224235/6, 2252188/90/91, 0720081772, 0733505656
Fax: +254-20-2252225
Email: info@tnbl.co.ke
Website: www.tnbl.co.ke
Physical Address: Transnational Plaza, City Hall Way
Date Licenced: 8/1/1985
Peer Group: Small
Branches: 15; Agencies 3

42. UBA Kenya Bank Ltd
Managing Director: Mr. Muyiwa Akinyemi
Postal Address: P.O. Box 34154 - 00100 Nairobi
Telephone: +254-020- 3612000 /1 /2
Fax: +: +254-020-3612049
Email: muyiwa.akinyemi@ubagroup.com
Website: www. ubagroup.com
Physical Address: Apollo Centre, 1st Floor, Ring Road / Vale Close, Westlands
Date Licenced: 24/09/2009
Peer Group: Small
Branches: 4

43. Victoria Commercial Bank Ltd
Managing Director: Mr. Yogesh K Pattni
Postal Address: P. O. Box 41114 - 00100 Nairobi
Telephone: +254-20-2719499, 2719815, 2710271, 2716108, 2719814
Fax: +254-20-2713778/2715857
Email: victoria@vicbank.com
Website: www.victoriabank.co.ke
Physical Address: Victoria Towers, Mezzanine Floor, Kilimanjaro Avenue, Upper Hill
Date Licenced: 6/1/1987
Peer Group: Small
Branches: 3

B: NON-BANKING FINANCIAL INSTITUTIONS (NBFIs)

Housing Finance Ltd
Managing Director: Mr. Frank M. Ireri
Postal Address: P.O. Box 30088 -00100 Nairobi
Telephone: +254-20- 3262000, 317474, 2221101
Fax: +254-20-340299/2250858
Email: housing@housing.co.ke
Website: www.housing.co.ke
Physical Address: Rehani House. 2nd Floor, Kenyatta Avenue / Koinange Street - Junction
Date Licenced: 5/7/1965
Peer Group: Medium
Branches: 11; Sales Centre1

C: KENYA BANKERS ASSOCIATION

Kenya Bankers Association
Chief Executive Officer: Mr. Habil Olaka
Postal Address: P. O. Box 73100--00200 Nairobi
Telephone: +254-20- 2221704, 2217757, 2224014, 2224015, 0733812770, 0711562910
Fax: +254-20-2221792
Email: ceo@kba.co.ke
Website: www.
Physical Address:.International House, 13th Floor, Mama Ngina Street

D: CREDIT REFERENCE BUREAUS

Credit Reference Bureau Africa Limited
Chief Executive Officer: Mr. Wachira Ndege
Postal Address: P.O. BOX 46406,00100
Telephone: +254-020-3751799
Fax: +254-020-3751344
Email: info@crbafrica.com
Website: www.crbafrica.com
Physical Address: CRB Centre, Prosperity House, Westlands Road

Metropol Credit Reference Bureau Limited
Managing Director: Mr. Sam Omukoko
Postal Address: P.O. BOX 35331,00200
Telephone: +254-020-2713575
Email: info@metropol.co.ke
Website: www.metropolcorporation.com
Physical Address: 1st Floor, Shelter Afrique Centre, Upper Hill

E: AUTHORISED REPRESENTATIVE OFFICES OF FOREIGN INSTITUTIONS IN KENYA

1. HDFC Bank Limited

Representative Office
Chief Representative Officer: Mr. Dhiraj Kumar Baghel
Address: P.O. Box 66217, 00800 – Nairobi, Kenya
Telephone No.: +254-20 - 3601732; (Cell. : +254-713- 597593/738-905141)
Fax: +254-20 -3601100
Physical Address: Purushottam Place, 7th Floor, Office No. 721, Westlands Road / Chiromo Road, Nairobi
Date Authorised: 26th June 2008

2. Nedbank Limited

Nedbank Eastern Africa Representative Office
Chief Representative Officer: Mr. Stewart Laird Henderson
Address: P.O Box 1063 – 00502, Nairobi, Kenya
Telephone: +254-20 - 8045102
Email: contact@nedbankea.com
Physical Address: Nairobi Business Park, 2nd Floor Unit B, Ngong Road, Nairobi
Date Authorised: 18th June 2010

3. The Hong Kong and Shanghai Banking Corporation Limited

Kenya Representative Office
Chief Representative Officer: Mr. Jaap van Luijk
Address: P.O. Box 38613 Parklands 00623
Telephone No.: +254 20 4451412
Fax: +254 20 4451421
Email Address: jaap.vanluijk@za.hsbc.com
Physical Address: Arlington Block, 4th Floor, Unit 6, Suite 4B, 14 Riverside Business Park, Off Riverside Drive, Nairobi.
Date Authorised: 7th April 2011

4. FirstRand Bank Limited

Representative Office
Chief Representative Officer: Mr. Lloyd Muposhi
Address: P.O. Box 35909, 00200 – Nairobi, Kenya
Telephone No.: +254 20 233 7927/ 2337931
Email: Lloyd.Muposhi@rmb.co.za
Fax No.: +254 20 2337931
Physical Address: Geminia Plaza, 3rd Floor, Upper Hill, Nairobi.
Date Authorised: 29th November 2011

F: DEPOSIT TAKING MICROFINANCE INSTITUTION

1. Faulu Kenya DTM Limited

Managing Director: Mr. John Mwara Kibochi
Postal Address: P.O. Box 60240 – 00200, Nairobi
Telephone: +254-20- 3877290 -3/7, 38721883/4, 0720716482
Fax: +254-20-3867504, 3874875
Email: info@faulukenya.com, customercare@faulukenya.com
Website: www.faulukenya .com
Physical Address: Faulu Kenya House, Ngong Lane -Off Ngong Road
Date Licenced: 21.05.2009
Branches: 27

2. Kenya Women Finance Trust DTM Limited

Managing Director: Mr. James Mwangi Githaiga
Postal Address: P.O. Box 4179-00506, Nairobi
Telephone: +254-20- 2470272-5, 2715334/59,2715473, 2715342, 0729920920, 0732633332
Email: info@kwftdtm.com
Website: www.kwftdtm.com
Physical Address: Woodlands Business Park, Kiambere Road, Upper Hill,
Date Licenced: 31.03.2010
Branches: 19

3. Rafiki Deposit Taking Microfinance (K) Limited

Chief Executive Officer: Mr. Daniel Mavindu
Postal Address: P.O. Box 12755-00400, Nairobi
Telephone:+254-020-2166401,0719804370,0734000200
Email: info@rafiki.co.ke
Website: www.rafiki.co.ke
Physical Address: El Roi Plaza, Tom Mboya Street
Date Licensed: 14-06-2011
Branches: 3

4. Remu DTM Limited

General Manager : Lydia Kibaara
Postal Address: P.O. Box 20833-00100 Nairobi
Telephone: 2214483/2215384/ 2215387/8/9, 0733-554555
Email: info@remultd.co.ke
Physical Address: Finance House, 14th Floor, Loita Street
Date Licensed: 31.12.2010
Branches: 3

5. SMEP Deposit Taking Microfinance Limited
Chief Executive Officer: Mrs. Phyllis Mbungu
Postal Address: P.O. Box 64063-00620 Nairobi
Telephone: 020-3572799 / 2055761, 2673327/8
Fax: 3870191
Email: info@smep.co.ke
Website: www.smep.co.ke
Physical Address: SMEP Building - Kirichwa Road, Off Argwings Kodhek Road
Date Licensed: 14th December 2010
Branches: 6

6. UWEZO Deposit Taking Microfinance Limited
Chief Executive Officer: Mr. Michael Gichohi
Postal Address: 1654-00100 Nairobi
Telephone: 2212917 / 9
Email: info@uwezodtm.com
Website: www.uwezodtm.com
Physical Address: Park Plaza Building, Ground Floor, Moktar Daddah Street
Date Licensed: 08.11.2010
Branches: 2

Appendix XVI

DIRECTORY OF FOREX BUREAUS

No.	Name of Bureau	Location	E-mail Address & Fax
1.	**ABC Place Forex Bureau Ltd** P. O. Box 63533-00619 Nairobi, Tel: 4450445/6/7; 4450005/6	ABC Place, Waiyaki Way, Nairobi	abcforex@yahoo.com Fax: 254-2-4446163
2.	**Alpha Forex Bureau Ltd** P. O. Box 476 – 00606, Nairobi Tel: 4451435/7	Pamstech House, Woodvale Grove, Westlands, Nairobi	Alpha-forex@yahoo.com Mital@dvlexx.com Fax: 254-2-4451436
3.	**Amal Express Forex Bureau Ltd** P. O. Box 3165-00100 Nairobi Tel: 6765141 Cell: 0722725667	Amal Plaza, 1st Avenue, Eastleigh, Nairobi	amalforexbureau@hotmail.com migoori786@yahoo.com Fax: 254-2-6761315
4.	**Amana Forex Bureau Ltd** P. O. Box 68578 –00622 Nairobi Tel: 6761296/ 2379824	Amana Shopping Complex, Captain Mungai Street, Eastleigh, Nairobi	Amanaexpress236@hotmail. com amanaforex@hotmail.com Fax: 254-2-6760137
5.	**Arcade Forex Bureau Ltd** P. O. Box 21646 – 00505 Nairobi Tel: 2347192 Cell: 0724 – 613891, 0723 - 922946	Adams Arcade, Ngong Road, Nairobi	arcadeforex@yahoo.com Fax: 254-2-571924
6.	**Aristocrats Forex Bureau Ltd** P. O. Box 10884 – 00400 Nairobi Tel: 245247/228080	Kenindia House, Loita Street, Nairobi	aristoforex@nbi.ispkenya.com aristocratsforex@gmail.com Fax: +254-2- 342453
7.	**Avenue Forex Bureau Ltd,** (formerly Qadisia Forex Bureau Ltd) P. O. Box 1755 – 80100 Mombasa Tel: 041-2319750	Motor Mart Building, Moi Avenue, Mombasa	avenueforex@gmail.com
8.	**Bakaal Express Forex Bureau Ltd** P. O. Box 71248 – 00622 Nairobi Tel: 020 – 2462345/2463456 Cell : 0726 - 455838	Amco Shopping Mall, Door S14, 1st Avenue, Eastleigh, Nairobi	bakaalnbi@hotmail.com

9.	**Bamburi Forex Bureau Ltd** P. O. Box 97803 – 80112 Mombasa Tel: 041-5486950, 0722-412649 Cell: 0733-466729	Nakumatt Nyali, Mombasa	bamburiforex@hotmail.com Bamburiforex@yahoo.com Fax: 254-41-5486948
10.	**Bay Forex Bureau Ltd** P.O. Box 46154 – 00100 Nairobi Tel: 2244186/ 2248289/2244188	The Stanley Bldg. Kenyatta Avenue, Nairobi	info@bayforexbureau.com bayforex@swiftkenya.com Fax: 254-2-229665/248676
11.	**Bogani Forex Bureau Limited** P. O. Box 15069 – 00509 Nairobi Cell: 0722-601424/ 0732-601424	Langata Link Building, Langata South, Nairobi	boganiforex@hotmail.com
12.	**Cannon Forex Bureau Limited** P. O. Box 4599 – 00100 (GPO) Nairobi Tel: 2214723 /2214724	Teleposta Towers, Ground Floor, Kenyatta Avenue Nairobi	cannonforex@gmail.com Fax: 254-2-2214722
13.	**Capital Bureau De Change Ltd** P. O. Box 54210 – 00200 Nairobi Tel: 2251704/8	Jubilee Insurance House, Nairobi	capital_bureau@yahoo.com Fax: 254-2-241307
14.	**Capital Hill Forex Bureau Ltd** P. O. Box 20373 – 00200 Nairobi Tel: 2733594/2733593 Cell: 0722- 410550	1st Floor, NHIF Building, Ngong Road, Nairobi	capitalhillforex@gmail.com Fax: 254-2-2733594
15.	**Cashline Forex Bureau Ltd** P. O. Box 14024– 00800 Nairobi Tel: 4452296/97/98	Sound Plaza, Westlands, Nairobi	cash@cashlinefx.co.ke Fax: 254-20-4452299
16.	**CBD Forex Bureau Limited** P. O. Box 10964 – 00400 Nairobi Tel: 316123	Clyde House, Kimathi Street, Nairobi	cbdforex@gmail.com Fax: 254-2-318895
17.	**Central Forex Bureau Ltd** P. O. Box 43966 – 00100 Nairobi Tel: 2226777/ 2224729/317217 Cell: 0720226777	I. P. S. Building, Ground Floor, Kaunda Street, Nairobi	centralforex@swiftkenya.com Fax: 254-2-249016
18.	**Chase Bureau De Change Ltd** P. O. Box 45746 – 00100 Nairobi Tel: 2227777/2244491	Gilfillan House, Kenyatta Ave./ Banda Street, Nairobi	chasefx@chasecyber.com chasefx@gmail.com Fax: 254-2-244651

19.	**City Centre Forex Bureau Ltd** P. O. Box 40253 – 00100 Nairobi Tel: 2246694 Cell: 0729-888555	Nginyo Towers, Ground Floor, Koinange Street, Nairobi	info@citycentreforex.co.ke Fax No: 254-02-246696
20.	**Classic Forex Bureau Limited** P.O. Box 76694 – 00508 Nairobi Tel: 3862343/4	Prestige Plaza, 1st Floor, Ngong Rd, Nairobi	info@classicforex.co.ke Fax No. 3862346
21.	**Commercial Forex Bureau Limited** P. O. Box 47452 – 00100 Nairobi Tel. 020-2210307/8	Vedic House, Mama Ngina Street, Nairobi	Commercialfx08@yahoo.com
22.	**Conference Forex Bureau Company Limited** P. O. Box 32268 – 00600 Nairobi Tel. 3581293, 020-3586802 / 2219617/219069/218880	KICC, Ground Floor, Nairobi	cfbltd@akarim.net Fax: 254-2-224126
23.	**Connection Forex Bureau Ltd** P. O. Box 63533 – 00619 Nairobi Tel: 883535/6/7 Cell: 0720-711111, 0735-711111	Karen Connection, Lower Plain's Road, Off-Karen Road, Nairobi	connectionforex@yahoo.com Fax:254-2-883558
24.	**Continental Forex Bureau Ltd** P. O. Box 49580 – 00400 Nairobi Tel: 2222140, 3168025/330883	Old Mutual Building , Kimathi Street , Nairobi	cfbbusiness@yahoo.com Fax: 254-2-216163
25.	**Cosmos Forex Bureau Ltd** P. O. Box 10284 – 00100 Nairobi Tel: 2250582/5	Rehema House, Nairobi	cosmosforex@yahoo.com Fax: 254-2-2250591
26.	**Crater Forex Bureau Ltd** P. O. Box 130 – 20100 Nakuru Tel: 051- 2214183, 2216524 Mobile: 0774-143583/0770-412965	Westside Mall, Kenyatta Avenue, Nakuru	craterforex@wananchi.com Fax: 254-51-2214183
27.	**Crossroads Forex Bureau Limited** P. O. Box 871 – 00502 Nairobi, 020884131/2 Cell: 0729-888444	Crossroads Shopping Centre, Karen, Nairobi	info@crossroadsforex.co.ke

28.	**Crown Bureau De Change Kenya Ltd** P. O. Box 22515– 00400 Nairobi Tel: 2250720/1/2	Corner House, Mama Ngina Street, Nairobi	info@crown.co.ke Fax: 254-2-252365
29.	**Dahab Shill Forex Bureau Ltd** P. O. Box 10422 – 00100 Nairobi Tel: 2218105, 252641	2nd Floor, Lonrho House, Standard Street, Nairobi	dahabtown@hotmail.com Fax: 254-2-252642/342947
30.	**Dalmar Exchange Bureau Ltd** P. O. Box 16381 – 00610 Nairobi Tel: 6761628/6760476	1st Floor, Olympic Shopping Centre 1st Ave., 7th Street, Eastleigh, Nairobi	dalmarforex@gmail.com Fax: 254-2-6760470
31.	**Dollar Forex Bureau Ltd** P. O. Box 1722 - 80200 Malindi Tel: 042-30602/71/31979	FN Centre, Malindi Municipality	Dollarforex@swiftmalindi.com Fax: 254-42-31976
32.	**DV Forex Bureau Limited** P. O. Box 615 – 00606 Nairobi Tel: 020 – 8024699 Cell: 0722 – 293610, 0722-877857	Piedmont Plaza, Ngong Road, Nairobi	dale@dvforex.com
33.	**Downtown Cambio Forex Bureau Ltd** P. O. Box 31346 – 00600 Nairobi Tel: 6007721/608659/609547/ 607721	Wilson Airport, Nairobi	forex@downtownforex.com Fax: 254-2-608354
34.	**Euro Dollar Bureau De Change Ltd** P. O. Box 13946 – 00800 Nairobi Tel: 4448501/2	Mpaka House, Westlands, Nairobi	info@eurodollar.co.ke Fax: 254-2-4447729
35.	**Fairdeal Forex Bureau Limited** P. O. Box 16915 – 00100 Nairobi Tel: 2211196/7/8, 2211192	Cameo Cinema Building, Ground Floor, Kenyatta Avenue, Nairobi	fairdealforex@swiftkenya.com Fax: 254-2-2211191
36.	**Finerate Forex Bureau Ltd** P. O. Box 10733 – 00100 Nairobi Tel: 2250406/7, 2250412 Cell: 0733 – 634733	Bruce House, Ground Floor, Nairobi	fineforex@yahoo.com Fax: 254-2-2250407

37.	**Forex Bureau Afro Ltd** P. O. Box 14353 – 00800 Nairobi Tel: 2247041/2250676/222950	Jamia Plaza, Kigali Street, Nairobi	forexafro@gmail.com Fax: 254-2-2251078
38.	**Fulus Bureau De Change Ltd** P. O. Box 90206 – 80100 Mombasa Tel: 041-2222273 Cell: 0723-918166	Faiz Ali Salim Building, Nkrumah Road, Mombasa	fulus_bureau@yahoo.com Fax: 254-41-2222283
39.	**Gala Forex Bureau Ltd** P. O. Box 35021 – 00100 Nairobi Tel: 020-310241 Cell: 0729-750000	20th Century 1st Floor Mama Ngina/Kaunda Street	galaforexbureau@gmail.com Fax: 254-20-310261
40.	**Gateway Forex Bureau Ltd** P. O. Box 11500 – 00100 Nairobi Tel: 2212955/45/49, 0700-003435 Cell: 0722-970897	Town House, Kaunda Street, Nairobi	info@gatewayforex.co.ke Fax: 254-20-2212942
41.	**Giant Forex Bureau de Change Ltd** P. O. Box 56947 – 00200 Nairobi Tel: 827970	JKIA, Unit 1-Departure, Nairobi	giantforex@mitsuminet.com Fax: 254-2-825327
42.	**Gigiri Forex Bureau Ltd** P.O. Box 4852 – 00506 Nairobi Tel: 7121515/7120498/ Mobile: 0737104492	Gigiri Shopping Centre, Nairobi	info@amex.co.ke gigiriforex@yahoo.com Fax: 254-2-244886
43.	**Give and Take Forex Bureau Ltd** P. O. Box 51463 – 00200 Nairobi Tel: 7120581/3562152	Gigiri, China Garden 1st Floor, Nairobi	givetakeforex@wananchi.com Fax: 254-2-7120046
44.	**Global Forex Bureau Ltd** (formerly Tawfiq Forex Bureau Ltd) P. O. Box 47583 – 00100 Nairobi Tel: 020-2321972	2nd Floor, Taisir Shopping Complex, 1st Ave. Eastleigh, Nairobi	globalfrx@gmail.com
45.	**Glory Forex Bureau Ltd** P. O. Box 42909 – 00100 Nairobi Tel: 2244333/2241164/2243115	Norwich Union House, Kimathi Street, Nairobi	gloryforex@yahoo.com Fax: 252-2-245614

46.	**GNK Forex Bureau Ltd** P. O. Box 14297 – 00100 Nairobi Tel: 020 – 2461598/890303/ 891243/891848/892048;	Jubilee Centre, Karen, Nairobi	gnkforex@swiftkenya.com Fax: 254-2-892266
47.	**Goldfield Forex Bureau Kenya Ltd.** P. O. Box 40317 – 00100 Nairobi Tel: 332565/2244554/ 310303/ 248713/4	Fedha Towers, Kaunda Street, Nairobi	goldfield@swiftkenya.com Fax: 254-2-2223761
48.	**Green Exchange Forex Bureau Ltd** P. O. Box 20809 – 00100 Nairobi Tel:020-2214547/8/9	Emperor Plaza, Ground Floor, Koinange Street, Nairobi	greenexchangeforexbureau@hotmail.com Fax: 254-2-2214550
49.	**Hodan Global Forex Bureau Ltd.** P. O. Box 68811 – 00622 Nairobi Tel: 6763035, 020 - 84862 Cell : 0722 – 839744/ 0723 - 931081	Hong Kong Shopping Mall, 2nd Fl, Kipanga Athumani St, Off 1st Avenue, Eastleigh, Nairobi	hodanglobal@hotmail.com hodanforex2008@hotmail.com Fax: 254-2-6763035
50.	**Hurlingham Forex Bureau Ltd** P. O. Box 11123 – 00400 Nairobi Tel. 2724409, 2727662/3, 0773014252, 0773203279	China Centre, Ngong Road, Nairobi	Hurlinghamforex@hotmail.com Fax: 254-2-2731981
51.	**Jodeci Bureau De Change Ltd** P. O. Box 21819 – 00400 Nairobi Tel: 827306/822845/822850/ 827553/822504 Cell: 0733570970	Unit 1, JKIA, Nairobi	Fax: 254-2-245741
52.	**Junction Forex Bureau Limited** P. O. Box 43888 – 00100 Nairobi Tel: 3861268/9,2011124 Cell: 0725-852840	The Junction of Ngong Road/ Dagoreti Corner, Nairobi	junctionforexbureaultd@yahoo.com junctionforexbureaultd@gmail.com
53.	**Industrial Area Forex Bureau Ltd** P. O. Box 45746 – 00100 Nairobi Tel: 551186/551198	Bunyala Road, Industrial Area, Nairobi	Fax: 254-2-551186
54.	**Island Forex Bureau Ltd** P. O. Box 84300 - 80100 Mombasa Tel: 041-2223988/ 2229626 Mobile: 0724- 755299	Abdulrasul Inst. Building, Makadara Road, Moi Avenue, Mombasa	islandforex@hotmail.com Fax: 254-41-2227057

55.	**Kaah Forex Bureau Ltd** P. O. Box 10327 – 00400 Nairobi Tel: 6767494/6760504	Eastleigh , 8th Street, Nairobi	mobash33@yahoo.com Fax: 254-2-6767543
56.	**Karen Bureau De Change Ltd** P. O. Box 24673 – 00502 Nairobi Tel: 884674; 884675	Karen Provision Stores, Corner Lang'ata/ Ngong Rd, Nairobi.	Fax: 254-2-884675
57.	**Kenza Exchange Bureau Ltd** P. O. Box 21819 – 00400 Nairobi Tel: 822504/827608 Mobile: 0710- 320345	JKIA, Arrival Unit 1, Nairobi	Fax: 254-2-827304
58.	**La'che Forex Bureau Ltd** P. O. Box 13464 – 00800 Nairobi Tel : 2221305/827608/3752109	Laico Regency Hotel, Loita Street, Nairobi	info@lache.co.ke forexlache@yahoo.com Fax: 254-2-2221306
59.	**Lavington Forex Bureau Limited** P. O. Box 25559 – 00603 Nairobi Tel: 0202017750, 0202518955/ 57 Cell: 0724 – 752228, 0736 -752228	Lavington Green Shopping Centre, Nairobi	Fax: 254 -2-4348563/ 254 – 2 – 4348832
60.	**Leo Forex Bureau Ltd** P. O. Box 3073– 80100 Mombasa Tel: 041-2230396/7/8; 2230399	T. S. S. Towers, Nkrumah Road, Mombasa	leoforex@swiftmombasa.com Fax: 254-41-230399
61.	**Link Forex Bureau Ltd** P. O. Box 11659 – 00400 Nairobi Tel: 2213619/21 Cell: 0724-256480	Uganda House, Kenyatta Avenue, Nairobi	Link-forex@yahoo.com linkforexbureau@yahoo.com Fax: 254-2-213620
62.	**Loki Forex Bureau Ltd.** P. O. Box 12523 – 00100 Nairobi Cell: 0723-886999, 020 – 554822, 2117780	T&L Centre, Industrial Area, Nairobi	nfbwesternunion@yahoo.com
63.	**Magnum Forex Bureau De Change Ltd** P. O. Box 46434 – 00100 Nairobi Tel: 652 532/Cell : 0732736575	Nakumatt Mega, Uhuru Highway, Nairobi	magnumkenya@gmail.com Fax: 254-2-652559
64.	**Maritime Forex Bureau Ltd** P. O. Box 43296 – 80100 Mombasa Tel: 041- 2319175/6/7 Cell: 0724 – 244644	Hassanali Building, Nkrumah Road, Mombasa	maritimeforex@africa1.co.ke Fax: 254-41-2319178

65.	**Maxfair Forex Bureau Ltd** P. O. Box 10334 – 00100 Nairobi Tel: 2226212/ 2228842	Ground Floor, Standard Building, Wabera Street, Nairobi	maxfair@swiftkenya.com maxfair008@hotmail.com Fax: 254-2-227299
66.	**Metropolitan Bureau De Change Ltd** P. O. Box 7080 – 00300 Nairobi Tel: 827963	Unit 2 Departure, JKIA, Nairobi	metropolitanforex@gmail.com Fax: 254-2-252116
67.	**Middletown Forex Bureau Ltd** P. O. Box 41830 – 00100 Nairobi Tel: 2211227/211798/2211798	Westminister House, Kaunda Street, Nairobi	mtforex@iconnect.co.ke mtforex@yahoo.com Fax: 254-2-332534
68.	**Mona Bureau De Change Ltd** P. O. Box 46180 – 00100 Nairobi Tel: 828111/2 Cell: 0733-744348/0711262136	Panari Sky Centre, Mombasa Road, Nairobi	monaforex@ymail.com monaraj@ymail.com Fax: 254-2-828113
69.	**Moneypoint Forex Bureau Ltd** P. O. Box 3338-00100 Nairobi Tel No. 020-2211346/7	ANSH Plaza, Kimathi street/ Tubman Road, Nairobi	moneypointforex@hotmail.com Fax : 254-2 - 2211342
70.	**Morgan Forex Bureau De Change Ltd** P. O. Box 79012 – 00400 Nairobi Tel No. 020-4444073	Kipro Centre, Westlands, Nairobi	morgankenya@gmail.com Fax: 254 -2-4444074
71.	**Mustaqbal Forex Bureau Ltd** P. O. Box 100745 – 00101 Nairobi Tel : 020 – 6766651/2497344	Mosque House 1st avenue , 6th street Eastleigh, Nairobi	mustaqbalforex@yahoo.com Fax: 254-2-6766650
72.	**Muthaiga Forex Bureau Ltd** P. O. Box 63533 – 00619 Nairobi Tel: 3748883/6512/ 3750331/ 386 Cell: 0722-362666, 0722-362999	Muthaiga Shopping Centre, Nairobi	muthaigaforex@hotmail.com Fax: 254-2-3746512, 3750331
73.	**Nairobi Bureau De Change Ltd** P. O. Box 644 – 00621, Village Mkt Nairobi Tel: 822158/Cell: 0717- 110231	Unit 2 JKIA, Nairobi	www.nairobibureau.com Fax: 254-2-822884

74.	**Nairobi Forex Bureau Ltd** P. O. Box 12523 – 00100 Nairobi Tel: 2244767/2223039/2250602	Gujarat House, Junction of Biashara and Muindi Mbingu Street, Nairobi	Nfbwesternunion@yahoo.com info@NairobiForex.com Fax: 254-2-244767
75.	**Namanga Forex Bureau Ltd** P. O. Box 12577 – 00100 Nairobi Tel: 02-213642/ 045-5132476 Cell :0735 791 714	Namanga	namangaforexbureau@yahoo.com
76.	**Nature Forex Bureau Ltd** P. O. Box 18213 – 00100 Nairobi Tel: 6761986/6768047/ 48/ 49 Cell: 0722-682218	Shariff Shopping Complex, Opposite Garissa Lodge, Eastleigh 1st Avenue, Nairobi	nnuradiin2001@hotmail.com natureforexbureaultd@gmail.com Fax: 254 -2 – 6768047
77.	**Nawal Forex Bureau Ltd** P. O. Box 43888 – 00100 Nairobi Tel: 2720111 Cell: 0720342578	Chaka Place, Chaka Road, Nairobi	nawalforexbureau@yahoo.com Fax: 254-2-272011
78.	**Nevada Forex Bureau Limited** P. O. Box 1544 – 00606 Nairobi Tel: 020 – 2113898 Cell: 0722-519399	Westlands Square, Nairobi	
79.	**Net Forex Bureau Ltd** P. O .Box 102348-00101 Nairobi Tel : 020-3599134/2212781 Cell: 0737 – 664688, 0717 – 157175, 0752- 299572	Ground Floor, Metro Building, Koinange Street	netforexbureau@yahoo.com Fax: 254-2-2212781
80.	**Offshore Forex Bureau Limited** P. O. Box 26650 – 00100 Nairobi Tel: 020 – 310837/8	Cianda House, Ground Floor, Koinange Street, Nairobi	offshoreforex@hotmail.com Fax: 254-02-310839
81.	**Pacific Forex Bureau Limited** P. O. Box 24273 – 00100 Nairobi Tel. 310880, 310882/3	Lonhro House, Standard Street, Nairobi	pacific@sahannet.com
82.	**Peaktop Exchange Bureau Ltd** P. O. Box 13074 – 00100 Nairobi Tel: 2244371/313438 Cell:0722 – 332518	20th Century, on Mama Ngina/ Kaunda Streets, Nairobi	peaktopbureau@gmail.com Fax: 254-2-210210

83.	**Pearl Forex Bureau Ltd** P. O. Box 58059 – 00200 Nairobi Tel: 2724769/ 2724778	Hurlingham Shopping Centre, Nairobi	pearlforex@rocketmail.com Fax: 254-2-2724770
84.	**Pel Forex Bureau Ltd** P. O. Box 957 – 40100 Kisumu Tel: 057-2024134/2044425 / 2020399	Allmamra Plaza Oginga Odinga Road, Kisumu	pel@swiftkisumu.com pel@vicweb.com Fax: 254-57-2022495
85.	**Penguin Forex Bureau Ltd** P. O. Box 3438 – 80100 Mombasa Tel: 041- 2228201/2228170	Kiganjo House, Nyerere Avenue, Mombasa	info@penguinforex.co.ke Fax: 254-41-2228194
86.	**Princess Forex Bureau Limited** P. O. Box 104140 - 00101 Nairobi Tel: 020-2217978	City House, Standard Street Nairobi	princessforexbureau@gmail.com
87.	**Pwani Forex Bureau Ltd** P. O. Box 41572 – 80100 Mombasa Tel: 041-2221727/2221734/ 2221845/ Cell: 0733-831218	Mombasa Block 404, XV11/M1 Abdel Nasseiz, Mombasa	forex@pwaniforex.com Fax: 254-41-2221734
88.	**Rainbow Forex Bureau Limited** P. O. Box 5781 – 80200 Malindi Tel: 042-2120173/4	Vera Cruz Shopping Complex, Lamu Road, Malindi	rainbowforex@gmail.com Fax: 254-42-2120303
89.	**Real Value Forex Bureau Limited** P. O. Box 2903 – 00100 Nairobi Tel: 236044/55/66/77	Shariff Complex, 5th Avenue, Eastleigh, Nairobi	Hudaifa-04@hotmail.com
90.	**Regional Forex Bureau Limited** P. O. Box 634 – 00100, Nairobi Tel. 313479/80,311953 Cell:0722 722 337	Kimathi House, Kimathi Street, Nairobi	regionalfx@gmail.com Fax No. 312296
91.	**Rift Valley Forex Bureau Ltd** P. O. Box 12165 - 20100 Nakuru Tel: 051-2212495/2210174	Merica Hotel Building, Court Road, Nakuru	riftvalleyforex@yahoo.com Fax: 254-51-2210174
92.	**Safari Forex Bureau Ltd** P. O. Box 219 - 30100 Eldoret Tel: 053-2063347	KVDA Plaza, Eldoret	safariforex@africaonline.co.ke safariforexbureau@yahoo.com Fax: 254-053-2063995

93.	**Satellite Forex Bureau Ltd** P. O. Box 43617– 00100 Nairobi Tel: 2218140/1 Cell: 0721-411300	City House, Standard Street, Nairobi	satelliteforex@swiftkenya.com satellitefb@hotmail.com Fax: 254-20-230630
94.	**Shepherds Forex Bureau Ltd** P. O. Box 63533 – 00619 Nairobi Tel: 3754926/7/3754935, Cell: 0720-715888, 0720-220222	Mobil Plaza, Muthaiga, Nairobi	Shepherdsforex@yahoo.com sfbfx@hotmail.com Fax: 254-2-3761073
95.	**Simba Forex Bureau Limited** P. O. Box 66886 – 00800 Nairobi Tel: 020– 445995/8008844 Cell: 0722 – 703121	Moi International Airport, Mombasa	Fax: 254-2- 8008844
96.	**Sky Forex Bureau Limited** P. O. Box 26150 – 00100 Nairobi Tel: 020-242062/3	20th Century, Mama Ngina/ Kaunda Street, Nairobi	skyforex@sahannet.com Fax No. 254-2-242064
97.	**Solid Exchange Bureau Ltd** P. O. Box 19257– 00501 Nairobi Tel: 822922/0722-853769	JKIA-Unit 2, Nairobi	solidexchangebureau@gmail. com Fax: 254-2-822923
98.	**Speedy Forex Bureau Ltd** P. O. Box 45688 – 00100 Nairobi Tel: 2225941/2225641/2226529	Jubilee Insurance Exchange, Kaunda Street, Nairobi	speedyexchange@yahoo.com Fax: 254-2-221761
99.	**Sterling Forex Bureau Ltd** P. O. Box 43673 – 00200 Nairobi Tel: 2228923/340624	Laxmi Plaza, Biashara Street, Nairobi	info@sterlingforexbureau.com Fax: 254-2-330894
100.	**Sunny Forex Bureau Limited** P. O. Box 34166 – 00100 Nairobi Tel: 2252013/252079	Uniafric House, Koinange Lane, Nairobi	sunnyfoexbureau@yahoo.com Fax: 254-2-252076
101.	**Sunshine Forex Bureau Ltd** P. O. Box 68991– 00622 Nairobi Tel: 6762261/63 Fax: 6762260	Eastleigh 1st Ave, Seven Street, Nairobi	sunshineforex@hotmail.com Fax: 254-2-6762260
102.	**Taipan Forex Bureau Ltd** P. O. Box 42909 – 00100 Nairobi Tel: 7122901/122473	Village Market Complex, Limuru Road, Nairobi	taipan@africaonline.co.ke taipanforex@yahoo.com Fax: 254-2-827377/229665

103. **Tawakal Forex Bureau Ltd** P. O. Box 71623 – 00622 Nairobi Tel: 6766171	Ubah Centre, Eastleigh, Nairobi	tfbureau@yahoo.com Fax: 254-2-6765756
104. **The Village Market Forex Bureau Ltd** P. O. Box 625 – 00621 Nairobi Tel: 7122901/7122473	Village Market Complex , Limuru Road, Nairobi	villagemarketforex@yahoo.com Fax: 254- 2-520946
105. **Trade Bureau De Change Ltd** P. O. Box 7080 – 00300 Nairobi Tel: 2241107/ 2241256/2252116	Cotts House, City Hall Way, Transnational Bank, Nairobi	trade@wananchi.com tradebdc@yahoo.com Fax: 254-2-317759
106. **Travellers Forex Bureau Ltd** P. O. Box 13580 – 00800 Nairobi Tel: 447204/5/6	The Mall Westlands, Nairobi	Fax: 254-2-443859
107. **Travel Point Forex Bureau Limited** P. O. Box 75901 – 00200 Nairobi Tel. 827872, 827877/827827	JKIA, International Arrivals Terminal, Nairobi	info@travelpoint.co.ke Fax: 254-2-827872
108. **UAE Exchange Forex Bureau (K) Ltd** P. O. Box 51695 – 00100 Nairobi Tel. 2220101	IPS Building, Kimathi Street	kimathistreet.branch@ke.uaeexchange.com Fax: 254-2-2220102
109. **Ukay Centre Forex Bureau Ltd** P. O. Box 66245 – 00800 Nairobi Tel. 3748606/7	Ukay Centre, Westlands, Nairobi	ukayforex@hotmail.com Fax No. 254 -2-3747336
110. **Union Forex Bureau Ltd** P.O. Box 430 – 00606 Nairobi Tel: 4441855/4448327/4447618	Sarit Centre Westlands, Nairobi	unionforex@hotmail.com Fax: 254-2-4441855
111. **Vantage Forex Bureau Ltd** P.O. Box 48129 – 00100 Nairobi Tel: 343933/4	Pan Africa House, 3rd Floor Kenyatta Avenue Nairobi	Fax: 254-2-343935
112. **Victoria Forex Bureau De Change Ltd** P. O. Box 705 – 40100 Kisumu Tel :057-2025626/2021134/2023809	Sansora Building, Central Square, Kisumu	victoriaforex@yahoo.com Fax: 254 – 057 – 2025636

113.	**Wall Street Bureau De Change Ltd** P. O. Box 6841- 30100 Eldoret Tel: 053-2062907	Barngetuny Plaza Uganda Road, Eldoret	wallstreet@jambo.co.ke Fax: 254- 53-2062907
114.	**Wanati Forex Bureau Limited** P. O. Box 88309 – 80100 Mombasa Tel: 040-3202662 Cell: 0726925090/0733702668	Diani, Mombasa	wanatiforex@yahoo.com Fax: 254-2-3202662
115.	**Warwick Forex Bureau Ltd** P. O. Box 49722 – 00100 Nairobi Tel: 7124072 Cell: 0721253664	The Warwick Centre, Gigiri, Nairobi	warwickforex@wananchi.com warwickforex@gmail.com Fax: 254-2-520997
116.	**Westlands Forex Bureau Ltd** P. O. Box 45746 – 00100 Nairobi Tel: 3748786/3748785	Westgate, Westlands, Nairobi	westforex@wananchi.com westforex@africaonline.co.ke Fax: 254-2-3748785
117.	**Yaya Centre Exchange Bureau Ltd** P. O. Box 76302 – 00508 Nairobi Tel: 02-3869097	Argwings Kodhek Road, Yaya Centre, Nairobi	Fax: 254-2-3870869
118.	**Zahur Forex Bureau Ltd** P. O. Box 75666 – 00100 Nairobi Tel: 0729-341000/ 0728-366100/0700-710123	Hong Kong Shopping Mall, 1st Avenue Eastleigh	zahurnairobi@hotmail.com

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